

# **REGISTRAR'S COPY**

**COMPANY**

**NUMBER: 4075893**

**Covion Limited**

Report and Financial Statements

Year Ended

31 December 2005



**IBDO**

**BDO Stoy Hayward**  
Chartered Accountants

## **COVION LIMITED**

### **Chairman's statement for the period ended 31 December 2005**

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#### **Financial results**

Your company has continued its impressive record of sustained organic growth. Turnover for 2005 exceeded £15,000,000, an increase of 46% over the previous year. Operating profit before tax at £758,428 was 144% better than the previous year.

This performance has been recognised by the receipt of a number of awards

- Fastest growing company in the Thames Valley for the second year running
- 37<sup>th</sup> fastest growing company in Europe in the Business Magazine Hot 100
- 4<sup>th</sup> fastest growing company in the UK in the Sunday Times Fast Track 100
- The national award for Emerging Entrepreneurs of the Year, recognising the innovative approach of the whole Covion team

#### **Executive management and staff**

The dedication of the management team and of all our staff is crucial to the success of our company. I am only too conscious of all the hard work and long hours which have produced our growth and am very grateful to all my colleagues who have contributed so much.

#### **Outlook**

Your company continues to concentrate on its core business of providing Facilities Infrastructure Services to blue chip companies in the private sector. As we have done in previous years, we continue to develop and deliver higher technology services which command higher returns and tie us in more closely with our clients.

The first quarter has started well with record awards of new business. The cash position has continued to be strong and this has already enabled us to make an early repayment of some of our bank loan.

With the support of our clients, our investors, financial partners and advisers and our dedicated management team, I believe that your company is in a strong position to continue to generate impressive organic growth.

**David Steventon**  
**Chairman**

**The Chairman's statement does not form part of the Audited Report and Financial Statements.**

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**Directors**

David Steventon  
Frank Rodriguez  
Alan Bruter  
Emma Springate  
Satbir Dhillon

**Secretary and registered office**

Satbir Dhillon, Nexiis House, Station Road, Theale, RG7 4AA

**Company number**

4075893

**Auditors**

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

**Report of the directors for the year ended 31 December 2005**

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The directors present their report together with the audited financial statements for the year ended 31 December 2005.

**Results and dividends**

The profit and loss account is set out on page 6 and shows the profit 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. The company became a wholly owned subsidiary of Covion Holdings Limited on 27 May 2005.

The directors are satisfied with the results for the year.

**Charitable and political contributions**

During the year the company made charitable contributions of £972. There were no political contributions.

**Employment of disabled persons**

The company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Management actively pursues both the employment of disabled persons whenever a suitable vacancy arises and the continued employment and retraining of employees who become disabled whilst employed by the company. Particular attention is given to the training, career development and promotion of disabled employees with a view to encouraging them to play an active role in the development of the company.

**Employee involvement**

The flow of information to staff has been maintained by our company news letter. Members of the management team regularly visit locations and discuss matters of current interest and concern to the business with members of staff.

**Report of the directors for the year ended 31 December 2005 (Continued)**

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**Directors**

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

|                 |                            | Ordinary shares |            |
|-----------------|----------------------------|-----------------|------------|
|                 |                            | of 1p each      | of 1p each |
|                 |                            | 31 December     | 1 January  |
|                 |                            | 2005            | 2005       |
| David Steventon |                            | -               | 20,800     |
| Frank Rodriguez |                            | -               | 12,500     |
| Alan Bruter     | (appointed 10 August 2005) | -               | -          |
| Sam Samuels     | (resigned 27 May 2005)     | -               | 11,000     |
| Ethan Sutaria   | (resigned 7 April 2005)    | -               | -          |
| Emma Springate  | (appointed 1 August 2005)  | -               | -          |
| Satbir Dhillon  | (appointed 1 August 2005)  | -               | -          |

The directors are also the directors of the ultimate parent company, Covion Holdings Limited, and their interests in the share capital of that company are shown in its financial statements.

