

Userve Limited

Report and Financial Statements

3 May 2003

Company Number 929621



Userve Limited

Company No: 929621

DIRECTORS

M C Hynes
J M Dearman
B T Chudasama
P J Goodright (appointed 22 January 2003)
N P Wilson (appointed 20 February 2003)
J C Cook (resigned 10 January 2003)

SECRETARY

A E Thomas

AUDITORS

PricewaterhouseCoopers LLP
1 Embankment Place
London
EC2A 1BR

BANKERS

The Royal Bank of Scotland Group
280 Bishopsgate
London
EC2M 4RB

REGISTERED OFFICE

Acrey Fields
Woburn Road
Wootton
Beds
MK43 9EJ

DIRECTORS' REPORT

The directors present their report and the company's audited financial statements for the 53 weeks to 3 May 2003.

PRINCIPAL ACTIVITY

The Company is a leading service provider to the UK motor industry specialising in vehicle salvage, the collection, storage and disposal on a wholesale basis of accident-damaged vehicles, the disposal of end of life vehicles, transportation of second-hand vehicles (undamaged) from dealerships and finance houses and the sale of such vehicles.

RESULTS, REVIEW OF BUSINESS AND DIVIDENDS

The results for the period are set out in the profit and loss account on page 6.

These results reflect the impact of the loss of our largest salvage contract, which accounted for approximately 40% of the volume of vehicles we handled during 2001/2002. The contract went into 'run off' at the end of June 2002.

A final dividend of £362,000 (2002: £1,067,000) is proposed, making a total dividend for the period of £687,000 (2002: £1,415,000).

The retained deficit of £526,000 (2002: retained profit of £2,870,000) will be transferred to reserves.

FUTURE DEVELOPMENTS

Volumes are now being rebuilt around our enhanced service offering that is widening our income streams and broadening our customer base. This will reduce reliance on particular customers and a single income stream. There are substantial opportunities to grow both within our core business and in complementary areas. We will be maximising all our efforts to capitalise on these opportunities. We remain confident of the Company's prospects over the medium-term and expect the coming year to confirm an improving trend in our earnings.

CHARITABLE CONTRIBUTIONS

The company has paid £6,284 (2002: £6,492) in charitable contributions in the period.

CREDITORS' PAYMENT POLICY

The policy of the company is to pay suppliers in accordance with the terms of trade agreed with each supplier and, in the absence of an agreement, on or before the end of the succeeding month. The average period of credit given by suppliers is 18 days (2002: 19 days).

DIRECTORS AND THEIR INTERESTS

The directors of the Company are set out on page 1.

The interests of M C Hynes, B T Chudasama and P J Goodright, who are also directors of the ultimate parent company, Universal Salvage plc, are shown in the annual report and accounts of that company.

J M Dearman and N P Wilson had no interests in the shares of the company or any other company within the Universal Salvage plc group.

DIRECTORS' REPORT

EMPLOYEES

The Company believes that, to achieve excellent customer service, its employees should be well informed about the Company's plans and performance.

Userve Limited will:

- communicate with, and involve, all employees in matters affecting their interests at work and keep them informed about the strategic direction and performance of the Company. Employees are encouraged to comment on Company developments and present their own suggestions and views
- respect the human rights of all employees
- provide all employees with good and safe working conditions
- value and respect the individuality and diversity that every employee brings to the business.

Employees are encouraged to become involved in the performance of the Company through a variety of share ownership schemes in respect of the ultimate parent company, Universal Salvage plc.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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 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
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing financial statements.

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.

DIRECTORS' REPORT

AUDITORS

On 15 November 2002, the Company changed its auditors to PricewaterhouseCoopers.

Following the conversion of PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 19 March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP as auditors.

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the Annual General Meeting.

By Order of the Board

A handwritten signature in black ink, appearing to read 'A E Thomas', written in a cursive style.

