

**Sulzer Wood Limited**  
**Annual Report**  
**for the Year Ended 31st December 2004**



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**SULZER WOOD LIMITED**  
**DIRECTORS AND ADVISORS 2004**

**DIRECTORS**

R Thornburn  
W Jones  
K Dowle  
A G Langlands (Resigned 8 September 2004)  
S Broadly (Appointed 8 September 2004)

**SECRETARY**

I Johnson

**REGISTERED OFFICE**

John Wood House  
Greenwell Road  
East Tullos  
Aberdeen  
AB1 4AX

**INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP  
Benson House  
33 Wellington Street  
Leeds  
LS1 4JP

**BANKERS**

Clydesdale Bank plc  
Ellon Branch  
Market Street  
Ellon

**SOLICITORS**

Paul & Williamsons  
Investment House  
6 Union Row  
Aberdeen

# **SULZER WOOD LIMITED**

## **DIRECTORS' REPORT FOR THE**

### **YEAR ENDED 31st DECEMBER 2004**

The directors present their annual report and the audited financial statements for the year ended 31st December 2004.

#### **PRINCIPAL ACTIVITIES**

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

#### **REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS**

In the year the group has achieved a turnover of £13,519,000 (2003: £12,708,000) and recorded a profit before taxation of £2,031,000 (2003: £1,568,000).

The directors remain positive about the future prospects for the company.

#### **DIVIDENDS AND TRANSFERS TO RESERVES**

The profit for the year amounted to £1,415,000 (2003 : £1,091,000). The directors have paid a dividend of £2,400,000 (2003: £124,000). The retained loss of £985,000 has been transferred to reserves (2003: profit of £967,000).

#### **DIRECTORS**

The directors that were in office at any point during the year were

R Thornburn  
W Jones  
K Dowle  
A G Langlands  
S Broadly

None of the directors had an interest in the ordinary shares of the company at any point during the year.

There were no contracts with the company or its subsidiaries during the period in which any of the directors had an interest.

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31st December 2004, and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence, taking reasonable steps for the prevention and detection of fraud and other irregularities or errors.

#### **AUDITORS**

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.



By Order of the Board  
K Dowle  
Director

11<sup>th</sup> May 2005

**SULZER WOOD LIMITED  
INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF SULZER WOOD LIMITED**

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with the applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within the financial statements. The other information comprises only the directors' report.

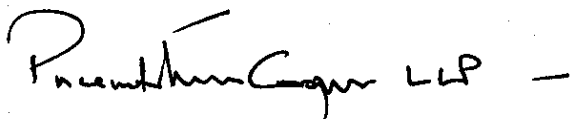
**BASIS OF OPINION**

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

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

**OPINION**

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31st December 2004 and of the loss of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Leeds

11. May.

2005

**SULZER WOOD LIMITED**  
**PROFIT & LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2004**

		<b>2004</b>	<b>2003</b>
	<i>Note</i>	<b>£000</b>	<b>£000</b>
<b>Turnover</b>	<b>2</b>	<b>13,519</b>	<b>12,708</b>
<b>Cost of Sales</b>		<b>(10,372)</b>	<b>(9,950)</b>
<b>Gross Profit</b>		<b>3,147</b>	<b>2,758</b>
<b>Other operating income</b>		<b>-</b>	<b>3</b>
<b>Administrative expenses</b>		<b>(1,194)</b>	<b>(1,236)</b>
<b>Operating Profit</b>	<b>3</b>	<b>1,953</b>	<b>1,525</b>
<b>Interest receivable and similar income</b>	<b>6</b>	<b>78</b>	<b>43</b>
<b>Profit on Ordinary Activities Before Taxation</b>		<b>2,031</b>	<b>1,568</b>
<b>Tax on profit on ordinary activities</b>	<b>7</b>	<b>(616)</b>	<b>(477)</b>
<b>Profit on Ordinary Activities After Taxation</b>		<b>1,415</b>	<b>1,091</b>
<b>Dividends</b>	<b>8</b>	<b>(2,400)</b>	<b>(124)</b>
<b>(Loss) / retained profit for the financial year</b>	<b>15,16</b>	<b>(985)</b>	<b>967</b>

All operations relate to continuing activities.

No statement of total recognised gains and losses has been presented as there have been no gains or losses in either year other than those shown above.

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the year as stated above, and their historical cost equivalents.

