

Userve Limited

Report and Financial Statements

28 April 2007

Company Number 929621

SATURDAY



AGNMTWVJ

A21

02/02/2008

249

COMPANIES HOUSE

Userve Limited

Company Number 929621

DIRECTORS

A F Somerville
A Palmer-Baunack

SECRETARY

A F Somerville (appointed 1 February 2007)
A E Lister (resigned 31 January 2007)

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

Userve Limited

DIRECTORS REPORT

The Directors present their report and the Company's audited financial statements for the 52 weeks to 28 April 2007

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Company is domiciled in the United Kingdom and is incorporated in England and Wales

The Company is a leading service provider to the UK motor insurance and automotive industries, specialising in the disposal of accident-damaged, End-of-Life and low-value non-salvage vehicles. The Company owns eight sites across the UK and operates from seven, with the eighth let to a third party. The main income generating activity is the selling of accident-damaged vehicles through Internet and physical auctions. Vehicles are purchased outright from clients and sold on the Company's account, or the sale is transacted on a fee basis with the risk in the vehicle's re-sale price residing with the client. Vehicles that are not sold intact are de-polluted, crushed and sold as scrap metal.

BUSINESS ENVIRONMENT

The UK salvage marketplace is highly fragmented and comprises many small owner-managed businesses, very many of which were started some decades ago when obtaining planning permission to run a salvage site was relatively easy. The Company is part of a Group which is the largest salvage business operated under single management. Its competitors operate either as standalone businesses, or as members of two main consortia, namely National Salvage Group ('NSG') and Nationwide Auto Salvage Amalgamation ('NASA').

There are very few salvage companies operating from more than one site and consequently not many can realistically offer a national service without joining one of these organisations.

The core customer base is the UK motor insurance industry. This industry has consolidated significantly during the last twenty years and, with the emergence of the Internet, the predominant business model has moved from broker-based sales to direct-to-consumer sales. Following the period of consolidation, over 80% of the motor insurance market is now controlled by the top ten motor insurers. Contracts to provide salvage services are usually put out to tender relatively infrequently. Price appears to be the single most important element of the buying decision in the majority of cases. This is due to the highly price competitive nature of the motor insurance marketplace.

STRATEGY

The Company's focus in the last three years has been on implementing its Business Turnaround Plan. This plan was written and activated in the spring/summer of 2004 and it laid out the core strategic thrust of the Company over the ensuing three year period. On the back of this plan, the Company agreed new banking facilities with its bank, The Royal Bank of Scotland plc, in July 2004. The overriding requirement of the plan was, in the first instance, to reduce operating costs and debt levels largely through property disposals and in the second instance to re-invigorate organic growth within its core markets.

Cost and debt reduction has mainly been achieved through management changes, site consolidation and sale, with some cost reduction in bought-in goods and services also contributing to the lower operating cost base. The main focus in the last eighteen months has been on revenue growth and customer retention. This approach, which involves relationship building and proactive marketing initiatives, amongst other elements, has resulted in several new contract awards throughout 2006 and 2007.

FUTURE OUTLOOK

On 5th April 2007, the Company's parent company Universal Salvage plc ("Universal") announced that the boards of Copart, Inc ("Copart") and Universal had reached agreement on the terms of a recommended cash offer by Copart (UK) Limited, a wholly-owned subsidiary of Copart, to acquire the entire issued and to be issued share capital of Universal, via a Scheme of Arrangement under Section 425 of the Companies Act 1985, subject to both shareholder and Court approval. On 21st May 2007, the shareholders of Universal approved the recommended offer. On 14th June 2007, the Scheme of Arrangement became effective and on 15th June 2007, the listing of Universal's shares on the London Stock Exchange was cancelled.

Copart is a leading provider of salvage processing services in the United States. Its shares trade on the NASDAQ Market. Copart intends to continue the growth of Universal's business through the development of its existing operations and integration with Copart operations and systems where appropriate. The board of Copart believes that the acquisition of Universal will result in significant business advantages including access to greater working capital, a superior operating model, advanced technological resources and an experience multi-facility management team.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Company's strategy are subject to a number of risks.

The key business risks affecting the Company are set out below.

Integration

The Company will be diverting resources into projects arising as a result of the new ownership structure. Whilst expected to provide long-term benefits, there may be a short-term negative impact on the Company's activities.

Userve Limited

DIRECTORS REPORT

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Management

The Company has had many changes in its senior management structure over the last three years. This has resulted in disruption to the business and a lack of continuity. This disruption has been managed effectively, resulting in the successful turnaround of the business. It is likely that any changes to certain key senior managers in the near future would have a significant impact on the Company's ability to improve or maintain its financial performance. The Company recognises the importance of having a continuity plan in place to ensure that any disruption is kept to a minimum.

Key contracts

The Company has a relatively small number of large contracts with key clients. The loss of any one or more of these contracts is likely to have a significant detrimental impact on profitability.

Consolidation in salvage marketplace

Any material changes in the ownership structure of the salvage market could have a major impact on the Company's current market position.

Consolidation in UK motor insurance marketplace

Further consolidation in the UK motor insurance marketplace might put current salvage relationships and contracts at risk.

Changes in prices in the marketplace for second hand vehicles and scrap metal

The financial performance of the Company is dependent to a large extent on the prices it achieves at auction for vehicle sales, as well as the prices it achieves for the sale of scrap metal. A significant decrease in market prices in either of these is likely to result in a material reduction in profitability.

Acquisitions

The ability to identify and execute a successful acquisition strategy which is earnings accretive depends on the opportunities that exist in the relevant marketplace.

KEY PERFORMANCE INDICATORS ('KPIs')

The Company relies on many different KPIs at an operational level which are specific to the business and which are used by the management team to monitor performance on a daily, weekly and monthly basis.

At Board level, due to the recent difficult financial position of the Company, the key area of focus has been on the financial performance. The table below shows the main business KPIs used to measure the Company's progression in its Business Turnaround Plan.

KEY PERFORMANCE INDICATORS	2007	2006	DEFINITION, METHOD OF CALCULATION AND ANALYSIS
Increase/(decrease) in number of units disposed of (% change)	-3.6%	0.4%	Percentage change in total volumes disposed of. The decrease in 2007 over 2006 was a result of the full year impact of the loss of Yes Car Credit.
Increase/(decrease) in gross margin value (£m)	£2.7m	£0.7m	Year-on-year change in the total value of gross margin, driven by the increase in salvage volumes and strong scrap and auction pricing.
(Increase)/decrease in administration expenses (£m)	(£0.6m)	£1.2m	Year-on-year change in administrative expenses. The increase in costs in 2007 reflects the strong underlying financial performance resulting in higher bonus payments.
EBITDA (£m)	£4.5m	£2.5m	Earnings before exceptional items, interest, tax, depreciation and amortisation. The increase in EBITDA reflects the improved value generation following restructuring coupled with the impact of new insurance company clients.
Interest cover (times)	15.0	2.0	Operating profit before interest and exceptionals divided by the net interest charge before exceptionals. The change in this ratio is a result of both the improved underlying profit performance, coupled with a reduction in debt levels and the associated interest costs.

