

**Shorts Environmental Limited**

**Director's report and financial  
statements**

Registered number 3361126

31 December 2005

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## Director's report

The director presents his annual report and the audited financial statements for the year ended 31 December 2005.

### 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

28 July 2006

## **Statement of director's responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them 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 of Shorts Environmental Limited for the year ended 31 December 2005 which comprise the Profit and loss account, the Balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 directors and auditors**

As described in the Statement of Directors' Responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 Directors' 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 directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

**Independent auditors' report to the members of Shorts Environmental Limited**  
*(continued)*

**Opinion**

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its result for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

*KPMG LLP*

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

28 July 2006

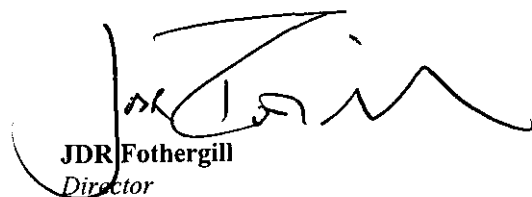
**Profit and loss account**  
*for the year ended 31 December 2005*

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.

**Balance sheet**  
*at 31 December 2005*

	<i>Note</i>	<b>2005</b> £	<b>2004</b> £
<b>Current assets</b>			
Cash in hand		1	1
		<hr/>	<hr/>
<b>Net assets</b>		1	1
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	3	1	1
		<hr/>	<hr/>
<b>Shareholder's funds - equity</b>	5	1	1
		<hr/>	<hr/>

These financial statements were approved and signed by the director on 28 July 2006.

  
**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 financial statements, except as noted below.

In these financial statements the following new standards have been adopted for the first time:

- FRS 21 'Events after the balance sheet date';
- the presentation requirements of FRS 25 'Financial instruments: presentation and disclosure'; and
- FRS 28 'Corresponding amounts'.

The recognition and measurement requirements of FRS 17 'Retirement benefits' have also been adopted, previously the transitional disclosures of that standard have been followed.

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

#### ***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 Kiplun 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 Kiplun Limited, within which this company is included, can be obtained from the address given in note 6.

#### ***Classification of financial instruments issued by the Company***

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

The adoption of FRS 25 has had no impact on the company.



## Notes (continued)

### 1 Accounting policies (continued)

#### *Dividends on shares presented within shareholders' funds*

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

### 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

	2005 £	2004 £
<i>Authorised</i>		
Equity: Ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Equity: Ordinary shares of £1 each	1	1
	<hr/>	<hr/>

### 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 2005 amounted to £5,028,125 (2004: £2,857,978).

### 5 Reconciliation of movements in shareholder's funds

	2005 £	2004 £
Opening and closing shareholder's equity funds	1	1
	<hr/>	<hr/>

## **Notes** *(continued)*

### **6 Ultimate parent company and ultimate controlling party**

The company is a subsidiary of Shorts Industries Limited incorporated in England and Wales. The results of the company are consolidated in groups headed by Read Holdings Limited (the intermediate parent company) and Kiplun Limited, incorporated in England and Wales. The financial statements of these companies are available to the public and may be obtained from Cleveland House, Norton Road, Stockton-on-Tees, Cleveland, TS20 2AQ.

The ultimate parent company is Kiplun Limited, incorporated in England and Wales.

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