

SERVOSTEEL LIMITED
ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST MARCH 1996

Registered number: 1654321

Hamiltons



SERVOSTEEL LIMITED

ABBREVIATED FINANCIAL STATEMENTS

for the year ended 31st March 1996

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COMPANY INFORMATION

31st March 1996

Incorporated in England on 1st August 1982

Number 1654321

CHAIRMAN	D. L. Fabb
OTHER DIRECTORS	P. J. Bailey R. C. Guttridge
SECRETARY	P. J. Bailey
REGISTERED OFFICE	Old Wharf Road Stourbridge West Midlands DY8 4LT
BANKERS	National Westminster Plc 141 High Street Stourbridge West Midlands DY8 1DW
SOLICITORS	Wall, James & Davies 15-23 Hagley Road Stourbridge West Midlands DY8 1QW
AUDITORS	Hamiltons Meriden House 75 Market Street Stourbridge West Midlands DY8 1AQ

DIRECTORS' REPORT**31st March 1996**

The directors present their report and the audited financial statements for the year ended 31st March 1996.

Principal activity

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

Business review

The company's balance sheet as detailed on page 6 shows a satisfactory position, shareholders' funds amounting to £1,314,725.

Profit, dividends and appropriations

The results for the year are shown in the profit and loss account on page 5. The directors do not propose payment of an ordinary dividend, the profit for the year is to be transferred to reserves.

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 1996 Ordinary shares	1st April 1995 Ordinary shares
D. L. Fabb	-	-
P. J. Bailey	-	-
R. C. Guttridge	-	-

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.

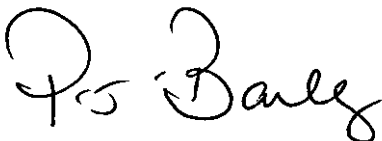
Future developments

Availability of new production facilities at "Servosteel 2" will provide the company with wider markets and a significant increase in capacity. The directors are confident that the additional pickling and processing capacity at "Servosteel 2" will be fully utilised in the upcoming financial year. The company's performance has been to some extent adversely affected by the costs of bringing on stream these additional facilities.

Auditors

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

**Signed on behalf of
the board of directors**



P. J. Bailey
Secretary

25 June 1996

STATEMENT OF DIRECTORS' RESPONSIBILITIES

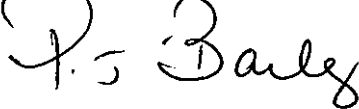
We are required under company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements we are required to:

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

We are also responsible for:

- keeping proper accounting records;
- safeguarding the company's assets;
- taking reasonable steps for the prevention and detection of fraud.

On behalf of the board



P. J. Bailey
Director

25 June 1996

AUDITORS' REPORT**Auditors' report to the members of****Servosteel Limited**

We have examined the abbreviated accounts on pages 5 to 12 together with the full accounts of Servosteel Limited for the year ended 31st March 1996. The scope of our work for the purpose of this report was limited to confirming that the company is entitled to the exemptions claimed in the directors' statement on page 6 and that the abbreviated accounts have been properly prepared from the full accounts.

In our opinion the company is entitled under Sections 246 and 247 of the Companies Act 1985 to deliver abbreviated accounts in respect of the year ended 31st March 1996 and the abbreviated accounts on pages 5 to 12 have been properly prepared in accordance with Schedule 8 to that Act.

On 25 June 1996 we reported, as auditors of Servosteel Limited, to the members on the full accounts prepared under Section 226 of the Companies Act 1985 for the year ended 31st March 1996 and our audit report was as follows:-

"We have audited the financial statements on pages 5 to 12 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3, 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.

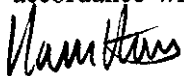
Basis of opinion

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 error or other irregularity. 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 the company's affairs as at 31st March 1996 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985".



Hamiltons
Registered Auditors
75 Market Street
Stourbridge
West Midlands
DY8 1AQ

25 June 1996

PROFIT AND LOSS ACCOUNT**for the year ended 31st March 1996**

	<u>Note</u>	<u>1996</u> £	<u>1995</u> £
Gross profit		1,665,969	1,655,996
Net operating expenses			
Administrative expenses		<u>(1,485,596)</u>	<u>(1,461,798)</u>
Operating Profit	2	180,373	194,198
Interest payable	4	<u>(13,003)</u>	<u>(3,488)</u>
Profit on ordinary activities before taxation		167,370	190,710
Taxation	5	<u>37,556</u>	<u>(57,282)</u>
Profit on ordinary activities after taxation		204,926	133,428
retained for the year	10	<u><u>204,926</u></u>	<u><u>133,428</u></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 1996 or 1995 other than the profit for the year.

