

Company Registration No. 4075893

Covion Limited

Report and Financial Statements

31 December 2007

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Covion Limited

Report and financial statements 2007

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Covion Limited

Report and financial statements 2007

Officers and professional advisers

Directors

Satbir Dhillon
Kevin Craven

Secretary

Declan Tierney

Registered Office

10th Floor
Marlowe House
109 Station Road
Sidcup
Kent
DA15 7BH

Bankers

HSBC Bank Plc
26 Broad Street
Reading
RG1 2BU

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

Covion Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007.

Principal Activity

The principal activities of the Company are facilities integrated services, incorporating both hard and soft services, and the management of non-core business support activities for its clients. The Company works in partnership private sector clients primarily in the manufacturing and business centre sectors.

There have been no changes to the company's activities in the year under review and none are currently contemplated.

During the year the Company was acquired by Balfour Beatty plc.

Business Review and dividends

Turnover for the year under review was £32.9m (2006 – £24.8m). Profit before tax for the year under review was £1.6m (2006 - £1.3m). The business continues to perform well with year on year profitable growth. The Company believes that market conditions and opportunities exist for continued profitable growth in the future.

The directors do not recommend the payment of a dividend (2006: £nil).

Key Performance Indicators

Balfour Beatty plc manages its operations on a divisional basis. For this reason the Company's directors believe that the disclosure of further key performance indicators for the company is not appropriate for an understanding of the development performance or position of the business.

Risk Management

The identification, assessment, pursuit and management of opportunities and associated risks are an integral and inseparable part of management skills and processes, and are a core element of activity throughout the Company. As referred to in the Ultimate Parent Company's Directors' Report and Accounts 2007, under the heading 'Risk management', a Group-wide opportunity and risk management system underpins and assists in the delivery of this principle. The system is founded upon a process that drives perceived opportunities and risk progressively, against formal impact and likelihood rating criteria, up through the management chain for review and challenge.

In addition to the discrete review of each individual opportunity and risk, various exercises are carried out at Ultimate Parent Company level, three times a year, to identify key issues facing the Group as a whole, the changing risk profile facing the Group and emerging issues that may affect the Group, as well as to assess if the aggregation effect of lower-level risks is material. Such reviews identify the extent to which further initiatives are required, for example, to develop specific additional risk management capability and mitigation measures.

Furthermore, senior management at both Company and Ultimate Parent Company level review regularly the opportunity and risk management system and its application with a view to identifying potential improvements to the system and/or its application. The output from these reviews is captured in development plans, which are reviewed at Ultimate Parent Company level. Progress against the plans is reported upon three times a year to Ultimate Parent Company senior management and the Board of the Ultimate Parent Company. Occasionally, independent third parties are engaged to assist the Group with the identification and implementation of potential improvements.

Covion Limited

Directors' report (continued)

Supplier payment policy

The Company's policy is to settle the terms of payment with suppliers when agreeing the terms for each transaction or series of transactions; to seek to ensure that suppliers are aware of the terms of payment; and to abide by these terms of payment as and when satisfied that the supplier has provided the goods or services in accordance with the agreed terms. The Company's average creditor payment period, from the time work is carried out to invoice being paid, at 31 December 2007 was 53 days (2006: 70 days).

Corporate responsibility

Reference is made in the financial statements of the Ultimate Parent Company to Group policies on Health & Safety, the Environment, Ethics and Human Rights, which have been adopted by the Company. The Company is fully committed to supporting these policies.

The Ultimate Parent Company also publishes a report on these issues, which includes a description of the Group's broader corporate responsibilities. The Company's systems for governance and management of risk, safety, environmental and social issues are described in that report, together with the Group's performance in these areas and the targets set to drive improvements. The report is available at www.balfourbeatty.com.

Charitable and political contributions

During the year the Company made charitable donations of £300 (2006: £nil), principally to local charities serving the communities in which the Company operates.

No political donations were made by the Company during the year (2006: £nil).

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Principal risks and uncertainties

As in all markets a major risk is competition. The company seeks to minimise this by effective presentation and an emphasis on the efficiency of its operations at existing clients' sites. The company seeks to manage the risk of losing customers to key competitors by the provision of added value services, by close daily co-operation and by maintaining strong relationships with clients at all levels.

The company's credit risk is primarily attributable to its trade debtors. Credit risk is managed by running credit checks on new clients and by monitoring payments against contractual agreements.

