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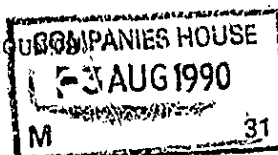


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SULZER (UK) BUILDING SERVICES LIMITED

ANNUAL REPORT AND ACCOUNTS COMPANIES HOUSE

31 December 1989



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

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SULZER (UK) BUILDING SERVICES LIMITED

NOTICE OF MEETING

Notice is hereby given that the third Annual General Meeting of Sulzer (UK) Building Services Ltd will be held at Westmead, Farnborough, Hampshire, on Thursday 14 June 1990 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  
18 May 1990

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.

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SOLZER (UK) BUILDING SERVICES LIMITED

ANNUAL REPORT AND ACCOUNTS 1989

CONTENTS

	<u>Page</u>
Directors, officers, etc.	1
Directors' Report	2 - 4
Auditors' Report	5
Profit and Loss Account	6
Balance Sheet	7
Statement of Source and Application of Funds	8
Notes to the Accounts	9 - 14

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SULZER (UK) BUILDING SERVICES LIMITED

DIRECTORS, OFFICERS, ETC.

DIRECTORS

V Beglinger  
D R Clark  
J E Fretwell  
K Matt  
T Scott  
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 1989.

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

1989 was the most successful year in the company's history with pre-tax profits amounting to £1,836,000 representing an advance of 62% over the £1,135,000 achieved in 1988.

Orders taken during the year amounted to £63m, an increase of 19% on the 1988 figure. Amongst these were several large orders, with a total value in excess of £20m, comprising Farrington Court - joint venture with Rashleigh Phipps, Red Lion Court and Ford Motor Company contracts at Bridgend and Swansea.

However, 1989 also provided the first indications of a downturn within the construction industry and particularly in commercial development. Worst affected were projects in the South East of the country. By contrast there were clear signs of increased activity in the North, with Scotland also emerging from the depressed market conditions of recent years.

The Service and Maintenance Division has been further developed during the year and now accounts for nearly 8% of invoiced sales and continues to improve its gross and net margins.

The workload in 1990 is expected to continue at current levels despite the more difficult market conditions and it is anticipated that the order intake will be similar to the 1989 figures.

The introduction of Quality Assurance procedures has commenced throughout the company with Fleet Branch having recently been certificated to BS5750.

Further progress has been made during the year in developing a comprehensive training concept for the Company. It is hoped that this will not only help to retain staff but will result in a more motivated and efficient workforce.



SULZER (UK) BUILDING SERVICES LIMITED

DIRECTORS' REPORT (continued)

RESULTS AND DIVIDENDS

The company profit for the year after taxation was £1,066,000 (1988 - £676,000). A dividend of 14.93p per ordinary share is recommended by the directors.

The dividend proposed amounts to £533,000 (1988 - £338,000) which leaves a retained profit for the year of £533,000 (1988 - £338,000).

DIRECTORS

The present directors are shown on page 1. All directors have served throughout the year with the following exceptions:

Mr G.K. Balshaw retired on 24 November 1989.

Mr T Scott was appointed managing director on 9 April 1990.

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.

It is with great regret that we have to report the death, on the 6 January 1990, of Mr G K Balshaw who served as Managing Director of Sulzer (UK) Building Services Limited since 1986. He had a career with Sulzer spanning 21 years and his dedication and hard work contributed greatly to the success of the company. He will be sadly missed.

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 recognizes 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. J. Macrae*

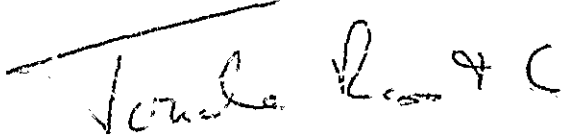
Secretary  
7 June 1990

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 Auditing Standards.

In our opinion the accounts and notes give a true and fair view of the the company's affairs at 31 December 1989 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

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

7 June 1990





SULZER (UK) BUILDING SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

For the Year Ended 31 December 1989

	Note	1989 £000	1988 £000
Turnover	2	58,559	45,263
Change in work in progress		177	191
Other operating income		<u>48</u>	<u>48</u>
		<u>58,784</u>	<u>45,502</u>
Raw materials and consumables		43,108	32,913
Other external charges		4,369	3,603
Staff costs	3	10,039	7,910
Depreciation		419	366
Other operating charges		<u>282</u>	<u>298</u>
		<u>58,217</u>	<u>45,090</u>
Operating Profit	4	567	412
Interest payable and similar charges	5	(4)	(3)
Interest receivable and similar income	6	<u>1,273</u>	<u>726</u>
Profit on Ordinary Activities before Taxation		1,836	1,135
Tax on Profit on Ordinary Activities	7	<u>(770)</u>	<u>(459)</u>
Profit for the Financial Year		1,066	676
Dividends	8	<u>(533)</u>	<u>(338)</u>
Retained Profit for the Financial Year		533	338
Retained Profit brought forward		<u>485</u>	<u>147</u>
Retained Profit carried forward		<u>1,018</u>	<u>485</u>