**Directors' responsibilities**

The directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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:

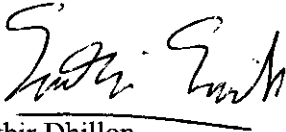
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

**By order of the board**



Satbir Dhillon  
**Secretary**

Date: 26 April 2006

**To the shareholders of Covion Limited**

We have audited the financial statements of Covion Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

*Respective responsibilities of directors and auditors*

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions 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 International Standards on Auditing (UK and Ireland) 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.

Report of the independent auditors (*Continued*)

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*Opinion*

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

*BDO Stoy Hayward LLP*

**BDO STOY HAYWARD LLP**

*Chartered Accountants  
and Registered Auditors*  
Reading

Date: 23 May 2006



**Profit and loss account for the year ended 31 December 2005**

|  | Note | 2005<br>£             | 2004<br>£        |
|--|------|-----------------------|------------------|
| <b>Turnover</b>                                      | 2    | <b>15,003,979</b>     | 10,297,096       |
| Cost of sales  |      | <u>12,981,307</u>     | <u>8,765,904</u> |
| <b>Gross profit</b>                                  |      | <b>2,022,672</b>      | 1,531,192        |
| Administrative expenses                              |      | <u>1,264,244</u>      | <u>1,220,201</u> |
| <b>Operating profit</b>                              | 3    | <b>758,428</b>        | 310,991          |
| Other interest receivable and similar income         |      | <b>37,700</b>         | 21,784           |
| Interest payable and similar charges                 | 6    | <u>(9,522)</u>        | <u>(3,731)</u>   |
| <b>Profit on ordinary activities before taxation</b> |      | <b>786,606</b>        | 329,044          |
| Taxation on profit on ordinary activities            | 7    | <u>102,028</u>        | <u>68,027</u>    |
| <b>Profit on ordinary activities after taxation</b>  |      | <b>684,578</b>        | 261,017          |
| Retained profit/(accumulated loss) brought forward   |      | <u>127,887</u>        | <u>(133,130)</u> |
| <b>Retained profit carried forward</b>               |      | <u><b>812,465</b></u> | <u>127,887</u>   |

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 9 to 17 form part of these financial statements.

**Covion Limited**

**Balance sheet at 31 December 2005**

|  | Note | 2005<br>£        | 2005<br>£        | 2004<br>£        | 2004<br>£      |
|--|------|------------------|------------------|------------------|----------------|
| <b>Fixed assets</b>  |      |                  |                  |                  |                |
| Tangible assets  | 8    |                  | 193,082          |                  | 130,179        |
| <b>Current assets</b>  |      |                  |                  |                  |                |
| Debtors  | 9    | 4,008,094        |                  | 2,544,640        |                |
| Cash at bank and in hand                                       |      | 1,493,520        |                  | 1,488,624        |                |
|  |      | <u>5,501,614</u> |                  | <u>4,033,264</u> |                |
| <b>Creditors: amounts falling due within one year</b>          | 10   | <u>4,248,415</u> |                  | <u>3,397,242</u> |                |
| <b>Net current assets</b>                                      |      |                  | <u>1,253,199</u> |                  | <u>636,022</u> |
| <b>Total assets less current liabilities</b>                   |      |                  | <u>1,446,281</u> |                  | <u>766,201</u> |
| <b>Creditors: amounts falling due after more than one year</b> | 11   |                  | <u>33,501</u>    |                  | <u>37,999</u>  |
|  |      |                  | <u>1,412,780</u> |                  | <u>728,202</u> |
| <b>Capital and reserves</b>                                    |      |                  |                  |                  |                |
| Called up share capital  | 12   |                  | 975              |                  | 975            |
| Share premium account  |      |                  | 599,340          |                  | 599,340        |
| Profit and loss account  |      |                  | 812,465          |                  | 127,887        |
|  |      |                  | <u>1,412,780</u> |                  | <u>728,202</u> |
| <b>Shareholders' funds</b>                                     | 13   |                  | <u>1,412,780</u> |                  | <u>728,202</u> |

The financial statements were approved by the board of directors and authorised for issue on 26 April 2006



Alan Bruter  
Managing Director

The notes on pages 9 to 17 form part of these financial statements.

