

**Encon Group Limited**

**Directors' report and financial  
statements**

**Registered number 1584568**

**31 August 2004**



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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 August 2004.

### Principal activities

The principal activity of the company is that of a holding company.

### Business review

The company maintains rental payments on certain leasehold properties

### Dividend

The directors do not recommend the payment of a dividend (2003: £nil).

### Directors and directors' interests

The directors who held office throughout the year were as follows:

ID McKerracher  
PA Kirk  
GA Fallon  
J Smellie

All of the above are directors of the ultimate parent company, Encon Limited, and are not therefore required to disclose their interests in group companies in the financial statements of the company.

By order of the board

PA Kirk  
Director



Brunswick House  
1 Deighton Close  
Wetherby  
LS22 7GZ

1 February 2005

## **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 and of the profit or loss 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, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements 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 financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps which are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



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Neville Street  
Leeds LS1 4DW

## **Report of the independent auditors to the members of Encon Group Limited**

We have audited the financial statements on pages 4 to 12.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

### **Basis of audit 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 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 group'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 August 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

1 February 2005

**Profit and loss account**  
*for the year ended 31 August 2004*

	<i>Note</i>	<b>2004</b> <b>£000</b>	2003 £000
Administrative expenses		(577)	(94)
<b>Operating loss</b>		(577)	(94)
Income from shares in group undertakings		-	98
Interest payable and similar charges	4	(886)	(791)
<b>Loss on ordinary activities before taxation</b>	2	(1,463)	(787)
Tax on loss on ordinary activities	5	365	313
<b>Loss on ordinary activities after taxation</b>		(1,098)	(474)
Dividend paid		-	-
<b>Retained loss for the financial year</b>	12	(1,098)	(474)

The financial statements have been prepared on an unmodified historical cost basis.

In both years the loss for the year is the only recognised loss or gain and the only movement in shareholders' funds.

## Balance sheet

at 31 August 2004

	Note	2004 £000	2003 £000
<b>Fixed assets</b>			
Tangible assets	6	790	811
Investments	7	5,918	5,918
		<u>6,708</u>	<u>6,729</u>
<b>Current assets</b>			
Debtors	8	6,649	6,342
		<u>6,649</u>	<u>6,342</u>
<b>Creditors: amounts falling due within one year</b>	9	<u>(14,827)</u>	<u>(13,465)</u>
<b>Net current liabilities</b>		<u>(8,178)</u>	<u>(7,123)</u>
<b>Total assets less current liabilities</b>		<u>(1,470)</u>	<u>(394)</u>
<b>Provisions for liabilities and charges</b>	10	<u>(505)</u>	<u>(483)</u>
<b>Net liabilities</b>		<u>(1,975)</u>	<u>(877)</u>
<b>Capital and reserves</b>			
Called up share capital	11	218	218
Capital redemption reserve	12	12	12
Profit and loss account	12	(2,205)	(1,107)
<b>Shareholders' deficit (equity)</b>		<u>(1,975)</u>	<u>(877)</u>

These financial statements were approved by the board of directors on 1 February 2005 and were signed on its behalf by:



**PA Kirk**  
 Director

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

#### ***Basis of preparation***

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

As the company is a wholly owned subsidiary of the ultimate parent undertaking, Encon Limited, group financial statements have not been prepared. Accordingly these financial statements present information about Encon Group Limited as an individual undertaking and not about its group.

Encon Limited has supported Encon Group Limited since it became a subsidiary undertaking and has confirmed the current policy as being one of continued backing. On the strength of this assurance the financial statements have been prepared on the basis of going concern.

#### ***Investments***

Investments in subsidiary undertakings and balances with subsidiary undertakings and other group companies are stated at cost less amounts written off. Where provisions are made which exceed the cost of the investment they are carried within provisions for liabilities and charges and are not netted off any debts due from the subsidiary undertaking. Dividends received and receivable are credited to the company's profit and loss account to the extent that they represent a realised profit for the company.

#### ***Depreciation and amortisation***

Depreciation is calculated so as to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Long leasehold property	-	2% per annum
Fixtures and fittings	-	10% per annum

#### ***Leased assets***

Fixed assets subject of finance leases are included in tangible fixed assets and depreciated in accordance with the accounting policy shown above. The corresponding liabilities for the capital element are shown in the balance sheet as finance leases and the interest element is charged to the profit and loss account over the primary lease period. The rental costs of all other leased assets are charged against profit as incurred.

#### ***Taxation***

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Except where otherwise required by accounting standard, full provision is made, without discounting, for all timing differences which have arisen but not reversed at the balance sheet date.



## Notes (continued)

### 1 Accounting policies (continued)

#### *Vacant leasehold properties*

In accordance with Financial Reporting Standard 12 the company maintains a provision for the future rentals payable, net of anticipated proceeds from subletting, for each non cancellable lease agreement to which the company is committed in respect of properties no longer used in the normal course of their businesses. The provision is calculated as the sum of the future net cash flows discounted at the company's cost of borrowing at the date of the initial charge to the profit and loss account. The annual shortfall in provision utilised compared to rentals payable as a result of discounting is charged to the profit and loss account in the corresponding year as interest payable.

#### *Cash flow statement*

Under Financial Reporting Standard 1 (Revised 1996), the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

### 2 Loss on ordinary activities before taxation

<i>Loss on ordinary activities before taxation is stated after charging</i>	<b>2004</b>	2003
	<b>£000</b>	£000
Depreciation:		
Owned assets	<b>23</b>	23
Hire of other assets (principally property) - operating leases	<b>36</b>	16
	<hr/>	<hr/>

### 3 Remuneration of directors and staff costs

No director received any emoluments in respect of his services to the company during the year (2003: £nil).

