

Lovat Europe Limited

UNAUDITED FINANCIAL STATEMENTS

for the year ended

29 February 2008



Company Registration No 2594307

Lovat Europe Limited

DIRECTORS AND ADVISORS

DIRECTORS

R P Lovat

SECRETARY

S Duncombe (resigned 1 August 2007)
F Amorim (appointed 1 August 2007)

COMPANY NUMBER

2594307 (England and Wales)

REGISTERED OFFICE

7 Newlands Court
Burntwood Business Park
Burntwood
Staffordshire
WS7 3GF

ACCOUNTANTS

Baker Tilly Tax and Advisory Services LLP
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

Lovat Europe Limited

DIRECTORS' REPORT

The directors submit their report and the unaudited financial statements of Lovat Europe Limited for the year ended 29 February 2008

PRINCIPAL ACTIVITIES

The principal activities of the company during the year were that of the provision of consultancy services on tunnelling and supply of machines and spare parts for tunnelling machinery

RESULTS AND DIVIDENDS

The trading profit for the year after taxation was £51,036 (2007 £74,660)

The directors do not recommend the payment of a dividend

The directors believe the state of affairs of the company to be satisfactory

DIRECTORS

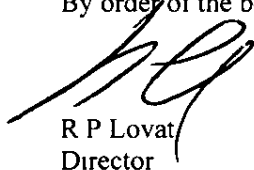
The following directors have held office since 1 March 2007 -

R P Lovat (Canadian)

S Duncombe (appointed 22 March 2007, resigned 1 August 2007)

The directors' report has been prepared in accordance with the special provision of Part VII of the Companies Act 1985 relating to small companies

By order of the board



R P Lovat
Director

May 30, 2008

Lovat Europe Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 those financial statements, the directors are required to

- a select suitable accounting policies and then apply them consistently,
- b make judgements and estimates that are reasonable and prudent,
- c 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 requirements of 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.

Lovat Europe Limited
UNAUDITED PROFIT AND LOSS ACCOUNT
for the year ended 29 February 2008

	<i>Notes</i>	2008 £	2007 £
TURNOVER	1	479,805	443,342
Cost of sales		(251,772)	(246,971)
		<u> </u>	<u> </u>
GROSS PROFIT		228,033	196,371
Administration expenses		(161,816)	(107,496)
		<u> </u>	<u> </u>
OPERATING PROFIT		66,217	88,875
Investment income	2	1,309	435
		<u> </u>	<u> </u>
		67,526	89,310
Interest payable	3	1,087	-
		<u> </u>	<u> </u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	66,439	89,310
Taxation	6	(15,403)	(14,650)
		<u> </u>	<u> </u>
RETAINED PROFIT FOR THE YEAR	12	51,036	74,660
		<u> </u>	<u> </u>

The operating profit for the year arises from the company's continuing operations

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account

Lovat Europe Limited
UNAUDITED BALANCE SHEET
29 February 2008

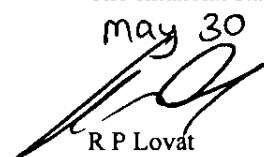
	<i>Notes</i>	2008 £	2007 £
FIXED ASSETS			
Tangible assets	7	28,429	571
		<hr/>	<hr/>
CURRENT ASSETS			
Debtors	8	31,680	52,799
Cash at bank and in hand		104,114	64,585
		<hr/>	<hr/>
		135,794	117,384
CREDITORS Amounts falling due within one year	9	(29,336)	(35,706)
		<hr/>	<hr/>
NET CURRENT ASSETS		106,458	81,678
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		134,887	82,249
PROVISIONS FOR LIABILITIES AND CHARGES	10	(1,602)	-
		<hr/>	<hr/>
		133,285	82,249
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	11	100	100
Profit and loss account	12	133,185	82,149
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS	13	133,285	82,249
		<hr/>	<hr/>

For the year ended 29 February 2008 the company was entitled to the exemption from the requirement to have an audit under the provision of S249A(1), Companies Act 1985. No notice has been deposited with the company under S249B(2) of that Act requiring an audit to be carried out. The directors acknowledge their responsibility for

