

REGISTRAR'S COPY

KIERBECK LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2003**



Kierbeck Limited**Directors**

J Concannon
C F Lynch
B K O'Connell

Secretary and Registered Office

B K O'Connell
Kierbeck Business Complex
North Woolwich Road
Silvertown
London, E16 2BG

Auditors

Moore Stephens
Chartered Accountants
57 London Road
Enfield
Middlesex, EN2 6SW

Report of the Directors

The directors present their report and the audited financial statements for the period ended 30 September 2003.

Review of Activities

The principal activity of the company during the year continued to be that of supplying reinforcing steels to the construction industry.

The 18-month period has seen a number of significant changes in the market place. The demise of the sole remaining indigenous supplier to the industry in July 2002 saw a dramatic increase in imported steel, a fundamental shake up of the market place and several increases in steel prices.

The company continues to drive to generate new business, strives to source steel from the most cost effective sources and is continuing to focus on increasing efficiencies in the labour, transport output and the overhead costs of output. The re-emergence of indigenous suppliers for the raw material together with international changes in the supply chain for all steel products is likely to be a catalyst for further significant changes in the market. With the construction sector set for continuing growth for the coming year, the directors look forward to improving profitability.

On 28 March 2003, the company's shares were acquired by Shandrum Limited, a company controlled by C F Lynch.

Dividends

Immediately prior to the Management Buy Out, in March 2003, the company paid a first interim dividend of £450,000 (2002: £450,000). The company has subsequently paid a second interim dividend of £261,000 (2002: £nil). The directors do not recommend payment of a final dividend.

Directors

On 28 March 2003, J Egan and R L Bryne resigned as directors of the company.

Kierbeck Limited**Report of the Directors for the Period Ended 30 September 2003**

continued

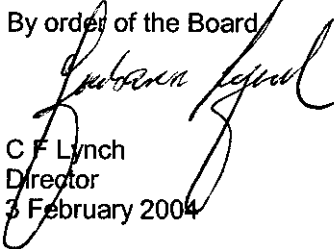
Directors' Interests

None of the directors had any interests in the share capital of the company in the period. C F Lynch and B K O'Connell are also directors of the parent company, Shandrum Limited, and their interest in the shares of that company are disclosed in its financial statements.

Auditors

The auditors, Moore Stephens, have expressed their willingness to continue in office. A resolution for their re-appointment and authorising the directors to fix their remuneration will be proposed at the forthcoming annual general meeting.

By order of the Board



C F Lynch
Director
3 February 2004

Kierbeck Limited

Statement of 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 period. In preparing those financial statements the directors are required to:

- select suitable accounting policies and then 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 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.

Kierbeck Limited**Independent Auditors' Report to the Shareholders of Kierbeck Limited**

We have audited the financial statements of Kierbeck Limited for the period ended 30 September 2003 set out on pages 6 to 15 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

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 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 transactions with the company 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 Opinion

We conducted our audit in accordance with United Kingdom 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.

Going Concern

In forming our opinion, we have considered the adequacy of the disclosures made in Note 1 of the financial statements regarding the elements of uncertainty concerning the financial projections. In view of this uncertainty we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

Kierbeck Limited**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 2003 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

57 London Road
Enfield
Middlesex, EN2 6SW

3 February 2004

Moore Stephens

MOORE STEPHENS
Registered Auditors &
Chartered Accountants

Kierbeck Limited

Profit and Loss Account for the Period Ended 30 September 2003

	Note	18 months ended 30 September 2003 £	12 months ended 31 March 2002 £
Turnover	2	46,050,279	22,603,078
Cost of Sales		(41,522,986)	(19,363,485)
Gross Profit		4,527,293	3,239,593
Administrative Expenses		(4,441,868)	(2,064,221)
Other Operating Income		407,406	180,000
Operating Profit	3	492,831	1,355,372
Investment Income		18,520	44,616
Interest Payable and Similar Charges	6	(108,247)	(29,046)
Profit on Ordinary Activities Before Taxation		403,104	1,370,942
Taxation	7	(67,958)	(406,267)
Profit on Ordinary Activities After Taxation		335,146	964,675
Dividends	9	(711,000)	(450,000)
Retained for the period		(£375,854)	£514,675

There were no recognised gains and losses for the period other than those included in the profit and loss account.

