

**Registered No. 70275**

**DRAKE & SCULL HOLDINGS LIMITED**

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**DIRECTORS' REPORT AND ACCOUNTS**

**31 DECEMBER 1998**

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**1 Thameside Centre  
Kew Bridge Road  
Kew Bridge  
Middlesex  
TW8 0HF**

**DIRECTORS' REPORT**

The Directors present their report and accounts for the year ended 31 December 1998.

**Business Review**

The Company has historically acted as an investment holding company. Details of the principal investments are set out in Note 5 to the accounts.

**Directors and Directors' Interests**

The Directors of the Company during the year are listed below.

F T MacInnis

N J Critchlow (Appointed 11 August 1998)

A J Gay (Resigned 31 October 1998)

M K Davis

C A Moore (Resigned 31 March 1999)

The Directors had no interest in the shares of the Company, had derived no special financial benefits, nor had any material contracts with any company in the Drake & Scull Holdings Ltd Group during the year.

As the Company's ultimate parent company is registered outside the United Kingdom, there is no requirement to detail the interests of Directors in EMCOR Group Inc. at 31 December 1998.

**Year 2000**

As a committed user of technology in both engineering and business systems the Company has been cognisant of the Millennium problem facing computer systems. To this end a programme to achieve compliance by all the Company's systems has been in place since October 1996 and a Y2k Task Force was set up in February 1997 to consider the wider implications for computer controlled equipment supplied to clients' facilities.

The compliance level of the Company's own systems, which is currently 96%, will reach 100% in May 1999, and a Y2k date change testing day will be run early in the third quarter finally to prove all systems well before the end of the year.

The Company is also in a position to facilitate contact between the owners or users of Facilities and the manufacturers of the equipment concerned, since these are the parties in a position to evaluate the risks and agree practical solutions

**Auditors**

Arthur Andersen have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the Annual General Meeting.

**DIRECTORS' REPORT (continued)**

**Directors' Responsibilities for the Accounts**

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those accounts, 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; and
- prepare the accounts 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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board



M L Walker  
Secretary

30 September 1999

## **AUDITORS' REPORT**

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### **TO THE MEMBERS OF DRAKE & SCULL HOLDINGS LIMITED**

We have audited the accounts on pages 4 to 7, which have been prepared under the accounting policies, set out on page 5.

#### **Respective Responsibilities of Directors and Auditors**

As described on page 2 the Company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, 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 accounts 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 accounts.

#### **Opinion**

In our opinion, the accounts give a true and fair view of the state of affairs of the Company at 31 December 1998 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen  
Chartered Accountants & Registered Auditors  
1 Surrey Street  
London  
WC2R 2PS

30 September 1999

**DRAKE & SCULL HOLDINGS LIMITED**

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**BALANCE SHEET AS AT 31 DECEMBER 1998**

	<u>Notes</u>	<u>1998</u> £	<u>1997</u> £
<b>FIXED ASSETS</b>			
Investments	5	100	100
<b>CURRENT ASSETS</b>			
Debtors	6	6,503,220	7,225,514
<b>CREDITORS: amounts falling due within one year</b>	7	(330)	(722,624)
<b>NET CURRENT ASSETS</b>		6,502,890	6,502,890
<b>NET ASSETS</b>		£6,502,990	£6,502,990
<b>CAPITAL AND RESERVES</b>			
Share capital	8	3,866,213	3,866,213
Special reserve	9	3,133,312	3,133,312
Capital reserve		4,573,000	4,573,000
Profit and loss account		(5,069,535)	(5,069,535)
<b>SHAREHOLDERS' FUNDS</b>		£6,502,990	£6,502,990
Attributable to equity interests		2,819,884	2,819,884
Attributable to non-equity interests		3,683,106	3,683,106
		£6,502,990	£6,502,990

These accounts were approved by the Board of Directors on 27 September 1999 and signed on its behalf by:-

N J Critchlow .....  
Director

The accompanying notes are an integral part of this balance sheet.

**NOTES TO THE ACCOUNTS**

**1. GROUP ACCOUNTS**

The accounts present information about the company as an individual undertaking and not about its Group.

The Company is exempt from the obligation to prepare group accounts, as the Company is a wholly owned subsidiary undertaking of a company registered in England and Wales.

The parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the Company is a member, is EMCOR Group Inc., the ultimate parent company, incorporated in the USA, and the parent undertaking of the smallest such group is EMCOR (UK) Limited registered in England and Wales. Copies of EMCOR Group Inc's accounts can be obtained from 101 Merritt Seven Corporate Park, 7th Floor, Norwalk, CT06851, USA. Copies of EMCOR (UK) Limited's accounts can be obtained from 1 Thameside, Kew Bridge Road, Kew Bridge, Middlesex, TW8 0HF.

