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Registered Number 147952

Sulzer Wood Limited

Financial statements

for the year ended 31 December 2007

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Sulzer Wood Limited

Financial statements
for the year ended 31 December 2007

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Sulzer Wood Limited

Directors and advisers for the year ended 31 December 2007

Directors
Mr A Hodgson
Mr J Little (resigned 16 May 2007)
Mr S Broadley
Mr R W Whiteley
Mr G Dickie (appointed 16 May 2007)

Company secretary
Ian Johnson

Registered office
John Wood House
Greenwell Road
East Tullos
Aberdeen
AB12 4AX

Independent auditors
PricewaterhouseCoopers LLP
Chartered Accountants & Registered Auditors
Benson House
33 Wellington Street
Leeds
LS1 4JP

Solicitors
Paul & Williamsons
Investment House
6 Union Row
Aberdeen

Bankers
Bank of Scotland
5 Albion Place
Aberdeen

Sulzer Wood Limited

Directors' report for the year ended 31 December 2007

The directors present their report and the audited financial statements of the company for the year ended 31 December 2007

Principal activities
The company's principal activity during the year was the provision of specialist services relating to the repair of pumps and oil related equipment

Review of business and future developments
The directors monitor business success with reference to a series of ratios which are considered to be the key performance indicators for the company Sulzer Wood Limited benefited from the excellent market situation, showing strong order intake, revenue and operating income Revenue amounted to £19,897,000 (2006 £19,012,000) A special feature of this reporting year was the unprecedented high volume of very large orders During the year clear constraints in the global supply chain became apparent, and in particular for motors, seals, and foundry products, additionally, the recruitment of qualified engineering and service personnel was increasingly difficult

The return on sales target of 13% (2006 8 1%) was surpassed Sulzer Wood Limited was able to leverage the above expectation market performance to generate a sizeable increase in profit, and report a much improved return on sales

The return on capital employed reached 74 6% (2006 53 3%), significantly exceeding the cost of capital and creating substantial financial added value Supported by high advanced payments on large contracts, the year showed a much improved cashflow

The business is managed largely using financial key performance indicators, although management do recognise the importance of non financial measures such as on time delivery, accident severity rate and accident frequency rate

Both the level of business and the year end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future

Results and dividends
The company's profit for the year is £2,127,000 (2006 £1,491,000) A dividend was paid in the year of £1,700,000 at 867 pence per share (2006 £1,000,000 810 pence per share) Total assets have increased to £8,601,000 (2006 £7,513,000)

Directors
The directors who served during the year and up to the date of signing the financial statements are disclosed on page 1

Directors' report for the year ended 31 December 2007 (continued)

Research and development
The company combines more than 100 years of experience in pump development and manufacturing with a deep commitment to fully understanding the needs of its customers and the technological advances in its field The company's detailed process and application knowledge has allowed the development of innovative pumping solutions including bespoke systems where required

Statement of directors' responsibilities in respect of the annual report and the financial statements
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 elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union The financial statements are required by law to 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 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 that the financial statements comply with IFRSs as adopted by the European Union, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985 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

The directors are responsible for the maintenance and integrity of the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Sulzer Wood Limited

Directors' report for the year ended 31 December 2007 (continued)

Statement of disclosure of information to auditors
In so far as the directors are aware:

- There is no relevant audit information of which the company's auditor is unaware, and
- The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

General meetings
The company has elected in pursuance of s252 of the Companies Act 1985, not to lay accounts before the members in general meeting Members, however, may by notice in writing to the company at its registered office require that the accounts are laid before the company in general meeting.

