

RUST RESOURCES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004

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 2004

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RUST RESOURCES LIMITED
OFFICERS AND PROFESSIONAL ADVISERS
YEAR ENDED 30 SEPTEMBER 2004

The director	D C Edwards
Company secretary	P A Edwards
Registered office	First Floor 31 High Street Cobham Surrey KT11 3DP
Auditors	Tenon Audit Limited 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 2004

The director presents his report and the financial statements of the company for the year ended 30 September 2004.

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 contacts in the UK and overseas which provide a good foundation for future trading.

Director

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

D C Edwards

The company is a wholly owned subsidiary and the interests of the group director are disclosed in the financial statements of the parent company.

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 at the end of the year and of the profit or loss for the year then ended. In preparing those 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 to enable him to ensure that the financial statements comply with the Companies Act 1985. The director 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.

Auditors

On 28 February 2005 our auditors, Blueprint Audit Limited changed their name to Tenon Audit Limited and have signed the audit report in their new name.

Tenon Audit Limited have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the annual general meeting.

RUST RESOURCES LIMITED
THE DIRECTOR'S REPORT *(continued)*
YEAR ENDED 30 SEPTEMBER 2004

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.

Signed by



P A EDWARDS

Company Secretary

Approved by the director on 10 June 2005

RUST RESOURCES LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RUST
RESOURCES LIMITED
YEAR ENDED 30 SEPTEMBER 2004

We have audited the financial statements of Rust Resources Limited for the year ended 30 September 2004 on pages 6 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

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 auditors' 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 auditors

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.

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 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.

We read other information contained in the Director's Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit 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 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 AUDITORS' REPORT TO THE MEMBERS OF RUST
RESOURCES LIMITED *(continued)*
YEAR ENDED 30 SEPTEMBER 2004

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 2004 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Tenon Audit Limited

Tenon Audit Limited
Registered Auditor

66 Chiltern Street
London
W1U 4JT

Date:- *14 June 2005*

RUST RESOURCES LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 SEPTEMBER 2004

	Note	2004 £	2003 £
Turnover	2	1,648,435	1,699,665
Cost of sales		(1,321,882)	(1,355,983)
Gross profit		<u>326,553</u>	<u>343,682</u>
Administrative expenses		(313,171)	(345,132)
Other operating income	3	4,872	28,179
Operating profit	4	<u>18,254</u>	<u>26,729</u>
Interest receivable		46,718	35,445
Interest payable and similar charges		(22,466)	(11,596)
Profit on ordinary activities before taxation		<u>42,506</u>	<u>50,578</u>
Tax on profit on ordinary activities	5	—	(14,222)
Retained profit for the financial year		<u><u>42,506</u></u>	<u><u>36,356</u></u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 8 to 12 form part of these financial statements.

RUST RESOURCES LIMITED

BALANCE SHEET

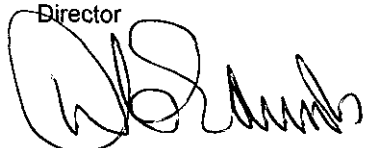
30 SEPTEMBER 2004

	Note	2004 £	£	2003 £	£
Fixed assets					
Tangible assets	6		13,676		17,275
Investments	7		—		4,743
			<u>13,676</u>		<u>22,018</u>
Current assets					
Debtors	8	856,254		1,204,788	
Cash at bank		253,846		22,777	
		<u>1,110,100</u>		<u>1,227,565</u>	
Creditors: Amounts falling due within one year	9	<u>(270,480)</u>		<u>(438,793)</u>	
Net current assets			839,620		788,772
Total assets less current liabilities			<u>853,296</u>		<u>810,790</u>
Capital and reserves					
Called-up share capital	13		100		100
Profit and loss account	14		853,196		810,690
Shareholders' funds	15		<u>853,296</u>		<u>810,790</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 10 June 2005.

D C Edwards
Director



The notes on pages 8 to 12 form part of these financial statements.

RUST RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2004

1. Accounting policies

Basis of accounting

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

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 invoiced 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.

2. Turnover

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

An analysis of turnover is given below:

	2004	2003
	£	£
United Kingdom	501,839	390,680
Europe	395,689	756,832
Asia/USA	750,907	550,178
Australia	—	1,975
	<u>1,648,435</u>	<u>1,699,665</u>

RUST RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2004

3. Other operating income

	2004	2003
	£	£
Exchange gain	4,870	26,173
Other operating income	2	2,006
	<u>4,872</u>	<u>28,179</u>

4. Operating profit

Operating profit is stated after charging:

	2004	2003
	£	£
Director's emoluments	—	—
Staff pension contributions	2,886	2,886
Depreciation of owned fixed assets	9,755	10,454
Auditors' fees	8,000	8,000
Operating lease costs:		
-Land and buildings	23,450	23,450
	<u>23,450</u>	<u>23,450</u>

5. Taxation on ordinary activities

(a) Analysis of charge in the year

	2004	2003
	£	£
UK Corporation tax based on the results for the year at 30% (2003 - 30%)	—	14,222
	<u>—</u>	<u>14,222</u>

The company has an unrecognised deferred tax asset of £2,208 (2003: £1,822)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2003 - 30%).