BALANCE SHEET**at 31st March 1996**

	<u>Note</u>	<u>1996</u>	<u>1995</u>
		£	£
Current assets			
Stocks	6	102,982	22,031
Debtors	7	2,406,101	2,101,175
Cash at bank and in hand		525	51
		<u>2,509,608</u>	<u>2,123,257</u>
Creditors: amounts falling due within one year	8	<u>(1,194,883)</u>	<u>(1,013,458)</u>
NET CURRENT ASSETS		<u>1,314,725</u>	<u>1,109,799</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,314,725</u>	<u>1,109,799</u>
Capital and reserves			
Called up share capital	9	100	100
Profit and loss account	10	<u>1,314,625</u>	<u>1,109,699</u>
Total shareholders' funds	11	<u>1,314,725</u>	<u>1,109,799</u>

The directors have taken advantage of the exemptions conferred by Section B of Part III of Schedule 8 to the Companies Act 1985 on the basis that the company qualifies as a medium company.

The financial statements on pages 5 to 12 were approved by the board of directors.

Signed on behalf of the
board of directors



D. L. Fabb
Chairman

25 June 1996

CASH FLOW STATEMENTfor the year ended 31st March 1996

	<u>Note</u>	£	<u>1996</u>	£	£	<u>1995</u>	£
Net Cash Outflow from operating activities	15		(121,789)			(60,689)	
Returns on investments and servicing of finance							
Interest paid			<u>(13,003)</u>			<u>(3,488)</u>	
from returns on investments and servicing of finance			(13,003)			(3,488)	
Taxation							
Corporation tax paid (including ACT)			<u>(19,660)</u>			<u>(107,266)</u>	
Tax Paid			(19,660)			(107,266)	
Net Cash Outflow before financing			<u>(154,452)</u>			<u>(171,443)</u>	
Decrease in cash and cash equivalents			<u><u>(154,452)</u></u>			<u><u>(171,443)</u></u>	

NOTES ON ABBREVIATED FINANCIAL STATEMENTS31st March 1996**1 Accounting policies****Basis of accounting**

The financial statements have been prepared under the historical cost accounting rules.

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.

Leasing

Where assets are acquired by leasing arrangements which give rights approximating to ownership (finance leases) the amount representing the outright purchase price of such assets is included in tangible fixed assets in accordance with the company's depreciation policy. The capital element of future rentals is treated as a liability and the interest element is charged to the profit and loss account over the period of the lease in proportion to the balance outstanding. Expenditure on leases other than finance leases (operating leases) is charged to the profit and loss account in the period incurred.

Pensions

The company operates a contributory pension scheme to provide retirement benefits for certain employees. Contributions are charged to the profit and loss account as they are made.

2 Operating profit

	<u>1996</u>	<u>1995</u>
	£	£
Operating profit is stated after charging		
Hire of Plant and Machinery	477,165	583,900
Lease of Other Fixed Assets	358,009	457,788
Directors Emoluments	134,109	123,884
Auditors Remuneration	10,501	11,565
	<u> </u>	<u> </u>

NOTES ON ABBREVIATED FINANCIAL STATEMENTS31st March 1996**3 Directors and employees**

	<u>1996</u> £	<u>1995</u> £
Staff costs including directors' emoluments		
Wages and salaries	2,104,850	2,007,509
Social Security Costs	208,283	198,732
Pension Costs	5,049	2,584
	<u>2,318,182</u>	<u>2,208,825</u>
Average number employed including executive directors	<u>Number</u>	<u>Number</u>
Production Staff	112	107
Administration Staff	27	27
	<u>139</u>	<u>134</u>
Directors	£	£
Directors' emoluments		
Fees and Salary	134,109	123,384
Pension Contributions	-	500
	<u>134,109</u>	<u>123,884</u>
Emoluments excluding pension scheme contributions		
Highest Paid Director	<u>90,000</u>	<u>90,000</u>
Other directors	<u>Number</u>	<u>Number</u>
£5,001 - £10,000	1	1
£25,001 - £30,000	1	1

4 Interest payable

	<u>1996</u> £	<u>1995</u> £
Bank Overdraft Interest	<u>13,003</u>	<u>3,488</u>

5 Taxation

The charge for taxation is based on the profit for the year:

	<u>1996</u> £	<u>1995</u> £
Corporation tax at 25% (1995 33%)	-	56,997
(Over)/Under provision in earlier years	(37,556)	285
	<u>(37,556)</u>	<u>57,282</u>

