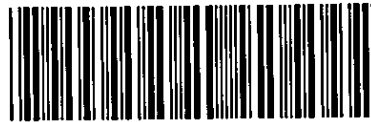


Registered number 147952

Sulzer Wood Limited  
Financial statements  
for the year ended 31 December 2009

THURSDAY



\*S12UWNU2\*

SCT

30/09/2010

65

COMPANIES HOUSE

# **Sulzer Wood Limited**

## **Financial statements for the year ended 31 December 2009**

### **Contents**

Directors and advisers for the year ended 31 December 2009 .....	1
Directors' report for the year ended 31 December 2009 .....	2
Independent auditors' report to the members of Sulzer Wood Limited.....	5
Income statements for the year ended 31 December 2009 .....	7
Statement of changes in equity for the year ended 31 December 2009 .....	8
Balance sheet as at 31 December 2009.....	9
Cash flow statement for the year ended 31 December 2009.....	10
Notes to the financial statements for the year ended 31 December 2009 .....	11

# **Sulzer Wood Limited**

## **Directors and advisers for the year ended 31 December 2009**

### **Directors**

S Broadley

R W Whiteley

G Dickie

A J Percy

### **Company secretary**

R Brown

### **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

West Yorkshire

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 2009**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2009.

### **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 £22,345,000 (2008: £20,894,000). 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% (2008: 17.7%) 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 81% (2008: 78.1%), 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 £2,086,000 (2008: £2,797,000). A dividend was paid in the year of £2,800,000 at 1,414 pence per share (2008: £1,900,000 at 969 pence per share). Total assets have increased to £8,966,000 (2008: £9,744,000).

# **Sulzer Wood Limited**

## **Directors' report for the year ended 31 December 2009 (continued)**

### **Outlook and principal risks**

The market conditions changed significantly toward the end of 2009. the general economic environment and the uncertainties in the financial markets make forward projections challenging. We closely monitor the market developments in order to adapt proactively on changing trends.

Overall, the oil and gas upstream and the power generation segments are expected to remain comparatively strong in 2010, although not at the levels of 2009.

### **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 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 2009 (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.

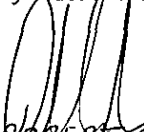
### **General meetings**

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

  
ROBERT BROWN  
Company secretary  
27 September 2010

# **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 2009 which comprise the Income statement, the Statement of Changes in Equity, the Balance sheet, the Statement of Cash Flow 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 set out on pages 4 and 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009 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.

### **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.

# **Sulzer Wood Limited**

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

### **Matters on which we are required to report by exception**

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

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



**Anthony Blackwell (Senior Statutory Auditor)**  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Leeds

29 September 2010

# Sulzer Wood Limited

## Income statement for the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Revenue	5	22,345	20,894
Cost of sales		(17,607)	(15,335)
<b>Gross profit</b>		<b>4,738</b>	<b>5,559</b>
Administrative expenses		(1,841)	(1,810)
<b>Operating profit</b>	6	<b>2,897</b>	<b>3,749</b>
Finance income	8	14	168
<b>Profit before taxation</b>		<b>2,911</b>	<b>3,917</b>
Taxation	9	(825)	(1,120)
<b>Profit for the year attributable to equity holders of the company</b>		<b>2,086</b>	<b>2,797</b>

# Sulzer Wood Limited

## Statement of changes in equity for the year ended 31 December 2009

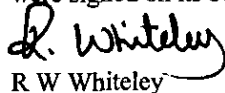
	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2008	198	4,256	4,454
Profit for the year attributable to equity shareholders	-	2,797	2,797
<b>Transactions with owners:</b>			
Equity dividends (note 10)	-	-	(1,900)
Balance at 31 December 2008	198	5,153	5,351
<b>Balance at 1 January 2009</b>	<b>198</b>	<b>5,153</b>	<b>5,351</b>
Profit for the year attributable to equity shareholders	-	2,086	2,086
<b>Transactions with owners:</b>			
Equity dividends (note 10)	-	(2,800)	(2,800)
<b>Balance at 31 December 2009</b>	<b>198</b>	<b>4,439</b>	<b>4,637</b>