**SULZER WOOD LIMITED**  
**BALANCE SHEET**  
**AS AT 31 DECEMBER 2004**

		<b>2004</b>	<b>2003</b>
	<i>Note</i>	<b>£000</b>	<b>£000</b>
<b>Fixed Assets</b>			
Tangible assets	9	171	146
<b>Current Assets</b>			
Stocks	10	2,510	2,400
Debtors - due within one year	11	3,310	2,444
Cash at bank and in hand		1,658	2,533
		<u>7,478</u>	<u>7,377</u>
<b>Creditors: Amounts falling due within one year</b>	12	<b>(3,370)</b>	<b>(2,259)</b>
		<u>4,108</u>	<u>5,118</u>
<b>Net Current Assets</b>			
		<u>4,279</u>	<u>5,264</u>
<b>Total Assets less Current Liabilities</b>			
		<u>4,279</u>	<u>5,264</u>
<b>Net Assets</b>		<u>4,279</u>	<u>5,264</u>
<b>Capital and Reserves</b>			
Called up share capital	14	198	198
Profit and loss account	15	4,081	5,066
		<u>4,279</u>	<u>5,264</u>
<b>Equity Shareholders' Funds</b>	16	<u>4,279</u>	<u>5,264</u>

The financial statements on pages four to thirteen were approved by the board of directors on 11<sup>th</sup> May 2005, and were signed on its behalf by:



K Dowle.  
Director

**SULZER WOOD LIMITED**  
**CASH FLOW STATEMENT**  
**YEAR ENDED 31 DECEMBER 2004**

		<u>2004</u>		<u>2003</u>	
	<i>Note</i>	£000	£000	£000	£000
<b>Net cash inflow from operating activities</b>	<b>21</b>		<b>2,013</b>		<b>2,155</b>
<b>Returns on investments and servicing of finance</b>					
Interest received			78		43
<b>Taxation</b>					
UK Corporation Tax paid			(495)		(359)
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets		(71)		(36)	
Proceeds from sales of fixed assets		-		3	
<b>Net cash outflow from capital expenditure</b>			<b>(71)</b>		<b>(33)</b>
<b>Equity dividends paid</b>			<b>(2,400)</b>		<b>(124)</b>
<b>(Decrease) / Increase in cash</b>	<b>23</b>		<b>(875)</b>		<b>1,682</b>



# SULZER WOOD LIMITED

## NOTES TO THE ACCOUNTS

### 1 ACCOUNTING POLICIES

The accounts have been prepared in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

#### (a) Accounting convention

The accounts are prepared on the going concern basis under the historical cost convention.

#### (b) Stocks and work in progress

Stocks, representing raw materials, consumables, work in progress, finished goods and goods for resale are valued at the lower of cost and net realisable value. Cost represents materials, payments to subcontractors, direct labour and, where appropriate, production overheads.

#### (c) Fixed assets

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

Motor Vehicles	4 years
Plant & Equipment	5-10 years

#### (d) Foreign currencies

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

#### (e) Turnover

Turnover represents the value of goods and services invoiced, excluding VAT, to customers during the year or, where appropriate, the value of work done.

#### (f) Deferred taxation

Provision is made for deferred tax in so far as a liability or asset arose as a result of transactions that had occurred by the balance sheet date and give rise to an obligation to pay more tax in the future, or a right to pay less tax in the future. An asset has not been recognised to the extent that the transfer of economic benefits is uncertain. Deferred tax assets and liabilities have not been discounted.

#### (g) Pension Costs

The company is a member of a group which operates a defined benefit pension scheme, the assets of which are held in a separate trustee administered fund. The expected cost of pensions is charged to the profit and loss account so as to spread the cost of pensions over the service life of employees in the scheme. Variations from regular costs are spread over the average expected remaining working lives of current members in the scheme. The pension cost is assessed in accordance with the advice of qualified actuaries. The transitional disclosure requirements under FRS 17 'Retirement benefits' have been adopted and are disclosed in the group financial statements prepared by Sulzer (UK) Holdings Limited.

The company also runs a number of defined contribution scheme for its employees. The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

#### (h) Leases

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

### 2 TURNOVER

All turnover originates in the United Kingdom.

	2004	2003
	£000	£000
Geographical analysis of turnover, by destination, is:		
United Kingdom	13,519	12,708
	<u>13,519</u>	<u>12,708</u>

**SULZER WOOD LIMITED**  
*Notes to the Accounts continued*

**3 OPERATING PROFIT**

	2004	2003
	£000	£000
Operating profit is after charging/(crediting):		
Profit on sale of tangible fixed assets	-	(3)
Operating lease charges - plant and machinery	97	220
Operating lease charges - other	98	98
Audit fees	2	4
Depreciation	46	70
	<u>46</u>	<u>70</u>

**4 EMPLOYEES**

	2004	2003
	£000	£000
Staff costs comprise:		
Wages and salaries	2,422	2,354
Social security costs	218	213
Other pension costs	98	90
	<u>2,738</u>	<u>2,657</u>

	Number	Number
The average number of employees each week during the year was:		
Manufacturing and technical	50	50
Administration	23	23
	<u>73</u>	<u>73</u>

**5 DIRECTORS' EMOLUMENTS**

The directors did not receive any remuneration, and no pension contributions were made on their behalf during the year.