Independent auditors
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting

By order of the Board

I Johnson
Company secretary
27 June 2008

Sulzer Wood Limited

Independent auditors' report to the members of Sulzer Wood Limited

We have audited the financial statements of Sulzer Wood Limited for the year ended 31 December 2007 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, 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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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

Independent auditors' report to the members of Sulzer Wood Limited (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2007 and of its profit and cash flows for the year then ended,

- the financial statements have been properly prepared in accordance with the Companies Act 1985, and

- the information given in the Directors' Report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds
27 June 2008

Sulzer Wood Limited

Income statement for the year ended 31 December 2007

	Note	2007	2006
		£'000	£'000
Revenue	5	**19,897**	19,012
Cost of sales		**(15,197)**	(15,155)
Gross profit		**4,700**	3,857
Administrative expenses		**(1,675)**	(1,711)
Operating profit	6	**3,025**	2,146
Finance costs	8		(3)
Finance income	9	**45**	30
Profit before taxation		**3,070**	2,173
Taxation	10	**(943)**	(682)
Profit for the year attributable to equity holders		**2,127**	1,491

Sulzer Wood Limited

Statement of changes in equity for the year ended 31 December 2007

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2006	198	3,338	3,536
Profit for the year		1,491	1,491
Equity dividends (note 11)		(1,000)	(1,000)
Balance at 31 December 2006	198	3,829	4,027
Balance at 1 January 2007	**198**	**3,829**	**4,027**
Profit for the year		**2,127**	**2,127**
Equity dividends (note 11)		**(1,700)**	**(1,700)**
Balance at 31 December 2007	**198**	**4,256**	**4,454**

Sulzer Wood Limited

Balance sheet as at 31 December 2007

	Note	2007 £'000	2006 £'000
Assets			
Non current assets			
Plant and equipment	12	**338**	280
Deferred tax assets	13	**4**	12
		342	292
Current assets			
Inventories	14	**3,764**	2,163
Trade and other receivables	16	**3,643**	3,560
Cash and cash equivalents	18	**852**	1,498
		8,259	7,221
Total assets		**8,601**	7,513
Capital and reserves			
Share capital	19	**198**	198
Retained earnings		**4,256**	3,829
Total equity		**4,454**	4,027
Current liabilities			
Provisions	20	**163**	242
Corporation tax payable		**611**	318
Trade and other payables	21	**3,373**	2,926
Total liabilities		**4,147**	3,486
Total equity and liabilities		**8,601**	7,513

The financial statements on pages 7 to 32 were approved by the board of directors on 27 June 2008 and were signed on its behalf by

R Whiteley

Mr R W Whiteley
Director

Sulzer Wood Limited

Cash flow statement for the year ended 31 December 2007

	2007 £'000	2006 £'000
Cash flow from operating activities		
Profit for the year	**2,127**	1,491
Profit from operations		
Interest income	**(45)**	(30)
Income tax expense	**943**	682
Adjustments to reconcile profit from operations	**3,025**	2,143
Non cash adjustments		
Depreciation	**74**	65
Loss on disposal of property plant and equipment	**2**	2
Non cash adjustments	**76**	67
Cash flows before changes in working capital	**3,101**	2,210
(Decrease)/increase in working capital		
(Increase)/decrease in inventories	**(1,601)**	119
Increase in trade and other receivables	**(83)**	(1,238)
Increase in trade and other payables	**447**	343
(Decrease)/increase in provisions	**(79)**	130
Decrease in working capital	**(1,316)**	(646)
Cash flows from operating activities	**1,785**	1,564
Cash flows used in other operating activities		
Payments of dividends	**(1,700)**	(1,000)
Income taxes paid	**(642)**	(708)
Cash flows used in other operating activities	**(2,342)**	(1,708)
Net cash used in operating activities	**(557)**	(144)
Cash flows from investing activities		
Payments to acquire plant and equipment	**(134)**	(151)
Interest received	**45**	30
Net cash used in investing activities	**(89)**	(121)
Net decrease in cash and cash equivalents	**(646)**	(265)
Cash and cash equivalents as at 1 January 2007	**1,498**	1,763
Cash and cash equivalents as at 31 December 2007	**852**	1,498

Notes to the financial statements for the year ended 31 December 2007

1 Authorisation of financıal statements and statement of compliance wıth IFRSs

The company's financıal statements for the year were authorısed for ıssue on 27 June 2008 and the balance sheet sıgned on the board's behalf by Mr R Whıtely Sulzer Wood Lımıted ıs a lımıted company ıncorporated and domıcıled ın England & Wales

