



**SULZER WOOD LIMITED**

**Report and Financial Statements**

**31 December 1998**

**Deloitte & Touche  
Chartered Accountants  
66 Queen's Road  
Aberdeen  
AB15 4YE**



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**REPORT AND FINANCIAL STATEMENTS 1998**

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**REPORT AND FINANCIAL STATEMENTS 1998**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

M E Thomas  
R A Jukes  
W Edgar  
G W Smith

**SECRETARY**

G Good

**REGISTERED OFFICE**

John Wood House  
Greenwell Road  
East Tullos  
Aberdeen

**SOLICITORS**

Paull & Williamsons  
Investment House  
6 Union Row  
Aberdeen

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
66 Queen's Road  
Aberdeen

**DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 1998.

**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 £9,962,936 (1997: £7,308,553) and a profit before taxation of £1,090,104 (1997: £978,706). The directors remain optimistic about long term growth prospects.

**DIVIDENDS AND TRANSFER TO RESERVES**

The profit for the year after taxation amounted to £748,010 (1997: £662,803). The directors do not recommend the payment of a dividend and the profit for the year retained of £748,010 (1997: £662,803) has been transferred to reserves.

**YEAR 2000**

The company has carried out a review of its internal systems, products, and major supplier to assess their ability to operate year 2000 dates. This has been completed, and the directors believe no significant problems will be encountered. The cost of this exercise has not been quantified, and are not considered 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 G W Smith who was appointed 7 July 1998.


No director had an interest in the ordinary shares of the company at 1 January 1998 and 31 December 1998.


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 prepared at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf 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;
- state whether applicable accounting standards have been followed;
- 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 14 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. 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 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 1998 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


**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 1998**

	Note	1998 £	1997 £
<b>TURNOVER: continuing operations</b>	2	9,962,936	7,308,553
Cost of sales		<u>(7,423,632)</u>	<u>(5,036,510)</u>
Gross profit		2,539,304	2,272,043
Administrative expenses		<u>(1,485,817)</u>	<u>(1,305,588)</u>
<b>OPERATING PROFIT - continuing operations</b>		1,053,487	966,455
Other interest receivable and similar income		<u>36,617</u>	<u>12,251</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	4	1,090,104	978,706
Tax on profit on ordinary activities	5	<u>(342,094)</u>	<u>(315,903)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND FOR THE FINANCIAL YEAR</b>	12	<u>748,010</u>	<u>662,803</u>

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


**BALANCE SHEET**  
**31 December 1998**

	Note	1998 £	1997 £
<b>FIXED ASSETS</b>			
Tangible assets	6	435,084	466,621
<b>CURRENT ASSETS</b>			
Stocks	7	2,865,635	2,174,110
Debtors	8	2,301,746	1,531,795
Cash at bank and in hand		373,869	117,107
		<u>5,541,250</u>	<u>3,823,012</u>
<b>CREDITORS: amounts falling due within one year</b>			
Trade creditors		1,191,779	1,156,559
Accruals and deferred income		240,509	117,995
Amount owed to parent company		767,148	151,810
Amount owed to fellow subsidiaries		207,952	191,099
Amounts owed to fellow associates		17,958	27,339
Other creditors including taxation and social security	9	627,640	461,878
		<u>3,052,986</u>	<u>2,106,680</u>
<b>NET CURRENT ASSETS</b>		<u>2,488,264</u>	<u>1,716,332</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,923,348</u>	<u>2,182,953</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	10	(31,635)	(39,250)
		<u>2,891,713</u>	<u>2,143,703</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	198,000	198,000
Profit and loss account	12	2,693,713	1,945,703
Total equity shareholders' funds		<u>2,891,713</u>	<u>2,143,703</u>

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 1998**

	Note	£	1998 £	£	1997 £
Net cash inflow from operating activities	1		604,663		262,695
Returns on investments and servicing of finance					
Interest received		36,617		12,251	
Net cash outflow from returns on investments and servicing of finance			36,617		12,251
Taxation					
UK corporation tax paid			(309,383)		(267,102)
Investing activities					
Purchase of tangible fixed assets		(82,485)		(139,220)	
Proceeds from sales of fixed assets		7,350		-	
Net cash outflow from investing activities			(75,135)		(139,220)
Cash inflow/(outflow) before use of liquid resources and financing and increase/(decrease) in cash in the year	2		256,762		(131,376)


**NOTES TO THE CASH FLOW STATEMENT**  
**Year ended 31 December 1998**
**1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	1998	1997
	£	£
Operating profit	1,053,487	966,455
Depreciation	110,272	105,834
Gain on sale of fixed assets	(3,600)	-
Increase in stock	(691,525)	(1,046,778)
(Increase)/decrease in debtors	(769,951)	82,408
Increase in creditors	905,980	154,776
	<u>604,663</u>	<u>262,695</u>
Net cash inflow from operating activities	<u>604,663</u>	<u>262,695</u>

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

	1998	1997
	£	£
Increase/(decrease) in cash	256,762	(131,376)
Net funds at 1 January	117,107	248,483
	<u>373,869</u>	<u>117,107</u>
Net funds at 31 December	<u>373,869</u>	<u>117,107</u>

**3. ANALYSIS OF NET FUNDS**

	At 1 January 1998	Cash Flow	At 31 December 1998
	£	£	£
Cash on hand and at bank	<u>117,107</u>	<u>256,762</u>	<u>373,869</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1998****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:

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 and profits are derived from one class of business in the UK.


**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1998**
**3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

No remuneration was paid to the directors (1997: £Nil).

