

**SULZER INFRA (UK) LIMITED**

**Report and Financial Statements**

**31 December 2000**

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



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**ANNUAL REPORT AND ACCOUNTS 2000**

<b>CONTENTS</b>	<b>Page</b>
<b>Directors, officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Statement of directors' responsibilities</b>	<b>4</b>
<b>Auditors' report</b>	<b>5</b>
<b>Profit and loss account</b>	<b>6</b>
<b>Balance sheet</b>	<b>7</b>
<b>Notes to the accounts</b>	<b>8</b>

**NOTICE OF MEETING**

Notice is hereby given that the fourteenth Annual General Meeting of Sulzer Infra (UK) Limited will be held at Westmead, Farnborough, Hampshire on Thursday 9 August 2001 at 8.30am, 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

8 August 2001

**ANNUAL REPORT AND ACCOUNTS 2000**

**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  
HSBC 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 financial statements of the company for the year ended 31 December 2000.

### **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 specialist 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 £76,332,000 (1999 - £64,371,000). The directors look forward to the year 2001 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 £982,000 (1999 - profit of £582,000). The directors do not recommend the payment of a dividend (1999 - £nil).

### **DIRECTORS**

The current directors, who served throughout the year, are shown on page 1.

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.

### **POST BALANCE SHEET EVENT**

Subsequent to 31 December 2000, the company's ultimate parent, Sulzer AG, has continued to implement its divestment and restructuring plans. As a result a purchaser has been identified for the pan-European Sulzer Infra Group, of which Sulzer Infra (UK) Limited is a member. Negotiations are at an advanced stage.

As a consequence of the disposal, the company will no longer be a member of the Sulzer Group pension scheme. The pension fund prepayment of £1,995,000 as at 31 December 2000 will therefore be written off once the sale has been completed in accordance with applicable accounting standards.

It is anticipated that the purchaser of the company will make allowance for the loss of the asset by providing a capital injection to the company once the acquisition has been completed. The amount of the capital injection is anticipated to be £1,396,000, representing the value of the prepayment as at 31 December 2000, less the applicable deferred tax liability, calculated at 30% of the asset value.

### **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.

## **DIRECTORS' REPORT (continued)**

### **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.

### **HEALTH AND SAFETY AT WORK**

It is the company's policy to develop a health and safety culture throughout the organisation which is committed to the prevention of injuries and ill health of its employees, subcontractors and others who may be affected by its work activities and to prevent any damage or loss to property and equipment.

In recognising that the company's employees are its most valuable asset, the company's policy objectives are largely achieved and maintained by raising the safety awareness of all employees and involving them in the identification of workplace hazards and in making risk assessments. The company, in turn, provides the resources necessary to ensure the provision of both safe systems of work and safe places of work.

Occupational health and safety is embodied within the company's business management system in which continuous improvement of its health and safety performance is an integral part of its overall business objectives.

The company recognises its legal responsibilities and considers that health and safety legislation provides a minimum standard, which forms the foundation for the ongoing development of its health and safety management system in addressing changing business and legislative needs.

During the year, the company received the ROSPA Gold Medal for Occupational Health and Safety in recognition of having achieved six successive Gold Awards.

### **ENVIRONMENT**

It is the policy of the company to minimise the impacts on the environment of its activities in the design, installation, maintenance and operation of building services in a responsible and accountable way by means of a programme of continuous improvement, balancing the needs of the environment with operational obligations and available resources.

The company aims to meet and, where appropriate, exceed the requirements of all relevant regulations and legislation.

### **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

9 August 2001.

## **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 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 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 14 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 which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. 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 United Kingdom 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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*DeLoitte & Touche*

DELOITTE & TOUCHE

Chartered Accountants and  
Registered Auditors

9 August 2001.

**PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 December 2000**

	Note	2000 £'000	1999 £'000
<b>TURNOVER</b>	1&2	76,332	64,371
Increase in work in progress		220	552
		<u>76,552</u>	<u>64,923</u>
Raw materials and consumables		53,037	45,909
Other external charges		6,042	4,956
Staff costs	3	15,819	13,019
Depreciation		179	160
Other operating charges		361	277
		<u>75,438</u>	<u>64,321</u>
<b>OPERATING PROFIT</b>	4	1,114	602
Interest receivable and similar income	5	403	278
		<u>1,517</u>	<u>880</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		1,517	880
Tax on profit on ordinary activities	6	(535)	(298)
		<u>982</u>	<u>582</u>
<b>Retained profit for the financial year</b>	14	<u>982</u>	<u>582</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 2000