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SULZER (UK) BUILDING SERVICES LIMITED

BALANCE SHEET 31 December 1989

	Note	1989	1988
		£000	£000
FIXED ASSETS			
Tangible assets	9	803	771
CURRENT ASSETS			
Stocks	10	742	532
Debtors	11	15,088	12,091
Cash at bank and in hand		<u>8,725</u>	<u>7,504</u>
		<u>24,555</u>	<u>20,127</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Trade creditors		16,934	14,201
Amounts owed to group companies	12	620	581
Other creditors including taxation and social security	13	1,542	949
Accruals and deferred income		1,115	738
Dividend payable		<u>408</u>	<u>213</u>
NET CURRENT ASSETS		<u>20,519</u>	<u>16,682</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,936</u>	<u>3,445</u>
PROVISIONS FOR LIABILITIES AND CHARGES		4,739	4,316
	14	<u>151</u>	<u>161</u>
CAPITAL AND RESERVES		<u>4,588</u>	<u>4,055</u>
Called up share capital	15	3,570	3,570
Profit and loss account		<u>1,018</u>	<u>485</u>
		<u>4,588</u>	<u>4,055</u>

The accounts were approved by the Board of Directors on 7 June 1990.

*[Signature]*  
*[Signature]*  
Directors

SULZER (UK) BUILDING SERVICES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
For the Year Ended 31 December 1989

	1989 £'000	1988 £'000
<b>SOURCE OF FUNDS</b>		
Profit on ordinary activities before taxation	1,836	1,135
Adjustments for items not involving the movement of funds:		
Depreciation	419	366
Profit on sale of tangible fixed assets	<u>(48)</u>	<u>(48)</u>
Total generated from operations	2,207	1,453
Proceeds on sale of tangible fixed assets	<u>240</u>	<u>61</u>
	2,447	1,514
<b>APPLICATION OF FUNDS</b>		
Purchase of tangible fixed assets	(643)	(468)
Taxation paid	(543)	(35)
Dividends paid	<u>(338)</u>	<u>(147)</u>
	<u>923</u>	<u>864</u>
<b>MOVEMENTS IN WORKING CAPITAL</b>		
Increase in stocks	210	1,026
Increase in debtors	2,997	83
(Increase) in creditors	(3,466)	(2,640)
(Increase)/Decrease in amounts owed to group companies	<u>(39)</u>	<u>811</u>
	<u>(298)</u>	<u>(720)</u>
<b>INCREASE IN NET LIQUID FUNDS</b>	<u>1,221</u>	<u>1,584</u>
	<u>923</u>	<u>864</u>

(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 1989

1. ACCOUNTING POLICIES

a) Accounting convention

The accounts are prepared under the historical cost convention.

b) Stocks and work in progress

Raw materials, consumables 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 represents 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.

To ensure consistency of presentation, the 1988 comparative figures have been restated where appropriate.

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%-25% per annum
Motor vehicles	25% per annum

d) Turnover

Turnover represents the value of goods and services performed for customers during the year. All turnover arises in the United Kingdom.

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

The cost of providing pensions is charged to the profit and loss account over the expected service lives of employees in the scheme. This is a change of policy in accordance with the requirements of Statement of Standard Accounting Practice No. 24.

g) Leases

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



SULZER (UK) BUILDING SERVICES LIMITED

NOTES TO THE ACCOUNTS

For the Year Ended 31 December 1989

	1989 £000	1988 £000
2. TURNOVER		
With third parties	58,550	45,258
Within the group	<u>9</u>	<u>5</u>
	<u>58,559</u>	<u>45,263</u>

3. DIRECTORS AND EMPLOYEES

	£	£
Remuneration of the highest paid director (1989 - including termination of service payment under note 4)	<u>93,475</u>	<u>45,900</u>

Other directors had emoluments  
within the indicated ranges:-

Range (Gross)	After Tax (See Note)	No.	No.
£ 0 - £ 5,000	£4,800	2	2
£25,001 - £30,000	£22,800	-	1
£30,001 - £35,000	£25,800	-	2
£35,001 - £40,000	£28,800	1	-
£40,001 - £45,000	£31,800	<u>2</u>	<u>-</u>

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	9,020	7,061
Social security costs	734	578
Other pension costs	<u>285</u>	<u>271</u>
	<u>10,039</u>	<u>7,910</u>