	1998 £	1997 £
Employee costs during the period:		
Wages and salaries	1,937,738	1,566,755
Social security costs	170,153	140,442
Other pension costs	73,651	65,914
	<u>2,181,542</u>	<u>1,773,111</u>
	No	No
Average number of persons employed:		
Production	62	48
Sales	4	2
Administration	12	8
	<u>78</u>	<u>58</u>

**4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	1998 £	1997 £
Profit on ordinary activities before taxation is after charging:		
Rentals under operating leases:		
Hire of plant and machinery	73,863	53,885
Other operating leases	189,230	176,938
Depreciation and other amounts written off fixed assets:		
Own assets	110,272	105,834
Auditors' remuneration	4,850	3,750
	<u>378,215</u>	<u>340,407</u>

**5. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	1998 £	1997 £
United Kingdom corporation tax at 31% (1997: 33%)	347,319	309,383
Deferred tax (note 11)	(3,188)	6,636
	<u>344,131</u>	<u>316,019</u>
Prior year under / (over) provision		
Corporation tax	2,390	6,578
Deferred tax (note 11)	(4,427)	(6,694)
	<u>342,094</u>	<u>315,903</u>


**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1998**
**6. TANGIBLE FIXED ASSETS**

	Leasehold Land and Buildings	Plant and Equipment	Motor Vehicles	Total
Cost	£	£	£	£
At 1 January 1998	30,174	1,103,292	58,345	1,191,811
Additions	-	82,485	-	82,485
Disposals	-	-	(23,460)	(23,460)
At 31 December 1998	30,174	1,185,777	34,885	1,250,836
Depreciation				
At 1 January 1998	7,543	672,439	45,208	725,190
Charge for year	7,545	98,514	4,213	110,272
Disposals	-	-	(19,710)	(19,710)
At 31 December 1998	15,088	770,953	29,711	815,752
Net Book Value				
At 31 December 1998	15,086	414,824	5,174	435,084
At 31 December 1997	22,631	430,853	13,137	466,621

**7. STOCKS**

	1998 £	1997 £
Raw materials	90,038	93,639
Work in progress	1,416,076	912,241
Finished goods and goods for resale	1,359,521	1,168,230
	2,865,635	2,174,110

**8. DEBTORS**

	1998 £	1997 £
Trade debtors	1,774,812	1,369,614
Prepayments	114,104	52,039
Amounts due from parent company	14,536	2,638
Amounts due from fellow subsidiaries	10,305	23,465
Amounts due from fellow associates	387,219	82,063
Other debtors	770	1,976
	2,301,746	1,531,795


**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1998**
**9. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY**

	1998 £	1997 £
This heading includes:		
Taxation and social security	482,351	376,515

**10. DEFERRED TAXATION**

	Balance at 1 January 1998 £	Credit to profit and loss account £	Balance at 31 December 1998 £
Deferred taxation liability	39,250	7,615	31,635

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

	1998 £	1997 £
Capital allowances in excess of depreciation	33,234	39,250
Other timing differences	(1,599)	-
	31,635	39,250

**11. CALLED UP SHARE CAPITAL**

	1998 £	1997 £
<b>Authorised</b>		
100,000 "A" ordinary shares of £1	100,000	100,000
100,000 "B" ordinary shares of £1	100,000	100,000
	200,000	200,000
<b>Allotted and fully paid</b>		
100,000 "A" ordinary shares of £1	100,000	100,000
98,000 "B" ordinary shares of £1	98,000	98,000
	198,000	198,000


**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1998**
**12. PROFIT AND LOSS ACCOUNT**

	1998	1997
	£	£
Balance at 1 January 1998	1,945,703	1,282,900
Retained profit for the year	748,010	662,803
	<u>2,693,713</u>	<u>1,945,703</u>
Balance as at 31 December 1998	<u>2,693,713</u>	<u>1,945,703</u>

**13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	1998	1997
	£	£
Profit for the year retained	748,010	662,803
Shareholders' funds as at 1 January	2,143,703	1,480,900
	<u>2,891,713</u>	<u>2,143,703</u>
Shareholders' funds as at 31 December	<u>2,891,713</u>	<u>2,143,703</u>

**14. OPERATING LEASE COMMITMENTS**

At 31 December 1998 the company was committed to making the following payments during the next year in respect of operating leases:

	1998	1997
	Other	Other
	£	£
Leases which expire:		
Within one year	30,650	29,100
2 - 5 years	29,400	30,688
After 5 years	100,000	117,150
	<u>160,050</u>	<u>176,938</u>
	<u>160,050</u>	<u>176,938</u>

**15. ULTIMATE PARENT COMPANY**

The company's immediate parent company is Sulzer Roteq UK Limited, formerly Sulzer (UK) Pumps Limited, a company incorporated in Great Britain and registered in England. 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.

**16. 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 £73,651 (1997: £65,914). Contributions totalling £5,157 (1997: £9,602) were payable at the year end and are included in creditors.


**NOTES TO THE ACCOUNTS**
**Year ended 31 December 1998**
**17. 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 Pumps (PTE) Ltd Sulzer Pumpcare AS Sulzer Weiss GmbH Sulzer Chemtech A.G.	61,248
Fellow associate	Sale of goods and services	Wood Group Eng (PTHD) Ltd Wood Group Engineering Ltd	772,128
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 Ltd Sulzer Turbo Limited Sulzer Brazil S.A. Sulzer Roteq Services UK Ltd Sulzer Pumpcare AS Sulzer Repco	(2,260,376)
Fellow associate	Purchase of materials and Services	Rolls Wood Group Eng Ltd John Wood Group PLC Wood Group Eng Ltd Wood Group Eng (PTHD) Ltd Wood Way Hydraulics Services Ltd Wood Group Fuel Systems Ltd	(133,333)