

Registered No. 70275

DRAKE & SCULL HOLDINGS LIMITED

ANNUAL REPORT AND ACCOUNTS

**FOR THE YEAR ENDED
31 DECEMBER 1999**

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



DIRECTORS' REPORT

The Directors present their annual report and accounts for the year ended 31 December 1999.

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. The profit after tax for the financial year amounted to £152,032 (1998 - £Nil).

Directors and Directors' Interests

The Directors of the Company are:

F T MacInnis
N J Critchlow
M K Davis

C A Moore retired on 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 1999.

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' Responsibilities

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;
- prepare the accounts on the 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
19 May 2000

TO THE SHAREHOLDERS OF DRAKE & SCULL HOLDINGS LIMITED

We have audited the accounts on pages 3 to 8, which have been prepared under the historical cost convention and the accounting policies, set out on page 5.

Respective Responsibilities of Directors and Auditors

As described on page 1 the Company's Directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.


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 1999 and of its profit 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

19 May 2000

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1999

| | Notes | <u>1999</u> £ | <u>1998</u> £ |
|--|-------|-------------------------|-------------------------|
| Administration expenses | | (50,000) | - |
| Other income | | 202,032 | - |
| | | <hr/> | <hr/> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 2 | 152,032 | - |
| Taxation | 3 | - | - |
| | | <hr/> | <hr/> |
| PROFIT FOR THE PERIOD | 9 | 152,032 | - |
| | | <hr/> | <hr/> |

There is no material difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 1999

There were no gains or losses other than the profit for the year of £152,032 (1998 – £Nil).

The accompanying notes are an integral part of this profit and loss account and this statement of total recognised gains and losses.

DRAKE & SCULL HOLDINGS LIMITED

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BALANCE SHEET AT 31 DECEMBER 1999

| | <u>Notes</u> | <u>1999</u> £ | <u>1998</u> £ |
|---|--------------|------------------|------------------|
| FIXED ASSETS | | | |
| Investments | 5 | 100 | 100 |
| CURRENT ASSETS | | | |
| Debtors | 6 | 6,655,252 | 6,503,220 |
| CREDITORS: amounts falling due within one year | 7 | (330) | (330) |
| NET CURRENT ASSETS | | £6,654,922 | 6,502,890 |
| NET ASSETS | | £6,655,022 | £6,502,990 |
| CAPITAL AND RESERVES | | | |
| Share capital | 8 | 3,866,213 | 3,866,213 |
| Special reserve | 9 | 3,133,312 | 3,133,312 |
| Capital reserve | 9 | - | 4,573,000 |
| Profit and loss account | 9 | (344,503) | (5,069,535) |
| SHAREHOLDERS' FUNDS | 9 | £6,655,022 | £6,502,990 |
| Attributable to equity interests | | 2,971,916 | 2,819,884 |
| Attributable to non-equity interests | | 3,683,106 | 3,683,106 |
| | | £6,655,022 | £6,502,990 |

These accounts were approved by the Board of Directors on 19 May 2000 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 Drake & Scull Group Limited (formerly Drake & Scull Engineering Limited) registered in England and Wales which produces group accounts.

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 Drake & Scull Group 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 Drake & Scull Group Limited's accounts can be obtained from 1 Thameside Centre, 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 impairment in value. Income from investments in the related companies is recognised on an accruals basis.

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.

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.

NOTES TO THE ACCOUNTS (Continued)**3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

This is arrived at after crediting:

| | <u>1999</u> £ | <u>1998</u> £ |
|--|------------------|------------------|
| Exceptional income from deferred consideration | £202,032 | - |
| | <hr/> | <hr/> |

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

4. TAXATION

The Company has capital losses available at 31 December 1999 for future relief which amount to approximately £3.4 million (1998 - £3.6million), subject to agreement by the Inland Revenue. The Company has no liability to current or deferred taxation.

5. INVESTMENTS

| | <u>Shares</u> <u>Total</u> |
|------------------------------|-------------------------------|
| COST | |
| At 31 December 1999 and 1998 | £100 |
| | <hr/> |

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

| | Country of Registration | Class of Share Held | Beneficial Interest | |
|---------------------------------|------------------------------------|--------------------------------|--------------------------------|-------------|
| | | | <u>1999</u> | <u>1998</u> |
| Subsidiary undertaking: | | | | |
| #DSC Building Ltd | Scotland | Ordinary | 100% | 100% |
| # Did not trade during the year | | | | |

6. DEBTORS

| | <u>1999</u> £ | <u>1998</u> £ |
|-----------------------------------|------------------|------------------|
| Amount owed by parent undertaking | 6,655,252 | 6,415,220 |
| Other debtors | - | 88,000 |
| | <hr/> | <hr/> |
| | £6,655,252 | £6,503,220 |
| | <hr/> | <hr/> |

NOTES TO THE ACCOUNTS (Continued)**7. CREDITORS: amounts falling due within one year**

| | <u>1999</u> | <u>1998</u> |
|---------------------------------------|-------------|-------------|
| | £ | £ |
| Amount owed to subsidiary undertaking | 100 | 100 |
| Unclaimed dividend | 230 | 230 |
| | — | — |
| | £330 | £330 |
| | — | — |

8. SHARE CAPITAL

| | <u>Number of</u> <u>Shares Authorised</u> | <u>Authorised</u> £ | <u>Number of</u> <u>Shares Issued</u> | <u>Called up</u> <u>Allotted and</u> <u>Fully Paid</u> £ |
|--------------------------------------|--|------------------------|--|---|
| 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 1999 and 1998 | 740,168,800 | £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.

NOTES TO THE ACCOUNTS (Continued)**9. STATEMENT OF MOVEMENTS ON RESERVES AND SHAREHOLDERS' FUNDS**

| | Called-up Sum Capital £ | Special Reserve £ | Capital Reserve £ | Profit & Loss Account £ | Share- holders Funds £ |
|------------------------|--|----------------------------------|----------------------------------|--|---|
| As at 1 January 1999 | 3,866,213 | 3,133,312 | 4,573,000 | (5,069,535) | 6,502,990 |
| Profit for the year | - | - | - | 152,032 | 152,032 |
| Transfer | - | - | (4,573,000) | 4,573,000 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| As at 31 December 1999 | £3,866,213 | £3,133,312 | - | £(344,503) | £6,655,022 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

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.

The capital reserve, which represents capital contributions from the parent and ultimate parent company, has been transferred to the profit and loss account since the directors consider them distributable.

10. CHARGES

Under the terms of an Agreement between EMCOR Group Inc. and its Bankers, Harris Trust and Savings Bank, the Company has granted a floating charge in favour of the Bank over its undertaking and assets. Further, though the Company has no relevant debtors, a floating charge exists over certain debtors on bonded contracts in favour of the bondsman.