The company's financıal statements have been prepared ın accordance wıth Internatıonal Fınancıal Reportıng Standards (IFRSs) as adopted by the European Unıon IFRIC, ınterpretatıons and the Companıes Act 1985 applıcable to companıes reportıng under IFRS The prıncıpal accountıng polıcıes adopted by the company are set out ın note 2 These polıcıes have been consıstently applıed, unless otherwıse stated

Future standards, ınterpretatıons to exıstıng standards that are not yet effectıve and have not been early adopted by the group

(a) Standards and amendments to publıshed standards effectıve ın the year to 31 December 2007

IFRS 7, 'Fınancıal ınstruments Dısclosures', and the complementary amendment to IAS 1, 'Presentatıon of financıal statements – Capıtal dısclosures', ıntroduces new dısclosures relatıng to financıal ınstruments and does not have any ımpact on the classıficatıon and valuatıon of the company's financıal ınstruments, or the dısclosures relatıng to taxatıon and trade and other payables

(b) Standards early adopted by the company

The company has not adopted any standards early

(c) Standards, amendments and ınterpretatıons effectıve ın the year to 31 December 2007 but not relevant

The followıng standards, amendments and ınterpretatıons to publıshed standards are mandatory for accountıng perıods begınnıng on or after 1 January 2007 but they are not relevant to the company's operatıons

- Revısed guıdance on ımplementıng IFRS 4, 'Insurance contracts',
- IFRIC 7, 'Applyıng the restatement approach under IAS 29, Fınancıal reportıng ın hyper ınflatıonary economıes', and
- IFRIC 8, 'Scope of IFRS 2
- IFRIC 9, 'Re assessment of embedded derıvatıves'
- IFRIC 10, 'Interım financıal reportıng and ımpaırment'

Notes to the financial statements for the year ended 31 December 2007 (continued)

1 Authorisation of financial statements and statement of compliance with IFRSs (continued)

(d) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company

The following interpretations to existing standards have been published that are mandatory for later periods but which the company has not early adopted

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009) The amendment to the standard is still subject to endorsement by the European Union It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset The option of immediately expensing those borrowing costs will be removed The company will apply IAS 23 (Amended) from 1 January 2009, subject to endorsement by the EU but is currently not applicable to the company as there are no qualifying assets

- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008) IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement The company will apply IFRIC 14 from 1 January 2008, but it is not expected to have any impact on the company's accounts

(e) Standards, amendments and interpretations to existing standards that are not yet effective and not relevant for the company's operations

The following standards and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the group's operations

- IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008)

- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008)

- IFRS 8 'Operating segments' (effective from 1 January 2009)

The company's financial statements have been prepared on the historical cost basis All disclosures in these financial statements are made in pounds sterling and are reported to the nearest thousand

Sulzer Wood Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

2 Accounting policies

Revenue recognition
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 All such revenue is reported net of discounts and value added and other sales taxes

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

The stage completion of the contract activity at the balance sheet date is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the state of completion

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer

Interest expense recognition
Expense is recognised as interest accrues, using the effective interest method, to the net carrying amount of the financial liability

Effective interest method
The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to that asset's or liability's net carrying amount

Foreign currencies
Currency receipts and payments on account of uncompleted contracts are translated at the rates ruling on the dates of the transactions Other monetary assets and liabilities in foreign currency are translated at the rates ruling at the year end Gains or losses resulting from realignment of currencies or from conversion of foreign exchange have been treated as normal items of the year's operations

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency') The financial statements are presented in £ sterling which is the company's functional and presentation currency

Notes to the financial statements for the year ended 31 December 2007 (continued)

2 Accounting policies (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred income tax

The tax currently payable is based on taxable profit for the year Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date

Plant and equipment

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

Depreciation is calculated using the straight line method to allocate cost to their residual values over the estimated useful lives as follows

Plant and equipment	4 – 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (loses)/gains – net, in the income statement When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings

Retirement benefits

The company is a member of a group which operates a defined benefit, The Sulzer Pension Scheme, and also operates a number defined contribution schemes

