

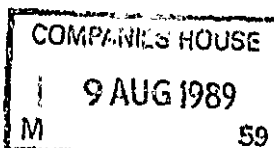
SULZER (UK) BUILDING SERVICES LIMITED

ANNUAL REPORT AND ACCOUNTS

31 December 1988

2070305

Touche Ross & Co.
Hill House
1 Little New Street
London
EC4A 3TR



SULZER (UK) BUILDING SERVICES LIMITED

NOTICE OF MEETING

Notice is hereby given that the second Annual General Meeting of Sulzer (UK) Building Services Ltd will be held at Westmead, Farnborough, Hampshire, on Thursday 22 June 1989 at 9.00am 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.

Westmead
Farnborough
Hampshire

By order of the Board
J Y McLaughlan
Secretary

30 May 1989

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.

SULZER (UK) BUILDING SERVICES LIMITED

ANNUAL REPORT AND ACCOUNTS 1988

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SULZER (UK) BUILDING SERVICES LIMITED

DIRECTORS, OFFICERS, ETC.

DIRECTORS

G K Balshaw (Managing Director)
V Beglinger
D R Clark
J E Fretwell
K Matt
P J Strangeway

SECRETARY AND
REGISTERED OFFICE

J Y McLaughlan
Westmead
Farnborough
Hampshire GU14 7LP

AUDITORS

Touche Ross & Co.

BANKERS

Barclays Bank PLC
Midland Bank plc
National Westminster Bank PLC

SOLICITORS

Bird & Bird

SULZER (UK) BUILDING SERVICES LIMITED

DIRECTORS' REPORT

The directors submit their annual report and audited accounts of the company for the year ended 31 December 1988.

ACTIVITIES

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

The design, installation and maintenance of heating and air conditioning systems 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

During 1988 the building industry continued to be very buoyant particularly in the south of the country and there were also signs of increasing activity in all other regions notably the West Midlands. However, despite the availability of work, margins remained competitive.

The favourable trend within the industry towards the more efficient management and control of projects and the resulting shortened construction programmes has contributed to the improvement in performance. Pre tax profit for the year amounted to £1,135,000 against £480,000 achieved in 1987.

Orders received during the year showed an increase of 30% over 1987 to £53m. Amongst the many large projects obtained were Birmingham Convention Centre, Financial Times H.Q. offices at Bankside, Southwark Bridge and Daily Telegraph offices at South Quay Plaza, Isle of Dogs.

However, the current high activity levels have led to severe skill shortages and this has resulted in substantial pressure on labour costs. It is anticipated that this situation will prevail throughout 1989.

The Services and Maintenance Division continued its expansion during the year and now represents 5% of company turnover. Profitability in this business segment showed a positive trend.

The workload in 1989 is expected to remain at current levels and indications are that the orders intake for 1989 will be at least equivalent in value terms to that obtained in 1988. The company is looking to expand its activities particularly in the service and maintenance field, if necessary through a policy of acquisition.

The company is also in the process of introducing Quality Assurance procedures and anticipates becoming approved by the end of 1989.

The directors are confident that the strategy and policies being pursued will result in continuing improvements in performance and profitability during 1989.

SULZER (UK) BUILDING SERVICES LIMITED

DIRECTORS' REPORT (continued)

RESULTS AND DIVIDENDS

The company profit for the year after taxation was £676,000. A dividend of 9.47p per ordinary share is recommended by the directors.

The dividend proposed amounts to £338,000 which leaves a retained profit for the year of £338,000.

DIRECTORS

The present directors are shown on page 1. All directors have served throughout the year.

None of the directors had an interest in the ordinary shares of the company.

There were no contracts during the year in which any of the directors had an interest.

Mr V Beglinger discharged his duties mainly outside the United Kingdom during the year.

FIXED ASSETS

The movements in tangible fixed assets during the year are detailed in note 9 on page 12.

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.

