

Coven-Sa Limited

Directors' report and financial statements

31 October 1997

Registered number Scotland 63213



Directors' report and financial statements

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Directors' report

The directors have pleasure in submitting their report together with the financial statements of the company for the year ended 31 October 1997.

Activities

The principal activity of the company during the year was dealing in quoted securities and investments in the UK and elsewhere abroad. The company is still involved in the sale of excisable liquors.

Results and dividends

The loss after tax for the year was £106,243 (1996: loss of £1,220,969). The directors recommend that no dividend should be paid and that the balance on the profit and loss account be carried forward.

Directors and directors' interests

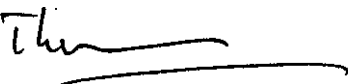
The directors during the year and their interests in the share capital of the company are as follows:

	Ordinary shares of £1 each	
	At 31 October 1997	At 1 November 1996
K Perch-Nielsen (Chairman)	250,000	250,000
Mrs LZ Perch-Nielsen	62,500	62,500

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



Thorntons
Secretaries

Brothockbank House
Arbroath
DD11 1NJ

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.



24 Blythswood Square
Glasgow
G2 4QS
United Kingdom

Report of the auditors to the members of Coven-Sa Limited

We have audited the financial statements on pages 4 to 13.

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 October 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to be 'KPMG' followed by a stylized flourish.

KPMG
Chartered Accountants
Registered Auditors

16 February 1998

Profit and loss account
for the year ended 31 October 1997

	<i>Note</i>	1997 £	1996 £
Turnover	2	1,458,491	767,424
Cost of sales		<u>(1,272,855)</u>	<u>(365,438)</u>
Gross profit		185,636	401,986
Administrative expenses		(47,621)	(31,893)
Exchange losses		(205,127)	(53,804)
Provision for loss on fixed asset investments		<u>85,195</u>	<u>(1,300,575)</u>
Trading profit/(loss)		18,083	(984,286)
Interest payable and other similar charges	4	<u>(109,103)</u>	<u>(193,115)</u>
Loss on ordinary activities before taxation	3	(91,020)	(1,177,401)
Tax on loss on ordinary activities	5	<u>(15,223)</u>	<u>(43,568)</u>
Loss on ordinary activities after taxation and for financial year		<u><u>(106,243)</u></u>	<u><u>(1,220,969)</u></u>

Statement of total recognised gains and losses

	1997 £	1996 £
Loss for the financial year	(106,243)	(1,220,969)
Unrealised gain/(loss) on marketable securities	180,507	(164,420)
Movement in deferred taxation on unrealised gain/loss on marketable securities	<u>(12,000)</u>	<u>40,000</u>
Total recognised gains and losses relating to the year	<u><u>62,264</u></u>	<u><u>(1,345,389)</u></u>

Balance sheet
at 31 October 1997

	Note	1997	1996
		£	£
Fixed assets			
Tangible assets	6	3,228	3,848
Investment in associated undertakings	7	991,142	1,380,000
Other investments	8	502,183	333,205
		<u>1,496,553</u>	<u>1,717,053</u>
Current assets			
Stocks	9	121,521	124,093
Debtors	10	24,332	53,411
Investments	11	1,999,700	2,398,918
Cash at bank and in hand		60,354	58,171
		<u>2,205,907</u>	<u>2,634,593</u>
Creditors: amounts falling due within one year	12	<u>(3,351,127)</u>	<u>(4,074,577)</u>
Net current liabilities		<u>(1,145,220)</u>	<u>(1,439,984)</u>
Total assets less current liabilities		351,333	277,069
Provisions for liabilities and charges	13	<u>(202,000)</u>	<u>(190,000)</u>
Net assets		<u><u>149,333</u></u>	<u><u>87,069</u></u>
Capital and reserves			
Called up share capital	14	500,000	500,000
Investment revaluation reserve	16	731,797	909,899
Profit and loss account	16	<u>(1,082,464)</u>	<u>(1,322,830)</u>
Equity shareholders' funds		<u><u>149,333</u></u>	<u><u>87,069</u></u>

These financial statements were approved by the board of directors on 9 February 1998 and were signed on its behalf by:



K Perch-Nielsen
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 are prepared under the historical cost accounting rules adjusted for revaluation of marketable securities and comply with all applicable UK statements of standard accounting practice.

