

Company Registration No. 2168685 (England and Wales)

**IEA ENVIRONMENTAL PROJECTS LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2006**



# IEA ENVIRONMENTAL PROJECTS LIMITED

## COMPANY INFORMATION

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### Directors

Dr J M Topper  
Dr E J Dorward King  
J B Lott

### Secretary

C F Nathan

### Company number

2168685

### Registered office

Gemini House  
10-18 Putney Hill  
London  
SW156AA

### Auditors

HLB Vantis Audit Plc  
The White Cottage  
19 West Street  
Epsom  
Surrey  
KT18 7BS

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# IEA ENVIRONMENTAL PROJECTS LIMITED

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# IEA ENVIRONMENTAL PROJECTS LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2006

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The directors present their report and financial statements for the year ended 31 March 2006.

### Principal activities and review of the business

The principal activity of the company continued to be that of Operating Agent for the IEA Greenhouse Gas R&D Programme on behalf of its members. This is an international collaboration supported by seventeen nations, the European Commission and fourteen industrial sponsors. Its purpose is to provide information on technologies for the abatement of greenhouse gas emissions from the burning of fossil fuels. The members are represented through an Executive Committee.

Since 3 July 2001, the Company has also been the owner of IEA Coal Research Ltd, the Operating Agent for the IEA Clean Coal Centre, an international organisation set up to provide information about and analysis of all aspects of coal-related combustion technologies, the economics and associated environmental control technologies.

The results for the year are considered satisfactory by the directors.

### Financial risk management.

The company makes sales on credit, and manages the risks arising through its credit control procedures. The company is exposed in its operations to the risk of changes in foreign currency exchange rates. Certain amounts are invoiced in US dollars based on exchange rate ruling at the date of the transaction. The policy is to obtain funding in advance based on budgeted requirements.

### Results and dividends

The results for the year are set out on page 6.

### Directors

The following directors have held office since 1 April 2005:

Dr J M Topper  
Dr E J Dorward King  
J B Lott

### Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 March 2006	1 April 2005
Dr E J Dorward King	-	-
J B Lott	-	-
Dr J M Topper	-	-

The directors holding office at 31st March 2006 did not hold any beneficial interest in the issued share capital of the company at 1st April 2005 (or date of appointment if later) or 31st March 2006 or its parent companies except that Dr E J Dorward King has confirmed that she owns less than 2% of the share capital of the ultimate parent company Rio Tinto Plc. None of the directors had rights to acquire shares or debentures of the Company or any other connected company, including the ultimate parent company Rio Tinto Plc.

### Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that HLB Vantis Audit Plc be reappointed as auditors of the company was proposed and agreed at the directors' meeting on 24 May 2006.

# IEA ENVIRONMENTAL PROJECTS LIMITED

## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

### Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 judgments 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 directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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.

### Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board



C F Nathan

Secretary

21 AUGUST 2006

# IEA ENVIRONMENTAL PROJECTS LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF IEA ENVIRONMENTAL PROJECTS LIMITED

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We have audited the financial statements of IEA Environmental Projects Limited for the year ended 31 March 2006 set out on pages 6 to 13. 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 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 the directors and auditors**

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland).

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 if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records or 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 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 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.

# IEA ENVIRONMENTAL PROJECTS LIMITED

## INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF IEA ENVIRONMENTAL PROJECTS LIMITED

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### 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 31 March 2006 and of its results for the year then ended ;
- have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

*HLB Vantis Audit Plc*

**HLB Vantis Audit Plc**

Chartered Accountants

**Registered Auditor**

The White Cottage

19 West Street

Epsom

Surrey

KT18 7BS

*18 October 2006*

# IEA ENVIRONMENTAL PROJECTS LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006

	Notes	2006 £	2005 £
Turnover	2	1,069,293	1,004,570
Administrative expenses		(1,098,018)	(1,051,783)
<b>Operating loss</b>	<b>3</b>	<b>(28,725)</b>	<b>(47,213)</b>
Interest receivable and similar income		37,900	47,275
Interest payable and similar charges	4	-	(62)
<b>Profit on ordinary activities before taxation</b>		<b>9,175</b>	<b>-</b>
Tax on profit on ordinary activities	5	(9,175)	-
<b>Loss on ordinary activities after taxation</b>		<b>-</b>	<b>-</b>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.