Userve Limited

DIRECTORS REPORT

KEY PERFORMANCE INDICATORS ('KPIs') (continued)

KEY PERFORMANCE INDICATORS	2007	2006	DEFINITION, METHOD OF CALCULATION AND ANALYSIS
Gearing (%)	7.0%	31.8%	Net debt divided by closing equity shareholders' funds, expressed as a percentage. The reduction is due mainly to the improved trading performance generating cash which has been used to pay down debt.
Return on shareholders' funds (%)	15.6%	3.1%	Pre-exceptional profit before tax divided by the average of the opening and closing shareholders' funds. The increase reflects better use of the Company's assets along with improved profitability.

RESULTS, REVIEW OF BUSINESS AND DIVIDENDS

The results for the period are set out in the income statement on page 8.

The Directors are not recommending the payment of a final dividend (2006: £nil). The total dividend for the year is therefore £nil (2006: £nil).

The retained profit of £0.7m (2006: £0.7m) has been transferred to reserves.

CHARITABLE CONTRIBUTIONS

The Company has paid £4,700 (2006: £1,300) in charitable contributions in the period. Of this, £4,300 was paid to a number of national charities, with the balance being paid to various local charities. There were no political contributions.

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 33 days (2006: 27 days).

DIRECTORS AND THEIR INTERESTS

The Directors of the Company are set out on page 2.

The interests of A Palmer-Baunack and A F Somerville who are directors of the ultimate parent company, Universal Salvage plc, are shown in the annual report and accounts of that company.

Userve Limited

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 and through a variety of share ownership schemes in respect of the ultimate parent company, Universal Salvage plc

The Company is an equal opportunities employer and is fully committed to a policy of treating all employees and job applicants equally and without discrimination The Company takes all reasonable steps to employ, train and promote employees on the basis of their experience, abilities and qualifications without regard to race, colour, ethnic origin, nationality, national origin, religion or belief, sex, sexual orientation, marital status, age or disability

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 that the financial statements comply with applicable accounting standards

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 the 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 The Directors 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

The Directors are also responsible for the maintenance and integrity of the Company's website However, information is accessible in many different countries where legislation may governing the preparation and dissemination of financial statements may differ from that applicable in the United Kingdom

AUDITORS

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware and the Directors have taken all the steps that ought to have been taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

PricewaterhouseCoopers LLP have expressed a willingness to continue in office as auditors of the Company

By Order of the Board



Andrew F Somerville
Company Secretary

19 July 2007

Userve Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF USERVE LIMITED

We have audited the financial statements of Userve Limited for the 52 weeks to 28 April 2007 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Change in Shareholders' Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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). 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 whether the financial statements have been 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 and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

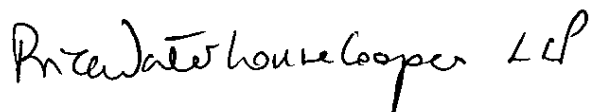
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Company's affairs as at 28 April 2007 and of its profit and cash flows for the 52 weeks 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.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

19 July 2007

Userve Limited

INCOME STATEMENT

For the 52 weeks to 28 April 2007

	Note	2007 Before exceptional items £m	2007 Exceptional items (Note 2 & 3) £m	2007 Total £m	2006 Before exceptional items £m	2006 Exceptional items (Note 2 & 3) £m	2006 Total £m
Revenue		70.7	-	70.7	56.4	-	56.4
Cost of sales		(57.2)	-	(57.2)	(45.6)	-	(45.6)
Gross profit		13.5	-	13.5	10.8	-	10.8
Administrative expenses		(10.6)	(1.3)	(11.9)	(10.0)	(0.2)	(10.2)
Operating profit		2.9	(1.3)	1.6	0.8	(0.2)	0.6
Interest receivable	3	0.1	-	0.1	-	-	-
Interest payable and similar charges	3	(0.3)	-	(0.3)	(0.4)	(0.1)	(0.5)
Profit before taxation	2	2.7	(1.3)	1.4	0.4	(0.3)	0.1
Taxation	4	(0.7)	-	(0.7)	0.7	(0.1)	0.6
Profit after taxation		2.0	(1.3)	0.7	1.1	(0.4)	0.7

The accompanying notes are an integral part of this income statement

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

STATEMENT OF RECOGNISED INCOME AND EXPENSE

	2007 £m	2006 £m
Profit after taxation for the period	0.7	0.7
Revaluation of freehold and leasehold land and buildings	9.8	-
Deferred tax on revaluation of freehold and leasehold land and buildings	(2.8)	-
Total recognised income since the last annual report	7.7	0.7

The accompanying notes are an integral part of this statement of recognised income and expense

Userve Limited

BALANCE SHEET

At 28 April 2007

	Note	2007 £m	2006 £m
ASSETS			
Non current assets			
Property, plant and equipment	8	31.3	21.2
Intangible assets	7	0.1	0.1
		31.4	21.3
Current assets			
Inventories	9	4.8	3.2
Trade and other receivables	10	3.7	2.8
Cash and cash equivalents	11	-	1.8
		8.5	7.8
LIABILITIES			
Current liabilities			
Financial liabilities	15	(0.3)	(0.1)
Trade and other payables	12	(9.4)	(6.0)
Current tax liabilities	14	(0.3)	(0.1)
Provisions	16	-	(0.1)
		(10.0)	(6.3)
Net current (liabilities)/assets		(1.5)	1.5
Total assets less current liabilities		29.9	22.8
Non current liabilities			
Financial liabilities	15	(1.2)	(5.9)
Trade and other payables	13	(2.7)	(2.5)
Deferred tax liabilities	17	(4.3)	(1.0)
Other non current liabilities		(0.2)	(0.2)
		(8.4)	(9.6)
Net assets		21.5	13.2
Shareholders' equity			
Ordinary shares	19	-	-
Other reserves	21	10.8	3.2
Revenue reserves	22	10.7	10.0
Total equity	22	21.5	13.2

The financial statements were approved by the Board on 19 July 2007 and signed on its behalf by

