

**Deloitte &
Touche**



Deloitte Touche
Yamatsu

Company Registration No. 2070305

SULZER INFRA (UK) LIMITED

Annual Report and Accounts

31 December 1998

**Deloitte & Touche
Columbia Centre
Market Street
Bracknell
Berkshire
RG12 1PA**





NOTICE OF MEETING

Notice is hereby given that the twelfth Annual General Meeting of Sulzer Infra (UK) Limited will be held at Westmead, Farnborough, Hampshire on Friday 26 March 1999 at 8.00 a.m. for the following purposes:

1. To receive the directors' report and accounts.
2. To declare a dividend.
3. To reappoint the auditors and fix their remuneration.
4. To transact such other business as may properly be transacted at an annual general meeting of the company.

By order of the Board

J Y McLaughlan

Westmead
Farnborough
Hampshire
GU14 7LP

1 March 1999

Note:

Any member of the company entitled to attend and vote at the meeting may appoint any person (whether a member or not) as his proxy to attend and vote instead of him. Forms of proxy should be deposited at the registered office of the company not later than 48 hours before the time of the meeting.

**ANNUAL REPORT AND ACCOUNTS 1998**

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ANNUAL REPORT AND ACCOUNTS 1998

DIRECTORS, OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J S Hunt
J Y McLaughlan
T M Scott (Managing Director)
W A Webb

SECRETARY

J Y McLaughlan

REGISTERED OFFICE

Westmead
Farnborough
Hampshire
GU14 7LP

BANKERS

Barclays Bank plc
Midland Bank plc

AUDITORS

Deloitte & Touche
Chartered Accountants
Columbia Centre
Market Street
Bracknell
Berkshire
RG12 1PA



DIRECTORS' REPORT

The directors present their annual report and the audited accounts of the company for the year ended 31 December 1998.

ACTIVITIES

The activities of the company during the year continued to be:

The design, installation and maintenance of mechanical and electrical services in all types of buildings.

The project management of complete building services installations including all sub-contractors in new and refurbished buildings, to conventional and 'fast track' programmes.

Work was carried out throughout the United Kingdom.

BUSINESS REVIEW AND FUTURE PROSPECTS

Turnover for the year increased to £45,412,000 (1997 - £38,493,000). The directors look forward to 1999 with optimism, entering the year with a significant forward workload in the Installation Division and believing that there is a substantial opportunity to further expand and develop the Service Division.

DIVIDENDS

The profit after taxation for the year amounted to £249,000 (1997 - profit of £47,000). The directors do not recommend the payment of a dividend (1997 - £nil).

DIRECTORS

The current directors are shown on page 1. Mr K A Matt resigned on 30 June 1998 after 31 years of service with the company. His contribution to the company over these years is recognised and acknowledged with thanks.

Mr J Y McLaughlan was appointed as a director in 1 January 1998.

None of the directors had an interest in the ordinary shares of the company or other companies within the UK group at any time during the year. There were no contracts during the year in which any of the directors had an interest.

EMPLOYEE INVOLVEMENT

The directors ensure that the employees are informed of any significant matters related to the well being of the company and employees are encouraged to discuss with management factors affecting the company and about which they are concerned.

Accounts of Sulzer (UK) Holdings Limited, the immediate parent company, are available to all employees on an annual basis and the directors take account of employees' interests when making decisions.

Suggestions from employees aimed at improving the company's performance are welcomed.

EMPLOYMENT OF DISABLED PERSONS

The company recognises its social and statutory duty to employ disabled persons. It is the company's policy to give full and fair consideration to applications for employment from disabled persons.

The company's general policy on training and promotion is to fit the qualifications and potential of each member of its staff to the appropriate job and career in the business. This policy is applied to disabled persons in the same way as to other staff.

Where employees become disabled, the company endeavours to continue to employ such people, retraining them where appropriate, provided there are duties which they are able to perform considering their particular handicap or disability.

**DIRECTORS' REPORT****HEALTH AND SAFETY AT WORK**

It is the policy of the company to provide a safe and healthy environment for all employees and to ensure that the same high standards towards health and safety are applied to the design, installation, maintenance and operation of plant and systems undertaken for clients.