A E Thomas
Company secretary

25 June 2003

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF USERVE
LIMITED

We have audited the financial statements which comprise the profit and loss account, statement of total recognised gains and losses, the note of historical cost profits and losses, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and 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 issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

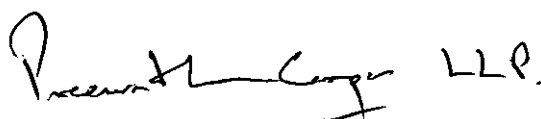
Basis of audit opinion

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 circumstances of the company, 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 at 3 May 2003 and of its profit for the 53 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
25 June 2003

Userve Limited

PROFIT AND LOSS ACCOUNT

For the 53 weeks to 3 May 2003

		2003	2002
	Notes	£'000	Restated £'000
Turnover	1,2	61,177	73,410
Cost of sales		(46,389)	(51,619)
Gross profit		14,788	21,791
Administrative expenses		(13,990)	(15,347)
Operating profit	3	798	6,444
Profit on sale of unlisted investment	4	-	100
Interest receivable	5	8	12
Interest payable	5	(421)	(272)
Profit on ordinary activities before taxation		385	6,284
Tax on profit on ordinary activities	6	(224)	(1,999)
Profit on ordinary activities after taxation		161	4,285
Dividends	7	(687)	(1,415)
Retained (deficit)/profit		(526)	2,870

The accompanying notes are an integral part of this profit and loss account.

All operations of the company continued throughout both periods and no material operations were acquired or discontinued.

Statement of total recognised gains and losses

	2003 £'000	2002 £'000
For the 53 weeks to 3 May 2003:		
Profit on ordinary activities after taxation for period	161	4,285
Surplus on revaluation of properties	-	608
Total recognised gains and losses since the last annual report	<u>161</u>	<u>4,893</u>

Note of historical cost profits and losses

	2003 £'000	2002 £'000
For the 53 weeks to 3 May 2003:		
Reported profit on ordinary activities before taxation	385	6,284
Difference between the historical cost depreciation charge and the actual depreciation charge for the period calculated on revalued amount	49	-
Historical cost profit on ordinary activities before taxation	<u>434</u>	<u>6,284</u>
Historical cost (deficit)/profit for the period retained after taxation, dividends and other appropriations	<u>(477)</u>	<u>2,870</u>

The accompanying notes are an integral part of this statement of recognised gains and losses and this note of historical cost profits and losses.

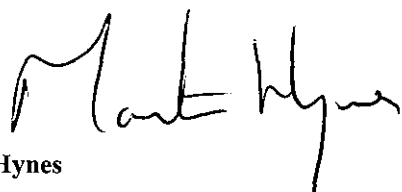
Userve Limited

BALANCE SHEET

At 3 May 2003

	Notes	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	9	31,676	30,483
Investments	10	—	—
		<u>31,676</u>	<u>30,483</u>
Current assets			
Stocks	11	2,121	3,915
Debtors	12	2,826	4,324
Cash at bank and in hand		11	1,054
		<u>4,958</u>	<u>9,293</u>
Creditors: amounts falling due within one year	13	(5,563)	(9,324)
Net current liabilities		<u>(605)</u>	<u>(31)</u>
Total assets less current liabilities		31,071	30,452
Creditors: amounts falling due after more than one year	14	(8,890)	(7,661)
Provisions for liabilities and charges	16	(1,044)	(1,128)
Net assets		<u>21,137</u>	<u>21,663</u>
Capital and reserves			
Called up share capital	17	25	25
Revaluation reserve	18	4,791	4,840
Profit and loss account	18	16,321	16,798
Equity shareholders' funds	18	<u>21,137</u>	<u>21,663</u>

The financial statements on pages 6 to 20 were approved by the Board on 25 June 2003 and signed on its behalf by:



M C Hynes
Director

The accompanying notes are an integral part of this balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

at 3 May 2003

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. Subject to the matter referred to in the paragraph below, they have all been applied consistently throughout the period and the preceding period.

As part of the regular review of accounting policies, and cognisant of the convergence of United Kingdom Accounting Standards with International Accounting Standards, a change has been made in respect of turnover and cost of sales classification. In previous financial statements, the amounts recharged to insurers for recovery and storage when collecting vehicles from garages on their behalf have been included within turnover and cost of sales. It is the Board's view that these recharges do not represent revenue, as the amounts recharged are not fees for services rendered. Previous period's figures have been restated to reflect this change (see note 2), which has no impact on profit or net assets.

Basis of accounting

The financial statements are prepared under the historical cost convention modified to include the revaluation of certain freehold and leasehold land and buildings. The financial statements are prepared in accordance with the Companies Act 1985 and applicable accounting standards.

The accounting reference date is 30 April and this year the financial statements have been drawn up to 3 May 2003, being the nearest Saturday to 30 April 2003.

