Registered number SC147952

Sulzer Wood Limited

Annual Report and Financial statements

for the year ended 31 December 2011

Sulzer Wood Limited

Contents

Sulzer Wood Limited

Directors and advisers for the year ended 31 December 2011

Directors
S Jessiman
R W Whiteley
I Murray
A J Percy

Company secretary
R Brown

Registered office
John Wood House
Greenwell Road
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AB12 3AX

Independent auditors
PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
Benson House
33 Wellington Street
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West Yorkshire
LS1 4JP

Solicitors
Paul & Williamsons
Investment House
6 Union Row
Aberdeen

Bankers
Bank of Scotland
5 Albyn Place
Aberdeen

Directors' report for the year ended 31 December 2011

The directors present their report and the audited financial statements of the company for the year ended 31 December 2011.

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 £26,366,601 (2010: £22,625,190). A special feature of this reporting year was a high volume of large retrofit orders. The recruitment of qualified engineering and service personnel continued to be challenging.

The return on sales target of 18% (2010: 15%) was achieved. Sulzer Wood Limited's leveraging of retrofit opportunities contributed to a sizeable increase in profit, and report a much improved return on sales.

The return on capital employed reached 103% (2010: 82%), significantly exceeding the cost of capital and creating substantial financial added value. Supported by improved debtor performance, the year generated a higher cashflow.

The business is managed on a mixture of financial and non financial key performance indicators. The non financial key performance indicators consider aspects of key importance to the business's customer base to include 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 after tax profit for the year is £3,443,483 (2010: £2,345,000). A dividend was paid in the year of £3,320,000 at 1.677 pence per share (2010: £3,000,000 at 1.516 pence per share). Total assets have increased to £10,099,000 (2010: £9,860,000).

Directors
The directors in office at any time 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 2011 (continued)

Outlook and principal risks
Oil prices recovered well through the course of 2011 which supported development of prevailing market conditions. Whilst the general economic environment and the uncertainties in the financial markets make forward projections challenging, the outlook for 2012 is positive. We closely monitor the market developments in order to adapt proactively on changing trends.
Overall, the oil and gas upstream market segment is expected to remain comparatively strong in 2012.

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

Sulzer Wood Limited

Directors' report for the year ended 31 December 2011 (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 the Companies Act 2006, 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

R Brown
Company secretary
18.05.2012

Sulzer Wood Limited

Independent auditors' report to the members of Sulzer Wood Limited

We have audited the financial statements of Sulzer Wood Ltd for the year ended 31 December 2011 which comprise the Income Statement, the Statement of changes in Equity, the Balance Sheet, the Statement of Cash Flows, the Accounting Policies and the related notes . The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement, 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.

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

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 [describe the annual report] 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 31st December 2011 and of its profit and cash flows for the year then ended;

- have been properly prepared in accordance with IFRSs as adopted by the European Union; and

- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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.

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.

AR Blackwell

Anthony Blackwell (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Leeds

28 May 2012

Sulzer Wood Limited

Income statement for the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Revenue	5	**26,367**	22,625
Cost of sales		**(19,845)**	(17,280)
Gross profit		**6,522**	5,345
Administrative expenses		**(1,782)**	(2,044)
Operating profit	6	**4,740**	3,301
Finance (expense)/ income	8	**(26)**	1
Profit before taxation		**4,714**	3,302
Income tax expense	9	**(1,271)**	(957)
Profit for the year		**3,443**	2,345

There is no difference between the profit for the year stated above and the total comprehensive income for the year, therefore no separate statement of comprehensive income is presented in these financial statements.