The company's share of the underlying assets and liabilities cannot be identified and the company has therefore accounted for the scheme as a defined contribution scheme The pension costs are assessed in accordance with the advice of qualified actuaries The disclosure requirements under IAS 19 'Retirement benefits' have been adopted and disclosed in the group financial statements prepared by Sulzer (UK) Holdings Limited

The costs of defined contribution pensions are charged against profits and represent the amount of the contributions payable to the scheme providers in the accounting period

Sulzer Wood Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

2 Accounting policies (continued)

Inventories
Inventories are valued at the lower of cost and net realisable value

Costs incurred in bringing each product to its present location and condition are determined on a first in first out basis and comprise purchase cost, cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale

Trade and other receivables
Trade receivables are recognised initially at fair value less provision for impairment A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired The amount of the provision is the difference between the asset's carrying amount and the estimated amount recoverable original effective interest rate The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'administrative expenses' When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables Subsequent recoveries of amounts previously written off are credited against 'administrative expenses' in the income statement

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand and short term deposits Short term deposits are defined as deposits with an initial maturity of three months or less

Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purposes of the cash flow statement

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

Deferred tax
Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and the carrying amounts in the financial statements

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that the temporary difference will not reverse in the foreseeable future

Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity

Deferred tax is determined using the tax rates that are expected to apply in the period when the asset is realised or the liability is settled

Notes to the financial statements for the year ended 31 December 2007 (continued)

2 Accounting policies (continued)

Deferred tax (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

Deferred tax assets and liabilities are offset when they related to income tax levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis

Provisions

Provisions are recognised when the company has a present obligation that arises as a consequence of a past event, it is probable that an outflow of resources will be required to settle that obligation and the obligation can be reliably estimated The provisions are measured as the estimated expenditure that will be required to settle such obligations as at the balance sheet date Discounting to present value is employed in the estimation process when the effect of the time value of money is material

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method

Operating lease commitments

Operating leases payments are recognised as an expense in the income statement on a straight line basis over the lease term

Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the company's shareholders

3 Financial Risk Management

3.1 Financial risk factors

The company's activities expose it to a variety of financial risks credit risk and liquidity risk The company is not exposed to market risk The Sulzer Corporation has a group wide risk management policy The overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance Risk management is carried out by Corporate Treasury They identify, evaluate and hedge financial risks in close co operation with the company Principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non derivative financial instruments, and investment of excess liquidity exist in written documents

Sulzer Wood Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

3 Financial Risk Management (continued)

a) Credit risk

Credit risk is managed on a corporate wide basis Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit risk exposures to customers, including outstanding receivables and committed transactions For banks and financial institutions, generally only parties with a minimum rating of "A" are accepted For customers with a large order volume an individual risk assessment to the credit quality of the customer is performed considering independent financial ratings, financial position, past experience and other factors The maximum credit risk is restricted to the reported amount of financial claims For more details on the credit risk of trade receivables refer to note 16

b) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions Management monitors forecast figures of the company's liquidity reserve on the basis of expected cash flow Cash inflow from operating activities was £1,721,000 (2006 £1,564,000)

The table below analyses the company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual date The amounts disclosed in the table below are the contractual undiscounted cash flows calculated with the year end closing rates Borrowings include the notional amount as well as interest payments

			2007		
£'000s Amounts falling due	**< 1 yr**	**< 1 2 yrs**	**< 2 5 yrs**	**> 5 yrs**	**Total**
Trade accounts payable	**2,521**				**2,521**
Other liabilities	**430**				**430**
Operating leases	**262**	**260**	**720**		**1,242**
	3,213	**260**	**720**		**4,193**

			2006		
£'000s Amounts falling due	< 1 yr	< 1 2 yrs	< 2 5 yrs	> 5 yrs	Total
Trade accounts payable	1,721				1,721
Other liabilities	511				511
Operating leases	314	273	751	230	1,568
	2,546	273	751	230	3,800

Notes to the financial statements for the year ended 31 December 2007 (continued)

