

**SERVOSTEEL LIMITED**  
**ABBREVIATED FINANCIAL STATEMENTS**  
**31ST MARCH 1998**

**Registered number: 1654321**



**Hamiltons**

**SERVOSTEEL LIMITED**  
**ABBREVIATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST MARCH 1998**

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**SERVOSTEEL LIMITED**  
**ABBREVIATED DIRECTORS' REPORT**  
**31ST MARCH 1998**

The directors present their report and the audited abbreviated financial statements for the year ended 31st March 1998.

**Principal activity**

The principal activity of the company during the year continues to be that of steel processing.

**Business review**

The company's balance sheet as detailed on page 5 shows a satisfactory position, shareholders' funds amounting to £1,877,918.

The company has introduced a trading division to compliment its processing steel activities which has generated £3.9 million turnover for the year. The additional pickling and processing capacity at 'Servosteel 2' has been fully utilised towards the end of the year, contributing to the continued growth and profitability of the company.

**Results and dividends**

The results for the year are shown in the profit and loss account on page 4. The directors do not propose payment of a dividend.

**Directors**

The directors of the company during the year and their interests in the shares of the company as recorded in the register of directors' interests were as follows

|                | 31st March 1998<br>Ordinary<br>shares | 31st March 1997<br>Ordinary<br>shares |
|----------------|---------------------------------------|---------------------------------------|
| D L Fabb       | -                                     | -                                     |
| P J Bailey     | -                                     | -                                     |
| R C Gutteridge | -                                     | -                                     |

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

**Auditors**

Hamiltons of Stourbridge Limited have agreed to offer themselves for re-appointment of auditors of the company.

Signed on behalf of the  
board of directors



P J Bailey  
Director

11 June 1998


SERVOSTEEL LIMITEDSTATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare abbreviated 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 period. 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 abbreviated 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 abbreviated 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.

Signed on behalf of the  
board of directors



P J Bailey  
Director

11 June 1998

**SERVOSTEEL LIMITED**

**Auditors' report to  
Servosteel Limited  
under section 247B to the Companies Act 1985**

We have examined the abbreviated financial statements set out on pages 4 to 12, together with the abbreviated financial statements of the company for the year ended 31st March 1998 prepared under section 226 of the Companies Act 1985.

**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 abbreviated financial statements to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

**Basis of opinion**

We have carried out the procedures we considered necessary to confirm, by reference to the abbreviated 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 does 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 4 to 12 are properly prepared in accordance with those provisions.

*Hamiltons of Stourbridge Ltd.*

Hamiltons  
of Stourbridge Limited  
Registered Auditors  
Meriden House  
75 Market Street  
Stourbridge  
West Midlands  
DY8 1AQ

11 June 1998

**SERVOSTEEL LIMITED****ABBREVIATED PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31ST MARCH 1998**

|  | <b>Note</b> | <b><u>1998</u></b><br>£ | <b><u>1997</u></b><br>£ |
|--|-------------|-------------------------|-------------------------|
| <b>Gross profit</b>                                  |             | 2,483,146               | 1,826,395               |
| <b>Net operating expenses</b>                        |             |                         |                         |
| Administrative expenses                              |             | (2,140,869)             | (1,579,376)             |
| <b>Operating profit</b>                              | 2           | 342,277                 | 247,019                 |
| Interest payable                                     | 4           | (5,391)                 | (20,713)                |
| <b>Profit on ordinary activities before taxation</b> |             | 336,886                 | 226,306                 |
| Taxation   | 5           | -                       | -                       |
| <b>Profit on ordinary activities after taxation</b>  |             | 336,886                 | 226,306                 |
| <b>retained for the year</b>                         | 10          | <u>336,886</u>          | <u>226,306</u>          |

Movements in reserves are shown in note 10.

None of the company's activities were acquired or discontinued during the above two financial years.

There are no recognised gains and losses in 1998 or 1997 other than the profit for the year.

