

Userve Limited

Report and Financial Statements

1 May 2004

Company Number 929621



Userve Limited

Company No: 929621

DIRECTORS

A F Somerville (appointed 1 August 2003)
N D A Sandy (appointed 12 January 2004)
J M Dearman
B T Chudasama
P J Goodright
N P Wilson (resigned 11 January 2004)
M C Hynes (resigned 19 May 2004)

SECRETARY

A E Thomas

AUDITORS

PricewaterhouseCoopers LLP
1 Embankment Place
London
EC2A 1BR

BANKERS

The Royal Bank of Scotland plc
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 52 weeks to 1 May 2004.

PRINCIPAL ACTIVITY

The Company is a leading service provider to the UK motor industry specialising in the disposal of accident-damaged insurance vehicles, end of life vehicles ('ELVs') (including abandoned cars) and low value fee-based vehicles.

RESULTS, REVIEW OF BUSINESS AND DIVIDENDS

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

In view of the loss for the period, the Directors are unable to recommend the payment of a final dividend (2003: £362,000). The total dividend for the year is therefore £336,000 (2002: £687,000).

The retained deficit of £8,646,000 (2003: retained deficit of £526,000) will be transferred from reserves.

FUTURE DEVELOPMENTS

The Company remains positioned to provide a full service in our chosen market sectors which encompass various types of problem vehicles. These are vehicles which cannot be handled or disposed of through the conventional channels. Our core markets remain salvage vehicles, ELVs (including abandoned cars) and fee-based vehicle disposals (principally low value, part-exchange vehicles). Even though the results for the period were disappointing, we believe the Company's prospects remain positive. The actions we are taking to reduce the cost base will ensure that we are competitive and in good shape to turn the Company around and rebuild profitability.

CHARITABLE CONTRIBUTIONS

The Company has paid £6,903 (2003: £6,284) 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 27 days (2003: 18 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, P J Goodright, A F Somerville and N D A Sandy who are, or have been, 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; and
- 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; and
- 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.

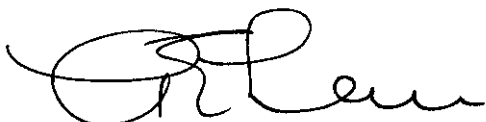
The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' REPORT

AUDITORS

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

12 August 2004

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 1 May 2004 and of its loss for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
12 August 2004

Userve Limited

PROFIT AND LOSS ACCOUNT

For the 52 weeks to 1 May 2004

		2004 Before Exceptional Items £'000	2004 Exceptional Items (Note 2) £'000	2004 Total £'000	2003 Before Exceptional Items £'000 Restated	2003 Exceptional Items (Note 2) £'000 Restated	2003 Total £'000
	Note						
Turnover	1	48,214	-	48,214	61,177	-	61,177
Cost of Sales		(39,419)	(69)	(39,488)	(46,201)	(188)	(46,389)
Gross profit		8,795	(69)	8,726	14,976	(188)	14,788
Administrative expenses		(12,942)	(5,085)	(18,027)	(13,335)	(655)	(13,990)
Operating (loss)/profit	2	(4,147)	(5,154)	(9,301)	1,641	(843)	798
Interest receivable	3			19			8
Interest payable	3			(521)			(421)
(Loss)/profit on ordinary activities before taxation				(9,803)			385
Tax on loss/(profit) on ordinary activities	4			1,493			(224)
(Loss)/profit on ordinary activities after taxation				(8,310)			161
Dividends	5			(336)			(687)
Retained deficit				(8,646)			(526)

The 2003 comparatives have been restated for exceptional items.

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

	2004 £'000	2003 £'000
For the 52 weeks to 1 May 2004:		
(Loss)/profit on ordinary activities after taxation for period	(8,310)	161
Unrealised surplus on revaluation of properties	199	-
Total recognised gains and losses since the last annual report	<u>(8,111)</u>	<u>161</u>

Note of historical cost profits and losses

	2004 £'000	2003 £'000
For the 52 weeks to 1 May 2004:		
Reported (loss)/profit on ordinary activities before taxation	(9,803)	385
Difference between the historical cost depreciation charge and the actual depreciation charge for the period calculated on revalued amount	49	49
Historical cost (loss)/profit on ordinary activities before taxation	<u>(9,754)</u>	<u>434</u>
Historical cost deficit for the period retained after taxation, dividends and other appropriations	<u>(8,597)</u>	<u>(477)</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.

