

Coven-Sa Limited

**Directors' report and financial
statements**

Registered number Scotland 63213

31 October 2000

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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 2000.

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 £278,853 (1999: profit of £152,847). The directors recommend that no dividend should be paid and that the balance on the profit and loss account be carried forward.

During the year the company recognised an unrealised gain on marketable securities of £479,587.

Directors and directors' interests

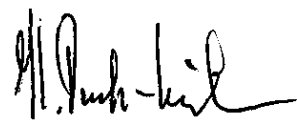
The directors during the year and their interests in the share capital of the company are as follows:

	Ordinary shares of £1 each	
	At 31 October 2000	At 1 November 1999
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



K Perch-Nielsen
Director

8 February 2001

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;
- 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.



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Glasgow
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United Kingdom

Report of the auditors to the members of Coven-Sa 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. 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 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 2000 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 dark ink, appearing to be 'KPMG' or a similar stylized signature.

KPMG
Chartered Accountants
Registered Auditors

8 February 2001

Profit and loss account
for the year ended 31 October 2000

	<i>Note</i>	2000 £	1999 Restated £
Turnover	2	1,772,623	1,019,465
Cost of sales		<u>(1,888,581)</u>	<u>(702,352)</u>
Gross (loss)/profit		(115,958)	317,113
Administrative expenses		(38,148)	(43,313)
Exchange gains		27,705	158,680
Loss on sale of associate		-	(14,072)
Provision for loss on fixed asset investments		<u>-</u>	<u>(137,500)</u>
Trading (loss)/profit		(126,401)	280,908
Interest payable and other similar charges	4	<u>(159,419)</u>	<u>(128,061)</u>
(Loss)/profit on ordinary activities before taxation	3	(285,820)	152,847
Tax on profit/(loss) on ordinary activities	5	6,967	-
(Loss)/profit on ordinary activities after taxation		<u><u>(278,853)</u></u>	<u><u>152,847</u></u>

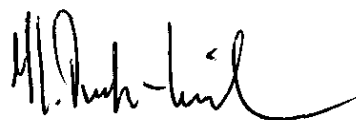
Statement of total recognised gains and losses

		2000 £	1999 £
(Loss)/profit for the financial year		(278,853)	152,847
Unrealised gain on marketable securities	16	479,587	358,062
Movement in deferred taxation on unrealised gain on marketable securities	16	<u>39,000</u>	<u>(80,000)</u>
Total recognised gains and losses relating to the year		<u><u>239,734</u></u>	<u><u>430,909</u></u>

Balance sheet
at 31 October 2000

	<i>Note</i>	2000		1999	
		£	£	£	£
Fixed assets					
Tangible assets	6		2,089		2,279
Investment in associated undertakings	7		726,141		1,339,941
Other investments	8		371,250		138,750
			<u>1,099,480</u>		<u>1,480,970</u>
Current assets					
Stocks	9	65,079		270,593	
Debtors	10	32,794		101,560	
Investments	11	1,788,812		2,433,820	
Cash at bank and in hand		491,043		207,734	
		<u>2,377,728</u>		<u>3,013,707</u>	
Creditors: amounts falling due within one year	12	(2,477,476)		(3,695,679)	
Net current liabilities			<u>(99,748)</u>		<u>(681,972)</u>
Total assets less current liabilities			999,732		798,998
Provisions for liabilities and charges	13		<u>(255,000)</u>		<u>(294,000)</u>
Net assets			<u>744,732</u>		<u>504,998</u>
Capital and reserves					
Called up share capital	14		500,000		500,000
Investment revaluation reserve	16		1,097,966		1,267,915
Profit and loss account	16		<u>(853,234)</u>		<u>(1,262,917)</u>
Equity shareholders' funds			<u>744,732</u>		<u>504,998</u>

These financial statements were approved by the board of directors on 8 February 2001 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:

Fixtures and fittings	15%
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.

Investment income

In accordance with Financial Reporting Standard 16, franked investment income does not include tax credits. Prior year figures have been restated to reflect this change.

