

Coven-Sa Limited

Directors' report and financial statements

Registered number Scotland 63213

31 October 2002



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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 2002.

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 £322,498 (2001: £227,919). 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 loss on marketable securities of £579,457.

Directors and directors' interests

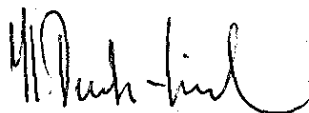
The directors during the year and their interests in the share capital of the company are as follows:

	Ordinary shares of £1 each	
	At 31 October 2002	At 1 November 2001 or date of appointment
K Perch-Nielsen (Chairman)	250,000	250,000
Mrs LZ Perch-Nielsen	62,500	62,500
Niklaus Perch-Nielsen (appointed 1 June 2002)	62,500	62,500

Auditors

KPMG were re-appointed auditors at the Annual General Meeting. Since that date, their business has transferred to a limited liability partnership, KPMG LLP. Accordingly, KPMG resigned on 12 June 2002 and KPMG LLP were appointed auditors of the company. A resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



K Perch-Nielsen
Director

12 Hope Street
Edinburgh
EH2 4DB

6 February 2003

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.



24 Blythswood Square
Glasgow
G2 4QS
United Kingdom

Independent auditors' report to the members of Coven-Sa Limited

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

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 October 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

17 February 2003

Profit and loss account
for the year ended 31 October 2002

	<i>Note</i>	2002 £	2001 £
Turnover	2	560,719	1,013,684
Cost of sales		<u>(476,766)</u>	<u>(935,765)</u>
Gross profit		83,953	77,919
Administrative expenses		<u>(41,649)</u>	<u>(72,881)</u>
Amount written off investments		<u>(335,625)</u>	<u>(185,625)</u>
Trading loss		(293,321)	(180,587)
Interest payable and other similar charges	4	<u>(29,141)</u>	<u>(43,455)</u>
Loss on ordinary activities before taxation	3	(322,462)	(224,042)
Tax on loss on ordinary activities	5	<u>(36)</u>	<u>(3,877)</u>
Loss on ordinary activities after taxation		<u><u>(322,498)</u></u>	<u><u>(227,919)</u></u>

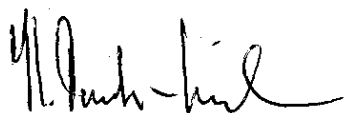
Statement of total recognised gains and losses

		2002 £	2001 £
Loss for the financial year		(322,498)	(227,919)
Unrealised (loss)/gain on marketable securities	16	<u>(579,457)</u>	18,481
Movement in deferred taxation on unrealised gain on marketable securities	16	<u>151,000</u>	23,000
Total recognised gains and (losses) relating to the year		<u><u>(750,955)</u></u>	<u><u>(186,438)</u></u>

Balance sheet
at 31 October 2002

	Note	2002	2001
		£	£
Fixed assets			
Tangible assets	6	4,058	4,786
Investment in associated undertakings	7	127,194	152,194
Other investments	8	100,000	185,625
Total investment		227,194	337,819
Total fixed assets		231,252	342,605
Current assets			
Stocks	9	16,403	20,491
Debtors	10	3,688	1,422
Investments	11	1,312,388	1,896,855
Cash at bank and in hand		34,379	3,070
		1,366,858	1,921,838
Creditors: amounts falling due within one year	12	(1,709,771)	(1,474,149)
Net current (liabilities)/assets		(342,913)	447,689
Total assets less current liabilities		(111,661)	790,294
Provisions for liabilities and charges	13	(81,000)	(232,000)
Net (liabilities)/assets		(192,661)	558,294
Capital and reserves			
Called up share capital	14	500,000	500,000
Investment revaluation reserve	16	436,435	992,675
Profit and loss account	16	(1,129,096)	(934,381)
Equity shareholders' (interest)/funds		(192,661)	558,294

These financial statements were approved by the board of directors on 6 February 2003 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.

The directors have agreed to subordinate the repayment of their directors' loans in favour of third party creditors. On this basis the financial statements have been prepared on the basis of a going concern notwithstanding the deficiency of net assets.

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 of its size.

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.

