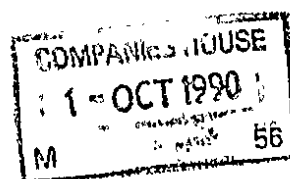


70275

DRAKE & SCULL HOLDINGS LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31 DECEMBER 1989



REPORT OF THE DIRECTORS

The directors have pleasure in submitting the Annual Report, together with the Accounts for the year ended 31 December, 1989.

Holding Company:

The ultimate holding company is JWP Inc., a company incorporated in the United States of America. Under a sale agreement dated 28 September 1989, JWP (UK) Ltd, a wholly owned subsidiary of JWP Inc. purchased the entire issued share capital of Drake & Scull Holdings Ltd from Simon Engineering plc with effect from 25 August 1989.

Group Accounts:

Consolidated accounts have not been prepared as the company is a wholly-owned subsidiary of another company incorporated in Great Britain.

Results and Dividends:

The loss on ordinary activities after taxation amounted to £1,496,506 (1988 : profit after taxation £2,795,529) which was transferred to reserves. A provision for doubtful debts of £1,976,049 has been made in the year against the amount due from Drake & Scull International Ltd in order to provide for the deficit in net assets of that company.

A first interim dividend of £4,881,974 was declared and paid on 5 May 1989 which represented the entire distributable reserves at 31 December 1988 of £4,691,117 and profit realised to that date on the sale of unlisted investments of £190,857. A second interim dividend of £339,969 was declared and paid on 31 August 1989 which represented further profit made on the sale of unlisted investments prior to 25 August 1989.

The retained loss carried forward of £2,027,332 consists of the doubtful debt provision and the capital profit made of £187,973 on the sale of the assets of Lunar Drake & Scull (UAE) and the 49% shareholding in Drake & Scull Assarain (LLC) on 16 November 1989 to Drake & Scull (Cayman Islands) Limited.

Review of the Business:

The company acts as an investment holding company. The names of the principal subsidiary and related companies are set out in Note 6 to the accounts.

These group companies provide a wide range of building services for the public and private sectors in the UK and the Middle East.

Under a transfer agreement dated 15 December 1987 the business and net assets of certain of the subsidiary companies in the UK were sold to Simon UK Ltd, a fellow subsidiary company, at a sum equal to the net book value of the net assets sold, with effect from 2 January 1988. On 25 August 1989 the business and net assets of these subsidiary companies were re-purchased from Simon UK Ltd at a sum equal to the current net book value of the net assets as at that date.

In order to continue the group's policy of divisionalisation the business and net assets of Drake & Scull (Scotland) Ltd and Drake & Scull (International) Ltd were sold under an agency agreement effective from 25 August 1989 to Drake & Scull Engineering Ltd.

REPORT OF THE DIRECTORS
(Continued)Directors:

The Directors of the Company during the year are listed below, together with details of their interests in the ordinary shares of Simon Engineering Plc at 1 January 1989. As the Company's ultimate holding company is registered outside the United Kingdom, there is no requirement to detail the interests of Directors in JWP Inc at 31 December 1989.

Ordinary Share of 25p each
in Simon Engineering plc
At 1 January 1989

Mr D L Davies	Resigned 28 September 1989	36,738
Mr M K Davis		36,288
Mr N S Potts	Resigned 28 September 1989	-
Mr A T Dwyer	Appointed 28 September 1989	- *
Mr E W Grendi	Appointed 28 September 1989	- *
Mr S H Kornfeld	Appointed 28 September 1989	- *


* At date of appointment

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.

Auditors:

On 27 September 1989 Peat Marwick McLintock tendered a letter of resignation as auditors of the Company. It was resolved that such resignation be accepted and that Ernst & Young be appointed as auditors of the Company. A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the Board


R H WHARTON

Secretary

Hamlyn House
Highgate Hill
London N19 5PS

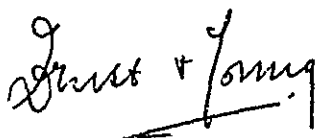
30 April 1990

REPORT OF THE AUDITORS TO THE MEMBERS OF
DRAKE & SCULL HOLDINGS LIMITED

We have audited the accounts on pages 4 to 10 in accordance with Auditing Standards.

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

The Company has not complied with the requirement of Statement of Standard Accounting Practice number 10 in that it has not presented a Source and Application of Funds Statement.



Ernst & Young
Chartered Accountants
Southampton

30 April 1990

PROFIT AND LOSS ACCOUNT FOR THE
YEAR ENDED 31 DECEMBER 1989

	<u>Note</u>	<u>Year Ended</u> <u>31 December</u> <u>1989</u> <u>£</u>	<u>Year Ended</u> <u>31 December</u> <u>1988</u> <u>£</u>
Income from shares in Group Companies		-	2,354,419
Doubtful debts	7	(1,976,049)	-
Other income - profits on sale of investments and subsidiaries	3	718,799	441,110
Interest payable	9	(239,256)	-
		<hr/>	<hr/>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(1,496,506)	2,795,529
TAX ON PROFIT ON ORDINARY ACTIVITIES	5	-	-
		<hr/>	<hr/>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(1,496,506)	2,795,529
First interim dividend on ordinary shares		(4,881,974)	-
Second interim dividend on ordinary shares		(339,969)	-
		<hr/>	<hr/>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(6,718,449)	2,795,529
Retained profit brought forward		4,691,117	1,895,588
		<hr/>	<hr/>
RETAINED (LOSS)/PROFIT CARRIED FORWARD		£(2,027,332)	£ 4,691,117
		<hr/>	<hr/>

The notes on pages 6 to 10 form part of these Accounts.

