

Shorts Environmental Limited

**Director's report and financial
statements**

Registered number 3361126

31 December 2002



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Director's report

The director presents his annual report and the audited financial statements for the year ended 31 December 2002.

Principal activities and business review

The company has not traded since incorporation.

Proposed dividend

The director cannot recommend the payment of a dividend.

The director and his interests

The director who held office during the year was as follows:

JDR Fothergill

The interests of JDR Fothergill are disclosed in the directors' report of the parent company.

According to the register of director's interests, no rights to subscribe for shares in or debentures of the company or any other group company were granted to the director or his immediate family, or exercised by them, during the financial year.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



MT Bell
Secretary

15 Kings Gate
Bradford Business Park
Bradford
West Yorkshire
BD1 4SJ

20 June 2003

Statement of director's responsibilities

Company law requires the director 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 for that period. In preparing those financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- 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 the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

Independent auditors' report to the members of Shorts Environmental Limited

We have audited the financial statements on pages 4 to 6.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the director and auditors

The director is responsible for preparing the director's report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the director's report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and transactions with the company is not disclosed.

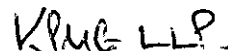
Basis of audit opinion

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 the company's affairs as at 31 December 2002 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG LLP

*Chartered Accountants
Registered Auditor*

20 June 2003

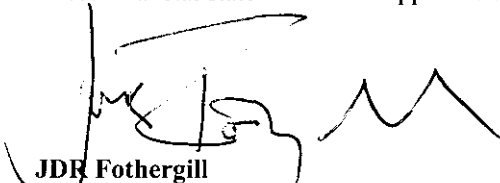
Balance sheet
at 31 December 2002

	<i>Note</i>	2002 £	2001 £
Current assets			
Cash at bank and in hand		1	1
Net assets		1	1
Capital and reserves			
Called up share capital	3	1	1
Shareholder's funds - equity	5	1	1

Profit and loss account
for the year ended 31 December 2002

During the financial year and the preceding financial year the company received no income and incurred no expenditure. Consequently, the company made neither a profit nor a loss and had no other recognised gains or losses.

These financial statements were approved and signed by the director on 20 June 2003.


JDR Fothergill
 Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

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

Under Financial Reporting Standard One ('FRS 1') the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As 100% of the company's voting rights are controlled within the group headed by Read Holdings Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard Eight ('FRS 8') and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Read Holdings Limited, within which this company is included, can be obtained from the address given in note 6.

2 Remuneration of director

The director received no remuneration from the company during the year or preceding year. The director was the only employee.

3 Called up share capital

	2002 £	2001 £
<i>Authorised</i>		
Equity: Ordinary shares of £1 each	1,000	1,000
<i>Allotted, called up and fully paid</i>		
Equity: Ordinary shares of £1 each	1	1

4 Contingent liabilities

The company, together with fellow subsidiary undertakings and the parent undertakings has entered into a corporate banking arrangement to secure group interest and banking facilities. As part of this arrangement a cross guarantee was given to the bank by the company.

Group bank borrowings affected by this guarantee at 31 December 2002 amounted to £7,500,000 (2001: £9,250,000).

Notes *(continued)*

5 Reconciliation of movements in shareholder's funds

	2002 £	2001 £
Opening and closing shareholder's equity funds	1	1

6 Ultimate parent company and ultimate controlling party

The company is a subsidiary of Shorts Industries Limited incorporated in England and Wales. The only group in which the results of the company are consolidated is that headed by Read Holdings Limited, incorporated in England and Wales. The financial statements of this company are available to the public and may be obtained from Cleveland House, Norton Road, Stockton-on-Tees, Cleveland, TS20 2AQ.

The ultimate controlling party of Read Holdings Limited is JDR Fothergill M.A., M.B.A., Chairman and Managing Director.