Cash flow statement and related party disclosures

The company is a wholly owned subsidiary of Universal Salvage plc and is included in the consolidated financial statements of Universal Salvage plc, which are publicly available. Consequently, the company has taken advantage of the exemption in the Financial Reporting Standard No. 8 from the requirement to disclose transactions with group companies. The company is also, on this basis, exempt from the requirement of Financial Reporting Standard No. 1 (revised 1996) to present a cash flow statement.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. The analysis of turnover, profit before tax and net assets by geographical market supplied has not been provided as substantially all of the company's activity is undertaken within the United Kingdom and within one principal class of business.

Vehicle sales at auction are recognised in the financial statements when the hammer drops, which under the terms and conditions of sale is the point at which the legally binding contract is formed between the Company and the buyer. Where vehicles are sold on behalf of third parties, our vehicle handling fee is also recognised when the hammer drops following the completion of our service of disposal on behalf of our client.

Related service income such as delivery of vehicles and other services, such as vehicle logistics activity for third party clients, is recognised only when the associated service has been performed.

Scrap metal income from processing is recognised at the point, following the vehicle being crushed, the metal cubes have been weighed by third party fragmentors.

Fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provisions for impairment. The Company has adopted a policy of external revaluation for land and buildings every five years and an interim valuation in the third year after the full valuation. Further interim valuations will be carried out in intervening years only where there has been a material change in value.

NOTES TO THE FINANCIAL STATEMENTS

at 3 May 2003

1. ACCOUNTING POLICIES (continued)

Fixed assets (continued)

The freehold and leasehold land and buildings were revalued at 1 May 1999 based on an open market value for existing use.

An interim valuation was performed by external valuers at 27 April 2002, and the revaluations arising from this were included in the financial statements for the period then ended.

Interest incurred on borrowings to finance specific site developments is capitalised at its gross amount, before tax, using average interest rates in the relevant development period, up to the date the site becomes operational.

Fixed asset investments are shown at cost or valuation less any provision for impairment.

Grants

Grants and contributions relating to development of operating land have been deducted from the cost of fixed assets. This is not in accordance with Schedule 4 of the Companies Act 1985 which requires fixed assets to be shown at their purchase price or production cost and hence grants and contributions would be presented as deferred income. This departure from the requirements of the Act is, in the opinion of the directors, necessary for the financial statements to give a true and fair view as no provision is made for depreciation and any grants and contributions relating to such assets would not be taken to the Company profit and loss account. The financial effects of this accounting policy are set out in note 9, tangible fixed assets.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation of each asset evenly over its expected useful life, as follows:

Freehold buildings	-	over 10 to 30 years
Leasehold buildings	-	over the lease term
Site improvements	-	over 5 to 25 years
Plant, machinery and motor vehicles	-	over 3 to 10 years
Office and computer equipment	-	over 3 to 5 years

No depreciation is charged on assets under construction.

Estimation of residual values and useful lives includes an assessment of the expected rate of technology development and the intensity at which the assets are expected to be used. The carrying value of tangible fixed assets are reviewed for impairment in periods where changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are stated at the lower of cost incurred in bringing each vehicle or component to its present location and condition and net realisable value as follows:

Work in progress	-	cost of direct materials and labour
Vehicles and components for resale	-	cost of vehicle/component plus attributable overheads

Provision is made for slow moving items where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

at 3 May 2003

1. ACCOUNTING POLICIES (CONTINUED)

Taxation

Current tax, including UK corporation tax and foreign tax, is provided for at amounts expected to be paid (or recovered) using the rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have been originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and are depreciated over the shorter of their lease terms and their useful lives.

The interest element of the rental obligations 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.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term, even if the payments are not made on such a basis.

Pensions

The company operates defined contribution pension schemes for directors and employees. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet. The assets of the schemes are held separately from those of the company in independently administered funds.

Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes.

For an interest rate swap to be treated as a hedge the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed

NOTES TO THE FINANCIAL STATEMENTS

at 3 May 2003

1. ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments (continued)

rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts. If an instrument ceases to be accounted for as a hedge, for example because the underlying hedged position is eliminated, the instrument is marked to market and any resulting profit or loss recognised at that time.

2. TURNOVER AND COST OF SALES RECLASSIFICATION

The consequences of the change in policy regarding the reclassification of recovery and storage charges has been to reduce turnover and cost of sales in the 53 weeks to 3 May 2003 by £8,892,000 (2002: £12,951,000).

