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signed

RUST RESOURCES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006

Company Registration Number 02704357



Tenon Limited
66 Chiltern Street
London
W1U 4JT

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RUST RESOURCES LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2006

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RUST RESOURCES LIMITED
OFFICERS AND PROFESSIONAL ADVISERS
YEAR ENDED 30 SEPTEMBER 2006

The director	D C Edwards
Company secretary	P A Edwards
Business address	1st Floor 31 High Street Cobham Surrey KT11 3DP
Registered office	1st Floor 31 High Street Cobham Surrey KT11 3DP
Auditor	Tenon Audit Limited Registered Auditor 66 Chiltern Street London W1U 4JT
Accountants	Tenon Limited 66 Chiltern Street London W1U 4JT

RUST RESOURCES LIMITED
THE DIRECTOR'S REPORT
YEAR ENDED 30 SEPTEMBER 2006

The director presents his report and the financial statements of the company for the year ended 30 September 2006

Principal activities and business review

The principal activity of the company is that of a contractor to the engineering industry in the UK and overseas

The profit and loss account for the period is set out on page 6. The company has obtained a number of new contracts in the UK and overseas which provide a good foundation for future trading

Results and dividends

The loss for the year, after taxation, amounted to £52,656. Particulars of dividends paid are detailed in note 6 to the financial statements

Director

The director who served the company during the year was as follows

D C Edwards

Director's responsibilities

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 these financial statements, the director is required to

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- 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 enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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

In so far as the director, individually, is aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

RUST RESOURCES LIMITED
THE DIRECTOR'S REPORT *(continued)*
YEAR ENDED 30 SEPTEMBER 2006

Auditor

The company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with section 386(1) of the Companies Act 1985. Therefore, the auditors, Tenon Audit Limited, will be deemed to be reappointed for each succeeding financial year.

Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

Registered office
1st Floor
31 High Street
Cobham
Surrey
KT11 3DP

Signed by



P A EDWARDS

Company Secretary

Approved by the director on



RUST RESOURCES LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RUST
RESOURCES LIMITED
YEAR ENDED 30 SEPTEMBER 2006

We have audited the financial statements of Rust Resources Limited on pages 6 to 15 for the year ended 30 September 2006. 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 director and auditor

As described in the statement of director's responsibilities the company's director is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom 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 whether in our opinion the information given in the Director's Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Director's 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 judgements made by the director 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.

RUST RESOURCES LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RUST
RESOURCES LIMITED *(continued)*
YEAR ENDED 30 SEPTEMBER 2006

Opinion

In our opinion

the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2006 and of its loss for the year then ended,

the financial statements have been properly prepared in accordance with the Companies Act 1985, and

the information given in the Director's Report is consistent with the financial statements

Tenon Audit Limited

Tenon Audit Limited
Registered Auditor
66 Chiltern Street
London
W1U 4JT

23-07-07

RUST RESOURCES LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 SEPTEMBER 2006

		2006	2005 (restated)
	Note	£	£
Turnover	2	1,779,545	2,305,885
Cost of sales		(1,420,185)	(1,880,951)
Gross profit		<u>359,360</u>	<u>424,934</u>
Administrative expenses		(402,671)	(353,884)
Other operating income	3	(13,071)	22,653
Operating (loss)/profit	4	<u>(56,382)</u>	<u>93,703</u>
Interest receivable		23,060	35,153
Interest payable and similar charges		(15,326)	(13,422)
(Loss)/profit on ordinary activities before taxation		<u>(48,648)</u>	<u>115,434</u>
Tax on (loss)/profit on ordinary activities	5	(4,008)	(27,758)
(Loss)/profit for the financial year		<u>(52,656)</u>	<u>87,676</u>

All of the activities of the company are classed as continuing

The notes on pages 9 to 15 form part of these financial statements

RUST RESOURCES LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 30 SEPTEMBER 2006

	2006	2005 (restated)
	£	£
(Loss)/profit for the financial year Attributable to the shareholders	(52,656)	87,676
Total recognised gains and losses relating to the year	(52,656)	87,676
Prior year adjustment (see note 7)	350,000	—
Total gains and losses recognised since the last annual report	<u>297,344</u>	<u>87,676</u>

The notes on pages 9 to 15 form part of these financial statements

RUST RESOURCES LIMITED

BALANCE SHEET

30 SEPTEMBER 2006

		2006		2005 (restated)	
	Note	£	£	£	£
Fixed assets					
Tangible assets	8		11,690		8,350
Current assets					
Debtors	9	848,762		1,344,940	
Cash at bank and in hand		277,837		159,161	
		<u>1,126,599</u>		<u>1,504,101</u>	
Creditors: Amounts falling due within one year	10	<u>(599,973)</u>		<u>(571,479)</u>	
Net current assets			526,626		932,622
Total assets less current liabilities			<u>538,316</u>		<u>940,972</u>
Capital and reserves					
Called-up share capital	14		100		100
Profit and loss account	15		538,216		940,872
Shareholders' funds	16		<u>538,316</u>		<u>940,972</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985