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

	No.	No.
Technical and Production	550	475
Administration	<u>39</u>	<u>38</u>
	<u>599</u>	<u>513</u>



SULZER (UK) BUILDING SERVICES LIMITED

NOTES TO THE ACCOUNTS

For the Year Ended 31 December 1989

	1989 £000	1988 £000
4. OPERATING PROFIT		
Is after crediting:		
Profit on sale of tangible fixed assets	48	48
and after charging:		
Directors' remuneration	182	156
Director's termination of service payment	40	-
Auditors' remuneration	29	29
Operating lease rentals	<u>68</u>	<u>-</u>
5. INTEREST PAYABLE AND SIMILAR CHARGES		
Other interest	<u>4</u>	<u>3</u>
6. INTEREST RECEIVABLE AND SIMILAR INCOME		
Income from bank deposits	<u>1,273</u>	<u>726</u>
7. TAX ON PROFIT ON ORDINARY ACTIVITIES		
The taxation charge for the year is as follows:		
United Kingdom corporation tax at 35% (1988 - 35%)	768	459
Adjustment to prior year tax provision	<u>2</u>	<u>-</u>
	<u>770</u>	<u>459</u>
8. DIVIDENDS		
	1989	1988
	Per Share	Per Share
	£'000	£'000
Paid	3.50p	3.50p
Proposed final dividend	<u>11.43p</u>	<u>5.97p</u>
	<u>14.93p</u>	<u>9.47p</u>
	533	338



SULZER (UK) BUILDING SERVICES LIMITED

NOTES TO THE ACCOUNTS

For the Year Ended 31 December 1989

9. TANGIBLE FIXED ASSETS

	Plant and machinery £000	Fixtures, fittings, and equipment £000	Motor vehicles £000	Total £000
Cost				
At 1 January 1989	92	562	1,157	1,811
Additions	7	172	464	643
Disposals (Note A)	—	—	(521)	(521)
At 31 December 1989	99	734	1,100	1,933
Depreciation				
At 1 January 1989	71	317	652	1,040
Charge for the year	9	147	263	419
Disposals	—	—	(329)	(329)
At 31 December 1989	80	464	586	1,130
Net book value				
At 31 December 1989	19	270	514	803
Net book value				
At 31 December 1988	21	245	505	771

Note A: During the year the company entered into a sale and leaseback arrangement for 33 vehicles. All such vehicles are now held on operating leases (Note 18).

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SULZER (UK) BUILDING SERVICES LIMITED

NOTES TO THE ACCOUNTS

For the Year Ended 31 December 1989

	1989 £000	1988 £000
10. STOCKS		
Raw materials and consumables	94	61
Work in progress	<u>648</u>	<u>471</u>
	<u>742</u>	<u>532</u>

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

11. DEBTORS	£000	£000
Trade Debtors	9,967	7,532
Amounts recoverable on contracts	4,487	3,261
Amounts owed by fellow subsidiaries	400	900
Other debtors	85	159
Prepayments and accrued income	<u>149</u>	<u>239</u>
	<u>15,088</u>	<u>12,091</u>

All debtors are due within one year

12. AMOUNTS OWED TO GROUP COMPANIES

Owed to ultimate holding company (Gebrüder Sulzer AG)	486	419
Owed to fellow subsidiaries	<u>134</u>	<u>162</u>
	<u>620</u>	<u>581</u>

13. OTHER CREDITORS INCLUDING TAXATION  
AND SOCIAL SECURITY

This heading includes:

Corporation tax	837	610
Other taxation and social security	<u>277</u>	<u>205</u>





SULZER (UK) BUILDING SERVICES LIMITED

NOTES TO THE ACCOUNTS

For the Year Ended 31 December 1989

14. PROVISIONS FOR LIABILITIES AND CHARGES	1989 £000	1988 £000
Other	-	10
Deferred taxation		
Capital allowances in excess of depreciation	<u>151</u>	<u>151</u>

There are no unprovided amounts.

15. CALLED UP SHARE CAPITAL

	£	£
Authorised, allotted and fully paid:		
Ordinary shares of £1 each	<u>3,570,000</u>	<u>3,570,000</u>

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	<u>37</u>	<u>18</u>

18. OPERATING LEASE COMMITMENTS

At 31 December 1989 the company was committed to making the following payments during the next year in respect of operating leases:

	Motor Vehicles £000
Leases which expire:	
Within one year	18
Within 2 to 5 years	<u>83</u>
	<u>101</u>

19. PENSION SCHEMES

Employees of the company participate in the Sulzer Group pension scheme, a prefunded 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 £284,763 including administration fees (1988-£271,804). Details of the latest valuation of the scheme, which was at 31 December 1987, are shown in the group accounts of Sulzer (UK) Holdings Limited.