Sulzer Wood Limited

Statement of changes in equity for the year ended 31 December 2011

	Ordinary Share Capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2010	198	4,439	4,637
Profit for the year and total comprehensive income	-	2,345	2,345
Transactions with owners:			
Equity dividends (note 10)	-	(3,000)	(3,000)
Balance at 31 December 2010	198	3,784	3,982
Balance at 1 January 2011	**198**	**3,784**	**3,982**
Profit for the year and total comprehensive income	-	3,443	3,443
Transactions with owners:			
Equity dividends (note 10)	-	(3,320)	(3,320)
Balance at 31 December 2011	**198**	**3,907**	**4,105**

Sulzer Wood Limited

Balance sheet as at 31 December 2011

	Note	2011 £'000	2010 £'000
Assets			
Non current assets			
Property, plant and equipment	11	**483**	548
Deferred tax asset	12	**7**	1
		490	549
Current assets			
Inventories	13	**3,423**	3,675
Trade and other receivables	15	**4,171**	3,718
Cash and cash equivalents	17	**2,015**	1,918
		9,609	9,311
Total assets		**10,099**	9,860
Capital and reserves			
Share capital	18	**198**	198
Retained earnings		**3,907**	3,784
Total equity		**4,105**	3,982
Current liabilities			
Provisions for liabilities	19	**-**	427
Corporation tax payable		**748**	524
Trade and other payables	20	**5,246**	4,927
Total liabilities		**5,994**	5,878
Total equity and liabilities		**10,099**	9,860

The financial statements on pages 7 to 33 were approved by the board of directors on 21 May 2012 and were signed on its behalf by:

R Whiteley

R W Whiteley
Director

Registered number: 147952

Sulzer Wood Limited

Statement of cash flows for the year ended 31 December 2011

	Note	**2011** **£'000**	2010 £'000
Cash flows from operating activities	21	**4,518**	4,512
Income taxes paid		**(1,052)**	(796)
Cash flows used in other operating activities		**(1,052)**	(796)
Cash flows from operating activities		**3,466**	3,716
Cash flows from financing activities			
Payment of dividends		**(3,320)**	(3,000)
Cash flows used in financing activities		**(3,320)**	(3,000)
Cash flows from investing activities			
Payments to acquire plant and equipment		**(49)**	(229)
Interest received		**-**	8
Net cash used in investing activities		**(49)**	(221)
Net increase in cash and cash equivalents		**97**	495
Cash and cash equivalents as at 1 January	17	**1,918**	1,423
Cash and cash equivalents as at 31 December	17	**2,015**	1,918

Sulzer Wood Limited

Notes to the financial statements for the year ended 31 December 2011

1 Authorisation of financial statements and statement of compliance with IFRSs

The company's financial statements for the year were authorised for issue on 21 May 2012 and the balance sheet signed on the board's behalf by R W Whiteley. Sulzer Wood Limited is a limited company incorporated and domiciled in Scotland.

The company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The principal accounting policies adopted by the company are set out in note 2. These policies have been consistently applied, unless otherwise stated.

2 Accounting policies

Basis of preparation
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.

Exemption from consolidation
These separate financial statements contain information about Sulzer Wood Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption order under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiaries are included by full consolidation in the consolidated financial statements of its parent, Sulzer AG (see note 16).

Accounting developments
(a) New and amended standards adopted by the group
There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 that would be expected to have a material impact on the company.

Notes to the financial statements for the year ended 31 December 2011 (continued)

2 Accounting policies (continued)

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted

- IAS 19, "Employee benefits" was amended in June 2011. The impact on the company will be as follows : to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate tot eh net defined benefit liability (asset). The group is yet to assess the full impact of the amendments.
- IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.
- IFRS 10, "Consolidated financial statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 (if applicable) no later than the accounting period beginning on or after 1 January 2012, subject to endorsement by the EU.
- IFRS 12, "Disclosures of interests in other entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. the group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.
- IFRS 13, "Fair value measurement", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The group is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

Notes to the financial statements for the year ended 31 December 2011 (continued)

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.

Finance costs
Expense is recognised as interest accrues, using the effective interest method, to the net carrying amount of the financial liability. 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.

Finance income
Interest income is recognised as interest accrues using the effective interest method. Interest income is from bank cash deposits.

