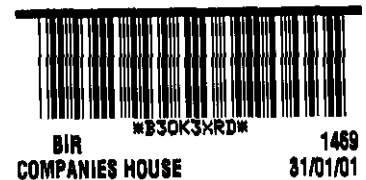


SERVOSTEEL LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2000

Company number : 1654321

Hamiltons
of Wolverhampton Limited



SERVOSTEEL LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2000

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SERVOSTEEL LIMITED
REPORT OF THE DIRECTORS

Incorporated:	In England on 1 August 1982
Number:	1654321
Chairman:	D L Fabb
Other Directors:	P J Bailey A Steel
Secretary:	P J Bailey
Registered Office:	Old Wharf Road Stourbridge West Midlands DY8 4LS
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
Auditors:	Hamiltons of Wolverhampton Limited Registered Auditors Wellington House 49 Waterloo Road Wolverhampton West Midlands WV1 4UZ

SERVOSTEEL LIMITED
REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements for the year ended 31 March 2000.

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 increased its profits by £22,704 to £235,194 in the year. The directors are confident that the company will continue to increase its profits during the current year.

RESULTS AND DIVIDENDS

The results for the year are shown in the profit and loss account on page 5. No final dividend has been paid or proposed in respect of this financial 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:

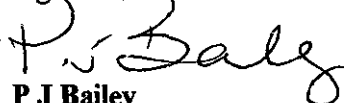
	Ordinary shares of £1 each	
	2000	1999
D L Fabb	-	-
P J Bailey	-	-
A Steel (Appointed 17 May 2000)	-	-
R C Gutteridge (Resigned 31 March 2000)	-	-

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

AUDITORS

Hamiltons of Wolverhampton Limited have agreed to offer themselves for reappointment as auditors of the company.

Signed on behalf of the Board of Directors



P J Bailey
Secretary

26 January 2001

SERVOSTEEL LIMITED

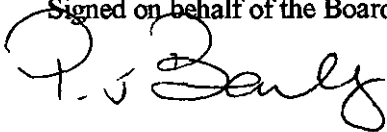
STATEMENT OF DIRECTORS' RESPONSIBILITIES

Directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the year ending on that date. 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:
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also 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.

Signed on behalf of the Board of Directors



P J Bailey
Director

26 January 2001

**REPORT OF THE AUDITORS
TO THE SHAREHOLDERS OF
SERVOSTEEL LIMITED**

We have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 8.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the directors' report, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 of the state of affairs of the company at 31 March 2000 and profit for the year ended on that date and have been properly prepared in accordance with the Companies Act 1985.

Hamiltons of Wolverhampton Ltd.

**Hamiltons
of Wolverhampton Limited
Registered Auditors
Wellington House
49 Waterloo Road
Wolverhampton
West Midlands
WV1 4UZ**

26 January 2001

SERVOSTEEL LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2000

	Notes	2000 £	1999 £
GROSS PROFIT		2,395,763	2,618,102
NET OPERATING EXPENSES			
<i>Administration costs</i>		1,947,008	2,130,751
OPERATING PROFIT	3	448,755	487,351
Interest payable	5	(213,561)	(274,861)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		235,194	212,490
Taxation	6	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		235,194	212,490
Dividends	7	-	(1,000,000)
RETAINED PROFIT/(LOSS) FOR THE YEAR	12	235,194	(787,510)

Movements in reserves are shown in the note 12.

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

There were no recognised gains and losses in 2000 or 1999 other than the profit/(loss) for the year.

SERVOSTEEL LIMITED**BALANCE SHEET****AS AT 31 MARCH 2000**

	Notes	2000 £	£	1999 £	£
Current assets					
Stocks	8	593,524		1,214,337	
Debtors	9	6,455,535		5,546,829	
Cash at bank and in hand		538		433	
		<hr/>		<hr/>	
		7,049,597		6,761,599	
CREDITORS : amounts falling due within one year	10	(5,723,993)		(5,671,189)	
		<hr/>		<hr/>	
Net current assets			1,325,604		1,090,410
			<hr/>		<hr/>
Total assets less current liabilities			1,325,604		1,090,410
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	11		100		100
Profit and loss account	12		1,325,504		1,090,310
			<hr/>		<hr/>
Total shareholders' funds	13		1,325,604		1,090,410
			<hr/>		<hr/>

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

The financial statements on pages 5 to 14 were approved by the board of directors.

Signed on behalf of the
Board of directors



P J Bailey
Director

26 January 2001

SERVOSTEEL LIMITED
CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2000

	Notes	2000 £	1999 £
Net cash inflow from operating activities	14	282,172	1,006,163
Returns on investments and servicing of finance			
Interest paid		(213,561)	(274,861)
		<hr/> 68,611	<hr/> 731,302
Equity dividends paid		-	(1,000,000)
		<hr/>	<hr/>
Net cash in flow/(outflow) before Financing		68,611	(268,698)
		<hr/>	<hr/>
Increase/(decrease) in cash	14	68,611	(268,698)
		<hr/>	<hr/>

SERVOSTEEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2000

1. ACCOUNTING POLICIES

Basis of accounting

The 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.

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.

2. TURNOVER

The turnover for the year was derived from the company's principal activity. The whole of the turnover is attributable to the UK market.