The company monitors cash flow on a daily basis as part of its regular control procedures and the Board considers cash flow projections on a monthly basis in order to see that appropriate facilities are available to be drawn upon as necessary. Although the company had significant funds at the balance sheet date, it also maintains an overdraft facility, none of which has yet been utilised.

There have been no events since the balance sheet date which materially affect the position of the company.

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 retaining 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 plan an active role in the development of the company.

Covion Limited

Directors' report (continued)

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.

Directors

The directors of the company during the year and to the date of this report were:

David Steventon	(resigned – 17 October 2007)
Frank Rodriguez	(resigned – 17 October 2007)
Alan Bruter	(resigned – 18 July 2008)
Emma Springate	(resigned – 18 July 2008)
Satbir Dhillon	
Kevin Craven	(appointed - 17 October 2007)

Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

BDO Stoy Hayward LLP resigned as auditors on 17th October 2007.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



Secretary

28 November 2008

Covion Limited

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 period. In preparing these 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 UK Accounting Standards have been followed; 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.

Independent auditors' report to the members of Covion Limited

We have audited the financial statements of Covion Limited for the year ended 31 December 2007 which comprise the profit and loss account, the balance sheet and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' 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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 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 report to you, whether in our opinion, the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, 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 for the above period and consider the implications for our report if we become aware of any apparent misstatements within it.

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 judgments 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.

Independent auditors' report to the members of Covion Limited (continued)

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 2007 and its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

18 November 2008

Covion Limited

Profit and loss account Year ended 31 December 2007

	Note	2007 £	2006 £
Turnover	2	32,883,400	24,797,054
Cost of sales		(28,987,165)	(21,776,603)
Gross profit		3,896,235	3,020,451
Administrative expenses		(2,373,717)	(1,779,150)
Operating profit	3	1,522,518	1,241,301
Net interest receivable	4	37,991	41,683
Profit on ordinary activities before taxation		1,560,509	1,282,984
Tax on profit on ordinary activities	5	(381,516)	(285,891)
Retained profit	13, 14	1,178,993	997,093

All activities are derived from continuing operations.

The company has no recognised gains or losses other than the profits for the current or previous year. Accordingly no statement of total gains and losses is presented.

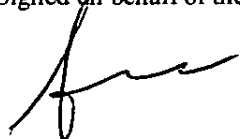
Covion Limited

Balance sheet 31 December 2007

	Note	2007 £	2006 £
Fixed assets			
Tangible assets	8	<u>482,919</u>	<u>158,959</u>
Current assets			
Work in progress		309,331	282,700
Debtors	9	9,927,986	8,364,394
Cash at bank and in hand		<u>1,590,673</u>	<u>2,668,785</u>
		<u>11,827,990</u>	<u>11,315,879</u>
Creditors: amounts falling due within one year	10	<u>(8,519,984)</u>	<u>(9,049,841)</u>
Net current assets		<u>3,308,006</u>	<u>2,266,038</u>
Total assets less current liabilities		<u>3,790,925</u>	<u>2,424,997</u>
Creditors: amounts falling due after more than one year	11	<u>(202,059)</u>	<u>(15,124)</u>
Net assets		<u><u>3,588,866</u></u>	<u><u>2,409,873</u></u>
Capital and reserves			
Called up share capital	12	975	975
Share premium	13	599,340	599,340
Profit and loss account	13	<u>2,988,551</u>	<u>1,809,558</u>
Total equity shareholders' funds	14	<u><u>3,588,866</u></u>	<u><u>2,409,873</u></u>

These financial statements were approved by the Board of Directors on 27 November 2008.

Signed on behalf of the Board of Directors



Director

Covion Limited

Notes to the accounts Year ended 31 December 2007

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies, adopted consistently in the current and prior years, are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

The Company is exempt from the requirement of FRS 1 (Revised) to present a cash flow statement because it is a wholly-owned subsidiary of Balfour Beatty plc, which prepares consolidated financial statements which are publicly available.

Turnover

Turnover represents amounts invoiced to customers, net of trade discounts, value added and similar sales-based taxes, except in respect of contracting activities where turnover recognised represents the value of work carried out during the year including amounts not invoiced.

Tangible fixed assets

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets 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.

Pensions

Contributions to the defined contribution pension schemes are charged to the profit and loss account in the period in which they become payable.