Such policies will be achieved through a thorough understanding of, and compliance with, statutory and legal obligations, strong safety management and the provision of formal training and guidance.

The Company received the ROSPA Gold Award in respect of Occupational Health and Safety for the fourth year in succession.

ENVIRONMENT

The company's environmental policy is structured around the seven environmental principles of the Sulzer Technology Corporation and is made available to clients, employees, business partners and the public at large.

The company aims to increase the environmental awareness of all employees and in doing so raise the level of the company's environmental performance.

YEAR 2000

The Company established a project team in 1997 to examine the potential impact of the Millennium Date Change on the Company's business activities and to ensure that the appropriate action is taken to safeguard the Company's operations and protect it from the affects of the date change.

As a result of the actions of the project team, the Directors believe that the Company's systems will be able to function normally when the year 2000 is reached.

Although no formal quantification has been made of the costs associated with millennium compliance, these are regarded as not being significant and will not materially impact on the future results of the Company.

AUDITORS

Deloitte & Touche 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.

Approved by the Board of Directors
and signed on behalf of the Board

J Y McLaughlan

Director

J. Y. McLaughlan
28th May 1999

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

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



SULZER INFRA (UK) LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 6 to 15 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

DELOITTE & TOUCHE

Chartered Accountants and
Registered Auditors

28 18 1999


PROFIT AND LOSS ACCOUNT
For the year ended 31 December 1998

	Note	1998 £'000	1997 £'000
TURNOVER	1&2	45,412	38,493
Increase in work in progress		74	147
Other operating income		-	33
		<u>45,486</u>	<u>38,673</u>
Raw materials and consumables		30,948	26,638
Other external charges		3,791	3,516
Staff costs	3	10,249	8,267
Depreciation		62	60
Other operating charges		<u>264</u>	<u>179</u>
		<u>45,314</u>	<u>38,660</u>
OPERATING PROFIT	4	172	13
Interest receivable and similar income	5	<u>258</u>	<u>42</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		430	55
Taxation charge on profit on ordinary activities	6	<u>(181)</u>	<u>(8)</u>
Retained profit for the financial year	14	<u><u>249</u></u>	<u><u>47</u></u>

All amounts derive from continuing operations.

There are no recognised gains and losses for the current financial year and preceding financial year other than as stated in the profit and loss account.



BALANCE SHEET
As at 31 December 1998

	Note	1998 £'000	1997 £'000
FIXED ASSETS			
Tangible assets	7	135	132
CURRENT ASSETS			
Stocks	8	720	591
Debtors			
- due in less than one year	9	9,362	8,738
- due in more than one year	9	1,682	1,562
Cash at bank and in hand		4,620	3,632
		<u>16,384</u>	<u>14,523</u>
CREDITORS: amounts falling due within one year			
Payments received on account		3,517	3,029
Trade creditors		8,887	8,435
Amounts owed to group companies	10	231	196
Other creditors including taxation and social security	11	582	901
Accruals and deferred income		2,457	1,568
		<u>15,674</u>	<u>14,129</u>
NET CURRENT ASSETS		<u>710</u>	<u>394</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>845</u>	<u>526</u>
PROVISIONS FOR LIABILITIES AND CHARGES	12	268	198
		<u>577</u>	<u>328</u>
CAPITAL AND RESERVES			
Called up share capital	13	4,570	4,570
Profit and loss account	14	(3,993)	(4,242)
EQUITY SHAREHOLDERS' FUNDS	14	<u>577</u>	<u>328</u>

These accounts and notes were approved by the Board of Directors on

Signed on behalf of the Board of Directors

28 May

1999.

T M Scott

Managing Director

**NOTES TO THE ACCOUNTS**
Year ended 31 December 1998**1. ACCOUNTING POLICIES**

The accounts and notes are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

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

Stocks and long term contracts

Raw materials and work in progress are valued at the lower of cost and net realisable value. Cost represents materials, payments to sub-contractors, direct labour and, where appropriate, production overheads.

In accordance with Statement of Standard Accounting Practice No. 9 (revised), long term contract balances are represented by costs incurred on specific contracts net of amounts transferred to cost of sales in respect of work recorded as turnover, less foreseeable losses and payments on account not matched with turnover. Profit on long term contracts is only recognised when the total profit on the contract can be assessed with a high degree of certainty. Profit arising from settlement of contract claims is recorded when final negotiations have been completed and the amount of the settlement is considered to be collectable.