Foreign currencies
Currency receipts and payments 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 included within operating profit on ordinary activities.

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 pounds sterling which is the company's functional and presentation currency.

Notes to the financial statements for the year ended 31 December 2011 (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 are in force by the balance sheet date.

Property, 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. 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.

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.

Notes to the financial statements for the year ended 31 December 2011 (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.

Other receivables are initially recognised at fair value and subsequently measured at amortized cost.

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.

Notes to the financial statements for the year ended 31 December 2011 (continued)

2 Accounting policies (continued)

Cash and cash equivalents (continued)
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.

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.

Ordinary Share capital
Ordinary shares are classified as equity. Shares are recorded at their nominal value with any surplus received on their issue taken to share premium account. Incremental costs directly attributable to the issue are shown in equity as a deduction from proceeds.

Operating lease commitments
Operating leases payments are recognised as an expense in the income statement on a straight-line basis over the lease term. The company does not hold any assets under finance lease arrangements.

Notes to the financial statements for the year ended 31 December 2011 (continued)

2 Accounting policies (continued)

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.

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 £4,518,000 (2010: £4,512,000).

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.

Notes to the financial statements for the year ended 31 December 2011 (continued)

3 Financial Risk Management (continued)

3.1 Financial risk factors (continued)

b) Liquidity risk (continued)

£'000s Amounts falling due	2011 < 1 yr	1-2 yrs	2-5 yrs	> 5 yrs	Total
Trade accounts payable	**2,061**				**2,061**
Other liabilities	**586**				**586**
Operating leases	**332**	**291**	**774**		**1,397**
	2,979	**291**	**774**		**4,044**

£'000s Amounts falling due	2010 < 1 yr	1-2 yrs	2-5 yrs	> 5 yrs	Total
Trade accounts payable	1,583				1,583
Other liabilities	479				479
Operating leases	318	275	822		1,415
	2,380	275	822		3,477

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 ratio 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.

Notes to the financial statements for the year ended 31 December 2011 (continued)

3.2 Capital risk management (continued)

The gearing ratios at 31 December 2011 and 2010 were as follows:

	2011 **£'000**	2010 £'000
Total financial debt	-	-
Total equity	**4,105**	3,982
Gearing ratio	-	-

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 are assumed to approximate to their fair value due to their short-term nature.

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.

5 Revenue

	2011 **£'000**	2010 £'000
Rendering of services	**26,367**	22,625

Sulzer Wood Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

6 Operating profit

	2011	2010
	£'000	£'000
Operating profit is stated after charging/(crediting):		
Cost of inventories recognised as an expense	14,790	15,064
Loss on disposal of plant and equipment	26	2
Depreciation of plant and equipment	87	106
Auditors' remuneration – audit services	10	8
Operating lease payments	331	298
Included in cost of sales:		
Raw materials and consumables used	14,790	15,064
Changes in inventories	252	(1,338)
Employee expenses (note 7)	3,774	3,913
	18,816	17,639
Included in administrative expenses:		
Employee expenses (note 7)	763	679
Depreciation	87	106
	850	785

7 Employee expenses

	2011	2010
	£'000	£'000
Wages and salaries	3,774	3,913
Post employment expense for defined contribution plans	383	275
Post employment expense for defined benefit plans	33	38
Social security costs	347	366
Staff costs	4,537	4,592

Notes to the financial statements for the year ended 31 December 2011 (continued)

7 Employee costs (continued)

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

	2011 Number	2010 Number
Administration	30	35
Manufacturing	59	58
	89	93

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

8 Finance income

	2011 £'000	2010 £'000
Bank interest	-	8
Interest on corporation tax	-	(7)
Profit/(loss) on sale of Fixed Assets	(26)	-
	(26)	1