# Sulzer Wood Limited

## Balance sheet as at 31 December 2009

	Note	2009 £'000	2008 £'000
<b>Assets</b>			
<b>Non current assets</b>			
Plant and equipment	11	428	334
Deferred tax assets	12	36	39
		<u>464</u>	<u>373</u>
<b>Current assets</b>			
Inventories	13	2,337	3,388
Trade and other receivables	15	4,742	3,798
Cash and cash equivalents	17	1,423	2,185
		<u>8,502</u>	<u>9,371</u>
<b>Total assets</b>		<u>8,966</u>	<u>9,744</u>
<b>Capital and reserves</b>			
Share capital	18	198	198
Retained earnings		4,439	5,153
<b>Total equity</b>		<u>4,637</u>	<u>5,351</u>
<b>Current liabilities</b>			
Provisions	19	386	35
Corporation tax payable		399	679
Trade and other payables	20	3,544	3,679
<b>Total liabilities</b>		<u>4,329</u>	<u>4,393</u>
<b>Total equity and liabilities</b>		<u>8,966</u>	<u>9,744</u>

The financial statements on pages 7 to 35 were approved by the board of directors on 27<sup>th</sup> September 2010 and were signed on its behalf by:

  
R W Whiteley

Director

Registered number: 147952

# Sulzer Wood Limited

## Cash flow statement for the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
<b>Cash flows from operating activities</b>	21	3,307	4,230
Income taxes paid		(1,102)	(1,087)
<b>Cash flows used in other operating activities</b>		(1,102)	(1,087)
<b>Cash flows from operating activities</b>		2,205	3,143
<b>Cash flows from financing activities</b>			
Payment of dividends		(2,800)	(1,900)
<b>Cash flows used in financing activities</b>		(2,800)	(1,900)
<b>Cash flows from investing activities</b>			
Payments to acquire plant and equipment		(181)	(78)
Interest received		14	168
<b>Net cash (used in) / generated by investing activities</b>		(167)	90
<b>Net (decrease) / increase in cash and cash equivalents</b>		(762)	1,333
Cash and cash equivalents as at 1 January	17	2,185	852
<b>Cash and cash equivalents as at 31 December</b>	17	1,423	2,185

# Sulzer Wood Limited

## Notes to the financial statements for the year ended 31 December 2009

### 1 Authorisation of financial statements and statement of compliance with IFRSs

The company's financial statements for the year were authorised for issue on <sup>27</sup>September 2010 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 England and Wales.

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 1985 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.

#### Accounting developments

##### (a) Amendments to published standards and interpretations effective for the year ended 31 December 2009

- IAS 1 (revised), 'Presentation of financial statements'. The revised standard brings new disclosure requirements regarding 'non-owner changes in equity' and 'owner changes in equity', which are now required to be shown separately. Under this revised guidance the Group has elected to continue to present two performance statements: an income statement and a statement of comprehensive income (previously the 'Statement of Recognised Income and Expense'). In addition, the Consolidated Statement of Changes in Equity has been presented as a primary statement. These financial statements have been prepared under the revised disclosure requirements. The requirements under the revised standard have not had a significant impact on the Group's financial statements. Comparatives in the 2009 Consolidated Statement of Comprehensive Income have been re-presented to include movements in the fair value of cash flow hedges which had been previously shown separately as a change in equity.
- IFRS 7 'Financial instruments – Disclosures' (amendment). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

# Sulzer Wood Limited

## Notes to the financial statements for the year ended 31 December 2009 (continued)

**(b) Standards, amendments and interpretations effective for the year ended 31 January 2010 with no significant impact**

- IFRIC 13 'Customer loyalty programmes'.
- IFRIC 14 'The limit on a defined benefit asset, minimum funding requirements and their interaction'.
- IFRIC 15 'Agreements for the construction of real estate'.
- IFRIC 16 'Hedges of a net investment in a foreign operation'.
- IAS 39 (amendment) 'Financial instruments: Recognition and measurement'.
- IFRS 2 (amendment) 'Share based payments - vesting conditions and cancellations'.
- IAS 23 (revised), 'Borrowing costs'.
- IAS 32 and IAS 1 (amendment) 'Puttable financial instruments and obligations arising on liquidation'.

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

- IFRIC 17, 'Distribution of non-cash assets to owners' (effective for years beginning on or after 1 July 2009).
- IAS 27 (revised), 'Consolidated and separate financial statements', (effective for years beginning on or after 1 July 2009).
- IFRS 3 (revised), 'Business combinations' (effective for years beginning on or after 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 February 2010.
- IAS 38 (amendment), 'Intangible Assets'. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.
- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations.
- IAS 1 (amendment), 'Presentation of financial statements'. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current.
- IFRS 2 (amendments), 'Group cash-settled share-based payment transactions'. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 - Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.
- IFRS 9 'Financial instruments'. IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The Group will apply IFRS 9 for its year ended January 2014 (subject to EU approval).
- With the exception of IFRS 3 (revised), which will impact future business combinations, the above standards are not expected to have a material impact on the Group's financial statements.
- Notes to the financial statements for the year ended 31 December 2009 (continued)