A Palmer-Baunack

Avril Palmer-Baunack

Director

The accompanying notes are an integral part of this balance sheet

Userve Limited

CASH FLOW STATEMENT

At 28 April 2007

	Note	2007 £m	2006 £m
Cash flows from operating activities			
Cash generated from operations	26	4 4	2 4
Interest received		0 1	-
Interest paid		(0 1)	(0 4)
Bank facility fees paid		-	(0 1)
Corporation tax paid		(0 1)	(0 4)
Net cash from operating activities		4 3	1 5
Cash flows from investing activities			
Purchase of property, plant and equipment		(1 9)	(0 7)
Receipt for potential sale of site		-	0 2
Proceeds from sale of property, plant and equipment		0 3	1 0
Net cash used in investing activities		(1 6)	0 5
Cash flows from financing activities			
Net proceeds from issue of new finance lease		1 2	0 0
Finance lease principal payments		(0 1)	-
Repayment of borrowings		(5 6)	(0 2)
Net cash used in financing activities		(4 5)	(0 2)
Net (decrease)/increase in cash and cash equivalents		(1 8)	1 8
Opening cash and cash equivalents		1 8	-
Closing cash and cash equivalents	11	-	1 8

The accompanying notes are an integral part of this cash flow statement

Userve Limited

NOTES TO THE FINANCIAL STATEMENTS

At 28 April 2007

1 Accounting policies

The accounting policies have, unless otherwise indicated, been applied consistently to all periods presented within the financial statements

Basis of preparation

These financial statements have been prepared in accordance with IFRS and International Financial Reporting Interpretations Committee ('IFRIC') interpretations as adopted by the European Union and with those parts of the Companies Act 1985 (the 'Act') applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain freehold and leasehold land and buildings. A summary of the more important accounting policies is set out below, together with an explanation of where changes have been made to the previous policies on adoption of new accounting standards in the year.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. It is the management's view that any adjustment to assets or liabilities arising due to the use of estimates and assumptions would not be material in the context of these financial statements.

The Company has adopted all accounting standards that require mandatory application for periods ending 28 April 2007 but has not early adopted any other accounting standards.

Basis of accounting

The accounting reference date is 30 April and this year the financial statements have been drawn up to 28 April 2007, being the nearest Saturday to 30 April 2007. Therefore, the financial statements cover the period 30 April 2006 to 28 April 2007.

Revenue Recognition

Revenue represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

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, the vehicle handling fee is also recognised as revenue when the hammer drops following the completion of the service of disposal on behalf of the client. In a small number of cases, the contract is not completed. To account for these cases, both revenue and cost of sales are reduced by an amount based on the average level of cancelled sales over the last three months of the accounting period.

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

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

Property, plant and equipment

Property, plant and equipment 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. Interim valuations will be carried out in intervening years only where there has been a material change in value. The freehold and leasehold land and buildings were revalued at 28 April 2007 on a fair value basis.

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.

Userve Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 28 April 2007

1 Accounting policies (continued)

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment, other than freehold land, at rates calculated to write-off the cost or valuation of each asset down to its estimated residual value 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

In arriving at estimates of residual values, the Company considers external market factors such as product demand and obsolescence, and internal factors such as expected time-frame over which each asset will be utilised and the intensity at which the assets are expected to be used. Where appropriate, the Company retains the services of independent valuation agents to assist in arriving at estimates of residual values. The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. Residual values are reviewed at least annually and more frequently should there be an indication that residual values have changed significantly since the last annual review.

Intangibles

The Company holds intangible assets in the form of externally purchased computer software and some internally developed software. These intangible assets are held at cost and amortised on a straight-line basis over their useful economic lives. The Company does not hold any intangible assets with indefinite useful lives and therefore does not carry out annual impairment reviews unless there are indications that an asset or group of assets may have become impaired.

Investments

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

Property leased to customers

Property leased to customers under operating leases is capitalised in accordance with the fixed asset policy above. Operating lease income is accounted for on a straight-line basis with any rental increases recognised during the period to which they relate. Operating lease income is shown as revenue in the income statement.

Grants

In accordance with IAS20 'Accounting for Government Grants and Disclosure of Government Assistance', grants and contributions relating to the development of operating land have been deducted from the cost of fixed assets.

Impairment of property, plant and equipment and intangible assets

The carrying value of property, plant and equipment and intangible assets are reviewed for impairment in periods where changes in circumstances indicate the carrying value may not be recoverable. Impairment is deemed to have occurred when the carrying value exceeds the higher of fair value less costs to sell and value in use. Where an asset or group of assets has become impaired, the impairment loss is charged through the income statement. The Company calculates value in use by taking the post-tax weighted average cost of capital, and applying this to the expected future cash flows from relevant income generating units to arrive at net present value.

Where impairment occurs on a revalued asset, the impairment loss is charged initially to the revaluation reserve to reduce the asset to its depreciated historical cost, with any excess being charged to the income statement.

Inventories

Inventories are stated at the lower of cost incurred in bringing each vehicle or component to its present location and its 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

Inventories are allocated for sale on a first-in, first-out basis. Provision is made for slow-moving items where appropriate.

Userve Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 28 April 2007

1 Accounting policies (continued)

Provisions

In accordance with IAS37 'Provisions, Contingent Liabilities and Contingent Assets', the Company recognises a provision when it has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation

Contingent liabilities and contingent assets are not recognised but are instead disclosed, if a flow of economic benefits is possible

Where necessary, the Company applies the use of discounting to long-term provisions, using an appropriate discount rate to arrive at the present value of future expected cash flows

Taxation

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using taxation rates that have been enacted or substantively enacted by the balance sheet date

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill, negative goodwill or from the acquisition of an asset, which do not affect either taxable or accounting income

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity

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 and depreciated over the shorter of their lease terms and their useful lives

The interest element of the rental obligations is charged to the income statement 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

Cash and cash equivalents

The Company holds small amounts of petty cash and, from time to time, short-term money market deposits which bear interest on maturity. These items are held at cost

Share-based payments

The Company has in place various Save As You Earn ("SAYE") and Executive share option schemes for shares granted in respect of its ultimate parent company, Universal Salvage plc. The Black-Scholes model is used to fair value each share option, which in turn is applied to the relevant number of options to arrive at a total cost. This cost is then charged to the income statement over the vesting period of the option. The variables used in this model and their sources are as follows (all relating to the ultimate parent company, Universal Salvage plc, and the Group results of which Userve Limited is a member)

Variable	Source
Share price at grant date	Historic closing middle market share price
Exercise price	Option scheme
Volatility	Historic closing middle market share price over period equal to vesting period of the option
Risk free rate	Yield on zero-coupon Government bonds with maturity equal to vesting period of the option
Dividend yield	Historic net dividend yield
Expected life	Historic time period between vesting and exercise
Proportion expected to vest	Historic data, plus estimates of future RPI and EPS

In respect of the Executive share option schemes, the Directors make assumptions on the likelihood of achieving the performance conditions by estimating the variables linked to those conditions. RPI is estimated using forecasts available from Government sources and EPS is estimated using available budgets and forecasts

Userve Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 28 April 2007

1 Accounting policies (continued)

Pensions

The Company operates defined contribution pension schemes for certain Directors and employees. Contributions are charged to the income statement as they become payable in accordance with the rules of the schemes. Differences between contributions payable in the year and contributions actually paid are shown in either accruals or prepayments in the balance sheet. The assets of the scheme are held separately from those of the Company in independently administered funds.