3 Financial Risk Management (continued)

3.2 Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for their stakeholders and to maintain an optimal capital structure to reduce the cost of capital The company does not have significant externally imposed capital requirements In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt Consistent with others in the same industry the company monitors capital on the basis of the gearing ratio This ration is calculated as total financial debt divided by total equity (debt to equity ratio) The equity capital as shown in the balance sheet corresponds to the managed equity capital

The gearing ratios at 31 December 2007 and 2006 were as follows

	2007	2006
	£'000	£'000
Total financial debt	**0**	0
Total equity	**8,601**	7,531
Gearing ratio	**0%**	0%

The company continues to trade without borrowings

3.3 Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short term nature of trade receivables The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments

Sulzer Wood Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

4 Critical accounting estimates and judgements

All estimates and assessments are continually reviewed and are based on historical experiences and other factors, including expectations regarding future events that appear reasonable under the given circumstances The company makes estimates and assumptions that relate to the future By their nature, these estimates will only rarely correspond to actual subsequent events The estimates and assumptions that carry a significant risk, in the form of a substantial adjustment to the present value of assets and liabilities within the next financial year, are set out below

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

Sulzer Wood Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

5 Revenue

	2007 £'000	2006 £'000
Rendering of services	**19,897**	19,012

6 Operating profit

	2007 £'000	2006 £'000
Operating profit is stated after charging		
Cost of inventories recognised as an expense	**13,837**	12,538
Loss on disposal of plant and equipment		2
Depreciation of plant and equipment	**74**	65
Auditors' remuneration – audit services	**12**	7
Operating lease payments	**311**	324
Included in cost of sales.		
Raw materials and consumables used	**13,836**	12,418
Changes in inventories	**(1,601)**	120
Employee benefits expense (note 7)	**2,931**	2,514
	15,166	15,052
Included in administrative expenses		
Employee benefits expense (note 7)	**851**	830
Depreciation	**74**	65
	925	895

Notes to the financial statements for the year ended 31 December 2007 (continued)

7 Employee expenses

	2007 £'000	2006 £'000
Wages and salaries	**3,391**	2,938
Post employment expense for defined contribution plans	**100**	92
Post employment expense for defined benefit plans	**26**	23
Social security costs	**332**	291
Staff costs	**3,849**	3,344

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

	2007 Number	2006 Number
Administration	**33**	29
Manufacturing	**56**	54
	89	83

There were no emoluments paid to any of the directors in either year

8 Finance costs

	2007 £'000	2006 £'000
Bank charges		3

9 Finance income

	2007 £'000	2006 £'000
Bank interest	**45**	30

Notes to the financial statements for the year ended 31 December 2007 (continued)

10 Taxation

Components of income tax expense	2007 £'000	2006 £'000
Current income tax expense		
Current income tax charge	938	689
Adjustments to current tax of the prior year	(3)	
Total current tax	935	689
Deferred income tax expense		
Origination and reversal of temporary differences	5	(7)
Adjustments to the deferred tax of the prior year	3	
Total deferred tax	8	(7)
Income tax expense	943	682

Reconciliation of income tax charge to accounting profit

	2007 %	2007 £'000	2006 %	2006 £'000
Tax at the domestic income tax rate of	30.00	921	30 00	652
Tax effect of capital allowances			0 13	3
Tax effect of non deductible expenses	0.70	22	1 23	27
Tax expense using effective rate	30.70	943	31 36	682

Notes to the financial statements for the year ended 31 December 2007 (continued)

11 Dividends

	2007 £'000	2006 £'000
Declared and paid during the year		
Dividends on ordinary shares:		
Ordinary "A" Shares – 867 pence (2006 510 pence)	**850**	500
Ordinary "B" Shares – 867 pence (2006 510 pence)	**850**	500
	1,700	1,000