# Sulzer Wood Limited

## 2 Accounting policies (continued)

- IAS 28 (amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective for accounting periods beginning on or after 1 January 2009).
- IAS 29 (amendment), 'Financial reporting in hyperinflationary economies' (effective for accounting periods beginning on or after 1 January 2009).
- IAS 31 (amendment), 'Interests in joint ventures', (and consequential amendments to IAS 32 and IFRS 7) (effective for accounting periods beginning on or after 1 January 2009).
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement' (effective for accounting periods beginning on or after 1 January 2009).
- IAS 40 (amendment), 'Investment property' (and consequential amendments to IAS 16) (effective for accounting periods beginning on or after 1 January 2009).
- IAS 41 (amendment), 'Agriculture' (effective for accounting periods beginning on or after 1 January 2009).
- IAS 20 (amendment), 'Accounting for government grants and disclosure of government assistance' (effective for accounting periods beginning on or after 1 January 2009).
- The minor amendments to IAS 20 'Accounting for government grants and disclosure of government assistance', and IAS 29, 'Financial reporting in hyperinflationary economies', IAS 40, 'Investment property', and IAS 41, 'Agriculture', which are part of the IASB's annual improvements project published in May 2009 (not addressed above).
- IFRIC 15, 'Agreements for construction of real estates' (effective for accounting periods beginning on or after 1 January 2009).
- IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective for accounting periods beginning on or after 1 October 2009).

### 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.

# **Sulzer Wood Limited**

## **Notes to the financial statements for the year ended 31 December 2009 (continued)**

### **2 Accounting policies (continued)**

#### **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.

#### **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.

#### **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.

# **Sulzer Wood Limited**

## **Notes to the financial statements for the year ended 31 December 2009 (continued)**

### **2 Accounting policies (continued)**

#### **Plant and equipment (continued)**

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses)/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.

#### **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.

# **Sulzer Wood Limited**

## **Notes to the financial statements for the year ended 31 December 2009 (continued)**

### **2 Accounting policies (continued)**

#### **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.

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.

# **Sulzer Wood Limited**

## **Notes to the financial statements for the year ended 31 December 2009 (continued)**

### **2 Accounting policies (continued)**

#### **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.

#### **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 financial lease arrangements.

#### **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.

# **Sulzer Wood Limited**

## **Notes to the financial statements for the year ended 31 December 2009 (continued)**

### **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 £3,307,000 (2008: £4,230,000).

# Sulzer Wood Limited

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 3 Financial Risk Management (continued)

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.

£'000s	2009				
	< 1 yr	1-2 yrs	2-5 yrs	> 5 yrs	Total
Amounts falling due					
Trade accounts payable	2,218	-	-	-	2,218
Other liabilities	400	-	-	-	400
Operating leases	297	277	766	-	1,340
	2,915	277	766	-	3,985

£'000s	2008				
	< 1 yr	1-2 yrs	2-5 yrs	> 5 yrs	Total
Amounts falling due					
Trade accounts payable	2,194	-	-	-	2,194
Other liabilities	571	-	-	-	571
Operating leases	293	276	645	-	1,214
	3,058	276	645	-	3,979

# Sulzer Wood Limited

## Notes to the financial statements for the year ended 31 December 2009 (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 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.

The gearing ratios at 31 December 2009 and 2008 were as follows:

	2009 £'000	2008 £'000
Total financial debt	-	-
Total equity	8,966	9,744
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.

# **Sulzer Wood Limited**

## **Notes to the financial statements for the year ended 31 December 2009 (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 2009 (continued)

### 5 Revenue

	2009	2008
	£'000	£'000
Rendering of services	22,345	20,894

### 6 Operating profit

	2009	2008
	£'000	£'000
<b>Operating profit is stated after charging</b>		
Cost of inventories recognised as an expense	12,631	11,229
Loss on disposal of plant and equipment	-	6
Depreciation of plant and equipment	86	75
Auditors' remuneration – audit services	11	10
Operating lease payments	310	294
<b>Included in cost of sales:</b>		
Raw materials and consumables used	12,631	11,229
Changes in inventories	1,051	376
Employee benefits expense (note 7)	3,925	3,750
	17,607	15,355
<b>Included in administrative expenses:</b>		
Employee benefits expense (note 7)	900	958
Depreciation	86	75
	986	1,033