The company has no other employees (2003: nil).

**Notes (continued)**

**4 Interest payable and similar charges**

	2004 £000	2003 £000
Interest on unwinding of discounting on provisions	1	2
On bank loans and overdrafts	885	789
	<u>886</u>	<u>791</u>

**5 Tax on loss on ordinary activities**

	2004 £000	2003 £000
Analysis of credit in period		
UK corporation tax		
Current tax on income for the period	(370)	(287)
Adjustments in respect of prior periods	5	(26)
	<u>(365)</u>	<u>(313)</u>
Tax on profit on ordinary activities		

*Factors affecting the tax credit for the current period*

The current tax credit for the period is lower than (2003: higher) the standard rate of corporation tax in the UK (30%, 2003: 30%). The differences are explained below.

	2004 £000	2003 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	(1,463)	(787)
	<u>(439)</u>	<u>(237)</u>
Current tax at 30% (2003: 30%)		
Expenses not deductible for tax purposes	15	(21)
Income from shares in group undertakings	-	(29)
Short term timing differences	54	-
Adjustments to tax credit in respect of previous periods	5	(26)
	<u>(365)</u>	<u>(313)</u>
Total current tax credit (see above)		

## Notes (continued)

### 6 Tangible fixed assets

	Long leasehold property £000	Fixtures and fittings £000	Total £000
<b>Cost</b>			
At beginning and end of year	1,094	5	1,099
Additions	-	2	23
	<hr/>	<hr/>	<hr/>
At end of year	1,094	7	1,101
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At beginning of year	288	-	288
Charge for year	22	1	23
	<hr/>	<hr/>	<hr/>
At end of year	310	1	311
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 August 2004	784	6	790
	<hr/>	<hr/>	<hr/>
At 31 August 2003	806	5	811
	<hr/>	<hr/>	<hr/>

### 7 Fixed asset investments

	Shares in group undertakings £000
<b>Cost</b>	
At beginning and end of year	6,084
	<hr/>
<b>Provisions</b>	
At beginning and end of year	(166)
	<hr/>
<b>Net book value</b>	
At 31 August 2003 and at 31 August 2004	5,918
	<hr/>

The principal subsidiary undertakings of Encon Group Limited at 31 August 2004 were as follows:

	Country of registration or incorporation	Principal activity	Percentage of shares held
Encon Holdings Limited	England	Holding company	100%
Gill Contracts Limited	England	Management company	100%
Encon Manufacturing Limited	England	Holding company	100%
Encon Contracts Limited	England	Dormant	100%

## Notes (continued)

### 8 Debtors

	2004 £000	2003 £000
<b>Amounts falling due within one year</b>		
Amounts owed by group undertakings	6,616	6,316
Prepayments and accrued income	33	26
	<u>6,649</u>	<u>6,342</u>

### 9 Creditors: amounts falling due within one year

	2004 £000	2003 £000
Bank overdraft	14,135	12,905
Amounts owed to group undertakings	392	437
Accruals and deferred income	300	123
	<u>14,827</u>	<u>13,465</u>

### 10 Provisions for liabilities and charges

A deferred tax asset of £71,638 (2003: £18,230) has not been recognised in the accounts. There is no deferred tax provision (2003: nil).

#### Other provisions

	Provisions against future rentals on vacant leasehold properties £000	Provisions against amounts due from subsidiary undertakings £000	Total £000
At beginning of year	29	454	483
Charged in the year	22	-	22
	<u>51</u>	<u>454</u>	<u>505</u>
<b>At end of year</b>	<b>51</b>	<b>454</b>	<b>505</b>

## Notes (continued)

### 11 Share capital

Authorised	2004 £000	2003 £000
1,850,081 Ordinary shares of 10p each	185	185
4,992,500 Deferred Ordinary shares of 1p each	50	50
3,700 Unclassified Shares of 10p each	-	-
	<u>235</u>	<u>235</u>
Issued	2004 £000	2003 £000
1,682,638 Ordinary shares of 10p each	168	168
4,992,500 Deferred Ordinary shares of 1p each	50	50
	<u>218</u>	<u>218</u>

### 12 Reserves and reconciliation of movements in shareholders' deficit

	Share capital £000	Capital redemption reserve £000	Profit and loss account £000	Shareholders' deficit £000
At beginning of year	218	12	(1,107)	(877)
Retained loss for the year	-	-	(1,098)	(1,098)
<b>At end of year</b>	<u>218</u>	<u>12</u>	<u>(2,205)</u>	<u>(1,975)</u>

### 13 Contingent liabilities

The company has guaranteed the overdrafts of its subsidiary undertakings; the amount outstanding at the year end was £24,069,000 (2003: £24,312,000).

The company is, under a group registration, jointly and severally liable with other group undertakings for the payment of value added tax due by the group. At 31 August 2004 the potential liability under these arrangements amounted to £764,000 (2003: £931,000).

### 14 Commitments

The company has annual commitments for land and buildings under non-cancellable operating leases amounting to £57,600 (2003: £52,000) in respect of leases expiring between two and five years.

**Notes** *(continued)*

**15 Parent undertaking and ultimate parent company**

Encon Limited, which is registered in England and Wales, is the ultimate parent company of Encon Group Limited. It is also the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and in which Encon Group Limited is included. This is also the smallest group of undertakings for which consolidated financial statements are prepared and in which the company is included.

Group financial statements of Encon Limited for the period ended 31 August 2003 will be filed with the Registrar of Companies, Crown Way, Maindy, Cardiff, CF4 3UZ (from whom copies will then be available to the public).