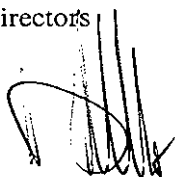
**SERVOSTEEL LIMITED**  
**ABBREVIATED BALANCE SHEET**  
**AT 31ST MARCH 1998**

|   | Note | £                  | <u>1998</u>      | £                  | <u>1997</u>      | £ |
|---|------|--------------------|------------------|--------------------|------------------|---|
| <b>Current assets</b>                                 |      |                    |                  |                    |                  |   |
| Stocks  | 6    | 2,034,498          |                  | 153,352            |                  |   |
| Debtors   | 7    | 7,729,257          |                  | 4,548,618          |                  |   |
| Cash at bank and in hand                              |      | 44,285             |                  | 224                |                  |   |
|   |      |                    |                  |                    |                  |   |
|   |      | 9,808,040          |                  | 4,702,194          |                  |   |
| <b>Creditors: amounts falling due within one year</b> | 8    | <u>(7,930,122)</u> |                  | <u>(3,161,162)</u> |                  |   |
| <b>Net current assets</b>                             |      |                    | <u>1,877,918</u> |                    | <u>1,541,032</u> |   |
| <b>Total assets less current liabilities</b>          |      |                    | <u>1,877,918</u> |                    | <u>1,541,032</u> |   |
| <b>Capital and reserves</b>                           |      |                    |                  |                    |                  |   |
| Called up share capital                               | 9    |                    | 100              |                    | 100              |   |
| Profit and loss account                               | 10   |                    | <u>1,877,818</u> |                    | <u>1,540,932</u> |   |
| <b>Total shareholders' funds</b>                      | 11   |                    | <u>1,877,918</u> |                    | <u>1,541,032</u> |   |

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

The abbreviated financial statements on pages 4 to 12 were approved by the board of directors.

Signed on behalf of the  
board of directors



D L Fabb  
Chairman

11 June 1998

**SERVOSTEEL LIMITED****ABBREVIATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31ST MARCH 1998**

|  | Note | £ | <u>1998</u>    | £ | £ | <u>1997</u>    | £ |
|--|------|---|----------------|---|---|----------------|---|
| Net cash inflow<br>from operating activities       | 12   |   | 332,835        |   |   | 148,804        |   |
| Returns on investments and servicing<br>of finance |      |   |                |   |   |                |   |
| Interest paid                                      |      |   | (5,391)        |   |   | (20,712)       |   |
| Net cash inflow before financing                   |      |   | <u>327,444</u> |   |   | <u>128,092</u> |   |
| Increase in cash                                   | 13   |   | <u>327,444</u> |   |   | <u>128,092</u> |   |



**SERVOSTEEL LIMITED****NOTES ON ABBREVIATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31ST MARCH 1998****1 Accounting policies****Basis of accounting**

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

**Turnover**

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

**Leases and hire purchase contracts**

Rentals paid under operating leases are charged to income 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.

**2 Operating profit**

|   | <u>1998</u><br>£ | <u>1997</u><br>£ |
|---|------------------|------------------|
| Operating profit is stated after charging |                  |                  |
| Directors emoluments (note 3)             | 145,470          | 166,028          |
| Auditors' remuneration                    | 8,072            | 12,450           |
| Operating leases                          |                  |                  |
| Hire of plant and machinery               | <u>520,483</u>   | <u>477,000</u>   |

**SERVOSTEEL LIMITED****NOTES ON ABBREVIATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31ST MARCH 1998****3 Directors and employees**

|  | <u>1998</u>      | <u>1997</u>      |
|--|------------------|------------------|
|  | £                | £                |
| Staff costs including directors' emoluments                    |                  |                  |
| Wages and salaries   | <u>2,492,621</u> | <u>2,473,306</u> |
| Average monthly number employed including executive directors: | <b>Number</b>    | <b>Number</b>    |
| Production staff   | 153              | 137              |
| Administration staff   | 30               | 25               |
|  | <u>183</u>       | <u>162</u>       |
| Directors  | £                | £                |
| Emoluments   | <u>145,470</u>   | <u>166,028</u>   |
| Emoluments excluding pension scheme contributions:-            |                  |                  |
| Highest paid director  | <u>95,000</u>    | <u>96,000</u>    |
| of other directors   |                  |                  |
| £5,001 - £10,000   | 1                | 1                |
| £20,000 - £25,000  | -                | 2                |
| £25,001 - £30,000  | <u>1</u>         | <u>-</u>         |

**4 Interest payable**

|               | <u>1998</u>  | <u>1997</u>   |
|---------------|--------------|---------------|
|               | £            | £             |
| Bank interest | <u>5,391</u> | <u>20,713</u> |
|               | <u>5,391</u> | <u>20,713</u> |

**5 Taxation**

The company has no liability for taxation due to the availability of group loss relief.