# Sulzer Wood Limited

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 7 Employee costs

	2009 £'000	2008 £'000
Wages and salaries	4,222	4,161
Post employment expense for defined contribution plans	184	115
Post employment expense for defined benefit plans	32	24
Social security costs	387	405
<b>Staff costs</b>	<b>4,825</b>	<b>4,705</b>

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

	2009 Number	2008 Number
Administration	34	34
Manufacturing	59	60
	<b>93</b>	<b>94</b>

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

### 8 Finance income

	2009 £'000	2008 £'000
Bank interest	14	91
Interest on corporation tax	-	77
	<b>14</b>	<b>168</b>

# Sulzer Wood Limited

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 9 Taxation

Components of income tax expense	2009 £'000	2008 £'000
<b>Current income tax expense</b>		
Current income tax charge	821	1,124
Adjustments to current tax of the prior year	-	31
<b>Total current tax charge</b>	<b>821</b>	<b>1,155</b>
<b>Deferred income tax expense</b>		
Origination and reversal of temporary differences	-	-
Adjustments to the deferred tax of the prior year	4	(35)
<b>Total deferred income tax (credit)/charge (note 12)</b>	<b>4</b>	<b>(35)</b>
<b>Income tax charge</b>	<b>825</b>	<b>1,120</b>

#### Reconciliation of income tax charge to accounting profit

	2009 £'000	2008 £'000
Profit on ordinary activities multiplied by the standard rate of taxation in the U.K 28% (2008: 28.5%)	815	1,116
Tax effect of non deductible expenses	6	8
Tax effect from under or over provision in prior periods	4	(4)
<b>Income tax charge</b>	<b>825</b>	<b>1,120</b>

# Sulzer Wood Limited

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 10 Dividends

	2009 £'000	2008 £'000
<b>Declared and paid during the year</b>		
<b>Dividends on ordinary shares:</b>		
Ordinary "A" Shares – 1,414 pence (2008: 969 pence)	1,400	950
Ordinary "B" Shares – 1,414 pence (2008: 969 pence)	1,400	950
	<b>2,800</b>	<b>1,900</b>

### 11 Plant and equipment

<b>At 31 December 2009</b>	<b>Plant and equipment £'000</b>
<b>Cost</b>	
At 1 January 2009	1,775
Additions	181
Disposals	-
<b>At 31 December 2009</b>	<b>1,956</b>
<b>Accumulated depreciation</b>	
At 1 January 2009	1,441
Disposals	-
Charge for the year	87
<b>At 31 December 2009</b>	<b>1,528</b>
<b>Net book amount</b>	
<b>At 31 December 2009</b>	<b>428</b>
<b>At 31 December 2008</b>	<b>334</b>

# Sulzer Wood Limited

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 11 Plant and equipment (continued)

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

#### At 31 December 2008

	Plant and equipment £'000
<b>Cost</b>	
At 1 January 2008	1,709
Additions	78
Disposals	(12)
<b>At 31 December 2008</b>	<b>1,775</b>
<b>Accumulated depreciation</b>	
At 1 January 2008	(1,371)
Disposals	5
Charge for the year	(75)
<b>At 31 December 2008</b>	<b>(1,441)</b>
<b>Net book amount</b>	
<b>At 31 December 2008</b>	<b>334</b>
At 31 December 2007	338

# Sulzer Wood Limited

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 12 Deferred tax assets

	2009 £'000	2008 £'000
At 1 January	39	4
Credited/(charged) to the profit and loss account		
- current year	(3)	-
- prior year	-	35
At 31 December	36	39

#### Deferred taxation provided in the accounts comprises

	2009 £'000	2008 £'000
Depreciation in excess of capital allowances	36	36
Other timing differences	-	3
	36	39
To be recovered after more than 12 months	36	39

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

	2009 £'000	2008 £'000
Raw materials	102	118
Work in progress	1,470	2,468
Finished goods	765	802
	2,337	3,388

# Sulzer Wood Limited

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 14 Financial instruments

#### (a) By category

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

#### 31 December 2009

	Loans and receivables £'000	Total £'000
<b>Financial assets</b>		
Trade and other receivables	3,437	3,437
Cash and cash equivalents	1,423	1,423
	<b>4,860</b>	<b>4,860</b>
	<b>Other finan- cial liabilities £'000</b>	<b>Total £'000</b>
<b>Financial liabilities</b>		
Trade payables	2,218	2,218