Fixed assets

Depreciation on assets is provided on a straight line basis over the operating lives of the assets. The rates of depreciation are as follows:

Plant and machinery	20% per annum
Fixtures, fittings and equipment	10%-33% per annum
Motor vehicles	25% per annum

Turnover

Turnover represents the value of goods and services provided to customers during the year net of value added tax. All turnover arose in the United Kingdom and relates to the company's principal activities which the directors consider to be one class of business.

Deferred taxation

Deferred taxation is provided at the anticipated tax rate on timing differences arising from the inclusion of income and expenditure in taxation computations in different years from their inclusion in the accounts to the extent that it is probable that a liability or asset will crystallise.

Pension costs

The expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the scheme.

Leases

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



NOTES TO THE ACCOUNTS
Year ended 31 December 1998

2. TURNOVER

	1998 £'000	1997 £'000
With third parties	45,303	38,433
Within the group	109	60
	<u>45,412</u>	<u>38,493</u>

3. DIRECTORS AND EMPLOYEES

	1998 £'000	1997 £'000
Directors' emoluments		
Remuneration	328	276
Pension contributions	51	39
Compensation for loss of office	30	-
	<u>309</u>	<u>315</u>

Remuneration includes salary and, if appropriate, bonus and the taxable benefit associated with the provision of a company vehicle.

All five directors were members of the group defined benefit pension scheme in both years.

The highest paid director received salary and benefits (excluding pension contributions) totalling £112,800 (1997 - £98,000). His accrued pension benefit under the group defined benefit scheme was approximately £38,180 per annum at the balance sheet date (1997 - £36,400).

	1998 £'000	1997 £'000
Staff costs comprise:		
Wages and salaries	9,241	7,431
Social security costs	767	617
Other pension costs	241	219
	<u>10,249</u>	<u>8,267</u>

The average monthly number of employees during the year was:

	1998 No.	1997 No.
Technical and production	306	252
Administration	75	73
	<u>381</u>	<u>325</u>



NOTES TO THE ACCOUNTS
Year ended 31 December 1998

4. OPERATING PROFIT

	1998 £'000	1997 £'000
Operating profit is stated after charging/(crediting):		
Profit on sale of tangible fixed assets	-	(33)
Auditors' remuneration		
- audit fees	25	22
- other services	10	8
Operating lease rentals		
- hire of plant and machinery	519	409
- other operating leases	167	252
	<u> </u>	<u> </u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	1998 £'000	1997 £'000
Income from bank deposits	258	42
	<u> </u>	<u> </u>

6. TAXATION

	1998 £'000	1997 £'000
The taxation charge / (credit) for the year is as follows:		
United Kingdom corporation tax at 31% (1997 – 31.5%)	111	(59)
Deferred tax	70	87
	<u> </u>	<u> </u>
	181	28
Adjustment in respect of prior years		
Corporation tax	-	(20)
	<u> </u>	<u> </u>
	181	8
	<u> </u>	<u> </u>


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

	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 1998	159	767	98	1,024
Additions	11	54	-	65
Disposals	-	(74)	(8)	(82)
	<u>170</u>	<u>747</u>	<u>90</u>	<u>1,007</u>
Depreciation				
At 1 January 1998	(147)	(658)	(87)	(892)
Charge for the year	(7)	(49)	(6)	(62)
Disposals	-	74	8	82
	<u>(154)</u>	<u>(633)</u>	<u>(85)</u>	<u>(872)</u>
Net book value				
At 31 December 1998	<u>16</u>	<u>114</u>	<u>5</u>	<u>135</u>
At 31 December 1997	<u>12</u>	<u>109</u>	<u>11</u>	<u>132</u>

8. STOCKS

	1998 £'000	1997 £'000
Work in progress	<u>720</u>	<u>591</u>

In the opinion of the directors there was no significant difference between the replacement cost of stocks and the value shown above.