Stocks

Stocks of excisable liquors are stated at the lower of cost and net realisable value.

Tangible fixed assets and depreciation

Fixed assets are depreciated on a reducing balance basis as follows:

Office equipment	15%
Blending equipment	25%
Other plant and machinery	25%

Investments

Fixed asset investments are stated at cost less provisions for permanent diminution in value.

Marketable securities held as current trading assets are stated at market value with revaluation surpluses or deficits being taken to the investment revaluation reserve.

Foreign currencies

Assets and liabilities at the year end denominated in foreign currencies are converted to sterling at the rate of exchange ruling at the balance sheet date except where a forward contract has been arranged in which case the contract rate is used. Transactions in foreign currencies are recorded at the average rate for the year. All exchange differences are dealt with in the profit and loss account.

Deferred taxation

Provision is made for deferred taxation using the liability method on all material timing differences to the extent that it is probable a liability or asset will crystallise.

Notes (continued)

2 Analysis of turnover

Turnover represents the proceeds of dealing in quoted shares and sales of excisable liquor net of VAT.

The analysis of turnover by activity is as follows:

	1997 £	1996 £
Investment dealing	943,791	266,230
Income from investments:		
UK listed	74,686	77,685
Other	184,143	260,903
Sale of excisable liquor and miscellaneous sales	<u>255,871</u>	<u>162,606</u>
	<u>1,458,491</u>	<u>767,424</u>

3 Loss on ordinary activities before taxation

	1997 £	1996 £
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Depreciation	620	747
Auditors' remuneration - audit services	4,500	4,500
- other services	12,311	4,500
Directors' remuneration	-	-
	<u> </u>	<u> </u>

4 Interest payable and similar charges

	1997 £	1996 £
Interest on bank loans and overdrafts	84,103	143,115
Other loans	<u>25,000</u>	<u>50,000</u>
	<u>109,103</u>	<u>193,115</u>

Notes (continued)

5 Taxation

	1997 £	1996 £
Tax on franked investment income	15,223	15,568
Corporation tax	-	28,000
	<u>15,223</u>	<u>43,568</u>

6 Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Total £
Cost			
At beginning of year	2,406	13,181	15,587
Additions	-	-	-
	<u>2,406</u>	<u>13,181</u>	<u>15,587</u>
At end of year	2,406	13,181	15,587
	<u>2,406</u>	<u>13,181</u>	<u>15,587</u>
Accumulated depreciation			
At beginning of year	1,978	9,761	11,739
Charge for year	107	513	620
	<u>2,085</u>	<u>10,274</u>	<u>12,359</u>
At end of year	2,085	10,274	12,359
	<u>2,085</u>	<u>10,274</u>	<u>12,359</u>
Net book value			
At 31 October 1997	321	2,907	3,228
	<u>321</u>	<u>2,907</u>	<u>3,228</u>
At 31 October 1996	428	3,420	3,848
	<u>428</u>	<u>3,420</u>	<u>3,848</u>

Notes (continued)

7 Investment in associated undertakings

	Shares	Investment loans	Total
	£	£	£
Cost			
At beginning of year	870,385	3,494,026	4,364,411
Additions	-	-	-
Repayments	-	-	-
Currency translation differences	-	(477,740)	(477,740)
At end of year	870,385	3,016,286	3,886,671
Provision			
At beginning of year	240,385	2,744,026	2,984,411
Made during year	-	22,259	22,259
Released during the year	(111,141)	-	(111,141)
At end of year	129,244	2,766,285	2,895,529
Net book value			
At 31 October 1997	741,141	250,001	991,142
At 31 October 1996	630,000	750,000	1,380,000

- (i) The company owns 33% (1996: 33%) of the issued ordinary share capital of PMS Holding BV, a company incorporated in the Netherlands. PMS Holding BV is engaged in malting.
- (ii) The company owns 50% (1996: 33%) of the issued ordinary share capital of Merse Agricultural Management Company Limited, a company registered in Scotland, engaged in farm management.
- (iii) The company owns 28% (1996: 28%) of the issued ordinary share capital of Lees Group Limited (formerly Claymore Group Limited), an industrial holding company registered in Scotland. The company also owns £530,000 (1996: £530,000) redeemable convertible preference shares in Lees Group Limited.