	Note	2000 £'000	1999 £'000
<b>FIXED ASSETS</b>			
Tangible assets	7	535	533
<b>CURRENT ASSETS</b>			
Stocks	8	1,439	1,466
Debtors			
- due in less than one year	9	22,820	12,245
- due in more than one year	9	1,995	1,832
Cash at bank and in hand		6,526	7,367
		32,780	22,910
<b>CREDITORS: amounts falling due within one year</b>			
Payments received on account		10,219	5,913
Trade creditors		14,500	11,731
Amounts owed to group companies	10	1,077	132
Other creditors including taxation and social security	11	1,207	1,091
Accruals and deferred income		3,779	3,110
		30,782	21,977
<b>NET CURRENT ASSETS</b>		1,998	933
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		2,533	1,466
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	12	(392)	(307)
		2,141	1,159
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	4,570	4,570
Profit and loss account	14	(2,429)	(3,411)
<b>EQUITY SHAREHOLDERS' FUNDS</b>	14	2,141	1,159

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

Signed on behalf of the Board of Directors

9/08

2001.

T M Scott

Managing Director

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2000****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.

**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 2000

### 2. TURNOVER

	2000 £'000	1999 £'000
With third parties	76,288	64,307
Within the group	44	64
	<u>76,332</u>	<u>64,371</u>

### 3. DIRECTORS AND EMPLOYEES

	2000 £'000	1999 £'000
<b>Directors' emoluments</b>		
Remuneration	347	337
Pension contributions	47	48
	<u>394</u>	<u>385</u>

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

All four 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 £138,800 (1999 - £142,800). His accrued pension benefit under the group defined benefit scheme was approximately £49,950 per annum at the balance sheet date (1999 - £43,287).

	2000 £'000	1999 £'000
<b>Staff costs comprise:</b>		
Wages and salaries	14,243	11,709
Social security costs	1,229	1,025
Other pension costs	347	285
	<u>15,819</u>	<u>13,019</u>

The average monthly number of employees during the year was:

	2000 No.	1999 No.
Technical and production	444	377
Administration	99	82
	<u>543</u>	<u>459</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2000**

**4. OPERATING PROFIT**

	2000 £'000	1999 £'000
Operating profit is stated after charging:		
Depreciation	179	160
Auditors' remuneration:		
- audit fees	28	26
- other services	11	12
Operating lease rentals:		
- hire of plant and machinery	736	652
- other operating leases	230	179
	<u>          </u>	<u>          </u>

**5. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2000 £'000	1999 £'000
Interest from bank deposits	403	278
	<u>          </u>	<u>          </u>

**6. TAXATION**

	2000 £'000	1999 £'000
United Kingdom corporation tax at 30% (1999 – 30%)	450	248
Deferred tax	85	50
Adjustments relating to prior year corporation tax	-	11
Adjustments relating to prior year deferred tax	-	(11)
	<u>          </u>	<u>          </u>
	535	298
	<u>          </u>	<u>          </u>

The tax charge is disproportionately high due to expenditure included in the profit and loss account which is disallowable for tax purposes.

NOTES TO THE ACCOUNTS  
Year ended 31 December 2000

## 7. TANGIBLE FIXED ASSETS

	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>				
At 1 January 2000	178	1,179	40	1,397
Additions	26	155	-	181
Disposals	-	-	(20)	(20)
At 31 December 2000	<u>204</u>	<u>1,334</u>	<u>20</u>	<u>1,558</u>
<b>Depreciation</b>				
At 1 January 2000	160	664	40	864
Charge for the year	14	165	-	179
Disposals	-	-	(20)	(20)
At 31 December 2000	<u>174</u>	<u>829</u>	<u>20</u>	<u>1,023</u>
<b>Net book value</b>				
At 31 December 2000	<u>30</u>	<u>505</u>	<u>-</u>	<u>535</u>
At 31 December 1999	<u>18</u>	<u>515</u>	<u>-</u>	<u>533</u>