Kierbeck Limited

Balance Sheet at 30 September 2003

	Note	£	2003	£	£	2002	£
Fixed Assets							
Tangible Assets	10			781,942			476,657
Current Assets							
Stocks	11	2,254,250			1,487,301		
Debtors Due Within One Year	12	7,976,799			4,097,518		
Debtors Due After More Than One Year	12	3,615,007			-		
Cash at Bank and in Hand		96,602			1,771,660		
				13,942,658			7,356,479
Creditors: Amounts Falling Due Within One Year	13	13,387,972			6,060,652		
Net Current Assets				554,686			1,295,827
Total Assets Less Current Liabilities				1,336,628			1,772,484
Creditors: Amounts Falling Due After More Than One Year	14			(76,887)			(136,889)
				<u>£1,259,741</u>			<u>£1,635,595</u>
Capital and Reserves - Equity							
Called Up Share Capital	17			1,856			1,856
Other Reserves	18			144			144
Profit and Loss Account	18			1,257,741			1,633,595
				<u>£1,259,741</u>			<u>£1,635,595</u>

Approved by the Board on 3 February 2004


 C F Lynch
 Director

Kierbeck Limited

Notes to the Financial Statements for the Period Ended 30 September 2003

1 Accounting Policies

Basis of Accounting

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

Going Concern

The company was the subject of a management buy-out in March 2003 since when the company has financed its working capital requirements through a debt finance facility.

In line with the requirements of the financing arrangements, the directors regularly & routinely review the financial performance and projections of the company. As with all financial projections, there are elements of uncertainty, however, the directors are confident of the substance and performance of their projections. The company is reliant upon the continued support of the creditors for which the directors are grateful.

As a result, the directors consider that it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would arise if the company were unable to continue as a going concern.

Cash Flow Statement

The company has taken advantage of the exemption in Financial Reporting Standard 1 from the requirement to produce a cash flow statement on the grounds that it was a wholly owned subsidiary of Kierbeck Holdings Limited until 28 March 2003 and of Shandrum Limited thereafter, for which consolidated accounts are prepared and are publicly available.

Turnover

Turnover represents amounts invoiced during the period, net of Value Added Tax.

Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided to write off the cost of tangible fixed assets as follows:

Site Plant & Office Equipment - 25% reducing balance
Motor Vehicles - 25% reducing balance

Operating Leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Finance Leases

Assets held under finance leases are treated as tangible fixed assets, and initially recorded at the present value of the minimum lease payments at the inception of the lease. These assets are depreciated over their useful economic lives.

Obligations under finance leases are included within creditors, net of finance charges allocated to future periods.

Stocks

Stocks are stated at the lower of cost and net realisable value on an average cost basis.

Net realisable value is based on estimated selling price less further costs to completion and disposal.

Kierbeck Limited

Notes to the Financial Statements for the Period Ended 30 September 2003

continued

Deferred Taxation

Deferred taxation is provided for at anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods that differ from those in which they are included in the financial statements.

Foreign Currencies

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction.

Foreign currency assets and liabilities held at the balance sheet date are retranslated at the exchange rates ruling at that date. Any resulting exchange profit or loss is dealt with in the profit and loss account.

Pension Costs

The company operates a defined contribution scheme in respect of its employees. The assets of the scheme are held separately from those of the company. The pension cost charge represents the amount of the contributions payable to the scheme in respect of the period.

From time to time the company also makes payments to the personal pension plans of its directors.

2 Segmental Information

The turnover of the company can be analysed between the following segments:

	2003 £	2002 £
Sales - Materials	44,149,688	22,603,078
Sales - Europe	1,900,591	-
	<u>£46,050,279</u>	<u>£22,603,078</u>

3 Operating Profit

	18 months 2003 £	12 months 2002 £
Operating profit is stated after charging:		
Depreciation of tangible assets	216,342	131,913
Operating Lease Charges	1,090,714	667,693
Auditors' Remuneration - Audit	26,279	23,612
	<u> </u>	<u> </u>

Kierbeck Limited

Notes to the Financial Statements for the Period Ended 30 September 2003

continued

4 Directors' Emoluments

	18 months 2003 £	12 months 2002 £
Directors' emoluments	489,290	305,324
Pension costs	18,000	7,000
	<u>£507,290</u>	<u>£312,324</u>

One director is a member of a defined contribution pension scheme.