These financial statements were approved and signed by the director on

9th June 2007

D C Edwards

D C Edwards
Director

The notes on pages 9 to 15 form part of these financial statements

RUST RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2006

1. Accounting Policies

Basis of accounting

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

Changes in accounting policies

In preparing the financial statements for the current year, the company has adopted the following Financial Reporting Standards -

FRS 21 'Events after the balance sheet date' (IAS 10)

The adoption of FRS 21 has resulted in a change in accounting policy in respect of proposed equity dividends. If the company declares dividends to the holders of equity instruments after the balance sheet date, the company does not recognise those dividends as a liability at the balance sheet date. The aggregate amount of equity dividends proposed before approval of the financial statements, which have not been shown as liabilities at the balance sheet date, are disclosed in the notes to the financial statements. Previously, proposed equity dividends were recorded as liabilities at the balance sheet date.

This change in accounting policy has resulted in a prior year adjustment for the company. For year ended 30 September 2005, the change in accounting policy has resulted in a net increase in retained profit for the year of £350,000. The balance sheet at 30 September 2005 has been restated to reflect the de-recognition of a liability for proposed equity dividends of £350,000.

Cash flow statement

The director has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is small.

Turnover

The turnover shown in the profit and loss account represents amounts receivable during the year, exclusive of Value Added Tax.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold Property	- term of lease (8 years 10 months)
Fixtures, fittings and office equipment	- 25% straight line

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

RUST RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2006

2. Turnover

The turnover and loss before tax are attributable to the one principal activity of the company

An analysis of turnover is given below

	2006	2005 (restated)
	£	£
United Kingdom	802,150	905,964
Europe	72,357	472,467
Asia/USA	905,038	927,454
	<u>1,779,545</u>	<u>2,305,885</u>

3. Other Operating Income

	2006	2005 (restated)
	£	£
Exchange(loss)/gain	<u>(13,071)</u>	<u>22,653</u>

4. Operating (Loss)/Profit

Operating (loss)/profit is stated after charging

	2006	2005 (restated)
	£	£
Director's emoluments	—	—
Staff pension contributions	3,275	2,886
Depreciation of owned fixed assets	5,681	6,147
Auditor's fees	7,750	7,750
Operating lease costs		
-Other	<u>28,722</u>	<u>25,725</u>

5. Taxation on Ordinary Activities

(a) Analysis of charge in the year

	2006	2005 (restated)
	£	£
UK Corporation tax based on the results for the year at 30% (2005 - 30%)	(14,212)	27,758
Under provision in prior year	<u>18,220</u>	—
	<u>4,008</u>	<u>27,758</u>

The company has an unrecognised deferred tax asset of £4,177 (2005 £3,467)

RUST RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2006

5. Taxation on Ordinary Activities *(continued)*

(b) Factors affecting current tax charge

The tax assessed on the (loss)/profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2005 - 30%)

	2006	2005 (restated)
	£	£
(Loss)/profit on ordinary activities before taxation	<u>(48,648)</u>	<u>115,434</u>
Profit on ordinary activities multiplied by rate of tax	(14,595)	34,630
Effects of		
Expenses not deductible for tax purposes	399	263
Small company relief	-	(7,116)
Depreciation in excess of capital allowances	710	(19)
Underprovision in prior years	18,220	-
Change in marginal relief after losses carried back	<u>(726)</u>	<u>-</u>
Total current tax (note 5(a))	<u>4,008</u>	<u>27,758</u>

6. Dividends

Equity dividends

	2006	2005 (restated)
	£	£
Paid during the year		
Equity dividends on ordinary shares	<u>350,000</u>	<u>-</u>
Proposed after the year-end (not recognised as a liability)		
Equity dividends on ordinary shares	<u>-</u>	<u>350,000</u>

7. Prior Year Adjustment

The prior year adjustment relates to the change in accounting policy as a result of the adoption of FRS 21 'Events after the Balance Sheet date (IAS 10)'

FRS 21 affects the treatment of equity dividends proposed after the year end. If the company declares dividends to the holders of equity instruments after the balance sheet date, the company does not recognise those dividends as a liability at the balance sheet date. The aggregate amount of equity dividends proposed before approval of the financial statements, which have not been shown as liabilities at the balance sheet date, are disclosed in the notes to the financial statements. Previously, proposed equity dividends were recorded as liabilities at the balance sheet date.