Covion Limited

Notes to the accounts

Year ended 31 December 2007

1. Accounting policies (continued)

Stocks and work in progress

Stocks and unbilled contract work in progress are valued at the lower of costs and net realisable value. Cost, where appropriate, includes a proportion of manufacturing overheads. Applications for progress payments are deducted from cost, with any excess included in other creditors as advance progress applications.

Taxation

The tax charge is composed of current tax and deferred tax. Current tax is based on the profit for the year at the current rate.

Deferred taxation is provided using the liability method. Timing differences arising from provisions, post-retirement benefits and capital allowances are fully recognised. Deferred tax assets are recognised to the extent it is believed they will be recovered against future taxable profits. Deferred tax assets and liabilities are not discounted.

Provision is not made for taxation which would be payable if the retained profits of overseas subsidiary undertakings, joint ventures and associates were remitted to the UK, or which would arise on any excess of the sale proceeds over the cost of land and buildings if they were to be sold at their revalued amounts.

2. Segmental analysis

All the turnover activity for the year was building, building management and services and occurred in the UK.

3. Operating profit

Operating profit is stated as charging/(crediting):

	2007 £	2006 £
Depreciation (see Note 8)	119,137	111,129
Hire charges for plant and equipment	138,300	167,375
Other operating lease rentals	63,600	63,600
Profit on sale of fixed assets	-	(13,727)
Fees payable to the Company's auditors for the audit of the Company's annual accounts	25,000	19,400
Trade debts written off	323,325	-
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Covion Limited

Notes to the accounts Year ended 31 December 2007

4. Net interest receivable

	2007 £	2006 £
Interest receivable and similar income		
- Group undertakings	46,867	46,688
Interest payable and similar charges		
- Finance leases	(6,909)	(4,793)
- Other	(1,967)	(212)
	(8,876)	(5,005)
	37,991	41,683

5. Tax on profit on ordinary activities

	2007 £	2006 £
(a) Taxation charge		
<i>UK current tax</i>		
United Kingdom corporation tax at 30%		
(2006 - 30%) based on the profit for the year	381,516	282,189
Adjustments in respect of previous periods	-	3,702
Total current tax	381,516	285,891
Tax on profit on ordinary activities	381,516	285,891

The current tax charge for the year is lower than the standard rate of corporation tax in UK (30%). A deferred tax asset of £4,500 (2006: £17,409) has not been recognized in these financial statements.

	2007 £	2006 £
(b) Tax reconciliation		
Profit on ordinary activities before tax	1,560,509	1,282,984
Tax on profit on ordinary activities before tax at standard corporation tax rate of 30% (2006 - 30%)	468,153	384,895
<i>Effects of:</i>		
Expenses not deductible for tax purposes	1,952	1,529
Timing differences		
- capital allowances for period in excess of depreciation	(12,228)	11,352
- other short term timing differences	-	3,075
Group relief claimed for nil consideration	(76,361)	(118,662)
Adjustments in respect of previous periods	-	3,702
Current tax charge	381,516	285,891

Covion Limited

Notes to the accounts

Year ended 31 December 2007

The standard rate of corporation tax in the UK changed to 28% with effect from the 1 April 2008.

6. Staff costs

	2007 £	2006 £
Staff costs during the year comprised:		
Wages and salaries	9,420,968	7,857,091
Social security costs	873,423	707,022
Other pension costs	119,622	94,820
	<u>10,414,013</u>	<u>8,658,933</u>

The average monthly number of employees was:

	2007 £	2006 £
Management	45	44
Administration	26	27
Operations	458	612
	<u>529</u>	<u>683</u>

7. Directors' emoluments

The remuneration of Directors of the Company was:

	2007 £	2006 £
Emoluments	329,698	438,879
Company Contribution to money purchase scheme	515	-
	<u>330,213</u>	<u>438,879</u>

The remuneration of the highest paid Directors of the Company was:

	2007 £	2006 £
Emoluments	<u>87,903</u>	<u>104,664</u>

Covion Limited

Notes to the accounts Year ended 31 December 2007

8. Tangible fixed assets

	Plant and Equipment £	Fixtures & fittings £	Office equipment £	Total £
Cost				
At 1 January 2007	240,554	17,914	171,673	430,141
Additions at cost	401,213	3,450	38,434	443,097
At 31 December 2007	641,767	21,364	210,107	873,238
Accumulated depreciation				
At 1 January 2007	134,135	11,056	125,991	271,182
Charge for the year	82,354	4,042	32,741	119,137
At 31 December 2007	216,489	15,098	158,732	390,319
Net book value				
At 31 December 2007	425,278	6,266	51,375	482,919
At 31 December 2006	106,419	6,858	45,682	158,959

The net book value of plant and machinery includes an amount of £265,734 (2006: £24,608) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £37,815 (2006: £9,625).

