

Encon Manufacturing Limited

Directors' report and financial statements

31 August 1997

Registered number 2337090



Directors' report and financial statements

Contents

Directors' report	1
Statement of directors' responsibilities	2
Report of the auditors	3
Profit and loss account	4
Statement of total recognised gains and losses	4
Balance sheet	5
Notes	6-11

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 August 1997.

Principal activities and business review

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

Dividends

The directors do not recommend the payment of a dividend (1996: £nil).

Directors and directors' interests

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

J Smellie
A Kirkbright
PA Kirk
ID McKerracher


PA Kirk, J Smellie and ID McKerracher are directors of the ultimate parent company, Encon Plc, and are therefore not required to disclose their interests in group companies in the financial statements of this company.

A Kirkbright had no notifiable interest in the share capital of any group company during the year.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



PA Kirk
Director

Brunswick House
1 Deighton Close
Wetherby
LS22 7GZ

30 October 1997

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 as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Peat House
1 Commercial Street
Forster Square
Bradford BD1 4AS

Auditors' report to the members of Encon Manufacturing Limited

We have audited the financial statements on pages 4 to 11.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 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 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 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 the company's affairs as at 31 August 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'KPMG', written in a cursive style.

KPMG
Chartered Accountants
Registered Auditors

30 October 1997

Profit and loss account
for the year ended 31 August 1997

	<i>Note</i>	Continuing operations	
		1997	1996
		£	£
Administrative expenses		14,502	(46,231)
Other operating income		55,036	-
		<hr/>	<hr/>
Operating profit		69,538	(46,231)
Profit on disposal of fixed asset investments	2	-	227,882
Income from shares in group undertakings		-	56,387
Interest payable and similar charges	3	(3,188)	(26,775)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	6	66,350	211,263
Tax on profit on ordinary activities	5	(5,000)	(35,000)
		<hr/>	<hr/>
Retained profit for the financial year		61,350	176,263
		<hr/>	<hr/>

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

A statement of movements on reserves is given in note 11. The only movements in shareholders' funds in both the current and previous year were the total recognised gains and losses.

Statement of total recognised gains and losses
for the year ended 31 August 1997

	<i>Note</i>	1997	1996
		£	£
Profit for the financial year		61,350	176,263
Unrealised profit on disposal of fixed asset investments	11	-	4,424,310
		<hr/>	<hr/>
Total recognised gains and losses for the year		61,350	4,600,573
		<hr/>	<hr/>

Balance sheet
at 31 August 1997

	<i>Note</i>	1997 £	1996 £
Fixed assets			
Intangible assets	7	8,432	11,232
Investments	8	100	100
		<hr/>	<hr/>
		8,532	11,332
Current assets			
Debtors	9	4,529,816	4,529,816
		<hr/>	<hr/>
		4,529,816	4,529,816
Creditors: amounts falling due within one year	10	(138,665)	(202,815)
		<hr/>	<hr/>
Net current assets		4,391,151	4,327,001
		<hr/>	<hr/>
Total assets less current liabilities		4,399,683	4,338,333
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	12	2	2
Profit and loss account	11	4,399,681	4,338,331
		<hr/>	<hr/>
Equity shareholders' funds		4,399,683	4,338,333
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 30 October 1997 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 company's financial statements.

Basis of preparation

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

In the company's financial statements, 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

Depreciation is calculated so as to write off the cost or valuation of fixed assets on a straight line basis over their estimated useful lives at the following rates:

Licences - 10% per annum

Foreign currencies

Transaction in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

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.

Cash flow statement

Under Financial Reporting Standard No 1 (Revised 1996), the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is wholly owned subsidiary undertaking.

Notes (continued)

2 Profit on disposal of fixed asset investments

	1997 £	1996 £
Profit on disposal of fixed asset investments	-	227,882
	<hr/>	<hr/>

3 Interest payable and similar charges

	1997 £	1996 £
On bank loans, overdrafts and other loans wholly repayable within five years	3,188	26,775
	<hr/>	<hr/>

4 Remuneration of directors and staff costs

No director received any emoluments in respect of his services to the company during the year (1996: £Nil).
The company has no other employees.