Financial instruments

The Company accounts for financial instruments in accordance with IAS32 'Financial Instruments: Disclosure and Presentation' and IAS39 'Financial Instruments: Recognition and Measurement'.

The Company recognises a debt instrument when it becomes party to the contractual provisions of the instrument and currently maintains a mixture of fixed and floating rate instruments to fund its operations. The interest rate structure of these debts is linked to the Bank of England base rate and London Inter Bank Offered Rate ("LIBOR"). No premiums or discounts are applicable on redemption.

The Company recognises a receivable when a contractual right to the cash flows exists. Derecognition of a receivable occurs when the contractual right to the cash flows ceases to exist, at which point the difference between the carrying amount and the consideration received is recognised as a profit or loss.

The Company recognises a financial liability when a contractual right to the cash flow exists. Derecognition of a financial liability occurs when the contractual right to the cash flow ceases to exist, at which point the difference between the carrying amount and the consideration paid is recognised as a profit or loss.

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 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.

Financial risk management

FINANCIAL RISK FACTORS

The Company's operations and debt financing expose it to a number of financial risks that include credit risk, liquidity and interest rates. Wherever possible, the Company seeks to limit the adverse effects caused by these risks on the financial performance of the Company.

(a) Interest rate risk

The Company has historically used an interest rate swap as a cash flow hedge of future interest payments, which had the effect of increasing the Company's proportion of fixed rate debt. This was deemed necessary to protect the Company against adverse interest rate movements. The interest rate swap was for a five year period, becoming due for settlement in November 2006. The swap was settled early, in April 2006, as this was more cost effective than leaving the swap to terminate at its expiry. It is currently not the Company's intention to take out any further interest rate swaps in the future.

(b) Credit risk

The Company has no significant concentrations of credit risk. Predominantly, cleared funds are required before vehicles disposed of at auction are permitted to be removed from site or delivered. There are exceptions, but in those instances appropriate credit checks are carried out on potential customers before vehicles are released.

(c) Liquidity risk

The Company maintains long-term committed facilities and short-term borrowings to ensure the Company has sufficient available funds for capital expenditure requirements and operations.

Userve Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 28 April 2007

1 Accounting policies (continued)

Financial risk management (continued)

Derivatives are initially accounted and measured at fair value on the date a derivative contract is entered into and subsequently measured at fair value. The gain or loss on re-measurement is taken to the income statement except where the derivative is a designated cash flow hedging instrument. The accounting treatment of derivatives classified as hedges depend on their designation, which occurs on the date that the derivative contract is committed to. The Company designates derivatives as a hedge of the income/cost of a highly probable forecasted transaction or commitment ('cash flow hedge').

In order to qualify for hedge accounting, the Company is required to document in advance the relationship between the item being hedged and the hedging instrument. The Company is also required to document and demonstrate an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an ongoing basis. This effectiveness testing is re-performed at each quarter end to ensure that the hedge remains highly effective.

Gains or losses on cash flow hedges that are regarded as highly effective are recognised in equity. Where the forecast transaction results in a financial asset or liability, only gains or losses previously recognised in equity are reclassified to profit or loss in the same period as the asset or liability affects profit or loss. Where the forecasted transaction or commitment results in a non-financial asset or a liability, any gains or losses previously deferred in equity are included in the cost of the related asset or liability. If the forecasted transaction or commitment results in future income or expenditure, gains or losses deferred in equity are transferred to the income statement in the same period as the underlying income or expenditure. The ineffective portions of the gain or loss on the hedging instrument are recognised in profit or loss.

For the portion of hedges deemed ineffective or transactions that do not qualify for hedge accounting under IAS39, any change in the fair value of assets or liabilities is recognised immediately in the income statement. Where a hedge no longer meets the effectiveness criteria, any gains or losses deferred in equity are only transferred to the income statement when the committed or forecasted transaction is recognised in the income statement. However, where the Company applied cash flow hedge accounting for a forecasted or committed transaction that is no longer expected to occur, then the cumulative gain or loss that has been recorded in equity is transferred to the income statement. When a hedging instrument expires or is sold, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

FAIR VALUE ESTIMATION

The fair value of short-term deposits, loans and overdrafts with a maturity of less than one year are assumed to approximate to their book values. In the case of bank loans and other loans due in more than one year, the fair values of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Company for similar financial instruments.

Userve Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 28 April 2007

2 Profit/(loss) before taxation

The following items have been included in arriving at the profit/(loss) before taxation

	Note	2007 £m	2006 £m
Staff costs		8.9	8.8
Cost of inventories recognised as an expense (included in cost of sales)		48.5	36.8
Repairs and maintenance expenditure on property, plant and equipment		1.3	1.2
Trade receivables impairment		(0.1)	-
Depreciation of owned property, plant and equipment		1.3	1.6
Depreciation of assets held under finance leases and hire purchase contracts		0.1	-
Amortisation of intangibles		0.1	0.1
Operating lease rentals		0.2	0.2
- land and buildings		-	-
- plant, machinery and motor vehicles		-	-
<i>Exceptional items</i>			
Third party costs relating to forthcoming acquisition		1.3	-
Staff costs of reorganising continuing operations		-	0.4
Third party costs of reorganising continuing operations		-	0.1
Profit on disposal of property, plant and equipment		-	(0.3)
Net exceptional costs		<u>1.3</u>	<u>0.2</u>
Rental receivable under operating leases		<u>0.3</u>	<u>0.2</u>

Services provided by the Company's auditors and network firms

During the period the Company obtained the following services from the Company's auditors as detailed below

	2007 £m	2006 £m
Audit services		
- statutory audit	0.1	0.1
Other advisory fees	0.1	-
	<u>0.2</u>	<u>0.1</u>

Other advisory fees consist of due diligence work carried out in relation to the forthcoming acquisition of the parent company, Universal Salvage plc, by Copart (UK) Ltd (see Note 27). These costs are included in the exceptional costs shown above.

3 Finance costs

	2007 £m	2006 £m
Interest receivable		
Bank deposits	0.1	-
Interest payable and similar charges		
Bank loans and overdrafts	0.1	0.4
Bank facility fees	0.2	0.1
	<u>0.3</u>	<u>0.5</u>

The bank facility fees comprise amortised facility fees and have been written off in full in 2007 as the Company's banking facilities were renegotiated during the year.