12 Plant and equipment

At 31 December 2007	Plant and equipment £'000	Total £'000
Cost		
At 1 January 2007	1,577	1,577
Additions	134	134
Disposals	(2)	(2)
At 31 December 2007	**1,709**	**1,709**
Accumulated depreciation		
At 1 January 2007	(1,297)	(1,297)
Disposals		
Charge for the year	(74)	(74)
At 31 December 2007	**(1,371)**	**(1,371)**
Net book amount		
At 31 December 2007	**338**	**338**
At 31 December 2006	280	280

Sulzer Wood Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

12 Plant and equipment (continued)

At the balance sheet date, the company was not committed to any capital expenditure

At 31 December 2006	**Plant and equipment**	**Total**
	£'000	**£'000**
Cost		
At 1 January 2006	1,433	1,433
Additions	151	151
Disposals	(7)	(7)
At 31 December 2006	1,577	1,577
Accumulated depreciation		
At 1 January 2006	(1,237)	(1,237)
Disposals	5	5
Charge for the year	(65)	(65)
At 31 December 2006	(1,297)	(1,297)
Net book amount		
At 1 January 2006	196	196
At 31 December 2006	280	280

Notes to the financial statements for the year ended 31 December 2007 (continued)

13 Deferred tax assets

	2007 £'000	2006 £'000
At 1 January 2007	**12**	5
Credited/(charged) to the profit and loss account		
current year	**(5)**	7
prior year	**(3)**	
At 31 December 2007	**4**	12

	2007 £'000	2006 £'000
Deferred taxation provided in the accounts comprises		
Depreciation in excess of capital allowances	**1**	10
Other timing differences	**3**	2
	4	12
To be recovered after more than 12 months	**4**	12

There are no deferred tax assets or liabilities not recognised in the financial statements

Deferred tax assets are recognised to the extent that the related tax benefit through future taxable profits is probable based on projections and budgets

14 Inventories

	2007 £'000	2006 £'000
Raw materials	**119**	105
Work in progress	**2,803**	1,131
Finished goods	**842**	927
	3,764	2,163

Notes to the financial statements for the year ended 31 December 2007 (continued)

15 Financial instruments

(a) By category

The accountıng polıcıes for financıal ınstruments have been applıed to the lıne ıtems below

31 December 2007

	Loans and receıvables £'000	Total £'000
Financıal assets		
Trade and other receıvables	**2,936**	**2,936**
Cash and cash equıvalents	**852**	**852**
	3,788	**3,788**
Financial liabılıtıes		
Trade payables	**2,521**	**2,521**

31 December 2006

	Loans and receıvables £'000	Total £'000
Fınancial assets		
Trade and other receıvables	2,876	2,876
Cash and cash equıvalents	1,498	1,498
	4,374	4,374
Financıal lıabilities		
Trade payables	1,721	1,721

Notes to the financial statements for the year ended 31 December 2007 (continued)

15 Financial instruments (continued)

(b) Credit quality of financial instruments

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates Receivables from trade customers are of excellent quality and represent amounts due from long existing customers with no defaults in the past

Cash and cash equivalents are deposits with major UK clearing banks and are considered of excellent credit quality

16 Trade and other receivables

	2007	2006
	£'000	£'000
Receivable from trade customers	**2,936**	2,863
Receivable from related parties (see note 17)	**345**	139
VAT recoverable	**82**	
Prepayments	**280**	545
Other receivables		13
	3,643	3,560

There were no impaired trade receivables at 31 December 2007 and therefore there is no provision or impairment

Trade receivables that are less than six months past due are not considered impaired As at 31 December 2007, trade receivables of £540,000 (2006 £490,000) were past due but not impaired These relate to a number of blue chip customers for whom there is no recent history of default The ageing analysis of these trade receivables is as follows

	2007	2006
	£'000	£'000
Up to 1 month	**118**	294
1 to 3 months	**134**	139
3 to 6 months	**288**	57
	540	490

The other classes of trade and other receivables do not contain impaired assets

The carrying amounts of the company's receivables are denominated in pounds sterling

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above The company does not hold any collateral as security

Notes to the financial statements for the year ended 31 December 2007 (continued)

16 Trade and other receivables (continued)

There is no difference between the fair values of trade and other receivables and their carrying values as stated above due to their relatively short maturity date

