

Epsilon Partitioning Systems Limited

**Directors' report and financial
statements**

Registered number 4145047

31 August 2005



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Directors' report

The directors present their annual report and the audited financial statements of the company for the year ended 31 August 2005.

Principal activities and review of business

The company has not traded in the year.

Results and dividends

The results for the period are set out in the profit and loss account on page 4.

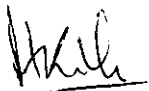
No dividend has been paid in the year (2004: £nil).

Directors

The directors who served during the year were as follows:

ID McKerracher
PA Kirk
GA Fallon

No director had any interest in shares of the company or other group companies which requires disclosure in these accounts.



PA Kirk
Secretary

Brunswick House
1 Deighton Close
Wetherby
West Yorkshire
LS22 7GZ

10 October 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;
- 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.



KPMG LLP

1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

Report of the independent auditors to the members of Epsilon Partitioning Systems Limited

We have audited the financial statements on pages 4 to 10.

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 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 2005 and of its result for the year then ended have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
KPMG LLP
Chartered Accountants
Registered Auditor

10 October 2005

Profit and loss account
for the year ended 31 August 2005

	<i>Note</i>	2005 £	2004 £
Other operating income	2	-	196,612
Profit on ordinary activities before taxation		-	196,612
Taxation on profit on ordinary activities	4	-	-
Profit for the financial year	8	-	196,612

There are no recognised gains or losses in the year other than those reflected in the above profit and loss account.

Balance sheet
at 31 August 2005

	<i>Note</i>	2005	2004
		£	£
Current assets			
Debtors	5	58,352	58,352
Cash		25	25
		<hr/>	<hr/>
Creditors: amounts falling due within one year	6	58,377 (58,377)	58,377 (58,377)
		<hr/>	<hr/>
Net current assets		-	-
		<hr/>	<hr/>
Total assets less current liabilities		-	-
		<hr/>	<hr/>
Net assets		-	-
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	7	1	1
Profit and loss account	8	(1)	(1)
		<hr/>	<hr/>
Equity shareholders' funds	9	-	-
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 10 October 2005 and are 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.

Encon Insulation Limited has supported Epsilon Partitioning Systems 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.

Turnover

Turnover represents the net amount receivable from customers for goods and services provided during the year, excluding value added tax.

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 standards, full provision is made, without discounting, for all timing differences which have arisen but not reversed at the balance sheet date.

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 Other operating income

	2005	2004
	£	£
Waiver of amounts due to parent company	-	196,612
	<hr/>	<hr/>

Notes (continued)

3 Remuneration of directors and staff costs

No director received any emoluments in respect of his services to the company during the year (2004: £nil).
 The company has no other employees.

4 Taxation on profit on ordinary activities

	2005 £	2004 £
UK corporation tax at 30% (2004: 30%)	-	-
Adjustments re prior year	-	-
	<hr/>	<hr/>
Total current tax charge	-	-
	<hr/>	<hr/>

The tax charge for the year is higher (2004: higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2005 £	2004 £
Profit on ordinary activities before tax	-	196,612
	<hr/>	<hr/>
Profit on ordinary activities at standard rate of corporation tax in the UK (30%)	-	58,984
Income not taxable	-	(58,984)
Adjustments to prior year	-	-
	<hr/>	<hr/>
Total current tax charge	-	-
	<hr/>	<hr/>

5 Debtors

	2005 £	2004 £
Amounts owed by group companies	58,352	58,352
	<hr/>	<hr/>

Notes (continued)

6 Creditors: amounts falling due within one year

	2005 £	2004 £
Amounts owed to group companies	58,377	58,377
Accruals and deferred income	-	-
	<u>58,377</u>	<u>58,377</u>

7 Share capital

	2005 £	2004 £
Authorised: 1,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid: One ordinary share of £1 each	1	1

8 Profit and loss account

	2005 £	2004 £
At beginning of year	(1)	(196,613)
Retained profit/(loss) for the year	-	196,612
At end of year	<u>(1)</u>	<u>(1)</u>

9 Reconciliation of movement in shareholders' deficit

	2005 £	2004 £
Profit/(loss) for the financial year	-	196,612
Net increase in shareholders' deficit during the year	-	196,612
Opening shareholders' deficit	-	(196,612)
Shareholders' deficit at end of year	<u>-</u>	<u>-</u>

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 2005 the potential liability was £14,588,000 (2004: 38,096,000).

11 **Ultimate parent undertaking**

Encon Limited, which is registered in England and Wales, is the ultimate parent company of Epsilon Partitioning Systems Limited. It is also the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which Epsilon Partitioning Systems Limited is a member. No intermediate parent undertaking of Epsilon Partitioning Systems Limited prepares group accounts.

Group accounts of Encon Limited for the period ended 31 August 2005 will be filed with the Registrar of Companies, Crown Way, Maindy, Cardiff, CF4 3UZ (from whom copies may be obtained by the public).