	2004	2003
	£	£
Profit on ordinary activities before taxation	42,506	50,578
Profit on ordinary activities multiplied by rate of tax	12,752	15,173
Effects of:		
Expenses not deductible for tax purposes	255	3,150
Income not chargeable for tax purposes	(4,564)	—
Small company relief	—	(5,103)
Depreciation in excess of capital allowances	609	1,002
Group relief	(9,052)	—
Total current tax (note 5(a))	<u>—</u>	<u>14,222</u>

RUST RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2004

6. Tangible fixed assets

	Property Lease £	Fixtures, fittings and office furniture £	Total £
Cost			
At 1 October 2003	7,500	42,193	49,693
Additions	—	6,156	6,156
At 30 September 2004	<u>7,500</u>	<u>48,349</u>	<u>55,849</u>
Depreciation			
At 1 October 2003	1,981	30,437	32,418
Charge for the year	849	8,906	9,755
At 30 September 2004	<u>2,830</u>	<u>39,343</u>	<u>42,173</u>
Net book value			
At 30 September 2004	<u>4,670</u>	<u>9,006</u>	<u>13,676</u>
At 30 September 2003	<u>5,519</u>	<u>11,756</u>	<u>17,275</u>

7. Investments

Group undertakings

	£
Cost	
At 1 October 2003	4,743
Disposals	(4,743)
At 30 September 2004	<u>—</u>
Net book value	
At 30 September 2004	<u>—</u>
At 30 September 2003	<u>4,743</u>

8. Debtors

	2004 £	2003 £
Trade debtors	205,824	262,363
Amounts owed by group undertakings	585,644	908,121
Other debtors	4,359	186
Prepayments and accrued income	60,427	34,118
	<u>856,254</u>	<u>1,204,788</u>

RUST RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2004

9. Creditors: Amounts falling due within one year

	2004		2003
	£	£	£
Bank loans and overdrafts		743	5,384
Trade creditors		30,274	39,576
Amounts owed to group undertakings		15,987	197,576
Other creditors including taxation and social security:			
Corporation tax	—		14,222
PAYE and social security	25,437		31,085
VAT	19,783		—
Other creditors	115,819		123,908
Accruals and deferred income	62,437		27,042
		<u>223,476</u>	<u>196,257</u>
		<u>270,480</u>	<u>438,793</u>

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

10. Commitments under operating leases

At 30 September 2004 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & buildings	
	2004	2003
	£	£
Operating leases which expire:		
After more than 5 years	<u>23,450</u>	<u>23,450</u>

11. Contingencies

The company has given a cross guarantee in support of a joint overdraft facility with fellow group undertakings. At 30 September 2004 the level of overdraft was £nil (2003: £325,896)

12. Related party transactions

During the year the company charged Rust Resources Inc £170,000 (2003: £200,000) for management services provided, total sales of £276,735 (2003: £141,491) were also made to Rust Resources Inc. Amounts of £121,000 (2003: £90,000) was paid to Rust Services Limited for management services provided to Rust Resources Limited.

At the year end Rust Resources Limited owed Rust Resources Inc £15,987 (2003: £197,576) and amounts of £569,754 was due from Rust Services Limited (2003: £762,792), interest received of £45,183 (2003: £30,737) has been charged on this debt. At the year end amounts of £15,877 (2003: £95,729) was due from Rust Pty.

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

RUST RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2004

13. Share capital

Authorised share capital:

	2004	2003
	£	£
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

Allotted, called up and fully paid:

	2004		2003
	No	£	No
			£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>

14. Profit and loss account

	2004	2003
	£	£
Balance brought forward	810,690	774,334
Retained profit for the financial year	<u>42,506</u>	<u>36,356</u>
Balance carried forward	<u>853,196</u>	<u>810,690</u>

15. Reconciliation of movements in shareholders' funds

	2004	2003
	£	£
Profit for the financial year	42,506	36,356
Opening shareholders' equity funds	<u>810,790</u>	<u>774,434</u>
Closing shareholders' equity funds	<u>853,296</u>	<u>810,790</u>

16. 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.