**6 Stocks**

|                     | <u>1998</u>      | <u>1997</u>    |
|---------------------|------------------|----------------|
|                     | £                | £              |
| Goods for resale    | 2,015,422        | 135,738        |
| Consumables tooling | 4,279            | 4,168          |
| Processing agents   | <u>14,797</u>    | <u>13,446</u>  |
|                     | <u>2,034,498</u> | <u>153,352</u> |

**SERVOSTEEL LIMITED****NOTES ON ABBREVIATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31ST MARCH 1998**

| <b>7 Debtors:</b>                          | <b>1998</b>      | <b>1997</b>      |
|--|------------------|------------------|
|  | £                | £                |
| <b>Amounts falling due within one year</b> |                  |                  |
| Trade debtors                              | 3,947,998        | 2,015,967        |
| Amounts owed by group undertakings         | 3,771,104        | 2,524,230        |
| Prepayments and accrued income             | 10,155           | 8,421            |
|  | <u>7,729,257</u> | <u>4,548,618</u> |

Included in trade debtors are discounted debts against which £2,641,764 has been advanced.

| <b>8 Creditors:</b>                        | <b>1998</b>      | <b>1997</b>      |
|--|------------------|------------------|
|  | £                | £                |
| <b>Amounts falling due within one year</b> |                  |                  |
| Bank overdraft                             | -                | 283,383          |
| Trade creditors                            | 4,907,095        | 834,857          |
| Discounting loan                           | 2,641,764        | 1,735,708        |
| Other taxation and social security         | 248,985          | 217,480          |
| Other creditors                            | 70,000           | -                |
| Accruals and deferred income               | 62,278           | 89,734           |
|  | <u>7,930,122</u> | <u>3,161,162</u> |

**Secured creditors**

The discounting loan is secured in the trade debts of the company

The bank overdraft advanced by National Westminster Bank Plc is secured by:-

- 1st Legal Mortgage over Equitable Life assurance society
- Unscheduled mortgage debenture dated 3 March, 1994 Policy ASS0607772 dated 12 September 1994.
- Composite cross guarantee dated 3 March 1994 given by David Fabb (Holdings) Limited, Servosteel Limited and Daimic Limited to secure all liabilities of each other.

**9 Called up share capital**

| <u>Called up share capital</u>           |                     | <u>1998</u>   | <u>1997</u>         |               |
|--|---------------------|---------------|---------------------|---------------|
|  | Number of<br>shares | £             | Number of<br>shares | £             |
| <b>Authorised</b>                        |                     |               |                     |               |
| Ordinary shares of £1 each               | <u>10,000</u>       | <u>10,000</u> | <u>10,000</u>       | <u>10,000</u> |
| <b>Allotted called up and fully paid</b> |                     |               |                     |               |
| Ordinary shares of £1 each               | <u>100</u>          | <u>100</u>    | <u>100</u>          | <u>100</u>    |

**SERVOSTEEL LIMITED****NOTES ON ABBREVIATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31ST MARCH 1998****10 Profit and loss account**

|                              | <u>1998</u><br>£        |
|------------------------------|-------------------------|
| 1st April 1997               | 1,540,932               |
| Retained profit for the year | <u>336,886</u>          |
| 31st March 1998              | <u><u>1,877,818</u></u> |

**11 Reconciliation of movements in shareholders' funds**

|   | <u>1998</u><br>£        | <u>1997</u><br>£        |
|---|-------------------------|-------------------------|
| Profit for the financial year<br>representing a<br>Net addition to<br>shareholders' funds | 336,886                 | 226,306                 |
| Opening shareholders' funds   | <u>1,541,032</u>        | <u>1,314,726</u>        |
| Closing shareholders' funds and equity interests  | <u><u>1,877,918</u></u> | <u><u>1,541,032</u></u> |