3. OPERATING PROFIT

	2000	1999
	£	£
Operating profit is stated after charging:		
Staff costs (see note 4)	3,191,104	2,938,485
Auditors' remuneration	5,000	8,625
Operating leases - Hire of plant and machinery	598,000	514,500
- Land and buildings	503,500	387,000
	<hr/>	<hr/>

SERVOSTEEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2000

4. DIRECTORS AND EMPLOYEES

	2000 £	1999 £
Staff costs including directors emoluments		
Wages and salaries	3,191,104	2,938,485

The average number of persons employed including executive directors:-

	No.	No.
Production	165	150
Office and management	4	3
Administration	35	34
	204	187
Directors		
Emoluments	36,346	45,288

5. INTEREST PAYABLE

	2000 £	1999 £
Bank interest	10,534	21,624
Invoice discount charges	203,027	253,237
	213,561	274,861

6. TAXATION

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

SERVOSTEEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2000

7. DIVIDENDS

	2000 £	1999 £
Final dividend in respect of the year ended 31 March 1998 of £5,000 per share	-	500,000
Final dividend of £5,000 per share	-	500,000
	<hr/>	<hr/>
	-	1,000,000
	<hr/>	<hr/>

8. STOCKS

	2000 £	1999 £
Goods held for resale	591,557	1,196,540
Work in progress	-	4,198
Processing agents	1,967	13,599
	<hr/>	<hr/>
	593,524	1,214,337
	<hr/>	<hr/>

9. DEBTORS

	2000 £	1999 £
Amounts falling due within one year		
Trade debtors	3,068,209	2,439,991
Amount owed by group undertakings	3,348,990	3,017,325
Prepayments and accrued income	38,336	89,513
	<hr/>	<hr/>
	6,455,535	5,546,829
	<hr/>	<hr/>

Included in trade debtors are discounted debts against which £2,939,591 (1999: £2,035,633) has been advanced

SERVOSTEEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2000

10. CREDITORS

Amounts falling due within one year	2000	1999
	£	£
Bank overdrafts	156,340	224,846
Trade creditors	1,816,975	3,158,323
Discounting loan	2,939,591	2,035,633
Other taxes and social security	382,315	153,821
Other creditors	264,943	72,632
Accruals and deferred income	163,829	25,934
	<hr/>	<hr/>
	5,723,993	5,671,189
	<hr/>	<hr/>

Secured creditors

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

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

11. SHARE CAPITAL

	Number of shares	£	Number of shares	£
Authorised				
Ordinary shares of £1 each	10,000	10,000	10,000	10,000
	<hr/>	<hr/>	<hr/>	<hr/>
Allotted, issued & fully paid				
Ordinary shares of £1 each	100	100	100	100
	<hr/>	<hr/>	<hr/>	<hr/>

12. PROFIT AND LOSS ACCOUNT

	2000	1999
	£	£
At 1 April 1999	1,090,310	1,877,820
Retained profit/(loss) for the year	235,194	(787,510)
	<hr/>	<hr/>
At 31 March 2000	1,325,504	1,090,310
	<hr/>	<hr/>

SERVOSTEEL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2000

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £	1999 £
Profit for the financial year	235,194	(212,490)
Dividends	-	1,000,000
Net addition to/(subtraction from) shareholders' funds	235,194	(787,510)
Opening shareholders' funds	1,090,410	1,877,920
Closing shareholders' funds	1,325,604	1,090,410

14. NOTES TO THE CASHFLOW STATEMENT

Reconciliation of operating profit to operating cashflows

	2000 £	1999 £
Operating profit	448,755	487,351
Decrease in stocks	620,813	820,161
(Increase)/decrease in debtors	(908,706)	2,182,429
Increase/(decrease) in creditors	121,310	(2,483,778)
Net cash inflow from operating activities	282,172	1,006,163
Analysis of changes in net debt		
	At start of year £	Cash flows £
Cash	433	105
Bank overdrafts	(224,846)	68,506
Total	(224,413)	(155,802)

SERVOSTEEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2000

14. NOTES TO THE CASH FLOW STATEMENT (continued)

Reconciliation of net cash flow to movement in net debt

	2000	1999
	£	£
Decrease/(increase) in cash in the year	68,611	(268,698)
Cash (inflow)/outflow from increase/(decrease) in debt and lease financing	-	-
Change in net debt resulting from cashflows	68,611	(268,698)
Net debt at 1 April 1999	(224,413)	44,285
Net debt at 31 March 2000	(155,802)	(224,413)

15. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

Financial commitments under non-cancellable operating leases will result in the following payments falling due on the year to March 2000:

	2000	1999
	Land and buildings	Land and Buildings
	£	£
Expiring after five years	503,500	387,000

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

16. 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.

SERVOSTEEL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2000

17. RELATED PARTY TRANSACTIONS

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

	2000 £	1999 £
David Fabb (Holdings) Limited		
Rental of premises	(503,500)	(387,000)
Hire of machinery	(598,000)	(514,500)
	<hr/>	<hr/>
Jones of Oswestry Limited		
Steel purchases	(147,268)	(24,983)
Steel sales	346,215	392,485
	<hr/>	<hr/>
Sidney Smith Castings Limited		
Steel sales	39,729	-
	<hr/>	<hr/>

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

As at the balance sheet date the company was owed/(owing) the following amounts from/(to) related parties:-

David Fabb (Holdings) Limited	3,026,669	2,679,557
Sidney Smith Castings Limited	(62,712)	101,784
Jones of Oswestry Limited	378,707	235,969
Daimic Limited	6,326	15
	<hr/>	<hr/>
	3,348,990	3,017,325
	<hr/>	<hr/>

18. ULTIMATE HOLDING COMPANY

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