**Covion Limited**

**Cash flow statement for the year ended 31 December 2005**

|   | Note | 2005<br>£ | 2005<br>£ | 2004<br>£ | 2004<br>£ |
|---|------|-----------|-----------|-----------|-----------|
| <b>Net cash inflow from operating activities</b>                            | 17   |           | 191,186   |           | 666,576   |
| <b>Returns on investments and servicing of finance</b>                      |      |           |           |           |           |
| Interest received   |      | 33,853    |           | 21,784    |           |
| Interest paid: other  |      | (2,321)   |           | -         |           |
| Interest paid: hire purchase  |      | (7,201)   |           | (3,731)   |           |
| <b>Net cash inflow from returns on investments and servicing of finance</b> |      |           | 24,331    |           | 18,053    |
| <b>Taxation</b>   |      |           |           |           |           |
| Corporation tax paid  |      |           | (46,446)  |           | -         |
| <b>Capital expenditure and financial investment</b>                         |      |           |           |           |           |
| Payments to acquire tangible fixed assets                                   |      |           | (127,942) |           | (47,876)  |
| <b>Cash inflow before financing</b>   |      |           | 41,129    |           | 636,753   |
| <b>Financing</b>  |      |           |           |           |           |
| Capital element of finance leases repaid                                    |      |           | (36,233)  |           | (34,185)  |
| <b>Increase in cash</b>   | 18   |           | 4,896     |           | 602,568   |

The notes on pages 9 to 17 form part of these financial statements.

## 1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

The following principal accounting policies have been applied:

### *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:

|                               |                           |
|-------------------------------|---------------------------|
| Plant & machinery             | - 20% - 33% Straight line |
| Fixtures and fittings         | - 20% Straight line       |
| Computer and office equipment | - 50 % Straight line      |

### *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 is calculated so that it 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.

### *Pension costs*

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

### *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 to make sufficient taxable profits in the future to absorb the reversal of underlying timing differences.

Deferred tax balances are not discounted.

**2 Turnover**

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

**3 Operating profit**

|  | 2005<br>£         | 2004<br>£         |
|--|-------------------|-------------------|
| This is arrived at after charging:             |                   |                   |
| Depreciation of tangible fixed assets          | 100,039           | 58,098            |
| Hire of plant and machinery - operating leases | 176,485           | 95,204            |
| Hire of other assets - operating leases        | 63,600            | 63,600            |
| Audit services                                 | 12,750            | 11,000            |
| Non-audit services                             | 2,850             | 2,750             |
|  | <u>          </u> | <u>          </u> |

**4 Employees**

Staff costs (including directors) consist of:

|                       | 2005<br>£         | 2004<br>£         |
|-----------------------|-------------------|-------------------|
| Wages and salaries    | 5,138,722         | 3,914,897         |
| Social security costs | 487,829           | 342,060           |
| Other pension costs   | 27,934            | 24,695            |
|                       | <u>          </u> | <u>          </u> |
|                       | 5,654,485         | 4,281,652         |
|                       | <u>          </u> | <u>          </u> |

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

|                | 2005<br>Number | 2004<br>Number |
|----------------|----------------|----------------|
| Management     | 38             | 30             |
| Administration | 19             | 18             |
| Operations     | 357            | 306            |
|                | <u>      </u>  | <u>      </u>  |
|                | 414            | 354            |
|                | <u>      </u>  | <u>      </u>  |

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

**5 Directors' remuneration**

|                       | 2005<br>£ | 2004<br>£ |
|-----------------------|-----------|-----------|
| Directors' emoluments | 307,103   | 250,895   |

The total amount payable to the highest paid director in respect of emoluments was £103,368 (2004 - £107,778). There were no pension contributions payable by the company in respect of directors.