BALANCE SHEET AS AT 31 DECEMBER 1989

	<u>Note</u>	<u>31 December 1989</u>		<u>31 December 1988</u>	
		£	£	£	£
FIXED ASSETS					
Investments	6		5,832,251		5,832,251
CURRENT ASSETS					
Debtors	7	6,823,901		7,110,418	
Investments	8	-		5,838,037	
		<u>6,823,901</u>		<u>12,948,455</u>	
CREDITORS: amounts falling due within one year	9	<u>(6,471,686)</u>		<u>(6,004,467)</u>	
NET CURRENT ASSETS			<u>352,215</u>		<u>6,943,988</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			6,184,466		12,776,239
CREDITORS: amounts falling due after more than one year	10		<u>(1,212,273)</u>		<u>(4,585,597)</u>
			<u>£ 4,972,193</u>		<u>£ 8,190,642</u>
CAPITAL AND RESERVES					
Called up share capital	11		3,866,213		366,213
Special reserve	12		3,133,312		3,133,312
Profit and loss account			<u>(2,027,332)</u>		<u>4,691,117</u>
			<u>£ 4,972,193</u>		<u>£ 8,190,642</u>

These accounts were approved by the Board of Directors on 30 April 1990.

Signed on behalf of the Board

S H Kornfeld


.....
Director

M K Davis


.....
Director

The notes on pages 6 to 10 form part of these accounts.

NOTES TO THE ACCOUNTS

1. ULTIMATE HOLDING COMPANY

The ultimate holding company is JWP Inc., a company incorporated in the United States of America.

2. ACCOUNTING POLICIES

Basis of Accounting

The accounts are prepared under the historical cost convention modified to include the revaluation of investments in certain subsidiary companies.

Deferred Tax

Deferred taxation is provided on 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.

Investment in Subsidiary and Related Companies

The investment in subsidiary and related companies is recognised at the lower of cost and net realisable value. Provision has been made for any deficit in the net assets of any subsidiary and related company. Income from the investment in the related company is recognised on receipt of dividend payments.

Unlisted Investments

Unlisted Investments are valued at the lower of cost and net realisable value. Income is recognised at the date of sale.

Pensions

The Company operates defined benefit pension schemes for its United Kingdom permanent employees. Contributions to the schemes are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives within the Company. The regular cost is attributed to individual years using the projected unit credit valuation method. Variations in pension costs, which are identified as a result of actuarial valuations, are amortised over the average expected working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

3. OTHER INCOME - PROFITS ON SALE OF INVESTMENTS

	Year Ended 31 December 1989	Year Ended 31 December 1988
Profit on sale of Unlisted Investment (Note 8)	£ 530,826	£ 441,110
Profit on sales of assets of Lunar Drake & Scull	83,349	-
Profit on sale of shareholding in Drake & Scull Assarain LLC	104,624	-
	<u>£ 718,799</u>	<u>£ 441,110</u>

NOTES TO THE ACCOUNTS
(Continued)

4. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging the following:-

The auditors remuneration for 1989 and 1988 has been borne by a subsidiary company.

	Four Months to 31 December 1989	Twelve Months to 31 December 1988
Directors emoluments		
Total including pension contributions (All paid by subsidiary companies - 1988 NIL) were:		
Management remuneration, including pension contributions	£ 22,888	£ -
Superannuation gratuities for former directors	£ 9,947	£ -
	<u>£ 32,835</u>	<u>£ -</u>
Emoluments (excluding pension contributions)		
Chairman - To 28 September 1989	£ -	£ -
- From 28 September 1989 Paid by JWP Inc	£ -	£ -
Highest paid director	<u>£ 18,333</u>	<u>£ -</u>
Others -		
Under £5,000	<u>3</u>	<u>2</u>

Directors emoluments, as in the previous year, were borne by Simon Engineering plc for the period 1 January 1989 to 31 August 1989. The emoluments detailed above relate to the period 1 September 1989 to 31 December 1989.

The Company had no employees during the year other than the Directors.

NOTES TO THE ACCOUNTS
(Continued)

5. TAXATION

	31 December 1989	31 December 1988
	£	£
Based on the (loss)/profit for the year		
Corporation tax at 35% (1988 : 35%)	£ -	£ -

No provision for taxation is required on the capital gains made on the sale of investments due to the availability of capital losses brought forward. The company has capital losses available at 31 December 1989 for future relief which amount to approximately £1,780,000.

The company has no liability to deferred taxation.

