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**Servosteel Limited**

Report and Abbreviated financial Statements

Year Ended

31 March 2002



**BDO**

**BDO Stoy Hayward**  
Chartered Accountants

# **Servosteel Limited**

## **Annual report and financial statements for the year ended 31 March 2002**

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### **Directors**

D L Fabb  
P J Bailey  
D Parry

### **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

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

## Report of the directors for the year ended 31 March 2002

The directors present their report and financial statements of the company for the year ended 31 March 2002.

### 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	
	2002	2001
D L Fabb	-	-
P J Bailey	-	-
A Steel (resigned 31 May 2001)	-	-
D Parry (appointed 31 May 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 have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

### On behalf of the board

  
P J Bailey  
Director

16 December 2002

Report of the independent auditors

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

We have examined the abbreviated financial statements on pages 4 to 9 together with the financial statements of the company for the year ended 31 March 2002 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 4 to 9 are properly prepared in accordance with that provision.

*BDO Stoy Hayward*  
BDO STOY HAYWARD  
Chartered Accountants  
and Registered Auditors  
Walsall

*16 December 2002*

# Servosteel Limited

## Profit and loss account for the year ended 31 March 2002

	Notes	2002 £	2001 £
Gross profit		2,649,637	2,624,725
Administrative expenses		(2,124,051)	(2,025,952)
Operating profit	2	525,586	598,773
Interest payable and similar charges	4	(196,235)	(179,565)
Profit on ordinary activities before taxation		329,351	419,208
Taxation	5	-	-
Profit on ordinary activities after taxation		329,351	419,208
Retained profit for the year	10	329,351	419,208

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 6 to 9 form part of these financial statements

# Servosteel Limited

## Balance sheet at 31 March 2002

	Notes	£	2002 £	£	2001 £
<b>Current assets</b>					
Stocks	6	275,684		1,172,554	
Debtors	7	5,937,272		5,413,699	
Cash at bank and in hand		470		1,151	
		<u>6,213,426</u>		<u>6,587,404</u>	
<b>Creditors - amounts falling due within one year</b>	8	<u>(4,139,263)</u>		<u>(4,842,592)</u>	
<b>Net current assets</b>			<u>2,074,163</u>		<u>1,744,812</u>
<b>Total assets less current liabilities</b>			<u>2,074,163</u>		<u>1,744,812</u>
<b>Capital and reserves</b>					
Called up share capital	9		100		100
Profit and loss account	10		<u>2,074,063</u>		<u>1,744,712</u>
<b>Total shareholders' funds</b>	11		<u>2,074,163</u>		<u>1,744,812</u>

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 16 December 2002

*P. J. Bailey*

P J Bailey  
Director

The notes on pages 6 to 9 form part of these financial statements.

Notes forming part of the abbreviated financial statements for the year ended 31 March 2002

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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.

*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 Operating profit

	2002 £	2001 £
Operating profit is stated after charging:		
Auditors' remuneration	5,000	5,000
Operating leases - Hire of plant and machinery	420,000	516,000
- Other assets	528,000	528,000

**3 Directors and employees**

	2002 £	2001 £
<b>Staff costs including directors emoluments</b>		
Wages and salaries	3,258,612	3,471,243
Social security costs	292,427	309,702
Pension costs	9,876	10,099
	<u>3,560,915</u>	<u>3,791,044</u>

Average monthly number employees including directors:

Production	140	159
Office and management	4	4
Administration	31	35
	<u>175</u>	<u>198</u>

**Directors**

Aggregate emoluments	<u>97,646</u>	<u>90,039</u>
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**4 Interest payable and similar charges**

Bank interest	3,488	907
Invoice discount charges	192,747	178,658
	<u>196,235</u>	<u>179,565</u>

**5 Taxation**

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

The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2002 £	2001 £
Profit on ordinary activities before tax	<u>329,351</u>	<u>419,208</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2001 – 30%)	98,805	125,762
Effect of:		
Expenses not deductible for tax purposes	2,524	6,910
Utilisation of group relief	(101,329)	(132,672)
Current tax charge for period	<u>-</u>	<u>-</u>



**Notes forming part of the abbreviated financial statements for the year ended 31 March 2002 (continued)**

**6 Stocks**

	2002 £	2001 £
Goods held for resale	261,492	1,165,877
Processing agents	14,192	6,677
	<u>275,684</u>	<u>1,172,554</u>

**7 Debtors**

Trade debtors	2,922,948	3,063,648
Amount owed by group undertakings	2,969,649	2,314,548
Prepayments and accrued income	44,675	35,503
	<u>5,937,272</u>	<u>5,413,699</u>

Included in trade debtors are discounted debts against which £2,412,588 (2001 - £2,192,464) has been advanced.

**8 Creditors – amounts falling due within one year**

	2002 £	2001 £
Bank overdraft	42,277	194,092
Trade creditors	1,011,333	1,993,188
Discounting loan	2,412,588	2,192,464
Other taxes and social security	609,646	274,474
Other creditors	-	86,231
Accruals and deferred income	63,419	102,143
	<u>4,139,263</u>	<u>4,842,592</u>

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.

**9 Share capital**

	Number of shares	2002 £	Number of shares	2001 £
<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, issued &amp; fully paid</b>				
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

Notes forming part of the abbreviated financial statements for the year ended 31 March 2002 (continued)

10 Profit and loss account

	2002 £	2001 £
At 1 April 2001	1,744,712	1,325,504
Retained profit for the year	329,351	419,208
At 31 March 2002	<u>2,074,063</u>	<u>1,744,712</u>

11 Reconciliation of movements in shareholders' funds

Profit for the financial year	329,351	419,208
Net addition to shareholders' funds	<u>329,351</u>	<u>419,208</u>
Opening shareholders' funds	1,744,812	1,325,604
Closing shareholders' funds	<u>2,074,163</u>	<u>1,744,812</u>

12 Commitments under operating leases

As at 31 March 2002 the company had annual commitments under non-cancellable operating leases as set out below:

	2002 Land and buildings £	2002 Other £	2001 Land and buildings £	2001 Other £
Operating leases which expire:				
In two to five years	-	143,842	-	-
After more than five years	<u>528,000</u>	<u>-</u>	<u>503,500</u>	<u>143,892</u>

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

13 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 8. At the year end the liabilities covered by these guarantees totalled £365,987 (2001 - £557,106).

14 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.