**6 Interest payable and similar charges**

|  | 2005<br>£ | 2004<br>£ |
|--|-----------|-----------|
| All other loans (excluding loans from group companies) | 2,321     | -         |
| Finance leases and hire purchase contracts             | 7,201     | 3,731     |
|  | 9,522     | 3,731     |

**7 Taxation on profit on ordinary activities**

|  | 2005<br>£ | 2004<br>£ |
|--|-----------|-----------|
| <i>UK Corporation tax</i>                      |           |           |
| Current tax on profits of the year             | 102,028   | 46,363    |
| <i>Deferred tax</i>                            |           |           |
| Origination and reversal of timing differences | -         | 21,664    |
| Taxation on profit on ordinary activities      | 102,028   | 68,027    |

**7 Taxation on profit on ordinary activities (continued)**

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

|   | 2005<br>£         | 2004<br>£         |
|---|-------------------|-------------------|
| Profit on ordinary activities before tax  | 786,606           | 329,044           |
|   | <u>          </u> | <u>          </u> |
| Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2004 - 19%) | 235,982           | 62,518            |
| Effect of:  |                   |                   |
| Expenses not deductible for tax purposes  | 14,704            | 3,570             |
| Capital allowances for period in excess of depreciation   | (1,655)           | (1,985)           |
| Utilisation of tax losses   | -                 | (16,082)          |
| Other short term timing differences   | (177)             | (1,658)           |
| Marginal relief   | (10,326)          | -                 |
| Group relief  | (136,500)         | -                 |
|   | <u>          </u> | <u>          </u> |
| Current tax charge for period   | 102,028           | 46,363            |
|   | <u>          </u> | <u>          </u> |

A deferred tax asset of £2,715 (2004 - £Nil) has not been recognised in the financial statements.

**8 Tangible fixed assets**

|                       | <b>Plant and<br/>machinery<br/>£</b> | <b>Fixtures and<br/>fittings<br/>£</b> | <b>Office<br/>equipment<br/>£</b> | <b>Total<br/>£</b> |
|-----------------------|--------------------------------------|--|-----------------------------------|--------------------|
| <i>Cost</i>           |                                      |  |                                   |                    |
| At 1 January 2005     | 152,093                              | 17,914                                 | 49,809                            | 219,816            |
| Additions             | 82,193                               | -                                      | 80,749                            | 162,942            |
|                       | <hr/>                                | <hr/>                                  | <hr/>                             | <hr/>              |
| At 31 December 2005   | <b>234,286</b>                       | <b>17,914</b>                          | <b>130,558</b>                    | <b>382,758</b>     |
|                       | <hr/>                                | <hr/>                                  | <hr/>                             | <hr/>              |
| <i>Depreciation</i>   |                                      |  |                                   |                    |
| At 1 January 2005     | 51,813                               | 3,890                                  | 33,934                            | 89,637             |
| Provided for the year | 51,392                               | 3,583                                  | 45,064                            | 100,039            |
|                       | <hr/>                                | <hr/>                                  | <hr/>                             | <hr/>              |
| At 31 December 2005   | <b>103,205</b>                       | <b>7,473</b>                           | <b>78,998</b>                     | <b>189,676</b>     |
|                       | <hr/>                                | <hr/>                                  | <hr/>                             | <hr/>              |
| <i>Net book value</i> |                                      |  |                                   |                    |
| At 31 December 2005   | <b>131,081</b>                       | <b>10,441</b>                          | <b>51,560</b>                     | <b>193,082</b>     |
|                       | <hr/>                                | <hr/>                                  | <hr/>                             | <hr/>              |
| At 31 December 2004   | 100,280                              | 14,024                                 | 15,875                            | 130,179            |
|                       | <hr/>                                | <hr/>                                  | <hr/>                             | <hr/>              |

The net book value of plant and machinery includes an amount of £74,681 (2004 - £74,265) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £38,084 (2004 - £40,485).