5 Taxation on profit on ordinary activities

	1997 £	1996 £
UK corporation tax at 23% (1996: 33%)	5,000	35,000
	<hr/>	<hr/>

The company has incurred taxation losses which are available to carry forward to relieve future profits.

Notes (continued)

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	1997 £	1996 £
Amortisation of intangible fixed assets	2,800	2,800
	<hr/>	<hr/>

7 Intangible fixed assets

**Concessions, patents,
licences, trade marks and
similar rights and assets
£**

Cost

At 1 September 1996 and 31 August 1997	27,996
	<hr/>

Amortisation

At 1 September 1996	16,764
Charge in year	2,800
	<hr/>

At 31 August 1997	19,564
	<hr/>

Net book value

At 31 August 1997	8,432
	<hr/>

At 31 August 1996	11,232
	<hr/>

Notes (continued)

8 Investments

	Shares in group undertakings £
<i>Cost</i>	
At 1 September 1996 and 31 August 1997	80,100
	<hr/>
<i>Provision</i>	
At 1 September 1996 and 31 August 1997	(80,000)
	<hr/>
<i>Net book value</i>	
At 31 August 1997	100
	<hr/>
At 31 August 1996	100
	<hr/>

The shares in group undertakings held at 31 August 1997 are as follows:

	Proportion held
Enconvertors Limited	100%
Superwool Systems Limited	100%

All the above companies, which are dormant, are incorporated in Great Britain, registered in England and Wales and their share capitals comprise solely ordinary shares.

All subsidiary undertakings prepare their financial statements to an accounting reference date of 31 August which is coterminous with that of the ultimate parent company.

As the company is a wholly owned subsidiary of Encon Plc, a company registered in England and Wales, group financial statements have not been prepared and consequently these financial statements present information for Encon Manufacturing Limited as an individual undertaking only.

Notes (continued)

9 Debtors

	1997 £	1996 £
Amounts owed by parent and fellow subsidiary undertakings	4,528,088	4,528,088
Prepayments and accrued income	1,728	1,728
	<hr/> 4,529,816 <hr/>	<hr/> 4,529,816 <hr/>

10 Creditors: amounts falling due within one year

	1997 £	1996 £
Bank loans and overdrafts	71,807	49,970
Amounts owed to group undertakings	59,351	7,352
Corporation tax	5,000	35,000
Accruals and deferred income	2,507	110,493
	<hr/> 138,665 <hr/>	<hr/> 202,815 <hr/>

The bank overdraft is secured by a fixed and floating charge over the assets of the company.

Of the amounts owed to group undertakings £Nil (1996: £7,352) was owed to subsidiary undertakings and £59,351 (1996: £Nil) was owed to parent and fellow subsidiary undertakings.

Notes (continued)

11 Profit and loss account reserves

	1997 £	1996 £
At beginning of year	4,338,331	(262,242)
Profit for the financial year	61,350	176,263
Unrealised profit arising on sale of investments	-	4,424,310
	<hr/>	<hr/>
At end of year	4,399,681	4,338,331
	<hr/>	<hr/>

12 Called up share capital

	1997 £	1996 £
<i>Authorised</i>		
Ordinary shares of £1 each	100	100
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	2	2
	<hr/>	<hr/>

13 Contingent liabilities

The company has given unlimited guarantees, secured by a fixed and floating charge over all the assets of the company, in respect of bank borrowings by certain other group undertakings in the Encon group. At 31 August 1997 the potential liability was £8,013,000 (1996: £7,707,000).

The company is jointly and severally liable with certain other group undertakings for the payment of value added tax due by these undertakings. At 31 August 1997 the potential liability under these arrangements amounted to £Nil (1996: £35,000).

14 Parent undertaking and ultimate parent company

Encon Plc, which is registered in England and Wales, is the ultimate parent company of Encon Manufacturing 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 Manufacturing 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 Plc for the year ended 31 August 1997 will be filed with the Registrar of Companies, Crown Way, Maindy, Cardiff, CF4 3UZ (from whom copies will then be available to the public).