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 can perform considering their particular handicap or disability.

SULZER (UK) BUILDING SERVICES LIMITED

DIRECTORS' REPORT (continued)

AUDITORS

Touche Ross & Co. 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

J Y McLAUGHLAN

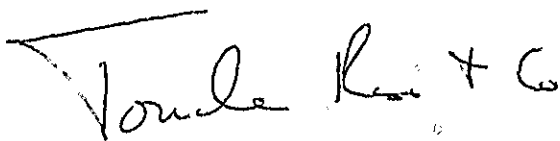
Secretary
15 June 1989

SULZER (UK) BUILDING SERVICES LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the accounts and notes on pages 6 to 14 in accordance with approved Auditing Standards.

In our opinion the accounts and notes give a true and fair view of the state of affairs of the company at 31 December 1988 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.


Touche Ross & Co
Chartered Accountants
London

15 June 1989

SULZER (UK) BUILDING SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

For the Year Ended 31 December 1988

	Note	1988 £000	1987 £000
Turnover	2	42,929	34,394
Change in work in progress		2,525	2,983
Other operating income		<u>48</u>	<u>24</u>
		<u>45,502</u>	<u>37,401</u>
Raw materials and consumables		32,913	27,527
Other external charges		3,603	2,779
Staff costs	3	7,910	6,664
Depreciation		366	337
Other operating charges		<u>298</u>	<u>171</u>
		<u>45,090</u>	<u>37,478</u>
Operating Profit	4	412	(77)
Interest payable and similar charges	5	(3)	-
Interest receivable and similar income	6	<u>726</u>	<u>557</u>
Profit on Ordinary Activities before Taxation		1,135	480
Tax on Profit on Ordinary Activities	7	<u>(459)</u>	<u>(186)</u>
Profit for the Financial Year		676	294
Dividends	8	<u>(336)</u>	<u>(147)</u>
Retained Profit for the Financial Year		338	147
Retained Profit brought forward		<u>147</u>	<u>-</u>
Retained Profit carried forward		<u>485</u> =====	<u>147</u> =====

SULZER (UK) BUILDING SERVICES LIMITED

BALANCE SHEET 31 December 1988

	Note	1988	1987
		£000	£000
FIXED ASSETS			
Tangible assets	9	771	682
CURRENT ASSETS			
Stocks	10	3,169	2,143
Debtors	11	8,830	7,855
Cash at bank and in hand		<u>7,504</u>	<u>5,920</u>
		<u>19,503</u>	<u>15,918</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Trade creditors		13,587	10,971
Amounts owed to group companies	12	581	500
Other creditors including taxation and social security	13	949	546
Accruals and deferred income		738	693
Dividend payable		<u>213</u>	<u>22</u>
		<u>16,068</u>	<u>12,732</u>
NET CURRENT ASSETS		<u>3,435</u>	<u>3,186</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,206</u>	<u>3,868</u>
PROVISIONS FOR LIABILITIES AND CHARGES	14	<u>151</u>	<u>151</u>
		<u>4,055</u>	<u>3,717</u>
CAPITAL AND RESERVES			
Called up share capital	15	3,570	3,570
Profit and loss account		<u>485</u>	<u>147</u>
		<u>4,055</u>	<u>3,717</u>

The accounts were approved by the Board of Directors on 15 June 1989.

G. K. BALSHAW)
K. MATT) Directors

[Handwritten signatures]

SULZER (UK) BUILDING SERVICES LIMITED
STATEMENT OF SOURCE AND APPLICATION OF FUNDS
For the Year Ended 31 December 1988