NOTES ON ABBREVIATED FINANCIAL STATEMENTS31st March 1996**6 Stocks**

	<u>1996</u>	<u>1995</u>
	£	£
Goods for resale	93,845	7,464
Consumables Tooling	4,827	5,748
Processing Agents	4,310	8,819
	<u>102,982</u>	<u>22,031</u>

7 Debtors

	<u>1996</u>	<u>1995</u>
	£	£
Amounts falling due within one year		
Trade debtors	1,630,909	1,641,159
Discounting Loan	(1,133,532)	(1,190,844)
Amounts owed by group undertakings	1,896,182	1,632,531
Prepayments and accrued income	12,065	18,329
Other Debtors	477	-
	<u>2,406,101</u>	<u>2,101,175</u>

8 Creditors: amounts falling due within one year

	<u>1996</u>	<u>1995</u>
	£	£
Bank overdraft	411,776	256,850
Trade creditors	618,598	477,831
Corporation tax	-	57,219
Other taxation and social security	84,440	123,995
Other creditors	1,616	5,229
Accruals and deferred income	78,453	92,334
	<u>1,194,883</u>	<u>1,013,458</u>
Bank Overdraft		

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

- Fixed and floating charge over company assets.
- Composite guarantee given by David Fabb (Holdings) Limited, Daimic Limited, Esk Steel Strip Limited and Servosteel Limited secure all liabilities of each other.

9 Called up share capital

	<u>1996</u>	<u>1995</u>
	£	£
Authorised		
10,000 Ordinary Shares of £1 each	<u>10,000</u>	<u>10,000</u>
Allotted called up and fully paid		
100 Ordinary Shares of £1 each	<u>100</u>	<u>100</u>

NOTES ON ABBREVIATED FINANCIAL STATEMENTS31st March 1996**10 Profit and loss account**

	<u>1996</u> £
1st April 1995	1,109,699
Retained profit for the year	<u>204,926</u>
31st March 1996	<u><u>1,314,625</u></u>

11 Reconciliation of movements in shareholders' funds

	<u>1996</u> £	<u>1995</u> £
Profit for the financial year	204,926	133,428
Opening shareholders' funds	<u>1,109,799</u>	<u>976,371</u>
Closing shareholders' funds	<u><u>1,314,725</u></u>	<u><u>1,109,799</u></u>

12 Commitments

The company has the following under operating lease contracts for office equipment, as follows:

	<u>1996</u> £	<u>1995</u> £
Current Commitments	1,798	1,798
Between Two to Five Years	<u>-</u>	<u>-</u>
	<u><u>1,798</u></u>	<u><u>1,798</u></u>

The company has a commitment under an operating lease for the rental of industrial premises to the north of Old Wharf Road, Stourbridge. The lease is with David Fabb (Holdings) Limited and is for the period of 15 years from 1st July 1992 at a current annual rental of £ 350,000. This rental is due for review in July 1998.

13 Contingent Liabilities

The company has guaranteed the borrowings of its holding company David Fabb (Holdings) Limited to UCB Bank Plc.

14 Ultimate Holding Company

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

NOTES ON ABBREVIATED FINANCIAL STATEMENTS**31st March 1996****15 Notes to the cash flow statement****Reconciliation of Net Cash Outflow
from operating activities**

	<u>1996</u> £	<u>1995</u> £
Operating profit	180,373	194,198
Decrease/(increase) in stocks	(80,951)	5,099
(Increase) in Debtors	(304,926)	(407,104)
Increase in Creditors	83,715	147,118
	<u> </u>	<u> </u>
from operating activities	<u>(121,789)</u>	<u>(60,689)</u>

Net Cash Outflow**Analysis of changes in cash and cash
equivalents as shown in the balance sheet**

Balance at 1st April 1995	(256,799)	(85,356)
Net cash outflow	<u>(154,452)</u>	<u>(171,443)</u>
Balance at 31st March 1996	<u>(411,251)</u>	<u>(256,799)</u>

**Analysis of the balances of cash and cash
equivalents as shown in the balance sheet**

	<u>1996</u> £	<u>1995</u> £	<u>Change in year</u> £
Cash at bank and in hand	525	51	474
Bank overdrafts	<u>(411,776)</u>	<u>(256,850)</u>	<u>(154,926)</u>
	<u>(411,251)</u>	<u>(256,799)</u>	<u>(154,452)</u>

16 Transactions with Group Companies

During the year Servosteel Limited traded on a normal commercial basis with its holding company David Fabb (Holdings) Limited and was charged for the following services:-

	£
Rental of premises	350,000
Hire of machinery	477,000

It also trading commercially with its fellow subsidiary company Esk Steel Strip Limited for which sales invoices were raised in respect of steel services amounting to £21,560 during the year.