Userve Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 28 April 2007

4 Taxation

	Note	2007 £m	2006 £m
The taxation credit/(charge) based on the profit/(loss) before tax comprises			
Current period			
Current tax		(0.2)	(0.1)
Deferred tax	17	(0.5)	0.7
Total taxation		(0.7)	0.6

Tax on items charged to equity

Deferred tax on disposal of revalued properties	-	0.1
---	---	-----

The difference between the total taxation shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit/(loss) before taxation is as follows

	2007 £m	2006 £m
Profit before taxation	1.4	0.1
Taxation charge on profit at standard rate of corporation tax in the UK of 30% (2006 30%)	(0.4)	-
<i>Effects of</i>		
Expenses not deductible for tax purposes (primarily disallowed expenses and depreciation on non-tax qualifying assets)	(0.4)	-
Difference between taxable gain and profit on disposal of properties	(0.1)	(0.1)
Utilisation of losses carried forward from prior periods	-	0.6
Difference between share based payment charge and tax deduction on exercise of share options	0.2	-
Adjustment to tax charge in respect of previous periods	-	0.1
Total taxation credit/(charge)	(0.7)	0.6

The Company earns its profits solely in the UK. The tax rate used is the standard rate for UK corporation tax, currently 30%.

5 Staff and Directors

	2007 £m	2006 £m
Staff costs		
Wages and salaries	8.0	7.9
Social security costs	0.8	0.8
Other pension costs	0.1	0.1
	8.9	8.8

	2007 Number	2006 Number
The average weekly number of employees, shown on a full-time equivalent basis, during the period was as follows		
Site and transportation	151.0	160.7
Office and management	145.3	153.1
	296.3	313.8

Prior period employee numbers have been adjusted to ensure comparability between the current and prior periods as these are now shown on a full-time equivalent basis.

Userve Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 28 April 2007

5 Staff and Directors (continued)

Key management compensation	2007 £m	2006 £m
Salaries and short-term benefits	1.0	0.9
Termination benefits	-	0.1
Share-based payments in respect of the ultimate parent company, Universal Salvage plc	0.2	-
	1.2	1.0

The key management figures above include the Board of Directors

Directors' emoluments	2007 £000	2006 £000
<i>Emoluments</i>		
Fees and salaries	478	391
Benefits in kind	5	4
Bonus	375	124
	858	519
Pension contributions	29	26
	887	545

The Company made contributions during the period on behalf of none (2006: one) of the Directors to the Group Personal Pension Plan and on behalf of two (2006: one) of the Directors to a personal pension plan

The emoluments of the highest paid director were	2007 £000	2006 £000
Fees and salaries	184	155
Benefits in kind	2	2
Bonus	225	68
	411	225
Pension contributions	16	14
	427	239

No directors exercised share options during the period (2006: none)

6 Pension and other post-retirement benefits

The Company makes contributions towards a Group Personal Pension Plan that is open to all employees after a qualifying period of employment. In addition, the Company makes contributions on behalf of certain Directors to specifically identified pension funds. These funds are of the defined contribution type with assets held in separate trustee administered funds.

Pension costs for defined benefit contribution schemes are as follows:

	2007 £m	2006 £m
Defined contribution schemes	0.1	0.1

Userve Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 28 April 2007

7 Intangible assets

	Computer software £m	Total £m
Cost		
At 29 April 2006	5 0	5 0
Additions	0 1	0 1
Disposals	(0 4)	(0 4)
At 28 April 2007	4 7	4 7
Amortisation		
At 29 April 2006	4 9	4 9
Charge for the year	0 1	0 1
Disposals	(0 4)	(0 4)
At 28 April 2007	4 6	4 6
Net book amount		
At 28 April 2007	0 1	0 1

	Computer software £m	Total £m
Cost		
At 30 April 2005	5 0	5 0
At 29 April 2006	5 0	5 0
Amortisation		
At 30 April 2005	4 8	4 8
Charge for the year	0 1	0 1
At 29 April 2006	4 9	4 9
Net book amount		
At 29 April 2006	0 1	0 1

All amortisation costs in the year have been charged to administrative expenses. The useful life of computer software has been estimated at three years.

Userve Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 28 April 2007

8 Property, plant and equipment

	Land, buildings and site improvements £m	Plant, machinery and motor vehicles £m	Office and computer equipment £m	Assets in course of construction £m	Total £m
Cost or valuation					
At 29 April 2006	19 0	9 7	1 9	0 1	30 7
Additions	0 1	1 4	0 1	0 2	1 8
Revaluation	8 4	-	-	-	8 4
Disposals	-	(0 3)	(0 3)	-	(0 6)
Reclassification on completion of assets	-	0 1	-	(0 1)	-
At 28 April 2007	27 5	10 9	1 7	0 2	40 3
Depreciation					
At 29 April 2006	0 9	6 9	1 7	-	9 5
Provided during the period	0 4	0 8	0 2	-	1 4
Revaluation	(1 3)	-	-	-	(1 3)
Disposals	-	(0 3)	(0 3)	-	(0 6)
At 28 April 2007	-	7 4	1 6	-	9 0
Net book amount					
At 28 April 2007	27 5	3 5	0 1	0 2	31 3
	Land, buildings and site improvements £m	Plant, machinery and motor vehicles £m	Office and computer equipment £m	Assets in course of construction £m	Total £m
Cost or valuation					
At 30 April 2005	19 6	9 3	1 9	-	30 8
Additions	0 1	0 6	0 1	0 1	0 9
Disposals	(0 7)	(0 2)	(0 1)	-	(1 0)
At 29 April 2006	19 0	9 7	1 9	0 1	30 7
Depreciation					
At 30 April 2005	0 4	6 0	1 7	-	8 1
Provided during the period	0 5	1 0	0 1	-	1 6
Disposals	-	(0 1)	(0 1)	-	(0 2)
At 29 April 2006	0 9	6 9	1 7	-	9 5
Net book amount					
At 29 April 2006	18 1	2 8	0 2	0 1	21 2

Userve Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 28 April 2007

8 Property, plant and equipment (continued)

Each of the Company's freehold and leasehold sites form an element of the security held by The Royal Bank of Scotland plc as part of the Company's financing arrangements

Assets held under finance leases have the following net book amount	2007	2006
	£m	£m
Cost	1.6	0.5
Aggregate depreciation	(0.1)	(0.2)
Net book amount	1.5	0.3

Included in assets held under finance leases are a number of car transporters and the main office building at our Westbury site. At the period end, the net book amount of the transporters was £1.5m (2006: £0.3m), and the net book amount of the building was £nil (2006: £nil).

No interest was capitalised into property, plant and equipment in the 52 weeks to 28 April 2007 (2006: £nil). The total amount of finance costs included in the cost of property, plant and equipment is £0.1m (2006: £0.1m).

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 £0.6m (2006: £0.6m).

The net book amount of land and buildings comprises	2007	2006
	£m	£m
Revalued properties		
Freehold	27.4	17.9
Long leasehold	0.1	0.1
	27.5	18.0
Additions since the last revaluation		
Freehold	-	-
Site improvements	-	0.1
	27.5	18.1

The historical cost of freehold and leasehold land and buildings is as follows	2007	2006
	£m	£m
Cost	16.2	16.0
Cumulative depreciation based on cost	3.5	3.1

Included in land and buildings is land with a value of £21.1m (2006: £13.8m) which is not subject to depreciation.