9 Income tax expense

Components of income tax expense	**2011 £'000**	2010 £'000
Current income tax expense		
Current income tax charge	**1,279**	930
Adjustments to current tax of the prior year	**(2)**	(8)
Total current tax charge	**1,277**	922
Deferred income tax expense		
Origination and reversal of temporary differences	**(23)**	2
Adjustments to the deferred tax of the prior year	**17**	33
Total deferred income tax charge (note 12)	**(6)**	35
Income tax charge	**1,271**	957

Notes to the financial statements for the year ended 31 December 2011 (continued)

Reconciliation of income tax charge to accounting profit

	2011 £'000	2010 £'000
Profit on ordinary activities multiplied by the effective rate of taxation in the U.K. of 26.5% (2010: 28%)	**1,249**	924
Tax effect of non deductible expenses	**8**	8
Tax effect from under or over provision in prior periods	**14**	25
Income tax charge	**1,271**	957

The standard rate of corporation tax in the UK changed from 28% to 26% with effect from 1st April 2011. Accordingly the company's profits for the accounting period are taxed at an effective rate of 26.5% and will be taxed at 26% in the future.

10 Dividends

	2011 £'000	2010 £'000
Declared and paid during the year		
Dividends on ordinary shares:		
Ordinary "A" Shares – 1.677 pence (2010: 1.516 pence)	**1,660**	1,500
Ordinary "B" Shares –1.677 pence (2010: 1.516 pence)	**1,660**	1,500
	3,320	3,000

Notes to the financial statements for the year ended 31 December 2011 (continued)

11 Property, plant and equipment

At 31 December 2011	Plant and equipment
	£'000
Cost	
At 1 January 2011	1,918
Additions	49
Disposals	(840)
At 31 December 2011	**1,127**
Accumulated depreciation	
At 1 January 2011	1,370
Disposals	(813)
Charge for the year	87
At 31 December 2011	**644**
Net book amount	**483**
At 31 December 2011	**483**
At 31 December 2010	548

Notes to the financial statements for the year ended 31 December 2011 (continued)

11 Property, plant and equipment (continued)

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

At 31 December 2010

	Plant and equipment
	£'000
Cost	
At 1 January 2010	1,956
Additions	229
Disposals	(267)
At 31 December 2010	**1,918**
Accumulated depreciation	
At 1 January 2010	1,528
Disposals	(264)
Charge for the year	106
At 31 December 2010	**1,370**
Net book amount	
At 31 December 2010	**548**
At 31 December 2009	428

Notes to the financial statements for the year ended 31 December 2011 (continued)

12 Deferred tax assets

	2011 £'000	2010 £'000
At 1 January	1	36
Credited to the income statement:		
- current year	23	(2)
- prior year	(17)	(33)
At 31 December	7	1

	2011 £'000	2010 £'000
Deferred taxation provided in the accounts comprises		
Depreciation in excess of capital allowances	(41)	1
Short Term timing differences	48	-
To be recovered after more than 12 months	7	1

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.

13 Inventories

	2011 £'000	2010 £'000
Raw materials	140	121
Work in progress	3,257	3,222
Finished goods	26	332
	3,423	3,675

Notes to the financial statements for the year ended 31 December 2011 (continued)

14 Financial instruments

(a) By category

The accounting policies for financial instruments have been applied to the line items below:

31 December 2011

	Loans and receivables £'000	Total £'000
Financial assets		
Trade and other receivables	3,826	3,826
Cash and cash equivalents	2,015	2,015
	5,841	5,841

	Other financial liabilities £'000	Total £'000
Financial liabilities		
Trade and other payables	2,061	2,061

31 December 2010

	Loans and receivables £'000	Total £'000
Financial assets		
Trade and other receivables	2,891	2,891
Cash and cash equivalents	1,918	1,918
	4,809	4,809

	Other financial liabilities £'000	Total £'000
Financial liabilities		
Trade and other payables	1,583	1,583

Notes to the financial statements for the year ended 31 December 2011 (continued)

14 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.