The resulting prior year adjustment is detailed within the Accounting Policies note of these accounts.

RUST RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2006

8. Tangible Fixed Assets

	Property Lease £	Fixtures, fittings and office furniture £	Total £
Cost			
At 1 October 2005	7,500	48,763	56,263
Additions	–	9,021	9,021
Disposals	–	(11,925)	(11,925)
At 30 September 2006	<u>7,500</u>	<u>45,859</u>	<u>53,359</u>
Depreciation			
At 1 October 2005	3,679	44,234	47,913
Charge for the year	848	4,833	5,681
On disposals	–	(11,925)	(11,925)
At 30 September 2006	<u>4,527</u>	<u>37,142</u>	<u>41,669</u>
Net book value			
At 30 September 2006	<u>2,973</u>	<u>8,717</u>	<u>11,690</u>
At 30 September 2005	<u>3,821</u>	<u>4,529</u>	<u>8,350</u>

9. Debtors

	2006 £	2005 (restated) £
Trade debtors	253,829	318,297
Amounts owed by group undertakings	551,534	927,301
Corporation tax repayable	14,212	–
VAT recoverable	–	35,106
Other debtors	2,019	7,706
Prepayments and accrued income	27,168	56,530
	<u>848,762</u>	<u>1,344,940</u>

RUST RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2006

10 Creditors Amounts falling due within one year

	2006		2005 (restated)	
	£	£	£	£
Overdrafts		224,040		120,937
Trade creditors		118,109		80,933
Other creditors including taxation and social security				
Corporation tax	—		27,758	
PAYE and social security	54,116		91,588	
VAT	4,763		—	
Other creditors	155,934		180,384	
Accruals and deferred income	43,011		69,879	
		<u>257,824</u>		<u>369,609</u>
		<u>599,973</u>		<u>571,479</u>

The bank overdraft is secured by a fixed and floating charge over the assets of the company

11 Commitments under Operating Leases

At 30 September 2006 the company had annual commitments under non-cancellable operating leases as set out below

	<i>Land & buildings</i>	
	2006	2005 (restated)
	£	£
Operating leases which expire		
Within 2 to 5 years	28,475	-
After more than 5 years	-	28,475
	<u>28,475</u>	<u>28,475</u>

12 Contingencies

The company has given a cross guarantee in support of a joint overdraft facility with fellow group undertakings. At 30 September 2006 the level of overdraft was £nil (2005 £nil)

RUST RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2006

13 Related Party Transactions

During the year the company charged Rust Resources Inc £240,000 (2005 £239,939) for management services provided. Total sales of £373,795 (2005 £801,934) were also made to Rust Resources Inc. Amounts of £60,000 (2005 £80,000) was paid to Rust Services Limited for management services provided to Rust Resources Limited.

At the year end Rust Resources Inc owed Rust Resources Limited £502,401 (2005 £573,178) and amounts of £48,520 (2005 £353,811) was due from Rust Services Limited. Interest receivable of £22,318 (2005 £33,934) has been charged on these debts.

During the year, £105 was advanced to LKH Properties Limited, a fellow subsidiary incorporated in March 2006. The whole amount was still outstanding at the year end and disclosed as a balance due after one year.

The director of Rust Resources Limited is also a director of Rust Services Limited, Rust Resources Inc and LKH Properties Limited.

14 Share Capital

Authorised share capital:

	2006	<i>2005 (restated)</i>
	£	£
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

Allotted, called up and fully paid:

	2006	<i>2005 (restated)</i>
	No	No
	£	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>

15. Profit and Loss Account

	2006	<i>2005 (restated)</i>
	£	£
Balance brought forward as previously reported	590,872	853,196
Prior year adjustment (see note 7)	350,000	—
Balance brought forward restated	940,872	853,196
(Loss)/profit for the financial year	(52,656)	87,676
Equity dividends paid	(350,000)	—
Balance carried forward	<u>538,216</u>	<u>940,872</u>

RUST RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2006

16. Reconciliation of Movements in Shareholders' Funds

	2006	2005 (restated)
	£	£
(Loss)/profit for the financial year	(52,656)	87,676
Equity dividends paid	(350,000)	—
Net (reduction)/addition to shareholders' funds	(402,656)	87,676
Opening shareholders' funds	590,972	853,296
Prior year adjustment (see note 7)	350,000	—
Closing shareholders' funds	<u>538,316</u>	<u>940,972</u>

17 Ultimate Parent Company

The ultimate parent undertaking is Rust Services Limited, a company registered in England and Wales. The ultimate controlling party is Mr D C Edwards and his spouse Mrs P A Edwards who together own 90% of the share capital of the parent undertaking.