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

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

2 Analysis of turnover

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

Notes (continued)

3 Loss on ordinary activities before taxation

	2002 £	2001 £
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Depreciation	728	861
Auditors' remuneration	4,500	4,500
	<u> </u>	<u> </u>

4 Interest payable and similar charges

	2002 £	2001 £
Interest on bank loans and overdrafts	29,141	18,455
Other loans	-	25,000
	<u> </u>	<u> </u>
	29,141	43,455
	<u> </u>	<u> </u>

5 Taxation

Analysis of charge in period

	2002 £	2001 £
<i>UK corporation tax</i>		
Current corporation tax on income for the period	-	-
Adjustments in respect of prior periods	36	3,877
	<u> </u>	<u> </u>
Tax on profit on ordinary activities	36	3,877
	<u> </u>	<u> </u>

Factors affecting the tax charge for the current period

The current corporation tax charge for the period is higher (2001: *higher*) than the standard rate of corporation tax in the UK (20%, 2001: 20%). The differences are explained below:

	2002 £	2001 £
<i>Current corporation tax reconciliation</i>		
Loss on ordinary activities before tax	(203,442)	(224,042)
	<u> </u>	<u> </u>
Current tax at 19% (2001: 20%)	(40,688)	(44,808)
<i>Effects of:</i>		
Creation of tax losses	40,688	44,808
Adjustments to tax charge in respect of previous periods	36	3,877
	<u> </u>	<u> </u>
Total current corporation tax charge (see above)	36	3,877
	<u> </u>	<u> </u>

Notes (continued)

6 Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Total £
<i>Cost</i>			
At beginning and end of year	2,406	16,939	19,345
<i>Accumulated depreciation</i>			
At beginning of year	2,306	12,253	14,559
Charge for year	25	703	728
At end of year	2,331	12,956	15,287
<i>Net book value</i>			
At 31 October 2002	75	3,983	4,058
At 31 October 2001	100	4,686	4,786

7 Investment in associated undertakings

	Shares £	Loans £	Total £
<i>Cost</i>			
At beginning of year	127,194	25,000	152,194
Repayments	-	(25,000)	(25,000)
At end of year	127,194	-	127,194
<i>Net book value</i>			
At 31 October 2002	127,194	-	127,194
At 31 October 2001	127,194	25,000	152,194

The company owns 18% (2001: 28%) of the issued ordinary share capital of Lees Group Holdings Limited (formerly Lees Group Limited), an industrial holding company registered in Scotland.

Notes (continued)

8 Other investments

	Shares £	Loan stock £	Total £
<i>Cost</i>			
At beginning of year	390,832	-	390,832
Additions of equity holdings	200,000	-	200,000
Additions of loan stock	-	50,000	50,000
At end of year	590,832	50,000	640,832
<i>Provision</i>			
At beginning of year	205,207	-	205,207
Revaluation adjustment	285,625	50,000	335,625
At end of year	490,832	50,000	540,832
<i>Net book value</i>			
At 31 October 2002	100,000	-	100,000
At 31 October 2001	185,625	-	185,625

The company has an 11% (2001: 11%) shareholding in the ordinary share capital and holds £50,000 of loan stock of Procession Software Limited, a company registered in England. The company has an 8% shareholding in the ordinary share capital of KSM International, a company registered in Scotland.

9 Stocks

	2002 £	2001 £
Goods held for resale	16,403	20,491

10 Debtors

	2002 £	2001 £
Prepayments and accrued income	-	195
VAT debtor	456	1,227
Other debtors	3,232	-
	3,688	1,422

Notes (continued)

11 Investments

	2002 £	2001 £
UK listed investments	651,361	374,256
Overseas listed investments	661,027	1,522,599
	<u>1,312,388</u>	<u>1,896,855</u>

12 Creditors: amounts falling due within one year

	2002 £	2001 £
Bank loan (secured)	-	168,280
Bank overdraft	762,888	344,700
Loan from directors	932,022	920,016
Income tax	-	5,000
Accruals and deferred income	14,861	36,153
	<u>1,709,771</u>	<u>1,474,149</u>

The loan from directors is unsecured and has no specific repayment terms.

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	232,000
Released in the year	(151,000)
	<u>81,000</u>
At end of year	<u>81,000</u>

Notes (continued)

14 Share capital

	2002 £	2001 £
<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

	2002 £	2001 £
Loss for the financial year	(322,498)	(227,919)
Other recognised gains and losses relating to the year (net)	(428,457)	41,481
Net addition to shareholders' funds	(750,955)	(186,438)
Opening shareholders' funds	558,294	744,732
Closing shareholders' funds	(192,661)	558,294

16 Reserves

	Investment Revaluation reserve £	Profit & loss account £	Total £
At beginning of year	992,675	(934,381)	58,294
Loss for year	-	(322,498)	(322,498)
Transfer in respect of realised profits	(127,783)	127,783	-
Decrease in market value of marketable investments	(579,457)	-	(579,457)
Movement in respect of deferred taxation on marketable investments	151,000	-	151,000
At end of year	436,435	(1,129,096)	(692,661)