15 Trade and other receivables

	2011	2010
	£'000	£'000
Trade receivables	**3,826**	2,891
Receivable from related parties (see note 16)	**138**	718
Other receivables	**97**	52
Prepayments	**110**	57
	4,171	3,718

There were no impaired trade receivables at 31 December 2011 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 2011, trade receivables of £301,728 (2010: £349,640) 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:

	2011	2010
	£'000	£'000
Up to 1 month	**3,525**	2,891
1 to 3 months	**4**	-
3 to 6 months	**297**	-
	3,826	2,891

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 2011 (continued)

15 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.

16 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 Wood Group Engineering and Operations Support UK (49%).

Trading activities

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

	2011	2010
	£'000	£'000
Group undertakings	**1,420**	709
Associated companies	**2,325**	1,936
	3,745	2,645

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

	2011	2010
	£'000	£'000
Group undertakings	**9,788**	4,475
Associated companies	**116**	37
	9,904	4,512

Sulzer Wood Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

16 Related party transactions (continued)

Dividends paid

	2011	2010
	£'000	£'000
Parent company	1,660	1,500
Associated companies	1,660	1,500
	3,320	3,000

Receivable from related parties
Amounts receivable from related parties are unsecured, interest free and have no fixed date of repayment.

	2011	2010
	£'000	£'000
Group undertakings	12	56
Associated companies	126	662
	138	718

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

	2011	2010
	£'000	£'000
Parent and subsidiaries undertakings	1,006	1,107
Associated companies	81	5
	1,087	1,112

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 (2010: £nil).

Notes to the financial statements for the year ended 31 December 2011 (continued)

17 Cash and cash equivalents

	2011	2010
	£'000	£'000
Cash at bank	**2,015**	1,918

18 Ordinary Share capital

	2011	2010
	£'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 2011 (continued)

19 Provisions

	2011	2010
	£'000	£'000
At 1 January	**427**	386
Amount charged during the year	**(427)**	41
At 31 December	**0**	427
Classified as current	**0**	427

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.

20 Trade and other payables

	2011	2010
	£'000	£'000
Trade payables	**2,061**	1,583
Accrued liabilities	**1,562**	1,753
Other taxation and social security	**536**	479
Payable to related parties (see note 16)	**1,087**	1,112
	5,246	4,927

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.

Sulzer Wood Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

21 Reconciliation of profit for the year to cash inflow from operating activities

	2011 £'000	2010 £'000
Cash flow from operating activities		
Profit for the year	**3,443**	2,345
Profit from operations		
Interest income	**-**	(8)
Income tax expense	**1,271**	957
Adjustments to reconcile profit from operations	**4,714**	3,294
Non-cash adjustments		
Depreciation	**87**	106
Loss on disposal of property plant and equipment	**26**	2
Non-cash adjustments	**113**	108
Cash flows before changes in working capital	**4,827**	3,402
Movements in working capital		
Decrease/(Increase) in inventories	**252**	(1,338)
(Increase)/Decrease in trade and other receivables	**(453)**	1,024
Increase in trade and other payables	**319**	1,383
(Decrease)/Increase in provisions	**(427)**	41
(Increase)/Decrease in working capital	**(309)**	1,110
Cash flows from operating activities	**4,518**	4,512

Notes to the financial statements for the year ended 31 December 2011 (continued)

22 Operating lease commitments

The company leases office, warehouse and stores under non-cancellable operating lease agreements. The lease terms are between 5 and 10 years, and the lease agreements are renewable at the end of the lease period at market rate. The company also operates plant and machinery and office equipment under cancellable lease agreements.

At 31 December 2011 the company was committed to making the following future aggregate minimum lease payments in respect of non-cancellable operating leases:

	Land and Buildings		Other	
	2011	2010	**2011**	2010
	£'000	£'000	**£'000**	£'000
Within one year	**248**	250	**84**	68
Within two to five years	**962**	968	**103**	129
	1,210	1,218	**187**	197