3. OPERATING PROFIT

This is stated after charging:

	2003 £'000	2002 £'000
Depreciation of owned fixed assets	2,967	1,992
Depreciation of assets held under finance leases and hire purchase contracts	71	125
Operating lease rentals - land and buildings	206	411
- hire of plant, machinery and motor vehicles	209	27
Auditors' remuneration - Arthur Andersen audit services	5	45
- PricewaterhouseCoopers LLP audit services	52	-
- Arthur Andersen non-audit services	18	37
- PricewaterhouseCoopers LLP non-audit services	8	-
Costs relating to abortive site acquisitions	64	204
Costs of reorganising continuing operations	541	507
	<u> </u>	<u> </u>

The non-audit services provided by Arthur Andersen and PricewaterhouseCoopers LLP is for work related to tax compliance and tax advice.

4. PROFIT ON SALE OF UNLISTED INVESTMENT

	2003 £'000	2002 £'000
Profit arising on disposal of unlisted investment	-	100
	<u> </u>	<u> </u>

The capital gains tax arising on the disposal of the investment has been provided for in the tax provision for the year to 27 April 2002.

Userve Limited

NOTES TO THE FINANCIAL STATEMENTS at 3 May 2003

5. INTEREST

INTEREST RECEIVABLE:

	2003 £'000	2002 £'000
Bank deposits	2	3
Rates rebates	6	9
	<u>8</u>	<u>12</u>

INTEREST PAYABLE:

	2003 £'000	2002 £'000
Bank loans and overdrafts	419	269
Lease finance charges and hire purchase interest	2	3
	<u>421</u>	<u>272</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003 £'000	2002 £'000
The taxation charge based on the profit before tax comprises:		
UK corporation tax based on the profit before taxation	350	1,821
Prior years:		
UK corporation tax	(42)	(126)
Total current tax charge	<u>308</u>	<u>1,695</u>
Deferred taxation provision – origination and reversal of timing differences	(84)	304
	<u>224</u>	<u>1,999</u>
<i>Factors affecting tax charge for the period</i>		
Profit on ordinary activities before tax	385	6,284
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002 : 30%)	116	1,885
<i>Effects of:</i>		
Expenses not deductible for tax purposes (primarily disallowed expenses and depreciation on non-tax qualifying assets)	150	242
Timing differences between capital allowances and depreciation on qualifying assets	54	(303)
Other timing differences	30	(1)
Indexation allowance on capital gains	-	(2)
Adjustment to tax charge in respect of previous periods	(42)	(126)
Current tax charge for period	<u>308</u>	<u>1,695</u>

NOTES TO THE FINANCIAL STATEMENTS

at 3 May 2003

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The company earns its profits solely in the UK, hence the tax rate used is the standard rate for UK corporation tax.

Based on current capital investment plans, the Company expects that in future years capital allowances will be lower than depreciation. No provision has been made for deferred tax on gains recognised on revaluing property to its market value or on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided is £1,727,000 (2002: £1,727,000) on the unindexed gain. At present it is not envisaged that any tax will become payable in the foreseeable future.

7. DIVIDENDS

	2003 £'000	2002 £'000
Equity dividends on ordinary shares:		
Interim paid £13.00 (2002: £13.92)	325	348
Final proposed £14.48 (2002: £42.68)	362	1,067
	<u>687</u>	<u>1,415</u>

8. STAFF AND DIRECTORS

	2003 £'000	2002 £'000
Staff costs:		
Wages and salaries	9,146	10,034
Social security costs	874	1,002
Other pension costs	187	205
	<u>10,207</u>	<u>11,241</u>

The average monthly number of employees during the year was as follows:

	2003 No	2002 No
Site and transportation	192	227
Office and management	200	236
	<u>392</u>	<u>463</u>

	2003 £'000	2002 £'000
Directors' emoluments:		
Salaries and fees	591	424
Benefits	16	46
Compensation for loss of office	125	314
Bonus	50	-
	<u>782</u>	<u>784</u>
Pension contributions in respect of directors	50	43
	<u>832</u>	<u>827</u>

NOTES TO THE FINANCIAL STATEMENTS

at 3 May 2003

8. STAFF AND DIRECTORS (continued)

The above amounts do not include gains made on the exercise of share options in the ultimate holding company. None of the directors exercised any share options during the period. The pension contributions are in respect of payments to a defined contribution pension scheme. The number of directors who were members of the pension scheme during the year was 6 (2002: 4).

