

Encon Group Limited

**Directors' report and financial
statements**

Registered number 1584568

31 August 2001



Contents

Directors' report	1
Statement of directors' responsibilities	2
Independent auditors' report to the members of Encon Group Limited	3
Profit and loss account	4
Statement of total recognised gains and losses	4
Balance sheet	5
Notes	6

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 August 2001.

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

Directors and directors' interests

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

ID McKerracher
PA Kirk
DM Creighton (resigned 5 June 2001)
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

17 May 2002

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.



1 The Embankment
Neville Street
Leeds LS1 4DW

Independent auditors' report to the members of Encon Group Limited

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

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 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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

17 May 2002

Profit and loss account

for the year ended 31 August 2001

	<i>Note</i>	2001 £000	2000 £000
Administrative expenses		50	(142)
Operating profit/(loss)		50	(142)
Income from shares in group undertakings		4,400	-
Interest payable and similar charges	4	(50)	(43)
Interest receivable and similar income	5	471	648
Profit on ordinary activities before taxation	2	4,871	463
Tax on profit on ordinary activities	6	(151)	(149)
Profit on ordinary activities after taxation		4,720	314
Dividend paid		(9,166)	-
Retained (loss)/profit for the financial year	13	(4,446)	314

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

Statement of total recognised gains and losses

for the year ended 31 August 2001

	2001 £000	2000 £000
(Loss)/profit for the financial year	(4,446)	314
Total recognised gains and losses relating to the year	(4,446)	314

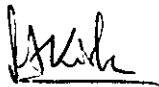
A statement of movements on shareholders' funds is given in note 13.

Balance sheet

at 31 August 2001

	Note	2001 £000	2000 £000
Fixed assets			
Tangible assets	7	852	874
Investments	8	5,918	5,918
		<u>6,770</u>	<u>6,792</u>
Current assets			
Debtors	9	6,898	6,308
Cash at bank and in hand		-	7,426
		<u>6,670</u>	<u>13,734</u>
Creditors: amounts falling due within one year	10	<u>(12,945)</u>	<u>(15,128)</u>
Net current liabilities		<u>(6,047)</u>	<u>(1,394)</u>
Total assets less current liabilities		<u>723</u>	<u>5,398</u>
Provisions for liabilities and charges	11	<u>(491)</u>	<u>(720)</u>
Net assets		<u>232</u>	<u>4,678</u>
Capital and reserves			
Called up share capital	12	218	218
Capital redemption reserve	13	12	12
Profit and loss account	13	2	4,448
Shareholders' funds (equity)		<u>232</u>	<u>4,678</u>

These financial statements were approved by the board of directors on 17 May 2002 and were signed on its behalf by:



PA Kirk
Director

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

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

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.

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 and intangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold and long leasehold property	-	2% 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 profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

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 Profit on ordinary activities before taxation

<i>Profit on ordinary activities before taxation is stated after charging</i>	2001	2000
	£000	£000
Auditors' remuneration	-	-
Depreciation:		
Owned assets	23	23
Hire of other assets (principally property) - operating leases	36	58
	<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 (2000: £Nil).

The company has no other employees.

Notes (continued)

4 Interest payable and similar charges

	2001 £000	2000 £000
Interest on unwinding of discounting on provisions	50	43
	<u>50</u>	<u>43</u>

5 Interest receivable and similar income

	2001 £000	2000 £000
Bank interest receivable	471	648
	<u>471</u>	<u>648</u>

6 Tax on profit on ordinary activities

	2001 £000	2000 £000
UK corporation tax at 30% (2000: 30%) on the profit for the year on ordinary activities	151	149
Adjustment relating to prior year	-	-
	<u>151</u>	<u>149</u>

Notes (continued)

7 Tangible fixed assets

	Long leasehold property £000
<i>Cost</i>	
At beginning and end of year	1,094
	<hr/>
<i>Depreciation</i>	
At beginning of year	220
Charge for year	22
	<hr/>
At end of year	242
	<hr/>
<i>Net book value</i>	
At 31 August 2001	852
	<hr/>
At 31 August 2000	874
	<hr/>

8 Fixed asset investments

	Shares in group undertakings £000
<i>Cost</i>	
At beginning and end of year	6,084
	<hr/>
<i>Provisions</i>	
At beginning and end of year	(166)
	<hr/>
<i>Net book value</i>	
At 31 August 2000 and at 31 August 2001	5,918
	<hr/>

The principal subsidiary undertakings of Encon Group Limited at 31 August 2001 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	Holding company	100%
Encon Manufacturing Limited	England	Holding company	100%

Notes (continued)

9 Debtors

	2001 £000	2000 £000
Amounts falling due within one year		
Amounts owed by group undertakings	6,870	6,237
Prepayments and accrued income	28	15
Corporation tax	-	56
	<u>6,898</u>	<u>6,308</u>

10 Creditors: amounts falling due within one year

	2001 £000	2000 £000
Bank overdraft	11,081	-
Amounts owed to group undertakings	1,741	15,033
Accruals and deferred income	123	95
	<u>12,945</u>	<u>15,128</u>

11 Provisions for liabilities and charges

Unprovided deferred tax at 31 August 2001 was £1,751,000 (2000: asset £308,000).

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	200	520	720
Released	(144)	-	(144)
Transfer to debtors	-	(85)	(85)
	<u>56</u>	<u>435</u>	<u>491</u>

Notes (continued)

12 Share capital

Authorised	2001 £000	2000 £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	 2001 £000	 2000 £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>

13 Reserves and reconciliation of movements in shareholders' funds

	Share capital £000	Capital redemption reserve £000	Profit and loss account £000	Shareholders' funds £000
At beginning of year	218	12	4,448	4,678
Retained loss for the year	-	-	(4,446)	(4,446)
 At end of year	 <u>218</u>	 <u>12</u>	 <u>2</u>	 <u>232</u>

14 Contingent liabilities

The company has guaranteed the overdrafts of its subsidiary undertakings; the amount outstanding at the year end was £27,214,000 (2000: £46,980,000).

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 2001 the potential liability under these arrangements amounted to £290,000 (2000: £327,000).

15 Commitments

The company has annual commitments for land and buildings under non-cancellable operating leases amounting to £52,000 (2000: £52,000) in respect of leases expiring after five years.

Notes *(continued)*

16 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 2001 will be filed with the Registrar of Companies, Crown Way, Maindy, Cardiff, CF4 3UZ (from whom copies will then be available to the public).