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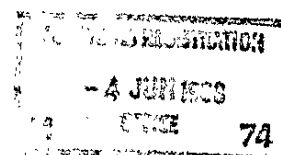
△ Touche Ross

SULZER (UK) BUILDING SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS

31 December 1987

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



SULZER (UK) BUILDING SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 1987

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SULZER (UK) BUILDING SERVICES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors

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

Secretary

J Y McLaughlan

Registered Office

Westmead
Farnborough
Hampshire GU14 7LP

Bankers

Barclays Bank PLC
Midland Bank PLC
National Westminster Bank PLC

Solicitors

Bird & Bird

Auditors

Touche Ross & Co.

SULZER (UK) BUILDING SERVICES LIMITED

DIRECTORS' REPORT

The directors submit their first report and financial statements of the company for the period ended 31 December 1987.

Sulzer (UK) Building Services Limited, which previously operated as a Product Division within Sulzer Bros (UK) Limited, was incorporated under the name Chaindelta Limited on 4 November 1986 and changed its name to Sulzer (UK) Building Services Limited on 15 December 1986. The company commenced trading on 1 January 1987 following the transfer of net assets, as shown in note 14, from Sulzer (UK) Holdings Limited.

ACTIVITIES

The activities of the company during the period were:

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 whole of the United Kingdom.

BUSINESS REVIEW AND FUTURE PROSPECTS

During 1987 the Building Industry was very buoyant in the South of the country, particularly in the London area, and towards the latter part of the year there were also signs of improving market conditions in all other regions with the exception of Scotland.

Margins, whilst still low, rose during 1987 from the sub economic levels of previous years and all indicators point to the continuation of this trend.

The pre-tax profit of £480,000 was largely influenced by business taken in previous years at the low margins prevailing at that time.

Orders received during the year showed an increase of 10% over 1986. Amongst the many large projects obtained were two important contracts in the Isle of Dogs, London Docklands which will ensure the Company's continued involvement in this major market area.

The Services and Maintenance Division, offering a 24 hour service, operated satisfactorily and was able to add a number of major new customers to its existing client list.

Workload in 1988 is expected to increase as a result of the present healthy order book and the continued buoyancy of the market, particularly in the South. There are signs of increasing activity in the Midlands and the North of the country although trading remains difficult in Scotland.

The Directors feel that due to the improving market, margins will continue to increase in 1988. It is also believed that the effects of the internal restructuring of the business and the strengthening of the management team will further contribute towards an improved performance in future years.

SULZER (UK) BUILDING SERVICES LIMITED

DIRECTORS' REPORT (continued)

RESULTS AND DIVIDENDS

The company profit for the period after taxation was £294,000. A dividend of 4.12p per ordinary share was recommended. Details of dividends are shown in note 7 to the financial statements on page 11.

The dividend payable amounted to £147,000 which leaves a retained profit for the period of £147,000.

DIRECTORS

The present directors are shown on page 1. All directors were appointed on 15 December 1986 and have served throughout the remainder of the period.

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

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

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

FIXED ASSETS

The movements in fixed assets during the period are detailed in note 8 to the financial statements on page 12.

EMPLOYEE INVOLVEMENT

The directors ensure that the employees are informed of any significant matters related to the wellbeing 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. were appointed as first auditors of the company by the directors and 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



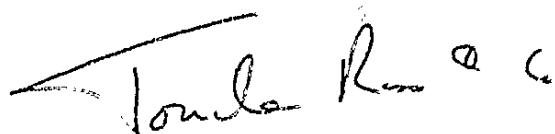
Secretary
4 May 1988

SULZER (UK) BUILDING SERVICES LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 6 to 15 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1987 and of its profit and source and application of funds since incorporation on 4 November 1986 to 31 December 1987 and comply with the Companies Act 1985.



Chartered Accountants.
London

4 May 1988

SULZER (UK) BUILDING SERVICES LIMITED
PROFIT AND LOSS ACCOUNT
Period ended 31 December 1987

	Note	1987 £000	1987 £000
Turnover	2	34,394	
Change in work in progress		2,983	
Other operating income		<u>24</u>	
			<u>37,401</u>
Raw materials and consumables		27,527	
Staff costs	3	6,664	
Depreciation		337	
Other operating charges		<u>2,959</u>	
			<u>37,478</u>
Operating loss			(77)
Interest receivable and similar income	4		<u>557</u>
Profit on ordinary activities before taxation	5		480
Tax on profit on ordinary activities	6		<u>(186)</u>
Profit on ordinary activities after taxation			294
Dividends paid and proposed	7		<u>(147)</u>
Retained profit carried forward			147
			=====

SULZER (UK) BUILDING SERVICES LIMITED

BALANCE SHEET 31 December 1987

	Note	1987 £000	1987 £000
FIXED ASSETS			
Tangible assets	8		682
CURRENT ASSETS			
Stocks	9	2,143	
Debtors	10	7,855	
Cash at bank and in hand		<u>5,920</u>	
		<u>15,918</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Trade creditors		10,071	
Amounts owed to group companies	11	500	
Other creditors including taxation and social security	12	546	
Accruals and deferred income		693	
Dividend payable		<u>22</u>	
		<u>12,732</u>	
NET CURRENT ASSETS			<u>3,186</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>3,868</u>
PROVISIONS FOR LIABILITIES AND CHARGES	13		<u>151</u>
			<u>3,717</u>
CAPITAL AND RESERVES			<u>=====</u>
Called up share capital	14	3,570	
Profit and loss account		<u>147</u>	
		<u>3,717</u>	<u>=====</u>

The financial statements were approved by the Board of Directors on
4 May 1988.