The freehold and leasehold land and buildings were valued by Cushman & Wakefield, a firm of independent Chartered Surveyors, at 28 April 2007 based on a fair value basis. In the main, the values were based on active market prices.

Userve Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 28 April 2007

9 Inventories

	2007 £m	2006 £m
Vehicles or components for resale	4.8	3.2

Inventories of £4.8m (2006: £3.2m) are carried at the lower of net realisable value (being fair value less costs to sell) and purchase cost. The Company consumed £48.5m (2006: £36.8m) of inventories during this period. During the period the Company charged £nil (2006: £nil) to cost of sales in relation to inventory write-downs.

10 Trade and other receivables

	2007 £m	2006 £m
Amounts falling due within one year		
Trade receivables	2.9	2.2
Less provision for impairment of receivables	-	(0.1)
Trade receivables - net	2.9	2.1
Prepayments and accrued income	0.8	0.7
	3.7	2.8

The £0.1m provision for impairment of receivables recognised in prior periods has been credited to the income statement in the current period. No receivables were impaired during the period (2006: £nil).

Concentrations of credit risk with respect to trade receivables are limited due to the Company's auction customer base being large and unrelated. Due to this, management believe there is no further credit risk provision required in excess of normal provision for impairment of receivables.

11 Cash and cash equivalents

	2007 £m	2006 £m
Bank current accounts	-	1.8

12 Trade and other payables - current

	2007 £m	2006 £m
Trade payables	4.3	2.2
Other taxes and social security costs	1.0	1.1
Accruals	4.1	2.7
	9.4	6.0

13 Trade and other payables - non current

	2007 £m	2006 £m
Amounts owed to fellow group companies	2.7	2.5

14 Current tax liabilities

	2007 £m	2006 £m
Corporation tax liabilities	0.3	0.1

Userve Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 28 April 2007

15 Financial liabilities - borrowings

	2007 £m	2006 £m
Current		
Net obligations under finance lease and hire purchase contracts	0.3	0.1
Non current		
Bank loans	-	5.6
Net obligations under finance lease and hire purchase contracts	1.2	0.3
	1.2	5.9

The Company's banking facilities were renegotiated during the period. The overdraft and bank loans are secured by a fixed charge over all of the Company's freehold and leasehold sites.

Details of the revised facilities are as follows:

- A five year committed revolving credit facility of £5.0m of which £nil was drawn-down at 28 April 2007. It bears interest at 0.75% over LIBOR.
- A revolving multi option facility of £4.0m of which £nil was drawn-down at 28 April 2007. The facility can be used either for contingent obligations (1.0% per annum charge), overdraft (bearing interest at 1.0% above The Royal Bank of Scotland plc's base rate) or short term LIBOR linked loan (bearing interest at 0.75% above LIBOR).
- A 364 day committed revolving credit facility of £3.0m of which £nil was drawn-down at 28 April 2007. It bears interest at 0.75% above LIBOR.
- A lease purchase asset finance facility of £3.0m of which £nil was drawn-down at 28 April 2007. It bears interest at 0.75% above The Royal Bank of Scotland plc's base rate.

The effective interest rates at the balance sheet date were as follows:

	2007		2006	
	Fixed	Floating	Fixed	Floating
Bank overdraft	-	6.3%	-	5.8%
Bank borrowings	-	6.0%	-	5.9%
Finance lease	7.0%	-	8.8%	-

16 Provisions

	Restructuring £m
At 29 April 2006	0.1
Charged/(credited) in the period	0.1
Utilised in the period	(0.2)
At 28 April 2007	-

17 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 30% (2006: 30%).

The movement on the deferred tax account is as shown below:

	2007 £m	2006 £m
At 29 April 2006	1.0	1.7
Disposal of revalued properties	-	(0.1)
Income statement charge/(credit)	0.5	(0.6)
Revaluation of land and buildings	2.8	0.0
At 28 April 2007	4.3	1.0

In 2006 a deferred tax asset of £0.6m was recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets because it is probable that these assets will be recovered in the foreseeable future.

Userve Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 28 April 2007

17 Deferred tax (continued)

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS12) during the period are shown below

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net

Deferred tax liabilities	Total £m
At 29 April 2006	16
Charged to income statement	03
Revaluation of land and buildings	28
At 28 April 2007	47

Deferred tax assets	Tax losses £m	Other £m	Total £m
At 29 April 2006	04	02	06
(Charged)/credited to income statement	(04)	02	(02)
At 28 April 2007	-	04	04

Net deferred tax liability	
At 28 April 2007	43
At 29 April 2006	10

All of the deferred tax assets were available for offset against deferred tax liabilities and hence the net deferred tax provision at 28 April 2007 was £4.3m (2006 £1.0m)

The deferred tax liability due after more than one year is £4.3m (2006 £1.0m)

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

	Amount Recognised 2007 £m	2006 £m	Amount Unrecognised 2007 £m	2006 £m
Tax effect of timing differences	-	0.2	-	-
Accelerated capital allowances	-	0.2	-	-
Asset revaluations	(4.3)	(1.3)	-	-
Capital gains	(0.3)	(0.3)	-	-
Share based payments	0.3	-	-	-
Unrelieved tax losses carried forward to future periods	-	0.4	-	-
(Liability)/asset	(4.3)	(1.0)	-	-

Based on current capital investment plans, the Company expects that in future years capital allowances will be lower than depreciation

Full provision has been made for deferred tax on gains recognised on revaluing property to its market value and on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable if the property were sold without it being possible to claim rollover relief.

Following the Budget announcement on 21 March 2007, Industrial Building Allowances ("IBAs") are to be phased out over 4 years, starting in 2008. This will have an impact on the deferred tax balance included within these financial statements, although it is considered to be a non-adjusting post balance sheet event. We estimate that the deferred tax liability will increase by £0.9m due to these changes in legislation.

Userve Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 28 April 2007

18 Financial instruments

Numerical financial instruments disclosures are set out below. Additional disclosures are set out in the accounting policies relating to risk management.

In accordance with IAS39 'Financial Instruments: Recognition and Measurement', the Company has reviewed all contracts for embedded derivatives that are required to be accounted for separately if they do not meet certain requirements as set out in the standard.

The Company does not currently have any interest rate swaps.

Fair value of non-current borrowings

The Company held the following categories of financial instruments as at 28 April 2007:

	Note	2007 Book value £m	2006 £m	2007 Fair value £m	2006 £m
Long-term borrowings	15	1.2	5.9	1.3	6.2

Fair value of other financial assets and liabilities

Financial instruments held to fund the Company's operations

Short-term borrowings	15	0.3	0.1	0.3	0.1
Trade and other payables	12	9.4	6.0	9.4	6.0
Trade and other receivables	10	3.7	2.8	3.7	2.8
Cash and cash equivalents	11	-	1.8	-	1.8

The fair value of the long-term borrowings are based on cash flows discounted using a rate based on borrowings of 7.0% (2006: 5.9%). All interest on borrowings is tax deductible.