The emoluments of the highest paid director, were:

	2003 £'000	2002 £'000
Salaries and fees	188	154
Benefits	5	18
Subtotal (excluding pension contributions)	193	172
Pension contributions	17	15
	<u>210</u>	<u>187</u>

9. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Plant, machinery and motor vehicles £'000	Office equipment £'000	Assets in Course of Construction £'000	Total £'000
<i>Cost or valuation:</i>					
At 27 April 2002	19,288	9,820	3,376	3,158	35,642
Additions	1,158	938	195	2,300	4,591
Grants received	(20)	-	-	-	(20)
Transfer to current assets	-	(552)	-	-	(552)
Disposals	-	(29)	-	-	(29)
Reclassification on completion of assets	2,207	291	530	(3,028)	-
At 3 May 2003	22,633	10,468	4,101	2,430	39,632
<i>Depreciation:</i>					
At 27 April 2002	-	4,126	1,033	-	5,159
Provided during the period	561	1,476	1,001	-	3,038
Disposals	-	(2)	-	-	(2)
Transfer to current assets	-	(239)	-	-	(239)
At 3 May 2003	561	5,361	2,034	-	7,956
Net book amount:					
At 3 May 2003	22,072	5,107	2,067	2,430	31,676
At 27 April 2002	19,288	5,694	2,343	3,158	30,483

NOTES TO THE FINANCIAL STATEMENTS
at 3 May 2003

9. TANGIBLE FIXED ASSETS (continued)

Following a review by the directors of the useful lives of certain older trucks and IT software developments, the estimated lives of these assets has been reduced. The effects of this change has been to increase the depreciation charge for the period by £383,000.

No interest was capitalised into fixed assets in the period ended 3 May 2003 (2002: £Nil). The total amount of finance costs included in the cost of fixed assets is £134,000 (2002: £134,000).

The Group has received a grant of £20,000 (2002: £621,000) as a contribution towards the development of operating land. The total amount of grant deducted from the cost of land and buildings is £641,000 (2002: £621,000).

An interim valuation of all of the freehold and leasehold land and buildings was carried out by Messrs. Cushman & Wakefield, Healey & Baker, Chartered Surveyors, at 27 April 2002, on the basis of current usage open market value in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. In accordance with FRS15, a further valuation will be carried out in 2004.

	2003 £'000	2002 £'000
The net book amount of land and buildings comprises:		
Revalued properties:		
Freehold	19,350	19,725
Long leasehold	340	425
	<u>19,690</u>	<u>20,150</u>
Additions since the last revaluation:		
Freehold	1,011	-
Site improvements	1,371	-
	<u>22,072</u>	<u>20,150</u>
The historical cost of freehold and leasehold land and buildings is as follows:		
	2003 £'000	2002 £'000
At cost	<u>17,793</u>	<u>15,310</u>
Cumulative depreciation based on cost	<u>1,799</u>	<u>1,287</u>

Included in land and buildings is land with a value of £16,145,000 (2002: £15,628,000) which is not subject to depreciation.

Included in tangible fixed assets are the following assets held under finance leases or hire purchase contracts:

	2003 £'000	2002 £'000
Net book amount: Plant, machinery and motor vehicles	<u>4</u>	<u>75</u>

Userve Limited

NOTES TO THE FINANCIAL STATEMENTS at 3 May 2003

10. INVESTMENTS

	2003 £'000	2002 £'000
Unquoted investments - at cost	-	5
Less disposal	-	(5)
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

11. STOCK

	2003 £'000	2002 £'000
Vehicles or components for resale	2,121	3,915
	<u>2,121</u>	<u>3,915</u>

12. DEBTORS

	2003 £'000	2002 £'000
Amounts falling due within one year:		
Trade debtors	1,712	2,537
Prepayments and other debtors	1,114	1,787
	<u>2,826</u>	<u>4,324</u>

13. CREDITORS: amounts falling due within one year

	2003 £'000	2002 £'000
Bank overdraft	-	1,472
Bank loans and mortgages	-	92
Trade creditors	2,268	3,120
Corporation tax	476	810
Other taxes and social security costs	930	1,254
Net obligations under finance lease and hire purchase contracts (note 15)	9	17
Accruals and deferred income	1,518	1,492
Proposed final dividend	362	1,067
	<u>5,563</u>	<u>9,324</u>

14. CREDITORS: amounts falling due after more than one year

	2003 £'000	2002 £'000
Committed overdraft	1,444	-
Bank loans	5,250	5,300
Amounts due to parent undertaking	2,196	2,351
Net obligations under finance lease and hire purchase contracts (note 15)	-	10
	<u>8,890</u>	<u>7,661</u>

NOTES TO THE FINANCIAL STATEMENTS

at 3 May 2003

14. CREDITORS: amounts falling due after more than one year (continued)

The amounts due to parent undertaking are unsecured, interest free and with no fixed repayment dates.