**9 Debtors**

|                                    | <b>2005<br/>£</b> | <b>2004<br/>£</b> |
|------------------------------------|-------------------|-------------------|
| Trade debtors                      | 2,763,313         | 2,437,179         |
| Amounts owed by group undertakings | 903,435           | -                 |
| Other debtors                      | 13,393            | 8,882             |
| Prepayments and accrued income     | 327,953           | 98,579            |
|                                    | <hr/>             | <hr/>             |
|                                    | <b>4,008,094</b>  | <b>2,544,640</b>  |
|                                    | <hr/>             | <hr/>             |

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



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

|   | 2005<br>£        | 2004<br>£        |
|---|------------------|------------------|
| Trade creditors   | 2,616,643        | 2,098,013        |
| Corporation tax   | 102,028          | 46,446           |
| Other taxation and social security                          | 398,155          | 428,665          |
| Obligations under finance lease and hire purchase contracts | 33,373           | 30,108           |
| Other creditors   | 10,460           | 17,733           |
| Accruals and deferred income                                | 1,087,756        | 776,277          |
|   | <u>4,248,415</u> | <u>3,397,242</u> |

**11 Creditors: amounts falling due after more than one year**

|   | 2005<br>£     | 2004<br>£     |
|---|---------------|---------------|
| Obligations under finance lease and hire purchase contracts | 33,501        | 37,999        |
|   | <u>33,501</u> | <u>37,999</u> |

Maturity of debt:

|   | Finance leases<br>2005<br>£ | Finance leases<br>2004<br>£ |
|---|-----------------------------|-----------------------------|
| In one year or less, or on demand                   | 33,373                      | 30,108                      |
|   | <u>33,373</u>               | <u>30,108</u>               |
| In more than one year but not more than two years   | 18,377                      | 24,711                      |
| In more than two years but not more than five years | 15,124                      | 13,288                      |
|   | <u>33,501</u>               | <u>37,999</u>               |

**12 Share capital**

|                                    | 2005<br>£    | 2004<br>£    |
|------------------------------------|--------------|--------------|
| <i>Authorised</i>                  |              |              |
| <i>Equity share capital</i>        |              |              |
| 100,000 ordinary shares of 1p each | 1,000        | 1,000        |
|                                    | <u>1,000</u> | <u>1,000</u> |

**12 Share capital (*continued*)**

|                                   | 2005<br>£ | 2004<br>£ |
|-----------------------------------|-----------|-----------|
| <i>Allotted and called up</i>     |           |           |
| <i>Equity share capital</i>       |           |           |
| 97,500 ordinary shares of 1p each | 975       | 975       |
|                                   | <hr/>     | <hr/>     |

On 27 May 2005 the company became a wholly owned subsidiary of Covion Holdings Limited.

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

|                                      | 2005<br>£ | 2004<br>£ |
|--------------------------------------|-----------|-----------|
| Profit for the year                  | 684,578   | 261,017   |
| Issue of shares                      | -         | 5         |
|                                      | <hr/>     | <hr/>     |
| Net additions to shareholders' funds | 684,578   | 261,022   |
| Opening shareholders' funds          | 728,202   | 467,180   |
|                                      | <hr/>     | <hr/>     |
| Closing shareholders' funds          | 1,412,780 | 728,202   |
|                                      | <hr/>     | <hr/>     |

**14 Contingent liabilities**

Covion Limited has given financial assistance to its ultimate parent company Covion Holdings Limited in connection with the acquisition of its entire share capital which took place on the 27 May 2005. The financial assistance related to a composite joint and several guarantee between Covion Limited and its bankers, an intercreditor deed between the group and its investors, and a cross guarantee with group companies.