# IEA ENVIRONMENTAL PROJECTS LIMITED

## BALANCE SHEET AS AT 31 MARCH 2006

		2006		2005	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Investments	6		2		2
<b>Current assets</b>					
Debtors	7	825,594		581,267	
Cash at bank and in hand		1,784,071		1,190,512	
		<u>2,609,665</u>		<u>1,771,779</u>	
<b>Creditors: amounts falling due within one year</b>	8	(1,779,123)		(1,001,954)	
<b>Net current assets</b>			830,542		769,825
<b>Total assets less current liabilities</b>			830,544		769,827
<b>Creditors: amounts falling due after more than one year</b>	9		(830,444)		(769,727)
			<u>100</u>		<u>100</u>
<b>Capital and reserves</b>					
Called up share capital	11		100		100
<b>Shareholders' funds - equity</b>	12		100		100

The financial statements were approved by the Board on

21 August 2006

  
Dr J M Topper  
Director

  
Mr JB Lott  
Director

# IEA ENVIRONMENTAL PROJECTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

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### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements of the company have been prepared under the historical cost convention and in accordance with S226 of, and Schedule 4 to, the Companies Act 1985. The accounts have been prepared in accordance with applicable accounting standards. Although the ultimate parent company is listed on the London Stock Exchange, the financial statements have not been prepared in accordance with International Financial Reporting Standards, as the company is a minor subsidiary and the directors consider that the costs outweigh the benefits.

These financial statements present information about the result of the individual company and not about its group. Group financial statements are not required as the company's transactions are included in the consolidated accounts of its ultimate parent company.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group and its cash flows are included in the cash flow statement prepared by its ultimate parent company.

#### 1.2 Compliance with accounting standards

The financial statements are also prepared in accordance with Article 6 of the Implementing Agreement for the IEA Greenhouse Gas R&D Programme together with any specific instructions as approved by the Executive Committee.

Any capital expenditure in respect of accommodation and equipment is expensed in the year of purchase. This is contrary to the Companies Act 1985 but in accordance with the Implementing Agreement which governs the Company's activities and this treatment is considered appropriate to give a true and fair view. This difference in treatment had no material effect in this year's financial statements.

*Funds temporarily surplus to requirements are deposited with the company's bankers.*

#### 1.3 Turnover

Turnover represents contributions received from member countries and sales of services, excluding value added tax.

#### 1.4 Pensions

The company's parent company operates a defined benefits scheme in which one member of staff was a member. The company also operates a sub-fund in the defined benefits scheme under the Industry Wide Coal Staff Superannuation Scheme. Contributions payable for the year are charged to the profit and loss account as incurred.

#### 1.5 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance had not been discounted.

#### 1.6 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates 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 profit and loss account.

# IEA ENVIRONMENTAL PROJECTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

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### 2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating loss	2006 £	2005 £
Operating loss is stated after charging:		
Loss on foreign exchange transactions	-	11,774
Operating lease rentals		
- Other assets	-	3,729
Auditors' remuneration	4,175	3,350
and after crediting:		
Profit on foreign exchange transactions	(16,430)	-