6. INVESTMENTS

	<u>SHARES</u>		<u>LOANS</u>		
	Cost or Valuation	Provision	Amount Out- Standing	Provision	Total
Investment in subsidiary companies					
At 31 December 1989 and 1988	£6,001,684	£(169,433)	£232,347	£(232,347)	£5,832,251

Group companies provide a wide range of building engineering services and the company had the following principal subsidiary and related companies as at 31 December 1989:-

	<u>Country of Registration</u>	<u>Class of Share Held</u>	<u>Beneficial Interest</u>	
			1989	1988
Subsidiary companies:				
Drake & Scull Engineering Ltd	England	Ordinary	100%	100%
Drake & Scull (Scotland) Ltd	Scotland	Ordinary	* 100%	* 100%
Drake & Scull Overseas Ltd	England	Ordinary	100%	100%
Drake & Scull International Ltd	England	Ordinary	* 100%	* 100%
Drake & Gorham (Zambia) Ltd	** Zambia	Ordinary	* 100%	* 100%
Delcommerce (Contract Services) Ltd	England	Ordinary	* 100%	* 100%
Sturtevant Engineering Holdings Ltd	England	Ordinary	100%	100%
Sturtevant Engineering Products Ltd	England	Ordinary	* 100%	* 100%
Drake & Scull Group Services Ltd	England	Ordinary	* 100%	* 100%
Sinclair & Clarke Engineers Ltd	England	Ordinary	* 100%	* 100%
R B Stirling & Co Ltd	Scotland	Ordinary	* 100%	* 100%
Charlesworld (Middle East) Ltd	England	Ordinary	100%	100%
Related company:				
Drake & Scull Assarain LLC	Oman	Ordinary	-	* 49%

The shareholding in Drake & Scull Assarain LLC was both purchased from Drake & Scull Overseas Ltd and sold to Drake & Scull (Cayman Islands) Ltd on 16 November 1989.

Consolidated accounts have not been prepared as the company is a wholly-owned subsidiary of another company incorporated in Great Britain.

* Indirectly held.

** Country of incorporation.

NOTES TO THE ACCOUNTS
(Continued)

7. DEBTORS

	<u>31 December 1989</u>	<u>31 December 1988</u>
Amounts owed by subsidiary companies	£ 8,374,950	£ 1,976,049
Less provision for doubtful debt	(1,976,049)	-
	<hr/>	<hr/>
	6,398,901	£ 1,976,049
Amount owed by fellow subsidiary	425,000	5,134,369
	<hr/>	<hr/>
	£ 6,823,901	£ 7,110,418
	<hr/>	<hr/>

8. UNLISTED INVESTMENTS

Cost at 31 December 1988	£ 5,838,037	£ 3,589,295
Purchased during the year at cost	1,067,670	10,322,914
Sold during the year at cost	(5,838,037)	(8,074,172)
Transfer, at cost, to Simon Engineering plc prior to 25 August 1989	(1,067,670)	-
	<hr/>	<hr/>
31 December 1989	£ -	£ 5,838,037
	<hr/>	<hr/>

The unlisted investments represent Participating Redeemable Preference Shares in the MANEX Sterling Fund Ltd.

The sale of the unlisted investments for £6,368,863 (1988 : £8,515,282) generated a capital gain of £530,826 (1988 : £441,110).

9. CREDITORS: amounts falling due within one year

Amount owed to holding company	£ 6,471,456	£ 6,004,237
Unclaimed dividend	230	230
	<hr/>	<hr/>
	£ 6,471,686	£ 6,004,467
	<hr/>	<hr/>

The amount owed to holding company includes £6,232,200 due to JWP (UK) Ltd payable on demand in respect of a promissory note dated 28 September 1989. This note bears interest at 14.75% per annum on the unpaid principal, payable on 1 October 1990 and annually one year and one day thereafter.

10. CREDITORS: amounts falling due after more than one year

Amounts owed to subsidiary companies	<u>£ 1,212,273</u>	<u>£ 4,585,597</u>
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NOTES TO THE ACCOUNTS
(Continued)

11. SHARE CAPITAL

	<u>Authorised</u>	<u>Issued and Fully Paid</u>
Ordinary shares of 1p each	£ 7,183,582	£ 183,107
Deferred shares of 1p each	183,106	183,106
	<hr/>	<hr/>
At 31 December 1988	7,366,688	366,213
Issued during the year:-		
'A' Ordinary shares of £1.00 each issued 28 September 1989	3,500,000	3,500,000
	<hr/>	<hr/>
At 31 December 1989	£10,866,688	£ 3,866,213

Share Capital was increased immediately prior to the purchase of Drake & Scull Holdings Ltd by JWP (UK) Ltd. The cash consideration was used to fund working capital requirements of subsidiary companies.

12. SPECIAL RESERVE

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.

13. SOURCE AND APPLICATION OF FUNDS

No statement of Source and Application of Funds has been included in the accounts since it would not provide any useful information in view of the close financial arrangements with the ultimate holding company.

14. CONTINGENT LIABILITIES

There are contingent liabilities in respect of guarantees given on behalf of subsidiary companies in respect of contracting agreements entered into in the normal course of business. It is not practicable to quantify the extent of any contingent liability due to the variable nature of such contracting business.