	1988 £'000	1987 £'000
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	1,135	480
Adjustments for items not involving the movement of funds:		
Depreciation	366	337
Profit on sale of tangible fixed assets	<u>(48)</u>	<u>(24)</u>
Total generated from operations:	1,453	793
Share issue	-	3,570
Proceeds on sale of tangible fixed assets	<u>61</u>	<u>110</u>
	1,514	4,473
APPLICATION OF FUNDS		
Purchase of tangible fixed assets	(468)	(1,105)
Taxation paid	(35)	-
Dividends paid	<u>(147)</u>	<u>(125)</u>
	864	3,243
	=====	=====
MOVEMENTS IN WORKING CAPITAL		
Stocks	1,026	2,143
Debtors	83	7,847
Creditors	(2,640)	(12,175)
Group companies	<u>811</u>	<u>(492)</u>
	<u>(720)</u>	<u>(2,677)</u>
INCREASE IN NET LIQUID FUNDS	<u>1,584</u>	<u>5,920</u>
	864	3,243
	=====	=====

(Net liquid funds comprise cash at bank and in hand)

SULZER (UK) BUILDING SERVICES LIMITED

NOTES TO THE ACCOUNTS

For the Year Ended 31 December 1988

1. ACCOUNTING POLICIES

a) Accounting convention

The accounts are prepared under the historical cost convention.

b) Stocks and work in progress

Long term contract work in progress is valued at cost plus attributable profit if appropriate after provision for contingencies and anticipated future losses on contracts.

Raw materials and consumables are valued at the lower of cost and net realisable value. Cost represents purchase price of materials.

Work in progress cost represents payments for materials, sub contract work, direct labour and appropriate production overheads.

Claims for loss and expense are included in the valuation of work in progress and credited to the profit and loss account only when they have been finally agreed.

c) Fixed assets

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

Plant and machinery	10% per annum
Fixtures, fittings, and equipment	10%-33 $\frac{1}{3}$ % per annum
Motor vehicles	25% per annum

d) Turnover

Turnover represents the value of goods and services invoiced, excluding VAT, to customers during the year.

e) Deferred taxation

Deferred taxation is provided at the anticipated corporation tax rate on differences arising from the inclusion of income and expenditure in taxation computations in years different from those in which they are included in the accounts to the extent that it is probable that a liability or asset will materialise in the future.

f) Pension costs

Provision is made for the contractual pension benefits which are prospectively payable to and in respect of employees. The provision is by regular annual contributions made by the company and employees to a trust which is separate from the company. The company's contributions are charged against profits in the year in which they become payable. The annual contributions of the company and the members are expressed as fixed percentages of the pensionable salaries of the members, and the actuary to the scheme has reported that these contributions are likely to be sufficient to provide the benefits payable under the scheme.

SULZER (UK) BUILDING SERVICES LIMITED

NOTES TO THE ACCOUNTS

For the Year Ended 31 December 1988

	1988 £000	1987 £000
2. TURNOVER		
With third parties	42,924	34,386
Within the group	<u>5</u>	<u>8</u>
	42,929	34,394
	=====	=====

3. DIRECTORS AND EMPLOYEES

	£	£
Remuneration of the highest paid director	45,900	37,160
	=====	=====

Other directors had emoluments within the indicated ranges:-

Range (Gross)	After tax (see note)	No.	No.
£ 0 - £ 5,000	4,700	2	2
£25,001 - £30,000	22,300	1	1
£30,001 - £35,000	25,200	2	2
		===	===

Note: Based on rates of tax and allowances of a married person with no other source of income, with a salary at the top of the ranges shown.

	£000	£000
Staff costs comprise:		
Wages and salaries	7,061	5,978
Social security costs	578	459
Other pension costs	<u>271</u>	<u>227</u>
	7,910	6,664

The average number of employees each week during the year was:

	No.	No.
Technical and Production	475	450
Administration	<u>38</u>	<u>34</u>
	513	484
	===	===

SULZER (UK) BUILDING SERVICES LIMITED
NOTES TO THE ACCOUNTS
For the Year Ended 31 December 1988