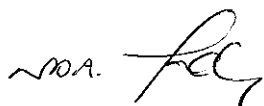
Userve Limited

BALANCE SHEET

At 1 May 2004

	<i>Notes</i>	<i>2004 £'000</i>	<i>2003 £'000</i>
Fixed assets			
Tangible assets	7	26,296	31,676
Current assets			
Stocks	8	2,100	2,121
Debtors	9	3,516	2,826
Cash at bank and in hand		12	11
		<u>5,628</u>	<u>4,958</u>
Creditors: amounts falling due within one year	10	(6,131)	(5,563)
Net current liabilities		<u>(503)</u>	<u>(605)</u>
Total assets less current liabilities		<u>25,793</u>	<u>31,071</u>
Creditors: amounts falling due after more than one year	11	(12,724)	(8,890)
Provisions for liabilities and charges	13	(379)	(1,044)
Net assets		<u>12,690</u>	<u>21,137</u>
Capital and reserves			
Called up share capital	14	25	25
Revaluation reserve	15	4,941	4,791
Profit and loss account	15	7,724	16,321
Equity shareholders' funds	15	<u>12,690</u>	<u>21,137</u>

The financial statements on pages 6 to 22 were approved by the Board on 12 August 2004 and signed on its behalf by:



N D A Sandy
Director

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

NOTES TO THE FINANCIAL STATEMENTS

at 1 May 2004

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the period and the preceding period.

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 ('the Act') and applicable accounting standards.

The accounting reference date is 30 April and this year the financial statements have been drawn up to 1 May 2004, being the nearest Saturday to 30 April 2004. Therefore the financial statements cover the period 4 May 2003 to 1 May 2004.

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 UK 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.

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.

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

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 1 May 2004

1. ACCOUNTING POLICIES (continued)

Fixed assets (continued)

The freehold and leasehold land and buildings were revalued at 1 May 2004 based on an open market value for existing use. The revaluations arising from this have been included in these financial statements.

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.

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 Act 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 7, 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 direct costs incurred in relation to collection of the vehicle

Provision is made for slow-moving items where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

at 1 May 2004

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 substantially 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 1 May 2004

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. OPERATING (LOSS)/PROFIT

This is stated after charging:

	2004 £'000	2003 £'000
Depreciation of owned fixed assets	2,662	2,779
Depreciation of assets held under finance leases and hire purchase contracts	4	71
Operating lease rentals - land and buildings	223	206
- hire of plant, machinery and motor vehicles	162	209
	<u>3,051</u>	<u>3,265</u>

Exceptional items:

Impairment of owned fixed assets (note 7)	3,626	188
Costs of reorganising continuing operations (note 13)	596	541
Costs of renegotiating banking facilities	480	-
FSA costs	347	-
Legal costs in obtaining outline planning permission for Redbourn site (note 19)	105	50
Costs relating to abortive site acquisitions	-	64
	<u>5,154</u>	<u>843</u>

The details of the renegotiated banking facilities are set out in note 11.

During the year, the Company was subject to an FSA investigation, and these costs comprise the professional fees incurred of £257,000 and a related fine of £90,000.

SERVICES PROVIDED BY THE COMPANY'S AUDITORS AND NETWORK FIRMS

During the year the Company obtained the following services from the Company's auditors at costs as detailed below:

	2004 £'000	2003 £'000
Audit services		
- statutory audit	53	52
Tax services		
- compliance services	8	8
- advisory services	16	7
Other advisory services	392	-
	<u>469</u>	<u>67</u>

Other advisory fees relate to fees charged in connection with negotiations with the Company's bankers.