**2. ACCOUNTING POLICIES**

**Accounting Convention**

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

**Deferred Tax**

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable.

**Investments in Subsidiary Undertakings**

Investments in subsidiary undertakings are carried at their original cost less any provision for permanent diminution in value. Income from investments in the related companies is recognised on an accruals basis.

**3. TRADING ACTIVITIES**

The Company did not trade during the year.

Directors' emoluments and auditors' remuneration have been borne by Drake & Scull Engineering Limited and are reflected in the accounts of that company.

**4. TAXATION**

The Company has capital losses available at 31 December 1998 for future relief which amount to approximately £3,628,000 (1997 - £4,089,000), subject to agreement by the Inland Revenue. The Company has no liability to current or deferred taxation.

**NOTES TO THE ACCOUNTS (Continued)****5. INVESTMENTS****Shares  
Total****COST**

At 31 December 1998 and 1997

£100

The Company had the following principal subsidiary undertakings as at 31 December.

	<b>Country of Registration</b>	<b>Class of Share Held</b>	<b>Beneficial Interest</b>	
			<b><u>1998</u></b>	<b><u>1997</u></b>
Subsidiary undertakings:				
#DSC Building Ltd	Scotland	Ordinary	100%	100%
# Did not trade during the year				

**6. DEBTORS**

	<b><u>1998</u></b> <b>£</b>	<b><u>1997</u></b> <b>£</b>
Amount owed by parent undertaking	6,415,220	6,831,720
Other debtors	88,000	393,794
	<hr/>	<hr/>
	£6,503,220	£7,225,514
	<hr/>	<hr/>

**7. CREDITORS: amounts falling due within one year**

	<b><u>1998</u></b> <b>£</b>	<b><u>1997</u></b> <b>£</b>
Amount owed to fellow subsidiary undertaking	-	722,294
Amount owed to subsidiary undertaking	100	100
Unclaimed dividend	230	230
	<hr/>	<hr/>
	£330	£722,624
	<hr/>	<hr/>

**NOTES TO THE ACCOUNTS (Continued)****8. SHARE CAPITAL**

	<b><u>Number of Shares Authorised</u></b>	<b><u>Authorised £</u></b>	<b><u>Number of Shares Issued</u></b>	<b><u>Called up Allotted and Fully Paid £</u></b>
Ordinary Shares of 1p each	718,358,151	7,183,582	18,310,649	183,107
Deferred Shares of 1p each	18,310,649	183,106	18,310,649	183,106
'A' Ordinary Shares of £1.00 each	3,500,000	3,500,000	3,500,000	3,500,000
At 31 December 1998 and 1997	740,168,900	£10,866,688	40,121,298	£3,866,213

The non-equity 'A' ordinary shareholders have priority in any payment of a dividend over any class of share to a fixed cumulative dividend of £5 per annum per 'A' ordinary share. In all other respects the 'A' ordinary shares rank pari passu with the equity 1p ordinary shares.

The non-equity 1p deferred shares have no voting rights nor any rights to dividends or distributions. On a return of capital on a winding up the 1p deferred shares have the right to receive their par value after payment of all amounts due to the £1 'A' ordinary shares and the 1p ordinary shares to a maximum of £100 per 'A' ordinary share and 1p ordinary share.

**9. STATEMENT OF MOVEMENTS ON RESERVES AND SHAREHOLDERS' FUNDS**

The special reserve arises on the cancellation of preference shares pursuant to a Scheme of Arrangement dated 5 November 1984. So long as there shall remain outstanding any debt or claim which, if 20 December 1984 had been the commencement of the winding up of the Company, would have been admissible in proof against it, the special reserve shall not be applied in making any distribution (other than a capitalisation issue of further shares) by way of dividend, return of capital or otherwise to any members of the Company except with the prior consent of all persons to whom any such debts or claims for the time being outstanding are due or owing.

**10. CASH FLOW STATEMENT**

Under the provision of Financial Reporting Standard No 1 (Revised) the Company has not prepared a cash flow statement because the ultimate parent company, EMCOR Group Inc, that owns greater than ninety percent of the voting rights of the Company, has prepared consolidated accounts which include the Company for the year and which contain a cash flow statement.

**11. RELATED PARTY TRANSACTIONS**

The company is a wholly owned subsidiary within the group headed by EMCOR Group Inc. The consolidated accounts of EMCOR Group Inc are publicly available. As such the company is exempt under FRS8 from disclosing related party transactions with other group entities.