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:

	2000 £	1999 £
Investment dealing	1,400,393	561,007
Income from investments:		
UK listed	37,447	41,861
Other	118,802	103,386
Sale of excisable liquor and miscellaneous sales	215,981	313,211
	<u>1,772,623</u>	<u>1,019,465</u>

3 Profit/(loss) on ordinary activities before taxation

	2000 £	1999 £
<i>Profit/(loss) on ordinary activities before taxation is stated after charging</i>		
Depreciation	390	432
Auditors' remuneration	4,500	4,650
	<u> </u>	<u> </u>

4 Interest payable and similar charges

	2000 £	1999 £
Interest on bank loans and overdrafts	134,419	103,061
Other loans	25,000	25,000
	<u>159,419</u>	<u>128,061</u>

5 Taxation

	2000 £	1999 £
UK Corporation Tax at 20% (1999: 20%)	12,100	-
Adjustment in respect of prior year	(19,067)	-
	<u>(6,967)</u>	<u> </u>

Notes (continued)

6 Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Total £
<i>Cost</i>			
At beginning of year	2,406	13,181	15,587
Additions	-	200	200
At end of year	2,406	13,381	15,787
<i>Accumulated depreciation</i>			
At beginning of year	2,227	11,081	13,308
Charge for year	45	345	390
At end of year	2,272	11,426	13,698
<i>Net book value</i>			
At 31 October 2000	134	1,955	2,089
At 31 October 1999	179	2,100	2,279

7 Investment in associated undertakings

	Shares £	Loans £	Total £
<i>Cost</i>			
At beginning of year	944,941	395,000	1,339,941
Disposals	(553,800)	-	(553,800)
Repayments	-	(60,000)	(60,000)
At end of year	391,141	335,000	726,141
<i>Net book value</i>			
At 31 October 2000	391,141	335,000	726,141
At 31 October 1999	944,941	395,000	1,339,941

The company owns 28% (1999: 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 £280,000 (1999: £280,000) redeemable convertible preference shares. £250,000 'A' preference shares and £303,800 'C' preference shares were disposed during the year.

Notes (continued)

8 Other investments

	Shares £
<i>Cost</i>	
At beginning of year	524,911
Additions	232,500
At end of year	757,411
<i>Provision</i>	
At beginning and end of year	386,161
<i>Net book value</i>	
At 31 October 2000	371,250
At 31 October 1999	138,750

The company has a 17% (1999: 17%) shareholding in the ordinary share capital of UK Water Technology Limited a company registered in England.

The company has an 11% (1999: 4%) shareholding in the ordinary share capital of Procession Limited (formerly Datacore Limited), a company registered in England.

9 Stocks

	2000 £	1999 £
Goods held for resale	65,079	270,593

Notes (continued)

10 Debtors

	2000 £	1999 £
Trade debtors	19,152	90,091
Prepayments and accrued income	10,517	11,469
VAT debtor	1,187	-
Other debtors	1,938	-
	<u>32,794</u>	<u>101,560</u>

11 Investments

	2000 £	1999 £
UK listed investments	269,527	1,371,658
Overseas listed investments	1,519,285	1,062,162
	<u>1,788,812</u>	<u>2,433,820</u>

12 Creditors: amounts falling due within one year

	2000 £	1999 £
Bank loan (secured)	915,705	1,658,909
Bank overdraft	300,000	312,289
Trade creditors	74,991	334,385
Loan from directors	1,109,618	1,303,133
Corporation tax	12,100	19,067
Income tax	5,000	5,000
Accruals and deferred income	60,062	62,896
	<u>2,477,476</u>	<u>3,695,679</u>

The loan from directors is unsecured and has no specific repayment terms. Interest was charged at approximately 4% during the year.

Bank loans are as follows:

A secured loan of NLG2,440,000 (£646,323) from the Bank of Scotland. Interest is payable quarterly at a rate 1.5% above the Bank of Scotland Dutch Guilder base rate.

A secured loan of A\$50,000 (£19,381) from the Bank of Scotland. Interest is payable at a rate 1.5% above the Bank of Scotland Australian Dollar base rate.

Notes (continued)

Creditors: amounts falling due within one year (continued)

A secured loan of £250,000 from the Bank of Scotland. Interest is payable at a rate 1.5% above the Bank of Scotland base rate. No repayments are due until 28 August 2001.

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

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	294,000
Released in the year	(39,000)
At end of year	255,000

14 Share capital

	2000 £	1999 £
<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

	2000 £	1999 £
(Loss)/profit for the financial year	(278,853)	152,847
Other recognised gains and losses relating to the year (net)	518,587	278,062
Net addition to shareholders' funds	239,734	430,909
Opening shareholders' funds	504,998	74,089
Closing shareholders' funds	744,732	504,998

Notes *(continued)*

16 Reserves

	Revaluation reserve £	Profit & loss account £	Total £
At beginning of year	1,267,915	(1,262,917)	4,998
Profit for year	-	(278,853)	(278,853)
Transfer in respect of realised profits	(688,536)	688,536	-
Increase in market value of marketable investments	479,587	-	479,587
Movement in respect of deferred taxation on marketable investments	39,000	-	39,000
At end of year	<u>1,097,966</u>	<u>(853,234)</u>	<u>244,732</u>