Userve Limited

NOTES TO THE FINANCIAL STATEMENTS at 1 May 2004

3. INTEREST

Interest receivable and similar income:

	2004 £'000	2003 £'000
Bank deposits	-	2
Staff loan interest	1	-
Corporation tax overpayments	10	-
Rates rebates	8	6
	<u>19</u>	<u>8</u>

Interest payable and similar charges:

	2004 £'000	2003 £'000
Bank loans and overdrafts	521	419
Lease finance charges and hire purchase interest	-	2
	<u>521</u>	<u>421</u>

4. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2004 £'000	2003 £'000
The taxation credit/(charge) based on the loss/(profit) before tax comprises:		
UK corporation tax based on the loss/(profit) before taxation	-	(350)
Tax carried back and offset against profits of prior periods	344	-
Prior years:		
UK corporation tax	105	42
Total current tax credit/(charge)	<u>449</u>	<u>(308)</u>
Deferred taxation provision – origination and reversal of timing differences	1,044	84
Total tax credit/(charge) on profit on ordinary activities	<u>1,493</u>	<u>(224)</u>

NOTES TO THE FINANCIAL STATEMENTS

at 1 May 2004

4. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

	2004 £'000	2003 £'000
<i>Factors affecting tax credit/(charge) for the period</i>		
(Loss)/profit on ordinary activities before tax	(9,803)	385
Loss/(profit) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003 : 30%)	2,941	(116)
<i>Effects of:</i>		
Expenses not deductible for tax purposes (primarily disallowed expenses and depreciation on non-tax qualifying assets)	(461)	(150)
Timing differences between capital allowances and depreciation on qualifying assets	(1,493)	(54)
Other timing differences	(11)	(30)
Group relief given	(41)	-
Unrelieved losses carried forward to future periods	(591)	-
Adjustment to tax charge in respect of previous periods	105	42
Current tax credit/(charge) for period	449	(308)

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

5. DIVIDENDS

	2004 £'000	2003 £'000
Equity dividends on ordinary shares:		
Interim paid £13.44 (2003: £13.00)	336	325
Final proposed £nil (2003: £14.48)	-	362
	336	687

6. STAFF AND DIRECTORS

	2004 £'000	2003 £'000
Staff costs:		
Wages and salaries	8,674	9,146
Social security costs	927	874
Other pension costs	181	187
	9,782	10,207

NOTES TO THE FINANCIAL STATEMENTS

at 1 May 2004

6 STAFF AND DIRECTORS (CONTINUED)

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

	<i>2004 Number</i>	<i>2003 Number</i>
Site and transportation	178	192
Office and management	190	200
	<u>368</u>	<u>392</u>
	<i>2004 £'000</i>	<i>2003 £'000</i>
Directors' emoluments:		
Salaries and fees	861	591
Benefits	20	16
Compensation for loss of office	-	125
Bonus	50	50
	<u>931</u>	<u>782</u>
Pension contributions in respect of Directors	73	50
	<u>1,004</u>	<u>832</u>

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 8 (2003: 6).

The emoluments of the highest paid director, were:

	<i>2004 £'000</i>	<i>2003 £'000</i>
Salaries and fees	250	188
Benefits	6	5
	<u>256</u>	<u>193</u>
Subtotal (excluding pension contributions)		
Pension contributions	22	17
	<u>278</u>	<u>210</u>

NOTES TO THE FINANCIAL STATEMENTS
at 1 May 2004

7. TANGIBLE FIXED ASSETS

	<i>Land and buildings</i>	<i>Plant, machinery and motor vehicles</i>	<i>Office and computer equipment</i>	<i>Assets in course of construction</i>	<i>Total</i>
<i>Cost or valuation:</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
At 3 May 2003	22,795	10,306	4,101	2,430	39,632
Additions	215	229	331	40	815
Transfer to current assets	-	(456)	-	-	(456)
Revaluation	(1,803)	-	-	-	(1,803)
Disposals	-	(6)	(12)	-	(18)
Reclassification on completion of assets	11	13	2,406	(2,430)	-
At 1 May 2004	21,218	10,086	6,826	40	38,170
<i>Depreciation:</i>					
At 3 May 2003	593	5,329	2,034	-	7,956
Provided during the period	599	1,059	1,008	-	2,666
Impairment	810	69	2,747	-	3,626
Transfers to current assets	-	(360)	-	-	(360)
Revaluation	(2,002)	-	-	-	(2,002)
Disposals	-	(3)	(9)	-	(12)
At 1 May 2004	-	6,094	5,780	-	11,874
<i>Net book amount:</i>					
At 1 May 2004	21,218	3,992	1,046	40	26,296
At 3 May 2003	22,202	4,977	2,067	2,430	31,676

All freehold and leasehold land and buildings were valued by DTZ Debenham Tie Leung, a firm of independent chartered surveyors, at 1 May 2004, on the basis of existing use value in accordance with the Appraisal and Valuation Standards of The Royal Institution of Chartered Surveyors. In accordance with FRS15, an interim valuation will be carried out in 2007.

