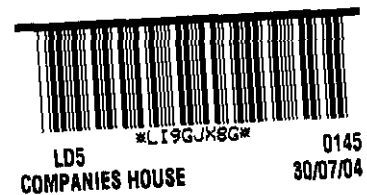


**RUST RESOURCES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2003**



Company Registration Number 02704357

Tenon Limited
66 Chiltern Street
London
W1U 4JT

RUST RESOURCES LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2003

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RUST RESOURCES LIMITED
OFFICERS AND PROFESSIONAL ADVISERS
YEAR ENDED 30 SEPTEMBER 2003

The director	D C Edwards
Company secretary	P A Edwards
Registered office	First Floor 31 High Street Cobham Surrey KT11 3DP
Auditors	Blueprint 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 2003

The director has pleasure in presenting his report and the financial statements of the company for the year ended 30 September 2003.

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 4. The company has obtained a number of new contacts in the UK and overseas which provide a good foundation for future trading.

Results and dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The director has not recommended a dividend.

The director and his interests in the shares of the company

The director who served the company during the year together with his beneficial interests in the shares of the company was as follows:

	Ordinary Shares of £1 each	
	At 30 September 2003	At 1 October 2002
D C Edwards	—	—

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, as described on page 7, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The director must also 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.

RUST RESOURCES LIMITED
THE DIRECTOR'S REPORT *(continued)*
YEAR ENDED 30 SEPTEMBER 2003

Donations


During the year the company made the following contributions:

	2003	2002
	£	£
Charitable	<u>448</u>	<u>1,050</u>

Auditors

A resolution to re-appoint Blueprint Audit Limited as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

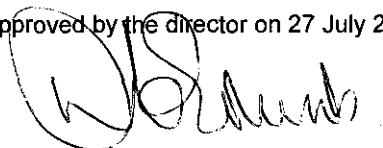
Signed by



P A EDWARDS

Company Secretary

Approved by the director on 27 July 2004



RUST RESOURCES LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
RUST RESOURCES LIMITED**

YEAR ENDED 30 SEPTEMBER 2003

We have audited the financial statements on pages 5 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

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

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 year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Blueprint Audit Limited
Registered Auditor

Blueprint Audit Limited

66 Chiltern Street
London
W1U 4JT

Date: 29-7-04

RUST RESOURCES LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 SEPTEMBER 2003

	Note	2003 £	2002 £
Turnover	2	1,699,665	3,669,568
Cost of sales		(1,355,983)	(3,107,521)
Gross profit		<u>343,682</u>	<u>562,047</u>
Administrative expenses		(345,132)	(508,523)
Other operating income	3	28,179	1,488
Operating profit	4	<u>26,729</u>	<u>55,012</u>
Interest receivable		35,445	94,680
Interest payable and similar charges	6	(11,596)	(14,765)
Profit on ordinary activities before taxation		<u>50,578</u>	<u>134,927</u>
Tax on profit on ordinary activities	7	(14,222)	(55,965)
Profit on ordinary activities after taxation		<u>36,356</u>	<u>78,962</u>
Dividends	8	-	(500,000)
Retained profit/(loss) for the financial year		<u><u>36,356</u></u>	<u><u>(421,038)</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 7 to 12 form part of these financial statements.

RUST RESOURCES LIMITED

BALANCE SHEET

30 SEPTEMBER 2003

	Note	2003 £	£	2002 £	£
Fixed assets					
Tangible assets	9		17,275		25,754
Investments	10		<u>4,743</u>		<u>4,743</u>
			22,018		<u>30,497</u>
Current assets					
Debtors	11	1,204,788		1,463,036	
Cash at bank and in hand		<u>22,777</u>		<u>263,683</u>	
		1,227,565		1,726,719	
Creditors: Amounts falling due within one year	12	<u>(438,793)</u>		<u>(982,782)</u>	
Net current assets			788,772		743,937
Total assets less current liabilities			<u>810,790</u>		<u>774,434</u>
Capital and reserves					
Called up share capital	16		100		100
Profit and loss account	17		810,690		774,334
Shareholders' funds	18		<u>810,790</u>		<u>774,434</u>

These financial statements were approved and signed by the director on 27 July 2004.


B-G EDWARDS
Director

The notes on pages 7 to 12 form part of these financial statements.

RUST RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR 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.

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.

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 to the profit and loss account 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:

	2003	2002
	£	£
United Kingdom	390,680	1,059,684
Europe	756,832	1,511,817
Asia/USA	550,178	582,298
Australia	1,975	134,944
Africa	—	380,825
	<u>1,699,665</u>	<u>3,669,568</u>

RUST RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2003

3. Other operating income

	2003	2002
	£	£
Exchange gain	26,173	—
Other operating income	<u>2,006</u>	<u>1,488</u>
	<u>28,179</u>	<u>1,488</u>

4. Operating profit

Operating profit is stated after charging/(crediting):

	2003	2002
	£	£
Director's emoluments	—	—
Depreciation of owned fixed assets	10,454	7,796
Profit on disposal of fixed assets	—	(300)
Auditors' remuneration	8,000	8,000
Operating lease costs:		
-Land and buildings	<u>23,450</u>	<u>23,450</u>

5. Particulars of employees

The average number of staff employed by the company during the financial year amounted to:

	2003	2002
	No	No
Number of administration staff	5	11
Number of contractors	<u>7</u>	<u>16</u>
	<u>12</u>	<u>27</u>

The aggregate payroll costs of the above were:

	2003	2002
	£	£
Wages and salaries	907,390	1,669,624
Social security costs	94,736	171,023
Other pension costs	<u>2,886</u>	<u>4,420</u>
	<u>1,005,012</u>	<u>1,845,067</u>

6. Interest payable and similar charges

	2003	2002
	£	£
Interest payable on bank borrowing	5	2,916
Other similar charges payable	<u>11,591</u>	<u>11,849</u>
	<u>11,596</u>	<u>14,765</u>

RUST RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2003

7. Taxation on ordinary activities

(a) Analysis of charge in the year

	2003	2002
	£	£
UK Corporation tax based on the results for the year at 30% (2002 - 30%)	14,222	43,813
Over/under provision in prior year	—	12,152
	<u>14,222</u>	<u>55,965</u>

The company has an unrecognised deferred tax asset of £1,822 (2002: £2,066)

(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% (2002 - 30%).

	2003	2002
	£	£
Profit on ordinary activities before taxation	<u>50,578</u>	<u>134,927</u>
Profit on ordinary activities multiplied by rate of tax	15,173	40,478
Effects of:		
Expenses not deductible for tax purposes	3,150	6,020
Small company relief	(5,103)	(3,257)
Capital allowances in excess of depreciation	1,002	572
Prior year adjustment	—	12,152
Total current tax (note 7(a))	<u>14,222</u>	<u>55,965</u>

8. Dividends

No dividend has been recommended for the year ended 30 September 2003.

RUST RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2003

9. Tangible fixed assets

	Property Lease £	Fixtures, fittings and office furniture £	Total £
Cost			
At 1 October 2002	7,500	96,800	104,300
Additions	—	3,319	3,319
Disposals	—	(57,926)	(57,926)
At 30 September 2003	<u>7,500</u>	<u>42,193</u>	<u>49,693</u>
Depreciation			
At 1 October 2002	—	78,546	78,546
Charge for the year	1,981	8,473	10,454
On disposals	—	(56,582)	(56,582)
At 30 September 2003	<u>1,981</u>	<u>30,437</u>	<u>32,418</u>
Net book value			
At 30 September 2003	<u>5,519</u>	<u>11,756</u>	<u>17,275</u>
At 30 September 2002	<u>7,500</u>	<u>18,254</u>	<u>25,754</u>

10. Investments

Group undertakings

Cost	£
At 1 October 2002 and 30 September 2003	<u>4,743</u>
Net book value	
At 30 September 2003	<u>4,743</u>
At 30 September 2002	<u>4,743</u>

The investment represents:

100% ownership of the issued share capital of the company detailed below,

Rust A/S

Country of incorporation	Norway		
Nature of business	Contractor		
		2003	2002
		£	£
Aggregate capital and reserves		—	28,556
Profit and (loss) for the year		—	(415)

RUST RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2003

11. Debtors

	2003	2002
	£	£
Trade debtors	262,363	270,695
Other debtors	908,307	1,158,767
Prepayments and accrued income	34,118	33,574
	<u>1,204,788</u>	<u>1,463,036</u>

12. Creditors: Amounts falling due within one year

	2003	2002
	£	£
Bank loans and overdrafts	5,384	57,238
Trade creditors	39,576	64,468
Amounts owed to group undertakings	197,576	24,892
Other creditors including taxation and social security:		
Corporation tax	14,222	43,813
Other taxation and social security	31,085	84,126
Dividends payable	—	500,000
Other creditors	<u>123,908</u>	<u>103,224</u>
	169,215	731,163
Accruals and deferred income	<u>27,042</u>	<u>105,021</u>
	<u>438,793</u>	<u>982,782</u>

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

13. Commitments under operating leases operating lease commitments

At 30 September 2003 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings	
	2003	2002
	£	£
Operating leases which expire:		
After more than 5 years	<u>23,450</u>	<u>23,450</u>

14. Contingencies

The company has given a cross guarantee in support of a joint overdraft facility with fellow group undertakings. At 30 September 2003 the level of overdraft was £325,896 (2002: £230,183)

15. Related party transactions ultimate controlling party

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.

The company has taken advantage of the exemption available under Financial Reporting Standard No.8 'Related Party Transactions' and has not disclosed transactions with other companies owned by Rust Services Limited.

RUST RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2003

16. Share capital

Authorised share capital:

	2003	2002
	£	£
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

Allotted, called up and fully paid:

	2003		2002
	No	£	No
	100	100	100
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>

17. Profit and loss account

	2003	2002
	£	£
Balance brought forward	774,334	1,195,372
Retained profit/(accumulated loss) for the financial year	<u>36,356</u>	<u>(421,038)</u>
Balance carried forward	<u>810,690</u>	<u>774,334</u>

18. Reconciliation of movements in shareholders' funds

	2003	2002
	£	£
Profit for the financial year	36,356	78,962
Dividends	<u>-</u>	<u>(500,000)</u>
	36,356	(421,038)
Opening shareholders' equity funds	<u>774,434</u>	<u>1,195,472</u>
Closing shareholders' equity funds	<u>810,790</u>	<u>774,434</u>