#### 31 December 2008

	Loans and receivables £'000	Total £'000
<b>Financial assets</b>		
Trade and other receivables	3,136	3,136
Cash and cash equivalents	2,185	2,185
	<b>5,321</b>	<b>5,321</b>
	<b>Other financial liabilities £'000</b>	<b>Total £'000</b>
<b>Financial liabilities</b>		
Trade payables	2,194	2,194

# Sulzer Wood Limited

## Notes to the financial statements for the year ended 31 December 2009 (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

	2009 £'000	2008 £'000
Trade receivables	3,437	3,136
Receivable from related parties (see note 16)	1,076	451
Other receivables	-	-
Prepayments	229	211
	<b>4,742</b>	<b>3,798</b>

There were no impaired trade receivables at 31 December 2009 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 2009, trade receivables of £686,00 (2008: £503,000) 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:

	2009 £'000	2008 £'000
Up to 1 month	665	319
1 to 3 months	16	71
3 to 6 months	5	113
	<b>686</b>	<b>503</b>

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.

# Sulzer Wood Limited

## Notes to the financial statements for the year ended 31 December 2009 (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](http://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.

	2009 £'000	2008 £'000
Group undertakings	633	766
Associated companies	2,859	727
	<b>3,492</b>	<b>1,493</b>

##### Purchases of goods

All purchases from related parties were made under commercial terms.

	2009 £'000	2008 £'000
Group undertakings	3,592	2,613
Associated companies	51	101
	<b>3,643</b>	<b>2,714</b>

# Sulzer Wood Limited

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 16 Related party transactions (continued)

Dividends paid	2009 £'000	2008 £'000
Parent company	1,400	950
Associated companies	1,400	950
	<b>2,800</b>	<b>1,900</b>

Receivable from related parties	2009 £'000	2008 £'000
Group undertakings	-	263
Associated companies	1,076	188
	<b>1,076</b>	<b>451</b>

#### Payable to related parties

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

	2009 £'000	2008 £'000
Parent and subsidiaries undertakings	354	497
Associated companies	30	13
	<b>384</b>	<b>510</b>

#### 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 (2008: £nil).

# Sulzer Wood Limited

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 17 Cash and cash equivalents

	2009 £'000	2008 £'000
Cash at bank	1,423	2,185

### 18 Share capital

	2009 £'000	2008 £'000
<b>Authorised</b>		
100,000 ordinary "A" shares - £1 each	100	100
100,000 ordinary "B" shares - £1 each	100	100
	<b>200</b>	<b>200</b>
<b>Called up and fully paid</b>		
100,000 ordinary "A" shares - £1 each	100	100
98,000 ordinary "B" shares - £1 each	98	98
	<b>198</b>	<b>198</b>

## Sulzer Wood Limited

### Notes to the financial statements for the year ended 31 December 2009 (continued)

#### 19 Provisions for liabilities and charges

	2009 £'000	2008 £'000
At 1 January	35	163
Amount utilised during the year	351	(128)
At 31 December	386	35
Current	386	35

#### 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

	2009 £'000	2008 £'000
Trade payables	2,218	2,194
Accrued liabilities	542	404
Other taxation and social security	400	571
Payable to related parties (see note 16)	384	510
	3,544	3,679

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 2009 (continued)

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

	2009 £'000	2008 £'000
<b>Cash flow from operating activities</b>		
Profit for the year	2,086	2,797
<b>Profit from operations</b>		
Interest income	(14)	(168)
Income tax expense	825	1,120
<b>Adjustments to reconcile profit from operations</b>	<b>2,897</b>	<b>3,749</b>
<b>Non-cash adjustments</b>		
Depreciation	86	75
Loss on disposal of property plant and equipment	-	6
<b>Non-cash adjustments</b>	<b>86</b>	<b>81</b>
<b>Cash flows before changes in working capital</b>	<b>2,983</b>	<b>3,830</b>
<b>Movements in working capital</b>		
Decrease in inventories	1,052	376
Increase in trade and other receivables	(944)	(154)
(Decrease) / increase in trade and other payables	(135)	306
Increase / (decrease) in provisions	351	(128)
<b>Increase/(decrease) in working capital</b>	<b>324</b>	<b>400</b>
<b>Cash flows from operating activities</b>	<b>3,307</b>	<b>4,230</b>

# Sulzer Wood Limited

## Notes to the financial statements for the year ended 31 December 2009 (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 2009 the company was committed to making the following future aggregate minimum lease payments in respect of non-cancellable operating leases:

	Land and Buildings		Other	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Within one year	250	238	47	55
Within two to five years	968	920	75	1
	1,218	1,158	122	56