	1988 £000	1987 £000
4. OPERATING PROFIT		
Is after crediting:		
Profit on sale of tangible fixed assets	48	24
and after charging:		
Directors' remuneration	156	141
Auditors' remuneration	29	25
	====	====
5. INTEREST PAYABLE AND SIMILAR CHARGES		
Other interest	3	-
	====	====
6. INTEREST RECEIVABLE AND SIMILAR INCOME		
Income from bank deposits	726	557
	====	====
7. TAX ON PROFIT ON ORDINARY ACTIVITIES		
The taxation charge for the year is as follows:		
United Kingdom corporation tax at 35% (1987 - 35%)	459	186
	====	====
8. DIVIDENDS		
	1988	1987
	Per Share	Per Share
	£'000	£'000
Paid	3.51p	3.51p
Proposed final dividend	5.96p	.61p
	9.47p	4.12p
	=====	=====
	125	125
	213	22
	338	147
	====	====

SOLZER (UK) BUILDING SERVICES LIMITED

NOTES TO THE ACCOUNTS

For the Year Ended 31 December 1988

9. TANGIBLE FIXED ASSETS

	Plant and machinery £000	Fixtures, fittings, and equipment £000	Motor vehicles £000	Total £000
Cost				
At 1 January 1988	89	462	940	1,491
Additions	3	93	372	468
Disposals	-	-	(155)	(155)
	---	---	---	---
At 31 December 1988	92	555	1,157	1,804
	===	===	=====	=====
Depreciation				
At 1 January 1988	60	237	512	809
Charge for the year	11	80	275	366
Disposals	-	-	(142)	(142)
	---	---	---	---
At 31 December 1988	71	317	645	1,033
	===	===	=====	=====
Net book value				
At 31 December 1988	21	238	512	771
	===	===	=====	=====
Net book value				
At 31 December 1987	29	225	428	682
	===	===	=====	=====

SULZER (UK) BUILDING SERVICES LIMITED

NOTES TO THE ACCOUNTS

For the Year Ended 31 December 1988

	1988 £000	1987 £000
10. STOCKS		
Raw materials and consumables	61	70
Work in progress	37,968	35,443
Less payments on account	(34,860)	(33,370)
	3,169	2,143
	=====	=====

There were no significant differences between the replacement cost and the values shown for all stock categories.

The company's accounting policy on stock and work in progress set out in note 1(b) is in accordance with SSAP 9. This constitutes a departure from the valuation rules contained in Schedule 4 of the Companies Act 1985. This departure is necessary to enable the accounts to give a true and fair view and is required by Section 228(5) of that Act. In the opinion of the directors, the departure from the valuation rules does not significantly affect the accounts.

11. DEBTORS	£000	£000
Trade debtors	7,532	7,239
Amounts owed by fellow subsidiaries	900	8
Other debtors	159	438
Prepayments and accrued income	239	170
	8,830	7,855
	=====	=====

12. AMOUNTS OWED TO GROUP COMPANIES

Due to ultimate holding company	419	298
Due to fellow subsidiaries	162	202
	581	500
	=====	=====

SULZER (UK) BUILDING SERVICES LIMITED

NOTES TO THE ACCOUNTS

For the Year Ended 31 December 1988

13. OTHER CREDITORS INCLUDING TAXATION
AND SOCIAL SECURITY

1988	1987
£000	£000

This heading includes:

Corporation tax	610	186
Other taxation and social security	205	157
	===	===

14. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation

Capital allowances in excess
of depreciation

151	151
=====	=====

There are no unprovided amounts.

15. CALLED UP SHARE CAPITAL

Authorised, allotted and fully paid:
Ordinary shares of £1 each

£	£
3,570,000	3,570,000
=====	=====

16. ULTIMATE HOLDING COMPANY

The immediate parent company is Sulzer (UK) Holdings Limited, the ultimate holding company being Gebrüder Sulzer AG, which is incorporated in Switzerland.

17. CAPITAL COMMITMENTS

£000	£000
------	------

Authorised but not yet contracted for

18	34
===	===