- a Ensuring the company keeps accounting records in accordance with S221, Companies Act 1985,
- b Preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of its financial year and of its result for the year then ended in accordance with the requirements of S226, Companies Act 1985 and which otherwise comply with the requirements of the Act so far as they are applicable to the company

These financial statements are prepared in accordance with the special provision of Part VII of the Companies Act 1985 relating to small companies

The financial statements on pages 4 to 13 were approved by the board of directors and authorised for issue on ^{may 30} 2008 and are signed on its behalf by


R P Lovat
Director

Lovat Europe Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention

GOING CONCERN

The financial statements are prepared on a going concern basis which the directors believe to be appropriate as the ultimate parent undertaking of the company has confirmed its willingness to provide funding to enable the company to meet its day to day expenditure for at least twelve months from the date of approval of these financial statements

As with any group company placing reliance on other group undertakings for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, the directors have no reason to believe that it will not do so

TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows -

Equipment	over 5 years
Fixtures and fittings	over 10 years

FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account

LEASED ASSETS

All leases are "operating leases" and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term

TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

Deferred tax assets are recognised to the extent that they are regarded as recoverable. They are regarded as recoverable to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Lovat Europe Limited

ACCOUNTING POLICIES (continued)

PENSION CONTRIBUTIONS

The company contributes to the personal pension scheme of each employee. The pension cost charge represents contributions paid by the company to the schemes.

Lovat Europe Limited

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS for the year ended 29 February 2008

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The company's turnover and profit before taxation were all derived from its principal activities
Sales were made in the following geographical markets

	2008 £	2007 £
United Kingdom	4,997	30,610
Canada	474,808	412,732
	<u>479,805</u>	<u>443,342</u>

2 INVESTMENT INCOME

	2008 £	2007 £
Interest receivable	<u>1,309</u>	<u>435</u>

3 INTEREST PAYABLE

	2008 £	2007 £
Interest on late payment of Class 1A NIC	<u>1,087</u>	<u>-</u>

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2008 £	2007 £
Profit on ordinary activities before taxation is stated after charging		
Depreciation and amounts written off tangible fixed assets		
Charge for the year		
owned assets	4,185	463
Operating lease rentals		
Plant and machinery	12,620	9,148
Land and buildings	11,334	7,667
Auditors remuneration	-	6,375
	<u></u>	<u></u>

Lovat Europe Limited

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS for the year ended 29 February 2008

5	DIRECTORS EMOLUMENTS	2008 £	2007 £
	The directors aggregate emoluments in respect of qualifying services were		
	Aggregate emoluments	24,976	-
		<u>24,976</u>	<u>-</u>

There are no retirement benefits are accruing to directors under money purchase pension schemes

6	TAXATION	2008 £	2007 £
	Current tax		
	UK corporation tax on profits of the period at 20% (2007 19%)	13,843	14,650
	Adjustments in respect of previous periods	(42)	-
	Total current tax	<u>13,801</u>	<u>14,650</u>
	Deferred tax		
	Origination and reversal of timing differences	<u>1,602</u>	<u>-</u>
	Tax on profit on ordinary activities	<u>15,403</u>	<u>14,650</u>

Lovat Europe Limited

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS for the year ended 29 February 2008

6 TAXATION (continued)

Factors affecting tax charge for the period

The tax assessed for the period is higher (2007 lower) than the standard rate of corporation tax in the UK (20%) (2007 19%) as explained below

	2008 £	2007 £
Profit on ordinary activities before tax	66,439	89,310
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK (20%) (2007 19%)	13,288	16,969
Effects of		
Expenses not deductible for tax purposes	2,162	1,002
Capital allowances (in excess)/less than depreciation	(1,626)	21
Adjustment to tax charge in respect of previous period	(42)	-
Difference in tax rates	19	-
Utilised losses	-	(3,383)
Rounding	-	41
Current tax charge for the period	13,801	14,650

Lovat Europe Limited

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS for the year ended 29 February 2008