The committed overdraft and bank loans are secured by a charge over certain properties.

The Company's borrowings were renegotiated with effect from November 2002. The bank loan comprises a revolving facility of £12,000,000 of which £5,250,000 was drawn-down at 3 May 2003 (2002: £5,300,000). It bears interest at 0.9% over London Inter Bank Offered Rate (LIBOR).

The committed overdraft comprises a £3,000,000 three-year facility which bears interest at 1.0% over the Royal Bank of Scotland's base rate. The Company can draw-down against its total facilities an equivalent amount of up to 70% of the latest valuation of the secured properties. £1,444,000 of this facility was utilised on 3 May 2003 (2002: £nil).

The maturity of these amounts is as follows:

	2003 £'000	2002 £'000
Within one year	-	92
Between one and two years	-	550
Between two and five years	2,694	4,750
Over five years	4,000	-
	<u>6,694</u>	<u>5,392</u>

15. OBLIGATIONS UNDER FINANCE LEASE AND HIRE PURCHASE CONTRACTS

The maturity of the bank loans and mortgages is as follows:

	2003 £'000	2002 £'000
Within one year	9	19
Between two and five years	-	10
	<u>9</u>	<u>29</u>
Finance charges and interest allocated to future accounting periods	-	(2)
	<u>9</u>	<u>27</u>
Included in creditors: amounts falling due within one year	(9)	(17)
	<u>-</u>	<u>10</u>
Included in creditors: amounts falling due after more than one year	-	10

NOTES TO THE FINANCIAL STATEMENTS
at 3 May 2003

16. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Deferred Taxation £'000</i>	
At 27 April 2002	1,128	
Movement in the period	(84)	
At 3 May 2003	1,044	
	<i>2003</i>	<i>2002</i>
	<i>£'000</i>	<i>£'000</i>
<i>Analysis of the deferred tax provision:</i>		
Accelerated capital allowances	1,081	1,135
Other timing differences	(37)	(7)
	1,044	1,128

No provision has been made for any tax on the revaluation surplus and any rolled over gains. Any gains anticipated on properties for sale are expected to be rolled over on future acquisitions and therefore no tax would become payable.

17. SHARE CAPITAL

	<i>2003 £'000</i>	<i>2002 £'000</i>
Authorised:		
50,000 ordinary shares of £1 each	50	50
Allotted, called up and fully paid:		
25,000 ordinary shares of £1 each	25	25

18. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS AND MOVEMENT IN RESERVES

	<i>Share capital £'000</i>	<i>Revaluation reserve £'000</i>	<i>Profit and loss account £'000</i>	<i>Total £'000</i>
At 27 April 2002	25	4,840	16,798	21,663
Transfer of an amount equivalent to additional depreciation on revalued assets	—	(49)	49	—
Profit after tax	—	—	161	161
Dividend	—	—	(687)	(687)
At 3 May 2003	25	4,791	16,321	21,137

NOTES TO THE FINANCIAL STATEMENTS
at 3 May 2003

19. CAPITAL COMMITMENTS

	2003 £'000	2002 £'000
Contracted not provided	435	905

20. OTHER FINANCIAL COMMITMENTS

At 3 May 2003 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>		<i>Other</i>	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Operating leases which expire:				
Within one year	133	73	—	—
Between two and five years	—	43	181	115
Over five years	88	88	—	—
	<u>221</u>	<u>204</u>	<u>181</u>	<u>115</u>

21. TRANSACTIONS WITH DIRECTORS AND THEIR CONNECTED PARTIES

The Company had a consultancy agreement with C S Bassett, a significant shareholder and former director, which was terminated with effect from 30 June 2002. £8,600 (2002: £80,800) was payable in respect of the period and none was owed or owing at the period end.

During the period the Company sold cars from stock to two directors, M C Hynes for a value of £68,300 (net book amount £56,886) and P J Goodright for a value of £25,000 (net book amount £13,547). The vehicles were sold at their market value and no amount was owed or owing at the year end.

22. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is Universal Salvage plc, a company registered in England and Wales, which is also the parent undertaking of the largest and smallest group of undertakings for which group financial statements are drawn up and of which the company is a member. The Universal Salvage plc group financial statements are available from the company's registered office (see page 1).