

Encontracts Limited

Directors' report and financial statements

31 August 1996

Registered number 2511⁷~~8~~55



Encontracts Limited

Directors' report and financial statements

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Encontracts Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 August 1996.

Principal activities and business review

The company has not traded during the year. The only accounting transaction arose from the reassessment of provisions carried forward within the company against amounts due from group undertakings.

Directors and directors' interests

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

ID McKerracher
PA Kirk

Both directors are directors of the ultimate parent company, Encon Plc, and are not therefore required to disclose their interest in group companies in the financial statements of this company.

Dividends

The directors do not recommend the payment of a dividend (1995: £Nil).

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;
- 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 maintaining 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.

Encontracts Limited

Directors' report *(continued)*

Auditors

In accordance with Section 385 of the Companies Act, 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
Secretary

Brunswick House
1 Deighton Close
Wetherby
West Yorkshire
LS22 7GZ

1 May 1997



Peat House
1 Commercial Street
Forster Square
Bradford BD1 4AS

Auditors' report to the members of Encontracts Limited

We have audited the financial statements on pages 4 to 9.

Respective responsibilities of directors and auditors

As described on page 1 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 1996 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
Bradford

1 May 1997

Encontracts Limited

Profit and loss account for the year ended 31 August 1996

	Note	1996 £	1995 £
Release of provision against intercompany debtors	2	<u>499,234</u>	<u>-</u>
Profit on ordinary activities before taxation		499,234	-
Tax on profit on ordinary activities		<u>-</u>	<u>-</u>
Profit for the financial year		499,234	-
Unrecovered losses brought forward		<u>(953,279)</u>	<u>(953,279)</u>
Unrecovered losses carried forward		<u>(454,045)</u>	<u>(953,279)</u>

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

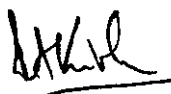
In both 1996 and 1995 there were no recognised gains and losses or movements in shareholders' funds other than the profit disclosed above.

Encontracts Limited

Balance sheet at 31 August 1996

	Note	1996		1995	
		£	£	£	£
Fixed assets					
Investments	5		-		-
Current assets					
Debtors	6	145,692		145,692	
Creditors: amounts falling due within one year	7	<u>(599,735)</u>		<u>(599,735)</u>	
Net current liabilities			<u>(454,043)</u>		<u>(454,043)</u>
Total assets less current liabilities			<u>(454,043)</u>		<u>(454,043)</u>
Provisions for liabilities and charges	8		-		<u>(499,234)</u>
Net liabilities			<u>(454,043)</u>		<u>(953,277)</u>
Capital and reserves					
Called up share capital	9		2		2
Profit and loss account			<u>(454,045)</u>		<u>(953,279)</u>
Equity shareholders' funds			<u>(454,043)</u>		<u>(953,277)</u>

These financial statements were approved by the board of directors on 1 May 1997 and were signed on its behalf by:



PA Kirk
Director

Encontracts Limited

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.

Encon Plc has supported Encontracts 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 a going concern.

Cash flow statement

Under Financial Reporting Standard No 1, 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 Release of provision against intercompany debts due

	1996 £	1995 £
Release of provision against intercompany debtors	<u>499,234</u>	<u>-</u>

During the year the directors of the company have reviewed the provisions against amounts due from group undertakings.

Following this review the above provision has been released to the current year profit and loss account.

3 Staff numbers and costs (including directors)

	1996	1995
Selling and administration	<u>2</u>	<u>2</u>

The aggregate payroll costs of these persons were £Nil (1995: £Nil).

Encontracts Limited

Notes (continued)

4 Remuneration of directors

The emoluments, excluding pension contributions, of the chairman were £Nil (1995: £Nil) and those of the highest paid director were £Nil (1995: £Nil).

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid director) were within the following ranges:

	Number of directors	
	1996	1995
£0 - £ 5,000	<u>2</u>	<u>2</u>

5 Investments held as fixed assets

Shares in Group undertakings £

Cost

At beginning and end of year	<u>84,045</u>
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Provision for diminution in value

At beginning and end of year	<u>84,045</u>
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Net book value

At 31 August 1996 and 31 August 1995	<u>-</u>
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At 31 August 1996 investments comprised share holdings in the ordinary share capital of the following dormant subsidiary undertakings:

	Proportion held %
Talbot Thermatic Group Limited	100
Talbot Insulation Company Limited	100
Encon Realisation No 1 Limited	100
Encon Realisation No 2 Limited	100
Encon Realisation No 3 Limited	100

All of the above companies are registered in England and Wales and 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 undertaking of Encon Plc, group financial statements have not been prepared and accordingly these financial statements present information about Encontracts Limited as an individual undertaking only.

Encontracts Limited

Notes (continued)

6 Debtors

	1996 £	1995 £
Amounts due from parent undertaking	<u>145,692</u>	<u>145,692</u>

7 Creditors: amounts falling due within one year

	1996 £	1995 £
Amounts owed to parent and fellow subsidiary undertakings	<u>599,735</u>	<u>599,735</u>

8 Provisions for liabilities and charges

	Provision against amounts due from group undertakings £
At beginning of year	499,234
Release to profit and loss account (note 2)	<u>(499,234)</u>
At end of year	<u>-</u>

9 Called up share capital

	1996 £	1995 £
<i>Authorised, allotted, called up and fully paid:</i>		
Ordinary shares of £1 each	<u>2</u>	<u>2</u>

Encontracts Limited

Notes (continued)

10 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 1996 the potential liability was £7,671,000 (1995: £8,973,000).

The company is jointly and severally liable with certain other group undertakings for the payment of value added tax due by those undertakings. At 31 August 1996 the potential liability under these arrangements amounted to £Nil (1995: £12,914).

11 Parent undertaking and ultimate parent company

Encon Plc, which is registered in England and Wales, is the ultimate parent company of Encontracts Limited. It is also the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which Encontracts Limited is a member. No intermediate parent undertaking of Encontracts Limited prepares group financial statements.

Group accounts of Encon Plc will be filed with the Registrar of Companies, Crown Way, Maindy, Cardiff, CF4 3UZ (from whom copies may be obtained by the public).