Notes (continued)

8 Other investments

	Shares £
Cost	
At beginning of year	333,205
Additions	218,687
Transfer from current asset investments	15,895
Currency translation differences	(46,022)
At end of year	521,765
Provision	
At beginning of year	-
Made during year	3,687
Transfer from current asset investments	15,895
At end of year	19,582
Net book value	
At 31 October 1997	502,183
At 31 October 1996	333,205

The company has a 7.1% (1996: 7.1%) shareholding in the ordinary share capital of Pipers Brook Vineyard Limited, a company incorporated in Tasmania, Australia.

The company has a 15% (1996: nil) shareholding in the ordinary share capital of both UK Water Technology Limited and Advanced Water Technology Limited, companies registered in England.

9 Stocks

	1997 £	1996 £
Goods held for resale	121,521	124,093

10 Debtors

	1997 £	1996 £
Trade debtors	7,699	34,041
Prepayments and accrued income	16,275	19,370
Other debtors	358	-
	24,332	53,411

Notes (continued)

11 Investments

	1997 £	1996 £
UK listed investments	1,891,051	2,195,865
Overseas listed investments	<u>108,649</u>	<u>203,053</u>
	<u>1,999,700</u>	<u>2,398,918</u>

12 Creditors: amounts falling due within one year

	1997 £	1996 £
Bank loan (secured)	1,668,726	2,568,792
Bank overdraft	185,000	-
Trade creditors	104,964	120,534
Loan from directors	1,321,366	1,328,266
Corporation tax	27,308	28,058
Income tax	5,000	6,000
Accruals and deferred income	<u>38,763</u>	<u>22,927</u>
	<u>3,351,127</u>	<u>4,074,577</u>

The loan from directors is unsecured and has no specific repayment terms. Interest was charged at approximately 4% during the year. Klaus Perch-Nielsen waived his right to interest payments for the year to 31 October 1997.

Bank loans are as follows:

A secured loan of NLG 5,405,000 (£1,668,726) from the Bank of Scotland, under the terms of a facility letter dated 12 August 1988. Interest is payable quarterly at a rate 1.5% above the Bank of Scotland Dutch Guilder base rate. The loan was utilised to grant a loan to a Dutch company, PMS Holding B.V. No repayments are due until 9 February 1998 when the loan is repayable in full, unless a further loan is negotiated.

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

Notes (continued)

13 Provisions for liabilities and charges

The amounts provided for deferred taxation are set out below:

	Revaluation of marketable securities £
<i>Deferred taxation</i>	
At beginning of year	190,000
Provided in the year	12,000
At end of year	202,000

14 Share capital

	1997 £	1996 £
<i>Authorised</i>		
Ordinary shares of £1 each	1,000,000	1,000,000
<i>Allotted, issued and fully paid</i>		
Ordinary shares of £1 each	500,000	500,000

15 Reconciliation of movements in shareholders' funds

	1997 £	1996 £
Loss for the financial year	(106,243)	(1,220,969)
Other recognised gains and losses relating to the year (net)	168,507	(124,420)
Net addition to/(reduction in) shareholders' funds	62,264	(1,345,389)
Opening shareholders' funds	87,069	1,432,458
Closing shareholders' funds	149,333	87,069

Notes (continued)

16 Reserves

	Revaluation reserve £	Profit & loss account £	Total £
At beginning of year	909,899	(1,322,830)	(412,931)
Loss for year	-	(106,243)	(106,243)
Transfer in respect of realised profits	(346,609)	346,609	-
Increase/decrease in market value of marketable investments	180,507	-	180,507
Movement in respect of deferred taxation on marketable investments	(12,000)	-	(12,000)
At end of year	731,797	(1,082,464)	(350,667)

17 Contingent liabilities

In the opinion of the directors there were no contingent liabilities as at 31 October 1997 (1996: £Nil).

18 Capital commitments

At 31 October 1997 the company had no capital commitments (1996: £Nil).