

4075893

## REGISTRAR'S COPY

**COMPANY**

**NUMBER: 40075893**

**Covion Limited**

Report and Financial Statements

Year Ended

31 December 2002



BDO Stoy Hayward  
Chartered Accountants



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## **Covion Limited**

### **Annual report and financial statements for the year ended 31 December 2002**

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#### **Directors**

David Steventon  
Frank Rodriguez  
David Dees  
Sam Samuels  
Ethan Sutaria  
Anthony Lawless

#### **Secretary and registered office**

Sam Samuels, Kings Wharf, 20-30 Kings Road, Reading, RG1 3EX

#### **Company number**

40075893

#### **Auditors**

BDO Stoy Hayward, Kings Wharf, 20-30 Kings Road, Reading, RG1 3EX

## **Covion Limited**

### **Report of the directors for the year ended 31 December 2002**

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The directors present their report together with the audited financial statements for the year ended 31 December 2002.

#### **Results and dividends**

The profit and loss account is set out on page 6 and shows the loss for the year.

#### **Principal activities, review of business and future developments**

The principal activity of the company is the management and supply of Facilities Infrastructure Services which includes Facilities Management activities.

#### ***Managing director's statement***

I am pleased to inform you that the Company has continued to build on the solid foundation that had been established in 2001.

For the year ending 31 December 2002 the Company turned over £2,240,964 with a net loss of £46,220 reducing from the £225,631 loss reported in the foundation year 2001. This result was achieved against a budgeted loss of £221,000. Performance has therefore exceeded expectations and this is due to prudent management and business controls.

Furthermore the business traded profitably in the fourth quarter of the year, some 9 months ahead of the original business plan.

At the 31 December 2002 the cash in the bank stood at £412,609 which is a result of the company's strategy to pursue only blue chip customers who are able to make regular payment on time, resulting in a good cash flow.

The Company enters 2003 in a strong position with a profitable business having a contracted turnover at a running rate approaching £6 million.

I am delighted to be able to announce that Covion has been awarded a major Facilities Infrastructure Service (FIS) contract with Cogent Group, which will see the Company being responsible for steel sample testing and overhead crane operation, as well as traditional service provision. In addition Diageo, the business behind leading lifestyle brands such as Guinness, Smirnoff and many others, has recently awarded Covion a contract to implement a FIS operation that will be at the hub of it's London estate and new European Headquarters.

As the Company has expanded, then so has the capability to bid and win larger contracts covering a wider range of Facilities Infrastructure Services. The Company is now moving into the management and delivery of technical services such as desktop IT and communication environments.

The business strategy has remained highly focussed in terms of service product and market. Covion continue to specialise in delivering integrated FIS solutions for blue-chip organisations in the private sector with large corporate business centres or industrial facilities, it's systems and processes being geared towards supporting these facilities.

Industry research forecasts that Covion's markets will continue to grow over the next 3 years and the Company is currently working on a considerable number of proposals with an exciting pipeline of opportunities. The groundwork that has been undertaken over the course of the last two years has

## Covion Limited

### Report of the directors for the year ended 31 December 2002 (*Continued*)

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enabled the development of a formidable database of opportunities, which will enable Covion to continue developing a consistent stream of high quality opportunities in a focused way.

Recognition of the Company's commitment towards best practice in the Facilities Management industry has once again been recognised by the Centre for Facilities Management at Salford University. Covion now chair both the Industrial FM and the FM Help Desk Forums. In addition, Covion have been accepted as a Corporate Member of the British Institute of Facilities Management and the British Safety Council. On-going work continues to develop the Computer Aided FM technology at the hub of Covion's service operations, to provide a service management system for the business that is best in class.

The Company is working closely with BDO Stoy Hayward to identify suitable acquisition targets and potential funding commitments to support this strategy have been sourced. A successful acquisition will strengthen the Company, and increase its capability to directly deliver further Facilities Infrastructure Services in new and existing markets. However, the right acquisition targets remains to be identified.

The company is now supporting some 2 million square feet of facilities across the United Kingdom and directly employs a rapidly increasing number of staff engaged in service delivery and management across this portfolio. Again, I would like to pay tribute to the hard work and dedication of every person in the Covion team. Their commitment has been outstanding during this period and has led to contract extensions in both duration and scope of service.