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
9. DEBTORS

	1998 £'000	1997 £'000
Due in less than one year		
Trade debtors	8,519	7,896
Amounts recoverable on contracts	474	481
Amount owed by immediate parent company	21	12
Amounts owed by fellow subsidiaries	-	18
Other debtors	77	66
Prepayments and accrued income	271	265
	<u>9,362</u>	<u>8,738</u>
Due in more than one year		
Pension fund prepayment	<u>1,682</u>	<u>1,562</u>

10. AMOUNTS OWED TO GROUP COMPANIES

	1998 £'000	1997 £'000
Owed to ultimate parent company	79	69
Owed to fellow subsidiaries	<u>152</u>	<u>127</u>
	<u>231</u>	<u>196</u>

11. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	1998 £'000	1997 £'000
This heading includes:		
Taxation and social security	<u>511</u>	<u>836</u>



NOTES TO THE ACCOUNTS
Year ended 31 December 1998

12. PROVISIONS FOR LIABILITIES AND CHARGES

	1998 £'000	1997 £'000
Deferred taxation		
Other timing differences	268	198
	<u>268</u>	<u>198</u>

There are no unprovided amounts of deferred taxation.

	£'000
Deferred taxation movement in the year	
Balance at 1 January 1998	198
Charge to profit and loss account	70
	<u>70</u>
Balance at 31 December 1998	268
	<u>268</u>

13. CALLED UP SHARE CAPITAL

	1998 £	1997 £
Ordinary shares of £1 each:		
Authorised - 6,570,000 shares	6,570,000	6,570,000
	<u>6,570,000</u>	<u>6,570,000</u>
Called up, allotted and fully paid - 4,570,000 shares	4,570,000	4,570,000
	<u>4,570,000</u>	<u>4,570,000</u>

**14. COMBINED STATEMENT OF MOVEMENTS ON RESERVES AND RECONCILIATION
OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	Profit and loss account	Called up share capital	Share- holders' funds
	£'000	£'000	£'000
Balance at 1 January 1998	(4,242)	4,570	328
Profit for the financial year	249	-	249
	<u>(3,993)</u>	<u>4,570</u>	<u>577</u>
Balance at 31 December 1998	(3,993)	4,570	577
	<u>(3,993)</u>	<u>4,570</u>	<u>577</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
15. ULTIMATE PARENT COMPANY

The ultimate parent company and controlling party is Sulzer AG, a company incorporated in Switzerland. Sulzer AG prepares group accounts which include the results of the company. Copies of the group accounts are available from Sulzer AG, Winterthur, CH-8401, Switzerland.

The immediate parent company is Sulzer (UK) Holdings Limited, a company incorporated in the United Kingdom and registered in England and Wales. Sulzer (UK) Holdings Limited prepares group accounts which include the results of the company. Copies of these group accounts are available from Sulzer (UK) Holdings Limited, Westmead, Farnborough, Hampshire GU14 7LP.

16. CAPITAL COMMITMENTS

	1998 £'000	1997 £'000
Authorised but not yet contracted for	471	17
	<u> </u>	<u> </u>

17. OPERATING LEASE COMMITMENTS

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

	1998	
	Land and buildings £'000	Motor vehicles £'000
Leases which expire:		
Within one year	13	23
Within 2 to 5 years	12	456
In more than 5 years	115	-
	<u> </u>	<u> </u>
	140	479
	<u> </u>	<u> </u>

18. PENSION SCHEME

Employees of the company participate in the Sulzer UK Group pension scheme, a funded defined benefit pension scheme. Pension cost is assessed in accordance with the advice of an independent qualified actuary and the pension cost for the year was £240,630 (1997 - £218,779) including administration fees. Details of the latest valuation of the scheme, which was at 31 December 1996, are shown in the group accounts of Sulzer (UK) Holdings Limited.

19. CONTINGENT LIABILITY

The company is party to an unlimited guarantee arrangement with other group companies in favour of the group's bankers. The arrangement holds each of the group companies jointly and severally liable for indebtedness and liabilities arising to the bank.



NOTES TO THE ACCOUNTS
Year ended 31 December 1998

20. RELATED PARTY TRANSACTIONS

In accordance with the exemption permitted by paragraph 3(c) of Financial Reporting Standard No. 8 "Related Party Transactions", transactions with other group undertakings within, and investee related parties of, the Sulzer AG group have not been disclosed in these financial statements.