The emoluments of the highest paid director were £181,335.

5 Staff Costs

Staff costs, excluding costs relating to directors, were as follows:

	18 months 2003 £	12 months 2002 £
Wages and Salaries	5,682,149	2,616,713
Social Security Costs	607,287	288,693
Pension Costs	3,530	4,643
	<u>£6,292,966</u>	<u>£2,910,049</u>

The average monthly number of employees was 127 (2002 110).

The staff of the company worked in the following activities:

Administrative	20	16
Works	107	94
	<u>127</u>	<u>110</u>

6 Interest Payable and Similar Charges

	18 months 2003 £	12 months 2002 £
Bank loans and overdrafts	91,682	-
Lease finance charges	16,565	29,046
	<u>£108,247</u>	<u>£29,046</u>

Kierbeck Limited

Notes to the Financial Statements for the Period Ended 30 September 2003

continued

7 Taxation

	18 months 2003 £	12 months 2002 £
UK Corporation Tax - Current Period	69,769	412,000
UK Corporation Tax - Adjustment to Prior Years	(1,811)	(5,733)
	<u>£67,958</u>	<u>£406,267</u>

The tax assessed for the period differs from the standard rate of tax as follows.

	2003 £	2002 £
Profit on ordinary activities before tax	<u>403,104</u>	<u>1,370,942</u>
Profit on ordinary activities at standard rate of tax 30% (2002 30%)	120,931	411,283
Expenses not deductible for tax purposes	(28,901)	1,492
Capital allowances in excess of depreciation	(7,164)	(775)
Marginal relief	(15,097)	-
Tax on previous periods	(1,811)	(5,733)
	<u>£67,958</u>	<u>£406,267</u>

8 Pension Costs

The pension cost charge for the period amounted to £21,530 (2002: £11,643).

There were no outstanding contributions at the period end (2002: £Nil).

9 Dividends

	2003 £	2002 £
Equity Dividends		
First Interim Paid £485 Per Share (2002: £485)	450,000	450,000
Second Interim Paid £281 Per Share (2002: £nil).	261,000	-
	<u>£711,000</u>	<u>£450,000</u>

Kierbeck Limited

Notes to the Financial Statements for the Period Ended 30 September 2003

continued

10 Tangible Fixed Assets

	Site Plant and Office Equipment £	Motor Vehicles £	Total £
Cost			
At 1 April 2002	2,309,449	65,359	2,374,808
Additions	512,809	40,778	553,587
Disposals	-	(65,359)	(65,359)
At 30 September 2003	<u>2,822,258</u>	<u>40,778</u>	<u>2,863,036</u>
Depreciation			
At 1 April 2002	1,871,504	26,647	1,898,151
Depreciation for the period	208,527	7,815	216,342
Disposals	-	(33,399)	(33,399)
At 30 September 2003	<u>2,080,031</u>	<u>1,063</u>	<u>2,081,094</u>
Net Book Value			
At 30 September 2003	<u>£742,227</u>	<u>£39,715</u>	<u>£781,942</u>
At 1 April 2002	<u>£437,945</u>	<u>£38,712</u>	<u>£476,657</u>

Included within fixed assets are items with a net book value of £330,582 (2002: £355,393) which relate to assets held under finance leases. These assets were depreciated by £77,252 (2002: £101,430) during the period.