Finally, with the business in profit and in a good cash position it is poised for further growth. The challenge ahead is to continuously improve so that the Company achieves its planned rate of growth and to deliver a best in class service. Without doubt, great opportunities are available to the business, and the foundations established during the last 2 years will allow the business to take advantage of these opportunities to the benefit of customers, shareholders and the Covion team.

#### Directors

The directors of the company during the year and their interests in the ordinary share capital of the company were:

	31 December 2002	1 January 2002
David Steventon	175	175
Frank Rodriguez	125	125
David Dees	132	132
Sam Samuels	110	110
Ethan Sutaria	-	-
Anthony Lawless      Appointed 1 July 2002	10	-

## **Covion Limited**

### **Report of the directors for the year ended 31 December 2002 (*Continued*)**

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#### **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 of the company for that year. 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; and
- 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Auditors**

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

#### **On behalf of the board**



David Steventon

#### **Managing Director**

Date: 13 April 2003

## **Covion Limited**

### **Report of the independent auditors**

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#### **To the shareholders of Covion Limited**

We have audited the financial statements of Covion Limited for the year ended 31 December 2002 on pages 6 to 13 which have been prepared under the accounting policies set out on page 8.

#### *Respective responsibilities of directors and auditors*

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### *Basis of audit opinion*

We conducted our audit in accordance with United Kingdom 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.

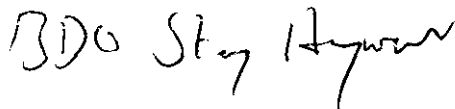
**Covion Limited**

**Report of the independent auditors (*Continued*)**

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*Opinion*

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**BDO STOY HAYWARD**

*Chartered Accountants  
and Registered Auditors*  
Reading

15 April 2003

**Covion Limited****Profit and loss account for the year ended 31 December 2002**

	Note	2002 £	2001 £
Turnover	2	2,240,964	279,197
Cost of sales		1,892,360	240,894
		<hr/>	<hr/>
Gross profit		348,604	38,303
Administrative expenses		401,634	283,867
		<hr/>	<hr/>
Operating loss	3	(53,030)	(245,564)
Other interest receivable and similar income		6,810	19,933
		<hr/>	<hr/>
Loss on ordinary activities before and after taxation for the financial year		(46,220)	(225,631)
Accumulated loss brought forward		(225,631)	-
		<hr/>	<hr/>
Accumulated loss carried forward		(271,851)	(225,631)
		<hr/>	<hr/>

All amounts relate to continuing activities.

All recognised gains and losses in the current and prior year are included in the profit and loss account.

The notes on pages 8 to 13 form part of these financial statements.



**Covion Limited**

**Balance sheet at 31 December 2002**

	Note	2002 £	2002 £	2001 £	2001 £
<b>Fixed assets</b>					
Tangible assets	7		10,597		7,064
<b>Current assets</b>					
Debtors	8	623,085		209,814	
Cash at bank and in hand		412,609		289,315	
		<u>1,035,694</u>		<u>499,129</u>	
<b>Creditors: amounts falling due within one year</b>	9	717,832		117,524	
<b>Net current assets</b>			<u>317,862</u>		<u>381,605</u>
<b>Total assets less current liabilities</b>			<u>328,459</u>		<u>388,669</u>
<b>Deferred income</b>			-		14,000
			<u>328,459</u>		<u>374,669</u>
<b>Capital and reserves</b>					
Called up share capital	10		970		960
Share premium account			599,340		599,340
Profit and loss account			(271,851)		(225,631)
<b>Equity shareholders' funds</b>			<u>328,459</u>		<u>374,669</u>

The financial statements were approved by the Board on 13 April 2003



David Steventon  
Managing Director

The notes on pages 8 to 13 form part of these financial statements.

## 1 Accounting policies

The financial statements have been prepared under the historical cost convention.

The following principal accounting policies have been applied:

### *Cash flow statement*

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that it is a 'small' company under the Companies Act 1985.

### *Turnover*

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales.