Maturity of financial liabilities

The maturity profile of the Company's financial liabilities at 28 April 2007 was as follows:

	Debt £m	Finance leases £m	2007 Total £m	Debt £m	Finance leases £m	2006 Total £m
Within one year	-	0.2	0.2	-	0.1	0.1
Between one and two years	-	0.2	0.2	1.9	0.1	2.0
Between two and five years	-	0.7	0.7	3.0	0.1	3.1
Over five years	-	0.3	0.3	0.7	0.1	0.8
	-	1.4	1.4	5.6	0.4	6.0

Borrowing facilities

The Company had the following undrawn borrowing facilities available at 28 April 2007 in respect of which all conditions precedent relating to bank covenants had been met at that date:

	Floating £m	Fixed £m	2007 Total £m	2006 Total £m
Expiring within one year	10.0	-	10.0	-
Expiring between one and two years	-	-	-	3.0
Expiring in more than two years	5.0	-	5.0	-
	15.0	-	15.0	3.0

The minimum lease payments under finance leases fall due as follows:

	2007 £m	2006 £m
No later than one year	0.3	0.1
Between one and five years	1.3	0.2
More than five years	0.2	0.2
	1.8	0.5
Future finance charges on finance leases	(0.3)	(0.1)
Present value of finance lease liabilities	1.5	0.4

Userve Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 28 April 2007

18 Financial instruments (continued)

The present value of finance lease liabilities falls due as follows

	2007 £m	2006 £m
No later than one year	0.3	0.1
Between one and five years	1.1	0.2
More than five years	0.1	0.2
	1.5	0.5

19 Share capital

	2007 £'000	2006 £'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

Disclosure on the face of the balance sheet is in £millions rounded to one decimal place, therefore the above figures for allotted, called up and fully paid share capital are shown on the face of the balance sheet as £nil

20 Share-based payments

The weighted average share price during the period for options exercised over the year was 66.5 pence (2006: 78.0 pence). The total charge for the year relating to employee share-based payment plans was £0.2m (2006: £0.1m), all of which related to equity settled share-based payment transactions. After deferred tax, the total charge was £0.1m (2006: £0.1m). All share-based payments relate to shares granted in the ultimate parent company, Universal Salvage plc.

Options were valued using the Black-Scholes option pricing model. No performance conditions were included in the fair value calculations. All options are equity settled. The fair value per option granted and the assumptions used in the calculation are as follows:

	SAYE scheme 13		SAYE scheme 14	
	2007	2006	2007	2006
Grant date	20.12.02	20.12.02	01.01.05	01.01.05
Share price at grant date (pence)	135.0	135.0	74.5	74.5
Exercise price (pence)	78.0	78.0	60.0	60.0
Number of employees	9	13	84	95
Shares under option	53,230	85,320	391,029	476,108
Vesting period (years)	5	5	3	3
Expected volatility	45%	45%	45%	45%
Option life (years)	5.5	5.5	3.5	3.5
Expected life (years)	5.25	5.25	3.25	3.25
Risk free rate	4.29%	4.29%	4.38%	4.38%
Expected dividends expressed as dividend yield	3.70%	3.70%	0.00%	0%
Possibility of ceasing employment before vesting	15%	30%	20%	20%
Fair value per option (pence)	63.3	63.3	33	33.0

	SAYE scheme 15		1995 Unapproved scheme	
	2007	2006	2007	2006
Grant date	01.01.05	01.01.05	10.12.02	10.12.02
Share price at grant date (pence)	74.5	74.5	137.5	137.5
Exercise price (pence)	60.0	60.0	127.0	127.0
Number of employees	11	12	1	1
Shares under option	68,408	79,424	20,000	20,000
Vesting period (years)	5	5	3	3
Expected volatility	45%	45%	45%	45%
Option life (years)	5.5	5.5	3 to 7	3 to 7
Expected life (years)	5.25	5.25	5	5
Risk free rate	4.42%	4.42%	4.36%	4.36%
Expected dividends expressed as dividend yield	0.00%	0%	3.80%	3.80%
Possibility of ceasing employment before vesting	30%	30%	0%	0%
Fair value per option (pence)	39.5	39.5	47.6	47.6

Userve Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 28 April 2007

20 Share-based payments (continued)

	1995 Unapproved scheme		2000 Approved scheme		1995 Unapproved scheme	
	2007	2006	2007	2006	2007	2006
Grant date	09 04 03	09 04 03	-	09 04 03	29 07 04	29 07 04
Share price at grant date (pence)	101 0	101 0	-	101 0	61 0	61 0
Exercise price (pence)	101 0	101 0	-	101 0	61 0	61 0
Number of employees	1	1	-	1	1	1
Shares under option	20,298	20,298	-	29,702	50,000	50,000
Vesting period (years)	3	3	-	3	3	3
Expected volatility	45%	45%	-	45%	45%	45%
Option life (years)	3 to 7	3 to 7	-	3 to 10	3 to 7	3 to 7
Expected life (years)	5	5	-	6 5	5	5
Risk free rate	4 14%	4 14%	-	4 30%	5 17%	5 17%
Expected dividends expressed as dividend yield	5%	5%	-	5%	2%	2%
Possibility of ceasing employment before vesting	0%	0%	-	0%	0%	0%
Fair value per option (pence)	29 3	29 3	-	30 7	24	24 0

	2004 New Approved scheme		2004 New Unapproved scheme		2006 Share Awards	
	2007	2006	2007	2006	2007	2006
Grant date	22 07 05	22 07 05	22 07 05	22 07 05	06 12 06	-
Share price at grant date (pence)	100 5	100 5	100 5	100 5	147 5	-
Exercise price (pence)	94 0	94 0	94 0	94 0	0 0	-
Number of employees	3	4	2	4	2	-
Shares under option	61,914	71,914	268,086	268,086	250,000	-
Vesting period (years)	3	3	3	3	3	-
Expected volatility	45%	45%	45%	45%	40%	-
Option life (years)	3 to 10	3 to 10	3 to 10	3 to 10	3	-
Expected life (years)	6 5	6 5	6 5	6 5	3	-
Risk free rate	4 17%	4 17%	4 17%	4 17%	4 66%	-
Expected dividends expressed as dividend yield	0%	0%	0%	0%	0%	-
Possibility of ceasing employment before vesting	0%	0%	0%	0%	0%	-
Fair value per option (pence)	53 2	53 2	53 2	53 2	147 5	-

Expected volatility has been estimated at each grant date using prior period share price data. The expected life of each batch of options is based on an exercise date that falls on the median of the available exercise window. The risk free rate has been extracted from the Bank of England website using the yield from British Government Securities (nominal zero coupon) for a period matching the life of the relevant options.

