Servosteel Limited

Report and Abbreviated Financial Statements

Year Ended

31 March 2001



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BDO

BDO Stoy Hayward
Chartered Accountants

Servosteel Limited

Annual report and financial statements for the year ended 31 March 2001

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Directors

D L Fabb
P J Bailey

Secretary and registered office

P J Bailey, Old Wharf Road, Stourbridge, West Midlands, DY8 4LS

Company number

1654321

Auditors

BDO Stoy Hayward, Tameway Tower, PO Box 30
Bridge Street, Walsall
West Midlands, WS1 1QX

Bankers: National Westminster Bank Plc
141 High Street
Stourbridge
West Midlands
DY8 1BF

Solicitors: Wall, James & Davies
15-23 Hagley Road
Stourbridge
West Midlands
DY8 1QW

Report of the directors for the year ended 31 March 2001

The directors present their report and financial statements of the company for the year ended 31 March 2001.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

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

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

Principal activities

The principal activity of the company during the year was that of the sale and processing of steel.

Review of the business

The company has performed well during the year. The directors are confident that the company will continue to increase its profits during the current year.

Directors

The directors of the company during the year and their beneficial interests in the issued share capital of the company as recorded in the register of directors interests were as follows:

	Ordinary shares of £1 each	
	2001	2000
D L Fabb	-	-
P J Bailey	-	-
A E Steel (resigned 26 April 2001)	-	-

The interests of the directors in the shares of the parent company, David Fabb (Holdings) Limited are stated in the directors report of the company.

Auditors

BDO Stoy Hayward were appointed as auditors during the year and have agreed to offer themselves for re-election.

On behalf of the board

P J Bailey
Director
26 April 2002

Report of the independent auditors

Auditors' report to Servosteel Limited under Section 247b of the Companies Act 1985

We have examined the abbreviated financial statements on pages 3 to 8 together with the financial statements of the company for the year ended 31 March 2001 prepared under section 226 of the Companies Act 1985 (the full financial statements).

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated financial statements in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated financial statements prepared in accordance with section 246A(3) of the Act to the Registrar of Companies and whether the financial statements to be delivered have been properly prepared in accordance with that provision and to report our opinion to you.

Basis of opinion

We have carried out the procedures we consider necessary to confirm, by reference to the full financial statements, that the company is entitled to deliver abbreviated financial statements and that the abbreviated financial statements to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated financial statements prepared in accordance with section 246A(3) of the Companies Act 1985, and the abbreviated financial statements on pages 3 to 8 are properly prepared in accordance with that provision.

BDO Stoy Hayward

BDO STOY HAYWARD
Chartered Accountants
and Registered Auditors
Walsall

29 April 2002

Profit and loss account for the year ended 31 March 2001

	Notes	2001 £	2000 £
Gross profit		**2,624,725**	2,395,763
Administrative expenses		**(2,025,952)**	(1,947,008)
Operating profit	**2**	**598,773**	448,755
Interest payable and similar charges	**4**	**(179,565)**	(213,561)
Profit on ordinary activities before taxation		**419,208**	235,194
Taxation	**5**	**-**	-
Profit on ordinary activities after taxation		**419,208**	235,194
Dividends	**6**	**-**	-
Retained profit for the year	**11**	**419,208**	235,194

Movements in reserves are shown in note 11.

All amounts relate to continuing activities.

All recognised gains and losses in the current and prior year are included in the profit and loss account.

The notes on pages 5 to 8 form part of these financial statements

Abbreviated balance sheet at 31 March 2001

	Notes	£	2001 £	£	2000 £
Current assets					
Stocks	7	**1,172,554**		593,524	
Debtors	8	**5,413,699**		6,455,535	
Cash at bank and in hand		**1,151**		538	
		6,587,404		7,049,597	
Creditors - amounts falling due within one year	9	**(4,842,592)**		(5,723,993)	
Net current assets			**1,744,812**		1,325,604
Total assets less current liabilities			**1,744,812**		1,325,604
Capital and reserves					
Called up share capital	10		**100**		100
Profit and loss account	11		**1,744,712**		1,325,504
Total shareholders' funds	12		**1,744,812**		1,325,604

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium sized companies.

The financial statements were approved by the Board on 26 April 2002

P J Bailey
Director

The notes on pages 5 to 8 form part of these financial statements.

Notes forming part of the abbreviated financial statements for the year ended 31 March 2001

1 Accounting policies

Basis of accounting

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

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 "Cash flow statements (revised 1996)" not to prepare a cashflow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by David Fabb (Holdings) Limited and the company is included in its financial statements.