### *Depreciation*

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except for investment properties, freehold land and certain buildings, evenly over their expected useful lives. It is calculated at the following rates:

Computer and office equipment                      -    50 % Straight line

### *Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

### *Leased assets*

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

## Covion Limited

### Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

#### 2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

#### 3 Operating loss

	2002 £	2001 £
This is arrived at after charging:		
Depreciation of tangible fixed assets	8,648	6,023
Hire of plant and machinery - operating leases	21,828	15,923
Hire of other assets - operating leases	24,576	23,168
Audit services	7,500	-
Non-audit services	4,881	10,370
	<u>          </u>	<u>          </u>

#### 4 Employees

Staff costs (including directors) consist of:

	2002 £	2001 £
Wages and salaries	223,459	97,584
Social security costs	19,880	13,055
	<u>          </u>	<u>          </u>
	243,339	110,639
	<u>          </u>	<u>          </u>

The average number of employees (including directors) during the year was as follows:

	2002 Number	2001 Number
Head office	10	4
Site based	114	35
	<u>          </u>	<u>          </u>
	124	39
	<u>          </u>	<u>          </u>

The salary costs for site based employees are included in cost of sales.

**5 Directors' remuneration**

	2002 £	2001 £
Directors' emoluments	140,455	90,838

**6 Taxation on loss on ordinary activities**

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2002 £	2001 £
Loss on ordinary activities before tax	(46,220)	(225,631)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 20% (2001 - 20%)	(9,244)	(45,126)
Effect of:		
Expenses not deductible for tax purposes	174	5,889
Capital allowances for period in excess of depreciation	101	1,205
Tax loss carried forward	8,969	38,032
Current tax charge for period	-	-

A deferred tax asset of £9,070 (2001 - £39,236) has not been recognised in the financial statements, pending the company's achieving profitability and thus confirmation that any deferred tax asset would be recoverable.

**Covion Limited**

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

**7 Tangible fixed assets**

	<b>Plant and machinery £</b>	<b>Office equipment £</b>	<b>Total £</b>
<i>Cost</i>			
At 1 January 2002	-	13,087	13,087
Additions	5,800	6,381	12,181
	<hr/>	<hr/>	<hr/>
At 31 December 2002	<b>5,800</b>	<b>19,468</b>	<b>25,268</b>
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 2002	-	6,023	6,023
Provided for the year	362	8,286	8,648
	<hr/>	<hr/>	<hr/>
At 31 December 2002	<b>362</b>	<b>14,309</b>	<b>14,671</b>
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2002	<b>5,438</b>	<b>5,159</b>	<b>10,597</b>
	<hr/>	<hr/>	<hr/>
At 31 December 2001	-	7,064	7,064
	<hr/>	<hr/>	<hr/>

**8 Debtors**

	<b>2002 £</b>	<b>2001 £</b>
Trade debtors	556,991	193,095
Other debtors	-	3,985
Prepayments and accrued income	66,094	12,734
	<hr/>	<hr/>
	<b>623,085</b>	<b>209,814</b>
	<hr/>	<hr/>

All amounts shown under debtors fall due for payment within one year.

**Covion Limited**

**Notes forming part of the financial statements for the year ended 31 December 2002 (Continued)**

**9 Creditors: amounts falling due within one year**

	2002 £	2001 £
Trade creditors	575,396	81,265
Taxation and social security	104,899	20,807
Accruals	37,537	15,452
	<u>717,832</u>	<u>117,524</u>

**10 Share capital**

	2002 £	Authorised 2001 £	Allotted, called up and fully paid 2002 £	2001 £
<i>Equity share capital</i>				
1000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>970</u>	<u>960</u>

On 1 July 2002 the company issued a further ten ordinary £1 shares at par.

**11 Reconciliation of movements in shareholders' funds**

	2002 £	2001 £
Loss for the year	(46,220)	(225,631)
Issue of shares	10	960
	<u>(46,210)</u>	<u>(224,671)</u>
Net deductions from shareholders' funds		
Opening shareholders' funds	374,669	599,340
	<u>374,669</u>	<u>599,340</u>
Closing shareholders' funds	328,459	374,669
	<u>328,459</u>	<u>374,669</u>

**12 Commitments under operating leases**

The company had annual commitments under non-cancellable operating leases as set out below:

	2002	2001
	Other £	Other £
Operating leases which expire:		
Within one year	13,233	-
In two to five years	7,525	13,233
	<hr/>	<hr/>
	20,758	13,233
	<hr/>	<hr/>