9. Debtors: amounts falling due within one year

	2007 £	2006 £
Trade debtors	5,718,857	6,016,340
Amounts due from immediate parent	3,637,834	1,956,247
Other debtors	22,544	46,955
Prepayments and accrued income	548,751	344,852
	<u>9,927,986</u>	<u>8,364,394</u>

Covion Limited

Notes to the accounts

Year ended 31 December 2007

10. Creditors: amounts falling due within one year

	2007 £	2006 £
Trade creditors	2,815,323	5,686,504
Obligations under hire purchase contracts	62,721	18,377
Corporate taxation	114,954	282,188
Other taxation, social security and PAYE	1,163,357	890,397
Other creditors	9,083	94,104
Accruals and deferred income	4,354,546	2,078,271
	<u>8,519,984</u>	<u>9,049,841</u>

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

	2007 £	2006 £
Obligations under hire purchase contracts	<u>202,059</u>	<u>15,124</u>

An analysis of the maturity of hire purchase contracts is given below:-

	Finance leases 2007 £	Finance leases 2006 £
In one year or less	62,721	18,377
In more than one year but not more than two years	48,056	12,235
In more than two years but not more than five years	154,003	2,889
	<u>264,780</u>	<u>33,501</u>

12. Called up share capital

	2007 £	2006 £
Authorised:		
100,000 Ordinary shares of 1p each	<u>1,000</u>	<u>1,000</u>
Called up, allotted and fully paid		
97,500 Ordinary shares of 1p each	<u>975</u>	<u>975</u>

Covion Limited

Notes to the accounts Year ended 31 December 2007

13. Reserves

	Share premium £	Profit and loss account £	Total £
As at 1 January 2007	599,340	1,809,558	2,408,898
Retained profit for the year	-	1,178,993	1,539,387
At 31 December 2007	<u>599,340</u>	<u>2,988,551</u>	<u>3,948,285</u>

14. Reconciliation of movements in equity shareholders' funds

	2007 £	2006 £
Profit for the financial year	1,178,993	997,093
Opening equity shareholders' funds	<u>2,409,873</u>	<u>1,412,780</u>
Closing equity shareholders' funds	<u>3,588,866</u>	<u>2,409,873</u>

15. Commitments

	2007 Land and buildings £	2007 Other £	2006 Land and buildings £	2006 Other £
Operating leases which expire:				
Within one year	37,100	43,579	63,600	14,259
In two to five years		82,487	-	135,124
	<u>37,100</u>	<u>126,066</u>	<u>63,600</u>	<u>149,383</u>

Included within operating leases which expire in two to five years are leases totalling £82,487 (2006 - £135,124) that are covered by cross company guarantees.

The Company does not operate a pension scheme for its employees, although it does make contributions into personal pension plans for certain employees. At the balance sheet date there were no unpaid contributions.

16. Related party transactions

As a subsidiary of Balfour Beatty plc, the Company has taken advantage of the exemption in Financial Reporting Standard 8 "Related Party Transactions" not to disclose transactions with other members of the group headed by Balfour Beatty plc.

Covion Limited

Notes to the accounts

Year ended 31 December 2007

17. Ultimate parent company

The Company is a subsidiary undertaking of Covion Holdings Limited, registered in England and Wales, which does not prepare consolidated financial statements. The Company and its immediate parent company Covion Holdings Limited was acquired by Balfour Beatty Group Limited on 17 October 2007.

The Company's ultimate parent company and controlling party is Balfour Beatty plc, which is incorporated in Great Britain and is registered in England and Wales. The only group in which the results of the Company are consolidated is that headed by Balfour Beatty plc. The consolidated financial statements of Balfour Beatty plc are available to the public and may be obtained from Balfour Beatty plc, 130 Wilton Road, London SW1V 1LQ, and on the Balfour Beatty website: www.balfourbeatty.com