Related party transactions

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

Turnover

Turnover represents the amount derived from the provision of goods and services falling within the company's activities after deduction of value added tax.

Operating leases

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis.

Net realisable value is based on estimated selling price less the estimated cost of disposal.

Deferred taxation

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

Pensions

The company operates a defined contribution pension scheme. The pension costs charged in the financial statements represents the amounts payable by the company to the fund during the year.

Notes forming part of the abbreviated financial statements for the year ended 31 March 2001 (continued)

2 Operating profit

	2001 £	2000 £
Operating profit is stated after charging:		
Auditors' remuneration	**5,000**	5,000
Operating leases - Hire of plant and machinery	**516,000**	598,000
- Other assets	**528,000**	503,500

3 Directors and employees

Staff costs including directors emoluments		
Wages and salaries	**3,471,243**	2,919,891
Social security costs	**309,702**	260,511
Pension costs	**10,099**	10,702
	3,791,044	3,191,104

Average monthly number employees including directors:

Production	**159**	165
Office and management	**4**	4
Administration	**35**	35
	198	204

Directors

Aggregate emoluments	**90,039**	36,346

4 Interest payable and similar charges

Bank interest	907	10,534
Invoice discount charges	178,658	203,027
	179,565	213,561

5 Taxation

No liability for corporation tax arises on the results for either year.

6 Dividends

No dividends were voted for the year.

7 Stocks

Goods held for resale	**1,165,877**	591,557
Processing agents	**6,677**	1,967
	1,172,554	593,524

Notes forming part of the abbreviated financial statements for the year ended 31 March 2001 (continued)

8 Debtors

	2001 £	2000 £
Trade debtors	**3,063,648**	3,068,209
Amount owed by group undertakings	**2,314,548**	3,348,990
Prepayments and accrued income	**35,503**	38,336
	5,413,699	6,455,535

Included in trade debtors are discounted debts against which £2,192,464 (2000 - £2,939,591) has been advanced.

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

9 Creditors – amounts falling due within one year

	2001 £	2000 £
Bank overdraft	**194,092**	156,340
Trade creditors	**1,993,188**	1,816,975
Discounting loan	**2,192,464**	2,939,591
Other taxes and social security	**274,474**	382,315
Other creditors	**86,231**	264,943
Accruals and deferred income	**102,143**	163,829
	4,842,592	5,723,993

The discounting loan is secured on the trade debtors of the company.

The bank overdraft is secured by an unsecured mortgage debenture dated 3 March 1994 together with a cross guarantee given by David Fabb (Holdings) Limited.

10 Share capital

	2001 Number of shares	2001 £	2000 Number of shares	2000 £
Authorised				
Ordinary shares of £1 each	**10,000**	**10,000**	10,000	10,000
Allotted, issued & fully paid				
Ordinary shares of £1 each	**100**	**100**	100	100

11 Profit and loss account

	2001 £	2000 £
At 1 April 2000	**1,325,504**	1,090,310
Retained profit for the year	**419,208**	235,194
At 31 March 2001	**1,744,712**	1,325,504

Notes forming part of the abbreviated financial statements for the year ended 31 March 2001 (continued)

12 Reconciliation of movements in shareholders' funds

	2001 £	2000 £
Profit for the financial year	**419,208**	235,194
Dividends	-	-
Net addition to shareholders' funds	**419,208**	235,194
Opening shareholders' funds	**1,325,604**	1,090,410
Closing shareholders' funds	**1,744,812**	1,325,604

13 Commitments under operating leases

As at 31 March 2001 the company had annual commitments under non-cancellable operating leases as set out below:

	2001 Land and buildings £	2001 Other £	2000 Land and buildings £	2000 Other £
Operating leases which expire:				
After more than five years	**503,500**	143,892	**503,500**	-

The lease is with David Fabb (Holdings) Limited and is for a period of 15 years from 1 July 1992.

The company entered into new operating leases in respect of trucks at the end of the financial year, the annual lease costs of which will be met by savings on repair costs and other vehicle running costs in the coming year.

14 Contingent liabilities

The group has guaranteed the borrowings of its holding company David Fabb (Holdings) Limited to GMAC Commercial Credit and NatWest Bank plc, together with a bank composite cross guarantee in favour of other group companies as disclosed in note 10. At the year end the liabilities covered by these guarantees totalled £557,106 (2000 - £896,109).

15 Ultimate parent company and control

In the opinion of the directors the company is controlled by Mr D L Fabb.

The company's ultimate parent company is David Fabb (Holdings) Limited which prepares group financial statements.