These revaluations have been incorporated into the financial statements and the resulting revaluation adjustments have been taken to the revaluation reserve or profit and loss account as appropriate in accordance with FRS15. The revaluations during the 52 weeks to 1 May 2004 resulted in a charge to the profit and loss account of £810,000 and a revaluation surplus of £199,000.

Following a review by the Directors of the value in use of certain IT software developments and plant & machinery, the carrying value of these assets has been reduced. This review has resulted in impairment charges of £2,747,000 and £69,000 respectively. Together with the land and building revaluation, a total exceptional impairment charge of £3,626,000 has been made during the year.

No interest was capitalised into fixed assets in the period ended 1 May 2004 (2003: £Nil). The total amount of finance costs included in the cost of fixed assets is £134,000 (2003: £134,000).

NOTES TO THE FINANCIAL STATEMENTS
at 1 May 2004

7. TANGIBLE FIXED ASSETS (CONTINUED)

The Company received a grant in prior years 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 (2003: £641,000).

	2004 £'000	2003 £'000
The net book amount of land and buildings comprises:		
Revalued properties:		
Freehold	21,068	19,350
Long leasehold	150	340
	<u>21,218</u>	<u>19,690</u>
Additions since the last revaluation:		
Freehold	-	1,011
Site improvements	-	1,371
	<u>21,218</u>	<u>22,072</u>

The historical cost of freehold and leasehold land and buildings is as follows:

	2004 £'000	2003 £'000
At cost	<u>17,862</u>	<u>17,793</u>
Cumulative depreciation based on cost	<u>2,331</u>	<u>1,799</u>

Included in land and buildings is land with a value of £14,651,000 (2003: £16,145,000) which is not subject to depreciation.

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

	2004 £'000	2003 £'000
Net book amount: Plant, machinery and motor vehicles	<u>-</u>	<u>4</u>

8. STOCK

	2004 £'000	2003 £'000
Vehicles or components for resale	<u>2,100</u>	<u>2,121</u>

During the year the basis for apportioning attributable overheads into stock was revised. The impact to the profit and loss account as a result of this is a charge of £514,000.

NOTES TO THE FINANCIAL STATEMENTS
at 1 May 2004

9. DEBTORS

	2004 £'000	2003 £'000
Amounts falling due within one year:		
Trade debtors	2,315	1,712
Corporation tax	300	-
Prepayments and other debtors	901	1,114
	<u>3,516</u>	<u>2,826</u>

10. CREDITORS: amounts falling due within one year

	2004 £'000	2003 £'000
Trade creditors	3,018	2,268
Corporation tax	-	476
Other taxes and social security costs	692	930
Net obligations under finance lease and hire purchase contracts (note 12)	-	9
Accruals and deferred income	2,421	1,518
Proposed final dividend	-	362
	<u>6,131</u>	<u>5,563</u>

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

	2004 £'000	2003 £'000
Committed overdraft	3,350	1,444
Bank loans	7,000	5,250
Amounts due to parent undertaking	2,374	2,196
	<u>12,724</u>	<u>8,890</u>

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

The bank loan comprises a revolving facility of £12,000,000 of which £7,000,000 was drawn-down at 1 May 2004 (2003: £5,250,000). It bears interest at 1.25% 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 plc'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. All of this facility was utilised on 1 May 2004 (2003: £1,444,000).

NOTES TO THE FINANCIAL STATEMENTS

at 1 May 2004

11. CREDITORS: amounts falling due after more than one year (CONTINUED)

The Company's borrowings were renegotiated in July 2004. The revised terms are as follows:

- a bank loan comprising a ten-year facility of £8,000,000, bearing interest at 1.25% over London Inter Bank Offered Rate (LIBOR);
- an overdraft comprising a £3,000,000 15-month facility which bears interest at 1.25% over The Royal Bank of Scotland plc's base rate; and
- a bridging loan of £4,000,000 for the period up to and including 30 June 2005 which bears interest at 1.25% over The Royal Bank of Scotland plc's base rate.