All amounts receivable from related parties are unsecured, interest free, and have no fixed date of repayment

17 Related party transactions

Ultimate controlling party
The company's immediate parent is Sulzer Pumps (UK) Limited

The ultimate parent and controlling company is Sulzer AG, a company incorporated in Switzerland Sulzer AG prepares group accounts, which include the results of the UK group Copies of the group's accounts are available from Sulzer AG, CH 8401 Winterthur, Switzerland, or can be downloaded from the website at www sulzer com Sulzer AG is the only company to consolidate the results of this business

Entities with joint control or significant influence over the entity
The company is jointly owned by Sulzer Pumps (UK) Limited (51%), and John Wood Group Plc (49%), and as such the John Wood Group Plc has significant influence over the management of the company

Trading activities

Sales of goods
All sales to related parties were made under commercial terms

	2007	2006
	£'000	£'000
Group undertakings	**56**	18
Associated companies	**289**	121
	345	139

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

	2007	2006
	£'000	£'000
Group undertakings	**157**	36
Associated companies	**1**	1
	158	37

Notes to the financial statements for the year ended 31 December 2007 (continued)

17 Related party transactions (continued)

Dividends paid

	2007 £'000	2006 £'000
Parent company	**859**	505
Associated companies	**841**	495
	1,700	1,000

Receivable from related parties	2007 £'000	2006 £'000
Group undertakings	**56**	18
Associated companies	**289**	121
	345	139

Payable to related parties
Amounts payable to related parties are unsecured, interest free and have no fixed date of repayment

	2007 £'000	2006 £'000
Parent and subsidiaries undertakings	**157**	30
Associated companies	**9**	1
	166	31

Key management compensation
The company considers its key management to comprise only the directors The compensation paid in respect of the directors in the year was £nil (2006 £nil)

Notes to the financial statements for the year ended 31 December 2007 (continued)

18 Cash and cash equivalents

	2007	2006
	£'000	£'000
Cash at bank	**852**	1,498

For the purposes of the cash flow statement, cash and cash equivalents comprise the following at 31 December 2007

	2007	2006
	£'000	£'000
Cash at bank	**852**	1,498

19 Share capital

	2007	2006
	£'000	£'000
Authorised		
100,000 ordinary "A" shares £1 each	**100**	100
100,000 ordinary "B" shares £1 each	**100**	100
	200	200
Called up and fully paid		
100,000 ordinary "A" shares £1 each	**100**	100
98,000 ordinary "B" shares £1 each	**98**	98
	198	198

Notes to the financial statements for the year ended 31 December 2007 (continued)

20 Provisions for liabilities and charges

	2007 £'000	2006 £'000
At 1 January 2007	**242**	112
Additional provisions		130
Amount utilised during the year	**(79)**	
At 31 December 2007	**163**	242
Current	**163**	242

Warranty provision
Provisions for warranties include customer claims, penalties and legal clauses relating to delivered goods The cash outflows whilst inherently uncertain are expected to occur within the next year

21 Trade and other payables

	2007 £'000	2006 £'000
Payable to trade suppliers	**2,521**	1,721
Accrued liabilities	**256**	663
Other taxation and social security	**430**	511
Payable to related parties (see note 17)	**166**	31
	3,373	2,926

There is no difference between the fair value of trade and other payables and their carrying values as stated above due to their relatively short maturity date

Notes to the financial statements for the year ended 31 December 2007 (continued)

22 Operating lease commitments

The company leases office, warehouse and stores under non-cancellable operatıng lease agreements The lease terms are between 5 and 10 years, and the lease agreements are renewable at the end of the lease penod at market rate The company also operates plant and machınery and office equıpment under cancellable lease agreements

At 31 December 2007 the company was commıtted to makıng the followıng future aggregate mınımum lease payments ın respect of non cancellable operatıng leases

	Land and Buıldıngs		Other	
	2007	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
Wıthın one year	**230**	234	**32**	80
Wıthın two to five years	**920**	920	**60**	104
After five years		230		
	1,150	1,384	**92**	184