7 TANGIBLE FIXED ASSETS

	<i>Equipment</i> £	<i>Fixtures and fittings</i> £	<i>Total</i> £
Cost			
At 1 March 2007	7,465	554	8,019
Additions	7,553	24,490	32,043
Disposals	-	(158)	(158)
	<hr/>	<hr/>	<hr/>
At 29 February 2008	15,018	24,886	39,904
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 March 2007	6,894	554	7,448
Charged in the year	1,736	2,449	4,185
Disposals	-	(158)	(158)
	<hr/>	<hr/>	<hr/>
At 29 February 2008	8,630	2,845	11,475
	<hr/>	<hr/>	<hr/>
Net book value			
At 29 February 2008	6,388	22,041	28,429
	<hr/>	<hr/>	<hr/>
At 28 February 2007	571	-	571
	<hr/>	<hr/>	<hr/>

8 DEBTORS

	2008 £	2007 £
Due within one year		
Trade debtors	-	27,166
Other debtors	4,317	7,354
Prepayments and accrued income	1,325	1,803
Amounts due from group undertakings	26,038	16,476
	<hr/>	<hr/>
	31,680	52,799
	<hr/>	<hr/>

Lovat Europe Limited

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS for the year ended 29 February 2008

9	CREDITORS Amounts falling due within one year	2008 £	2007 £
	Bank overdraft	2,263	4,881
	Trade creditors	2,733	2,799
	Corporation tax	13,843	14,650
	Other taxation and social security costs	5,972	5,813
	Accruals and deferred income	4,525	7,563
		<u>29,336</u>	<u>35,706</u>
10	PROVISIONS FOR LIABILITIES AND CHARGES	2008 £	2007 £
	Deferred tax		
	Balance at 1 March 2007	-	-
	Transfer from profit and loss account	1,602	-
		<u>1,602</u>	<u>-</u>
	Balance at 29 February 2008	1,602	-
		<u>1,602</u>	<u>-</u>
	Provision for deferred tax has been made as follows		
	Excess of tax allowances over depreciation	1,602	-
		<u>1,602</u>	<u>-</u>
11	SHARE CAPITAL	2008 £	2007 £
	Authorised		
	100 ordinary shares of £1 each	100	100
		<u>100</u>	<u>100</u>
	Allotted, issued and fully paid		
	100 ordinary shares of £1 each	100	100
		<u>100</u>	<u>100</u>
	Share capital consists entirely of equity interests		
12	PROFIT AND LOSS ACCOUNT	2008 £	2007 £
	1 March 2007	82,149	7,489
	Retained profit for the year	51,036	74,660
		<u>133,185</u>	<u>82,149</u>
	29 February 2008	133,185	82,149
		<u>133,185</u>	<u>82,149</u>

Lovat Europe Limited

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS for the year ended 29 February 2008

13	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2008 £	2007 £
	Profit for the financial year	51,036	74 660
	Net addition in shareholders' funds	51,036	74,660
	Opening shareholders' funds	82,249	7,589
	Closing shareholders' funds	133,285	82,249

14 COMMITMENTS UNDER OPERATING LEASES

At 29 February 2008 the company had annual commitments under non-cancellable operating leases as follows

	2008 £	2007 £
Land and buildings		
expiring within 1 year	-	2,000
expiring between 1 and 2 years	12,000	-
Motor vehicles		
expiring within 1 year	-	2,800
expiring between 1 and 2 years	11,249	6,089

15 RELATED PARTY TRANSACTIONS

During the year the company traded with its parent undertaking, Lovat Inc. The aggregate sales to this company for the year ended 29 February 2008 amounted to £474,808 (2007 £412,732) and purchases amounted to £Nil (2007 £Nil). At 29 February 2008, the net amount owed by the parent company was £26,038 which comprises of £26,038 net and £Nil VAT (2007 debtor £16,476).

16 ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The ultimate holding company and controlling party is Lovat Inc, a company incorporated in Canada.

17 PENSION COMMITMENTS

The company contributes to the personal pension scheme of certain employees. The scheme assets are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company and amounted to £2,141 (2007 £5,962). There were no prepaid contributions at the balance sheet date.