The bank loan included in these new facilities reduces by £83,333 per month commencing June 2006, with a final reduction in June 2014.

The maturity of the overdraft and bank loans are as follows:

	2004 £'000	2003 £'000
Within one year	-	-
Between one and two years	3,350	-
Between two and five years	2,000	2,694
Over five years	5,000	4,000
	<u>10,350</u>	<u>6,694</u>

12. OBLIGATIONS UNDER FINANCE LEASE AND HIRE PURCHASE CONTRACTS

The maturity of this amount is as follows:

	2004 £'000	2003 £'000
Within one year	-	9

13. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Restructuring</i> £'000	<i>Deferred taxation</i> £'000	<i>Total</i> £'000
At 3 May 2003	-	1,044	1,044
Charged/(credited) in the period	596	(1,044)	(448)
Utilised in the period	(217)	-	(217)
At 1 May 2004	<u>379</u>	<u>-</u>	<u>379</u>

NOTES TO THE FINANCIAL STATEMENTS

at 1 May 2004

13. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

The £379,000 restructuring provision in 2004 arises in respect of a reorganisation commenced by the Company during the year. This reorganisation involves the closure of two branches and the provision is required to cover the operating losses up to the date of closure together with associated staff redundancy costs. The provision is expected to be fully utilised during the first half of 2004/2005.

The deferred tax liability/(asset) recognised in the financial statements is as follows:

	Amount recognised		Amount unrecognised	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Tax effect of timing differences:				
Accelerated capital allowances	-	1,081	(354)	-
Other timing differences	-	(37)	(48)	-
Unrelieved tax losses carried forward to future periods	-	-	(591)	-
Liability/(asset)	-	1,044	(993)	-

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 £1,247,000 (2003: £1,560,000) on the unindexed gain. At present it is not envisaged that any tax will become payable in the foreseeable future.

14. SHARE CAPITAL

	2004 £'000	2003 £'000
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

NOTES TO THE FINANCIAL STATEMENTS

at 1 May 2004

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

	<i>Share capital</i>	<i>Revaluation reserve £'000</i>	<i>Profit and loss account £'000</i>	<i>2004 Total £'000</i>	<i>2003 Total £'000</i>
At 3 May 2003	25	4,791	16,321	21,137	21,633
Transfer of an amount equivalent to additional depreciation on revalued assets	—	(49)	49	—	—
Revaluation of properties	—	199	—	199	—
(Loss)/profit after tax	—	—	(8,310)	(8,310)	161
Dividend	—	—	(336)	(336)	(687)
At 1 May 2004	25	4,941	7,724	12,690	21,137

16. CAPITAL COMMITMENTS

	<i>2004 £'000</i>	<i>2003 £'000</i>
Contracted not provided	224	435

17. OTHER FINANCIAL COMMITMENTS

At 1 May 2004 the Company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>		<i>Other</i>	
	<i>2004 £'000</i>	<i>2003 £'000</i>	<i>2004 £'000</i>	<i>2003 £'000</i>
Operating leases which expire:				
Within one year	127	133	70	—
Between two and five years	—	—	46	181
Over five years	88	88	—	—
	215	221	116	181

18. TRANSACTIONS WITH DIRECTORS AND THEIR CONNECTED PARTIES

During the 52 weeks to 1 May 2004 the Company sold cars from stock to two Directors, M C Hynes for a value of £35,000 (net book amount £24,000) and P J Goodright for a value of £33,000 (net book amount £34,000). The vehicles were sold at their market value and no amount was owed or owing at the year end.

NOTES TO THE FINANCIAL STATEMENTS

at 1 May 2004

19. POST BALANCE SHEET EVENTS

In May 2004, the Company secured outline planning permission for the residential development of its nine acres site at Redbourn, Hertfordshire. The grant of outline planning permission is for a maximum of 2.8 acres. This significantly enhances the potential disposal value of the site and provides the Company with the option of realising the asset. To that end, the Company has entered into discussions with third party developers for the sale of the site.

20. 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).