[Signature]
[Signature]
Directors

SULZER (UK) BUILDING SERVICES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
Period ended 31 December 1987

	1987 £000
SOURCE OF FUNDS	
Profit on ordinary activities before taxation	480
Adjustments for items not involving the movement of funds:	
Depreciation	337
Profit on sale of tangible fixed assets	(24)
Total generated from operations	793
Share issue	3,570
Proceeds on sale of tangible fixed assets	110
Increase in creditors	12,175
Increase in amounts owed to group companies	500
	<u>17,148</u>
APPLICATION OF FUNDS	
Purchase of tangible fixed assets	1,105
Dividends paid	125
Increase in stocks	2,143
Increase in debtors	7,847
Increase in amounts owed by group companies	8
	<u>11,228</u>
INCREASE IN NET LIQUID FUNDS	5,920
	=====

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

SULZER (UK) BUILDING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Period ended 31 December 1987

1. STATEMENT OF ACCOUNTING POLICIES

- a) Accounting convention
The financial statements have been 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 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
Motor vehicles	25% per annum
Fixtures and fittings	10%-33 $\frac{1}{3}$ % 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 periods 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 FINANCIAL STATEMENTS

Period ended 31 December 1987

	1987	
	£000	
2. TURNOVER		
With third parties	34,386	
Within the group	<u>8</u>	
	34,394	
	=====	
3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES		
	£	
Remuneration of the highest paid director	37,160	
	=====	
	After tax	No.
	(see note)	
Scale of other directors' remuneration:		
£ 0 - £ 5,000	4,700	2
£25,001 - £30,000	21,400	1
£30,001 - £35,000	23,900	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	
Employee costs during the year:		
Wages and salaries	5,978	
Social security costs	459	
Other pension costs	<u>227</u>	
	<u>6,664</u>	
Average number of persons employed:		No.
Technical and Production		418
Administration		<u>34</u>
		452
		===

SULZER (UK) BUILDING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 December 1987

			1987
			£000
4.	INTEREST RECEIVABLE AND SIMILAR INCOME		
	Income from bank deposits		557
			===
5.	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
	Is after crediting:		
	Profit on sale of tangible fixed assets		24
	and after charging:		
	Directors remuneration		141
	Auditors' remuneration		25
			=====
6.	TAX ON PROFIT ON ORDINARY ACTIVITIES		
	United Kingdom corporation tax at 35%		
	based on the profit for the period		186
			=====
7.	DIVIDENDS PAID AND PROPOSED		
		Per Share	
	29 June 1987 Interim dividend	1.23p	44
	24 August 1987 Interim dividend	1.23p	44
	22 December 1987 Interim dividend	1.05p	37
			125
	Proposed final dividend	.61p	22
		4.12p	147
		=====	=====

SULZER (UK) BUILDING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Period ended 31 December 1987

8. TANGIBLE FIXED ASSETS

	Plant and machinery £000	Motor vehicles £000	Fixtures, fittings, tools and equipment £000	Total £000
Cost				
Transfer from parent company on 1 January 1987 (see note 14)	110	823	348	1,281
Additions	3	334	117	454
Disposals	(24)	(217)	(3)	(244)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1987	<u>89</u>	<u>940</u>	<u>462</u>	<u>1,491</u>
Depreciation				
Transfer from parent company on 1 January 1987 (see note 14)	55	448	127	630
Charge for the period	10	217	110	337
Disposals	(5)	(153)	-	(158)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1987	<u>60</u>	<u>512</u>	<u>237</u>	<u>809</u>
Net book value				
At 31 December 1987	<u>29</u> =====	<u>428</u> =====	<u>225</u> =====	<u>682</u> =====

SULZER (UK) BUILDING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Period ended 31 December 1987

9. STOCKS

	1987 £000
Raw materials and consumables	70
Work in progress	35,443
Less payments on account	(33,370)
	2,143
	=====

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

The group'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.

10. DEBTORS

	£000
Trade debtors	7,239
Amounts owed by fellow subsidiaries	8
Other debtors	438
Prepayments and accrued income	<u>170</u>
	7,855
	=====

11. AMOUNTS OWED TO GROUP COMPANIES

Due to ultimate holding company	298
Due to fellow subsidiaries	<u>202</u>
	500
	=====

SULZER (UK) BUILDING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 December 1987

12. OTHER CREDITORS INCLUDING TAXATION
AND SOCIAL SECURITY

1987
£000

This heading includes:

Corporation tax

186

Other taxation and social security

157

=====

13. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation

Capital allowances in excess
of depreciation

151

=====

There are no unprovided amounts.

14. CALLED UP SHARE CAPITAL

£

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

3,570,000

=====

Issued as follows:

On incorporation

2

2 January 1987

2,999,998

27 August 1987

570,000

3,570,000

=====

Shares were issued in return for the assets transferred, at net book value,
from Sulzer (UK) Holdings Limited as represented by:

£000

Tangible assets

651

Stocks

2,070

Debtors

7,722

Cash at bank and in hand

3,709

Trade creditors

(9,089)

Amounts owed to group companies

(309)

Accruals and deferred income

(1,184)

3,570

=====

SULZER (UK) BUILDING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Period ended 31 December 1987

15. CAPITAL COMMITMENTS

£000

Authorised but not yet contracted for

34

=====

16. CHAINDELTA LIMITED

Details of the first directors' dates of appointment and resignation are shown below:

D S Hodgson (appointed 4 November 1986 resigned 20 November 1986)
J P C Hartley (appointed 20 November 1986 resigned 15 December 1986)

17. HOLDING COMPANY

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