## 8. STOCKS

	2000 £'000	1999 £'000
Work in progress	<u>1,439</u>	<u>1,466</u>

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

## 9. DEBTORS

	2000 £'000	1999 £'000
<b>Due in less than one year</b>		
Trade debtors	20,435	10,266
Amounts recoverable on contracts	1,915	1,531
Amounts owed by fellow subsidiaries	14	101
Other debtors	110	13
Prepayments and accrued income	346	334
	<u>22,820</u>	<u>12,245</u>
<b>Due in more than one year</b>		
Pension fund prepayment	<u>1,995</u>	<u>1,832</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2000**

**10. AMOUNTS OWED TO GROUP COMPANIES**

	2000 £'000	1999 £'000
Owed to ultimate parent company	14	14
Owed to fellow subsidiaries	1,063	118
	<u>1,077</u>	<u>132</u>

**11. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY**

	2000 £'000	1999 £'000
<b>This heading includes:</b>		
Taxation and social security	1,144	1,041
	<u>1,144</u>	<u>1,041</u>

**12. PROVISIONS FOR LIABILITIES AND CHARGES**

	2000 £'000	1999 £'000
<b>Deferred taxation</b>		
Other timing differences	392	307
	<u>392</u>	<u>307</u>

There are no unprovided amounts of deferred taxation (1999 - £Nil).

**Deferred taxation movement in the year**

Balance at 1 January 2000	307	268
Charge to profit and loss account	85	50
Adjustment in respect of prior years	-	(11)
	<u>392</u>	<u>307</u>
Balance at 31 December 2000	<u>392</u>	<u>307</u>

**13. CALLED UP SHARE CAPITAL**

	2000 £'000	1999 £'000
<b>Ordinary shares of £1 each:</b>		
Authorised - 6,570,000 shares	6,570	6,570
	<u>6,570</u>	<u>6,570</u>
Called up, allotted and fully paid - 4,570,000 shares	4,570	4,570
	<u>4,570</u>	<u>4,570</u>

## NOTES TO THE ACCOUNTS

Year ended 31 December 2000

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

	Called up share capital	Profit and loss account	Share- holders' funds
	£'000	£'000	£'000
Balance at 1 January 2000	4,570	(3,411)	1,159
Profit for the financial year	-	982	982
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2000	<u>4,570</u>	<u>(2,429)</u>	<u>2,141</u>

## 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

	2000 £'000	1999 £'000
Authorised but not yet contracted for	<u>109</u>	<u>50</u>

## 17. OPERATING LEASE COMMITMENTS

At 31 December 2000 the company was committed to making the following payments during the next year in respect of operating leases.

	2000		1999	
	Land and buildings £'000	Motor Vehicles £'000	Land and Buildings £'000	Motor Vehicles £'000
Leases which expire:				
Within one year	-	23	-	23
Within two to five years	37	419	87	491
In more than five years	130	-	113	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>167</u>	<u>442</u>	<u>200</u>	<u>514</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 £347,464 (1999 - £285,047) including administration fees. Details of the latest valuation of the scheme, which was at 31 December 1999, are shown in the group accounts of Sulzer (UK) Holdings Limited.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2000**

**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.

**20. POST BALANCE SHEET EVENT**

Subsequent to 31 December 2000, the company's ultimate parent, Sulzer AG, has continued to implement its divestment and restructuring plans. As a result a purchaser has been identified for the pan-European Sulzer Infra Group, of which Sulzer Infra (UK) Limited is a member. Negotiations are at an advanced stage.

As a consequence of the disposal, the company will no longer be a member of the Sulzer Group pension scheme. The pension fund prepayment of £1,995,000 as at 31 December 2000 will therefore be written off once the sale has been completed in accordance with applicable accounting standards.

It is anticipated that the purchaser of the company will make allowance for the loss of the asset by providing a capital injection to the company once the acquisition has been completed. The amount of the capital injection is anticipated to be £1,396,000, representing the value of the prepayment as at 31 December 2000, less the applicable deferred tax liability, calculated at 30% of the asset value.

**21. RELATED PARTY TRANSACTIONS**

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