**12 Notes to the cash flow statement****Reconciliation of operating profit  
to operating cash flows**

|  | <u>1998</u><br>£      | <u>1997</u><br>£      |
|--|-----------------------|-----------------------|
| Operating profit                             | 342,277               | 247,019               |
| Increase in stocks                           | (1,881,146)           | (50,370)              |
| Increase in debtors                          | (3,180,639)           | (1,008,984)           |
| Increase in creditors                        | <u>5,052,343</u>      | <u>961,140</u>        |
| Net cash inflow<br>from operating activities | <u><u>332,835</u></u> | <u><u>148,805</u></u> |

**SERVOSTEEL LIMITED****NOTES ON ABBREVIATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31ST MARCH 1998****13 Notes to the cash flow statement (continued)**

| Analysis of changes in net debt | At start<br>of year<br>£ | Cash<br>flows<br>£ | At end<br>of year<br>£ |
|---------------------------------|--------------------------|--------------------|------------------------|
| Cash in hand and at bank        | 224                      | 44,061             | 44,285                 |
| Overdrafts                      | (283,383)                | 283,383            | -                      |
| <b>Total</b>                    | <b>(283,159)</b>         | <b>327,444</b>     | <b>44,285</b>          |

**Reconciliation of net cash flow to movement in net debt**

|   | <u>1998</u><br>£ | <u>1997</u><br>£ |
|---|------------------|------------------|
| <b>Increase in cash in the year</b>   | 327,444          | 128,092          |
| Cash outflow/(inflow) from decrease/(increase)<br>in debt and lease financing | -                | -                |
| <b>Change in net debt resulting from cash flows</b>                           | 327,444          | 128,092          |
| <b>Net debt at 1st April 1997</b>   | <b>(283,159)</b> | <b>(411,251)</b> |
| <b>Net debt at 31st March 1998</b>  | <b>44,285</b>    | <b>(283,159)</b> |

**14 Leasing commitments**

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the year to 31 March 1999.

|                  | <b>1998</b><br><b>Land and</b><br><b>Buildings</b><br>£ | <b>1997</b><br><b>Land and</b><br><b>Buildings</b><br>£ |
|------------------|---|---|
| Expiring:-       |   |   |
| After five years | 500,000   | 350,000   |

The lease is with David Fabb (Holdings) Limited and is for the period of 15 years from 1st July 1992. This rental is due for review in July 1998.

**SERVOSTEEL LIMITED****NOTES ON ABBREVIATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31ST MARCH 1998****15 Capital commitments**

The company has no capital commitments at the balance sheet date except for under operating lease contracts for office equipment.

**16 Contingent liabilities**

The company has guaranteed the borrowings of its holding company David Fabb (Holdings) Limited to UCB Bank Plc, together with a bank composite cross guarantee in favour of other group companies as disclosed in note 8.

**17 Related party transactions**

During the year the company had the following transactions with group companies:-

|                                      | <u>1998</u><br>£  | <u>1997</u><br>£  |
|--------------------------------------|-------------------|-------------------|
| <u>David Fabb (Holdings) Limited</u> |                   |                   |
| Rental of premises                   | (387,000)         | (350,000)         |
| Hire of machinery                    | (514,500)         | (477,000)         |
|                                      | <u>          </u> | <u>          </u> |
| <u>Sidney Smith Castings Limited</u> |                   |                   |
| Direct materials recharged           | 604               | 26,339            |
|                                      | <u>          </u> | <u>          </u> |
| <u>Jones of Oswestry Limited</u>     |                   |                   |
| Steel sales                          | 43,387            | -                 |
|                                      | <u>          </u> | <u>          </u> |
| <u>ESK Steel Strip Limited</u>       |                   |                   |
| Steel sales                          | -                 | 29,404            |
|                                      | <u>          </u> | <u>          </u> |

All transactions were at arms length and on normal commercial terms.

As at the Balance sheet date the company was owed the following amounts from related parties:-

|                               | <u>1998</u><br>£ | <u>1997</u><br>£ |
|-------------------------------|------------------|------------------|
| David Fabb (Holdings) Limited | 3,539,007        | 2,513,131        |
| Sidney Smith Castings Limited | 163,318          | 9,844            |
| Esk Steel Strip Limited       | 50,850           | 1,255            |
| Jones of Oswestry Limited     | 17,929           | -                |
|                               | <u>3,771,104</u> | <u>2,524,230</u> |

**18 Ultimate holding company**

The company regards David Fabb (Holdings) Ltd, a company incorporated in England and Wales, as its ultimate holding company.