**6 INTEREST RECEIVABLE AND SIMILAR INCOME**

	2004	2003
	£000	£000
Income from bank deposits	78	43
	<u>78</u>	<u>43</u>

**SULZER WOOD LIMITED**  
*Notes to the Accounts continued*

**7 TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2004	2003
	£000	£000
<b>Current Tax:</b>		
UK corporation tax on profits of the period	<u>618</u>	<u>481</u>
<b>Deferred tax</b>		
Timing differences, origination and reversal	(2)	(4)
<b>Tax on profit on ordinary activities</b>	<u>616</u>	<u>477</u>

The tax charge for each period is higher (2003: higher) than that resulting from applying the standard rate of corporation tax in the UK. The differences are explained below:

	2004	2003
	£000	£000
Profit on ordinary activities before tax	<u>2,031</u>	<u>1,568</u>
Profit on ordinary activities multiplied by standard rate in the UK 30% (2003 - 30%)	609	470
Effects of:		
Expenses not deductible for tax purposes	7	7
Depreciation in excess of capital allowances	2	4
Current tax charge for the period	<u>618</u>	<u>481</u>

**8 DIVIDENDS**

	2004	2003
	£000	£000
Equity dividend paid 2400p per ordinary share (2003 - 124p per ordinary share)	2,400	124
	<u>2,400</u>	<u>124</u>

**9 TANGIBLE FIXED ASSETS**

	Plant and Machinery £000
<b>Cost</b>	
At 1st January 2004	1,286
Additions for the year	71
<b>At 31st December 2004</b>	<u>1,357</u>
<b>Accumulated depreciation</b>	
At 1st January 2004	1,140
Charged for the year	46
<b>At 31st December 2004</b>	<u>1,186</u>
<b>Net book value</b>	
At 31st December, 2004	<u>171</u>
<b>Net book value</b>	
At 31st December, 2003	<u>146</u>

**SULZER WOOD LIMITED**  
*Notes to the Accounts continued*

**10 STOCKS**

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Work in progress	1,416	995
Raw materials and consumables	107	123
Finished goods and goods held for resale	987	1,282
	<u>2,510</u>	<u>2,400</u>

**11 DEBTORS**

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	2,515	1,917
Amounts due from parent company	436	14
Amounts due from fellow associates	75	175
Amounts due from fellow subsidiaries	-	38
Prepayments and accrued income	284	300
	<u>3,310</u>	<u>2,444</u>

Included within debtors is a deferred tax asset. Please see note 13.

Amounts owed by group undertakings are unsecured, interest free and have no fixed date for repayment.

**12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	2,204	1,013
Amounts owed to parent and fellow subsidiary undertakings	261	522
Amounts owed to associated companies	5	2
Corporation tax	396	273
Taxation and social security	350	310
Accruals and deferred income	154	139
	<u>3,370</u>	<u>2,259</u>

Amounts owed to group undertakings are unsecured, interest free and have no fixed date for repayment.

**13 PROVISIONS FOR LIABILITIES AND CHARGES**

	<i>Balance at 1st January 2004</i>	<i>Credited in year</i>	<i>Balance at 31st December 2004</i>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Deferred taxation	(8)	(2)	(10)
	<u>(8)</u>	<u>(2)</u>	<u>(10)</u>

Deferred tax of £2,000 has been credited to the profit and loss account during the year. This has resulted in a year end position of a £10,000 deferred tax asset, which is included in debtors.

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
<b>Deferred taxation comprises:</b>		
Capital allowances in excess of depreciation	(7)	(7)
Other timing differences	(3)	(1)
Deferred tax asset	<u>(10)</u>	<u>(8)</u>

**SULZER WOOD LIMITED**  
*Notes to the Accounts continued*

**14 CALLED UP SHARE CAPITAL**

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
<b>Authorised</b>		
100,000 'A' ordinary shares of £1 each	<b>100</b>	<b>100</b>
100,000 'B' ordinary shares of £1 each	<b>100</b>	<b>100</b>
	<b>200</b>	<b>200</b>
<b>Allotted and fully paid</b>		
100,000 'A' ordinary shares of £1 each	<b>100</b>	<b>100</b>
98,000 'B' ordinary shares of £1 each	<b>98</b>	<b>98</b>
	<b>198</b>	<b>198</b>

The 'A' ordinary and 'B' ordinary shares rank pari passu in all respects.