The company has contingent liabilities in respect of guarantees for bank borrowings of its parent company Covion Holdings Limited. Total bank borrowings subject to the guarantee amount to £2,120,000. The total fixed rate secured loan stock 2007 and 2013 under the guarantee and debenture amounts to £500,448. The total investment by Foresight Venture Partners and Octopus Asset Management are £2,292,064 and £1,145,585 respectively.

**15 Commitments under operating leases**

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

|                                | <b>2005</b>      | <b>2005</b>    | <b>2004</b>      | <b>2004</b>   |
|--------------------------------|------------------|----------------|------------------|---------------|
|                                | <b>Land and</b>  | <b>Other</b>   | <b>Land and</b>  | <b>Other</b>  |
|                                | <b>buildings</b> |                | <b>buildings</b> |               |
|                                | <b>£</b>         | <b>£</b>       | <b>£</b>         | <b>£</b>      |
| Operating leases which expire: |                  |                |                  |               |
| Within one year                | -                | 18,512         | 63,600           | -             |
| In two to five years           | 63,600           | 141,335        | -                | 91,334        |
|                                | <u>63,600</u>    | <u>159,847</u> | <u>63,600</u>    | <u>91,334</u> |

Included within operating leases which expire in two to five years are leases totalling £52,920 that are covered by cross company guarantees.

**16 Related party disclosures**

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related party disclosures" not to disclose transactions with members of the group headed by Covion Holdings Limited on the grounds that at least 90% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements.

**17 Reconciliation of operating profit to net cash inflow from operating activities**

|  | <b>2005</b>    | <b>2004</b>    |
|--|----------------|----------------|
|  | <b>£</b>       | <b>£</b>       |
| Operating profit                               | 758,428        | 310,991        |
| Depreciation of tangible fixed assets          | 100,039        | 58,098         |
| Increase in debtors                            | (556,172)      | (1,245,557)    |
| Increase in creditors                          | 792,326        | 1,543,044      |
| Increase in amounts owed by group undertakings | (903,435)      | -              |
|  | <u>191,186</u> | <u>666,576</u> |
| Net cash inflow from operating activities      |                |                |

**18 Reconciliation of net cash flow to movement in net funds**

|   | 2005<br>£ | 2004<br>£ |
|---|-----------|-----------|
| Increase in cash                                | 4,896     | 602,568   |
| Cash outflow from changes in debt               | 36,233    | 34,185    |
|   | <hr/>     | <hr/>     |
| Movement in net funds resulting from cash flows | 41,129    | 636,753   |
| Inception of finance leases                     | (35,000)  | (48,400)  |
|   | <hr/>     | <hr/>     |
| Movement in net funds                           | 6,129     | 588,353   |
| Opening net funds                               | 1,420,517 | 832,164   |
|   | <hr/>     | <hr/>     |
| Closing net funds                               | 1,426,646 | 1,420,517 |
|   | <hr/>     | <hr/>     |

**19 Analysis of net funds**

|                          | At 1 January<br>2005<br>£ | Cash flow<br>£ | Other non-<br>cash items<br>£ | At<br>31 December<br>2005<br>£ |
|--------------------------|---------------------------|----------------|-------------------------------|--------------------------------|
| Cash at bank and in hand | 1,488,624                 | 4,896          | -                             | 1,493,520                      |
| Finance leases           | (68,107)                  | 36,233         | (35,000)                      | (66,874)                       |
|                          | <hr/>                     | <hr/>          | <hr/>                         | <hr/>                          |
| Total                    | 1,420,517                 | 41,129         | (35,000)                      | 1,426,646                      |
|                          | <hr/>                     | <hr/>          | <hr/>                         | <hr/>                          |

**20 Ultimate parent company and parent undertaking of larger group**

The company became a wholly owned subsidiary of Covion Holdings Limited on 27 May 2005 which is the ultimate parent company, registered in England and Wales.

Copies of the consolidated financial statements of Covion Holdings Limited are available from Companies House.