11 Stocks

	2003 £	2002 £
Raw Materials and Consumables	2,036,570	1,112,196
Work in Progress	97,697	204,952
Finished Goods and Goods for Resale	119,983	170,153
	<u>£2,254,250</u>	<u>£1,487,301</u>

Kierbeck Limited

Notes to the Financial Statements for the Period Ended 30 September 2003

continued

12 Debtors

Debtors Due Within One Year

	2003 £	2002 £
Trade Debtors	7,438,927	3,603,914
Other Debtors	249,413	-
Prepayments and Accrued Income	288,459	493,604
	<u>£7,976,799</u>	<u>£4,097,518</u>

Debtors Due After More Than One Year

	2003 £	2002 £
Group Balances	<u>3,615,007</u>	<u>-</u>

13 Creditors: Amounts Falling Due Within One Year

	2003 £	2002 £
Trade Creditors	8,110,767	4,999,875
Corporation Tax	-	339,500
Other Taxation and Social Security	359,446	300,530
Amounts Owed to Group Undertakings	-	246,766
Finance Lease Creditors	198,411	128,100
Other Creditors	4,574,217	5,228
Accruals and Deferred Income	145,131	40,653
	<u>£13,387,972</u>	<u>£6,060,652</u>

14 Creditors: Amounts Falling Due After More Than One Year

	2003 £	2002 £
Finance Lease Creditors	<u>76,887</u>	<u>136,889</u>

All amounts are due within two years of the balance sheet date.

Kierbeck Limited

Notes to the Financial Statements for the Period Ended 30 September 2003

continued

15 Secured Creditors

Included within Other Creditors is an amount of £4,413,824 (2002: £nil), which is secured on the Trade Debtors of the company.

All obligations under Hire Purchase and Finance Leases are secured over the assets to which they relate.

16 Contingent Liabilities

Amounts totalling £1,375,000 (2002: £nil) which are owing to third parties by the parent company, Shandrum Limited, are secured by way of a fixed and floating charge over the assets of this company.

17 Share Capital

	2003 £	2002 £
Authorised		
1,000 Ordinary 'A' Shares of £1 each	1,000	1,000
1,000 Ordinary 'B' Shares of £1 each	1,000	1,000
	<u>2,000</u>	<u>2,000</u>
	2003 £	2002 £
Allotted, Called Up and Fully Paid		
928 Ordinary 'A' Shares of £1 each	928	928
928 Ordinary 'B' Shares of £1 each	928	928
	<u>1,856</u>	<u>1,856</u>

The 'A' shares have voting rights and do not confer the right to participate in the profits of the company. The 'B' shares have no voting rights and confer the right to receive all dividends declared or paid in any financial year. The shares rank pari passu in all other respects.

Kierbeck Limited

Notes to the Financial Statements for the Period Ended 30 September 2003

continued

18 Reserves

	Other Reserves £	Profit and Loss Account £	Total £
At 1 April 2002	144	1,633,595	1,633,739
Retained for the period	-	(375,854)	(375,854)
At 30 September 2003	<u>£144</u>	<u>£1,257,741</u>	<u>£1,257,885</u>

19 Reconciliation of Movements in Shareholders' Funds

	2003 £	2002 £
Profit for the financial period	335,146	964,675
Dividends	<u>(711,000)</u>	<u>(450,000)</u>
Net additions to shareholders' funds	(375,854)	514,675
Opening shareholders' funds as at 1 April 2002	<u>1,635,595</u>	<u>1,120,920</u>
Closing shareholders' funds as at 30 September 2003	<u>£1,259,741</u>	<u>£1,635,595</u>

20 Operating Lease Commitments

The company's commitments under operating leases for the next year are for leases expiring:

	Land and Buildings £
After more than five years	<u>585,280</u>

21 Related Parties

On 28 March 2003, the shares in the company were sold to Shandrum Limited, which became the company's immediate and ultimate parent undertaking. From this date the company's ultimate controlling party is C F Lynch, director.

Prior to this date, the company's immediate and ultimate parent undertaking was Kierbeck Holdings Limited and the company's ultimate controlling party was J M Egan. Consolidated group accounts are available from Kierbeck Business Complex, North Woolwich Road, Silvertown, London E16 2BG.

The company has taken advantage of the exemption granted in Financial Reporting Standard 8 not to disclose transactions with fellow group companies, as more than 90% of the voting rights are controlled within the group and the consolidated financial statements, in which the company is included, are publicly available.