**15 RESERVES**

	<b>Profit and Loss Account</b>
	<b>£000</b>
At 1st January 2004	<b>5,066</b>
Loss for the financial year	<b>(985)</b>
<b>At 31st December 2004</b>	<b>4,081</b>

**16 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS**

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Profit for the financial year	<b>1,415</b>	<b>1,091</b>
Dividends	<b>(2,400)</b>	<b>(124)</b>
Net movement in shareholders funds	<b>(985)</b>	<b>967</b>
Opening shareholders funds	<b>5,264</b>	<b>4,297</b>
Closing shareholders funds	<b>4,279</b>	<b>5,264</b>

**17 OPERATING LEASE COMMITMENTS**

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the next financial year:

	<b>2004 Land and Buildings £000</b>	<b>2004 Other £000</b>	<b>2003 Land and Buildings £000</b>	<b>2003 Other £000</b>
Expiring within one year	<b>72</b>	<b>2</b>	<b>72</b>	<b>11</b>
Expiring within two to five years	<b>-</b>	<b>21</b>	<b>-</b>	<b>42</b>
Expiring after five years	<b>100</b>	<b>-</b>	<b>100</b>	<b>-</b>
	<b>172</b>	<b>23</b>	<b>172</b>	<b>53</b>

# SULZER WOOD LIMITED

## Notes to the Accounts continued

### 18 ULTIMATE PARENT COMPANY

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

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).

### 19 PENSION SCHEME

The company operates a number of defined contribution schemes in addition to some of the employees participating in the Sulzer Group pension scheme. The assets of these schemes are held separately from those of the company in independently administered funds.

The pension cost charge in respect of the defined contribution schemes represents contributions payable by the company to these funds, and amounted to £92,000 (2003: £90,000). Contributions totalling £8,038 (2003: £6,835) were payable at the year end and included in creditors.

The Sulzer Group scheme is a prefunded defined benefit scheme. 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 in accordance with FRS 17. Pension cost is assessed in accordance with the advice of an independent qualified actuary, and the pension cost for the year was £6,127 (2003: £Nil).

Details of the latest actuarial valuation of the group scheme, and available information about any surplus or deficit in the scheme, and the implications thereof to the company are disclosed in the accounts of the parent company, Sulzer (UK) Holdings Limited.

### 20 RELATED PARTY TRANSACTIONS

The company has undertaken the following transactions, under commercial terms, with the following related parties.

Relationship	Transaction	Company	Aggregate Value of Transactions
			£000
Fellow subsidiary (including parent company)	Sale of goods and services	Sulzer Pumps (UK) Ltd	186
		Sulzer Pompes	
		Sulzer Weiss GmbH	
		Sulzer Chemtech AG	
Fellow Associate	Sale of goods and services	Wood Group Engineering Ltd	1,538
		Northern Integrated Service Ltd	
Fellow subsidiary (including parent company)	Purchase of materials and services	Sulzer Pumps (UK) Ltd	1,474
		Mardon Dot Co Ltd	
		Sulzer Brazil SA	
		Sulzer Repcoare AS	
		Sulzer Pompen Benelux BV	
Fellow Associate	Purchase of materials and services	Rolls Wood Group (Repair and Overhaul) Ltd	4
		John Wood Group plc	
		Wood Group Engineering Ltd	
		Wood Group Pressure Control and engineering Services Ltd	
		Wood Group Fuel Systems Ltd	

Fellow associates are members of John Wood Group Plc, which owns the 'B' ordinary shares.

**SULZER WOOD LIMITED**  
*Notes to the Accounts continued*

**21 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Operating Profit	1,953	1,525
Depreciation	46	71
Gain on sale of fixed assets	-	(3)
(Increase) / Decrease in stock	(110)	250
(Increase) / Decrease in debtors	(864)	212
Increase in creditors	988	100
Net cash inflow from operating activities	<u>2,013</u>	<u>2,155</u>

**22 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
(Decrease) / Increase in cash	(875)	1,682
Net funds at 1st January 2004	2,533	851
Net funds at 31st December 2004	<u>1,658</u>	<u>2,533</u>

**23 ANALYSIS OF NET FUNDS**

	<b>At 1st January 2004 £000</b>	<b>Cash Flow £000</b>	<b>At 31st December 2004 £000</b>
Cash in hand and at bank	<u>2,533</u>	<u>(875)</u>	<u>1,658</u>