A reconciliation of option movements over the period to 28 April 2007 is given below:

	2007 Weighted average		2006 Weighted average	
	Number	exercise price	Number	exercise price
	('000)	(pence)	('000)	(pence)
Outstanding at 29 April 2006	1,250	101 3	1,539	106 0
Granted	250	0 0	340	94 0
Forfeited	(148)	112 6	(445)	121 7
Exercised	(49)	66 5	(184)	78 0
Outstanding at 28 April 2007	1,303	81 9	1,250	101 3
Exercisable at 28 April 2007	-	35 5	-	n/a

Userve Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 28 April 2007

20 Share-based payments (continued)

2007				
Range of exercise prices (pence)	Weighted average exercise price (pence)	Number of shares	Weighted average remaining life (years)	
			Expected	Contractual
0 0 to 59 9	-	250,000	2.3	2.3
60 0 to 100 0	73.7	892,667	4.3	4.3
100 1 to 200 0	113.9	40,298	3.8	3.8
200 1 to 300 0	234.7	73,284	-	2.2
300 1 to 400 0	326.4	19,926	-	1.7
400 1 to 500 0	479.5	26,329	-	1.3

2006				
Range of exercise prices (pence)	Weighted average exercise price (pence)	Number of shares	Weighted average remaining life (years)	
			Expected	Contractual
60 0 to 100 0	72.8	1,030,852	5.0	5.0
100 1 to 200 0	108.4	70,000	4.8	6.2
200 1 to 300 0	238.2	100,557	-	3.4
300 1 to 400 0	333.1	22,706	0.4	2.5
400 1 to 500 0	479.5	26,329	-	2.3

21 Other reserves

	Capital contribution reserve £m	Revaluation reserve £m	Hedging reserve £m	Total £m
At 30 April 2005	0.1	3.2	(0.1)	3.2
Share options in respect of ultimate parent company				
- value of employee services	0.1	-	-	0.1
Cash flow hedges				
- fair values gained in period	-	-	0.1	0.1
Realised revaluation on sale of properties	-	(0.2)	-	(0.2)
Transfer of amount equivalent to additional depreciation on revalued assets	-	(0.1)	-	(0.1)
Deferred tax on revalued land and buildings	-	0.1	-	0.1
At 29 April 2006	0.2	3.0	-	3.2
Share options in respect of ultimate parent company				
- value of employee services	0.2	-	-	0.2
- value of warrant issued to RBS	0.4	-	-	0.4
Revaluation of properties	-	9.8	-	9.8
Deferred tax on revalued land and buildings	-	(2.8)	-	(2.8)
At 28 April 2007	0.8	10.0	-	10.8

Other reserves are not distributable to equity shareholders, and consist of the following

- Capital contribution reserve, representing the fair value of share options issued to certain employees of the Company plus the fair value of the warrant issued to The Royal Bank of Scotland plc in July 2004
- Revaluation reserve, consisting of the excess of fair value over depreciated historic cost on the Company's freehold and leasehold land and buildings

Userve Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 28 April 2007

22 Statement of changes in shareholders' equity

	Share capital £m	Other reserves £m	Revenue reserves £m	Shareholders' funds £m
At 30 April 2005	-	3.2	9.0	12.2
Share options in respect of ultimate parent company				
- value of employee services	-	0.1	-	0.1
Realised revaluation on sale of properties	-	(0.2)	0.2	-
Transfer of amount equivalent to additional depreciation on revalued assets	-	(0.1)	0.1	-
Deferred tax on revalued land and buildings	-	0.1	-	0.1
Profit after taxation	-	-	0.7	0.7
Cash flow hedges				
- fair value gains in period	-	0.1	-	0.1
At 29 April 2006	-	3.2	10.0	13.2
	Share capital £m	Other reserves £m	Revenue reserves £m	Shareholders' funds £m
At 29 April 2006	-	3.2	10.0	13.2
Share options in respect of ultimate parent company				
- value of employee services	-	0.2	-	0.2
- value of warrant issued to The Royal Bank of Scotland plc	-	0.4	-	0.4
Revaluation of properties	-	9.8	-	9.8
Deferred tax on revalued land and buildings	-	(2.8)	-	(2.8)
Profit after taxation	-	-	0.7	0.7
At 28 April 2007	-	10.8	10.7	21.5

23 Capital commitments

	2007 £m	2006 £m
Contracted not provided	-	0.3

24 Other financial commitments

At 28 April 2007, the Company had total commitments under non-cancellable operating leases as set out below

	Land and buildings		Other	
	2007 £m	2006 £m	2007 £m	2006 £m
Operating leases which expire				
Not later than one year	-	-	-	-
Later than one year, not later than five years	0.1	0.2	-	-
Later than five years	5.6	5.6	-	-
	5.7	5.8	-	-

Userve Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 28 April 2007

25 Related party transactions

The following transactions between the Company, its parent company Universal Salvage plc, and Cornville Limited, an associated company, occurred during the period

- The Company incurred staff and other administrative expenses which were recharged to Universal Salvage plc, amounting to £1.1m
- The Company incurred a recharge for management services from Universal Salvage plc of £1.2m
- The Company paid Universal Salvage plc's corporation tax liability of £0.1m relating to the 52 weeks to 29 April 2006

At the year-end, the Company's records showed inter-company creditors of £2.2m owed to Universal Salvage plc and £0.5m owed to Cornville Limited

26 Reconciliation of operating profit to cash generated from operations

	2007 £m	2006 £m
Operating profit	1.6	0.6
Depreciation of property, plant and equipment	1.4	1.6
Amortisation of intangibles	0.1	0.1
Profit on disposal of property, plant and equipment	-	(0.3)
Changes in working capital		
Increase in inventories	(1.6)	(0.4)
(Increase)/decrease in receivables due within one year	(0.9)	0.7
Increase in payables due within one year	3.8	0.1
Cash generated from operations	4.4	2.4

27 Post balance sheet events

- On 15 June 2007 Copart (UK) Ltd, a subsidiary of Copart Inc, a NASDAQ listed company based in the United States of America, acquired 100% of the issued and to be issued share capital of Userve Ltd's parent company, Universal Salvage plc. Copart Inc, founded in 1982 and based in California, is a leading provider of vehicle salvage processing services to the insurance industry operating from 124 sites across the USA and Canada

The acquisition, effected by way of a Scheme of Arrangement under Section 425 of the Companies Act 1985, was approved by Universal Salvage plc's shareholders on Monday 21 May 2007, with the Scheme of Arrangement becoming effective on Thursday 14 June 2007

- On 20 July 2007 the Company disposed of its site in Corby, Northamptonshire for a gross consideration of £5.0m

28 Ultimate parent undertaking

The ultimate parent undertaking at the balance sheet date was Universal Salvage plc, a company registered in England and Wales, which was also the parent undertaking of the largest and smallest group of undertakings for which the 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 2). Refer to Note 27 above for the current ultimate parent undertaking