4 Interest payable	2006 £	2005 £
On bank overdrafts	-	62

# IEA ENVIRONMENTAL PROJECTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

5	Taxation	2006 £	2005 £
	<b>Domestic current year tax</b>		
	U.K. corporation tax	6,800	-
	Adjustment for prior years	2,375	-
	<b>Current tax charge</b>	<u>9,175</u>	<u>-</u>
	<b>Factors affecting the tax charge for the year</b>		
	Profit on ordinary activities before taxation	<u>9,175</u>	<u>-</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2005 - 30.00%)	<u>2,753</u>	<u>-</u>
	Effects of:		
	Adjustments to previous periods	2,375	-
	Other tax adjustments	4,047	-
		<u>6,422</u>	<u>-</u>
	<b>Current tax charge</b>	<u>9,175</u>	<u>-</u>

In these financial statements provision has been made for corporation tax on interest receivable where not exempt under sovereign immunity.

# IEA ENVIRONMENTAL PROJECTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

### 6 Fixed asset investments

	Unlisted investments £
<b>Cost</b>	
At 1 April 2005 & at 31 March 2006	2
<b>Net book value</b>	
At 31 March 2006	2
	<hr/>
At 31 March 2005	2
	<hr/>

#### Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held %
<b>Subsidiary undertakings</b>			
IEA Coal Research Limited	England and Wales	Ordinary	100.00

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves 2006 £	Profit for the year 2006 £
<b>Principal activity</b>		
IEA Coal Research Limited	Operating agent for IEA Clean Coal Centre 2	2
	<hr/>	<hr/>

The Company owns all of the share capital of IEA Coal Research Limited which is incorporated in England and Wales and acts as the operating agent for the IEA Clean Coal Centre.

7 Debtors	2006 £	2005 £
Trade debtors	816,746	566,849
Amounts owed by group undertakings	-	100
Other debtors	8,848	4,118
Prepayments and accrued income	-	10,200
	<hr/>	<hr/>
	825,594	581,267
	<hr/>	<hr/>

Trade debtors consist of amounts invoiced by the company, not yet received at the balance sheet date where expected to be recoverable.

# IEA ENVIRONMENTAL PROJECTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

8	Creditors: amounts falling due within one year	2006 £	2005 £
	Trade creditors	2,963	762
	Amounts owed to subsidiary undertakings	60,915	75,634
	Corporation tax	6,800	-
	Other creditors	1,148,772	674,022
	Contributions paid in advance	233,063	144,228
	Accruals and deferred income	326,610	107,308
		<u>1,779,123</u>	<u>1,001,954</u>

Other creditors consist of amounts invoiced to members and sponsors for later periods.

Contributions paid in advance relate to payments made in respect of specific projects not yet spent.

9	Creditors: amounts falling due after more than one year	2006 £	2005 £
	Winding-up fund	287,622	287,622
	Members unspent balances	542,822	482,105
		<u>830,444</u>	<u>769,727</u>

The winding-up fund relates to the estimate made by the Board of IEA Environment Projects Ltd of the costs required to wind up the Programme. No agreement has been made, nor are there any plans to wind up the Programme at the present time. The provision is reviewed annually by the Operating Agent and proposed changes are agreed by the Executive Committee.

Members' unspent balances are the sums of money remaining once charges have been made for working capital and other commitments during the year.

# IEA ENVIRONMENTAL PROJECTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

### 10 Pension costs

#### Defined contribution

For the whole of the year four employees (2005: five) of IEA Environmental Projects Ltd were members of two defined benefit pension schemes.

More than one employer contributes to the schemes and the company has been advised by the actuaries to the schemes that it is not possible to break down the assets and liabilities by individual employer companies to meet the reporting requirements of FRS 17. In respect of one scheme, contributions have been increased by 4.49% to meet a deficit on the overall fund.

At the year end outstanding contributions amounted to £2,023 (2005: £2,023).

	2006 £	2005 £
Contributions payable by the company for the year	17,652	34,232

### 11 Share capital

	2006 £	2005 £
<b>Authorised</b>		
100 Ordinary shares of £1 each	100	100

**Allotted, called up and fully paid**  
100 Ordinary shares of £1 each

100	100
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### 12 Reconciliation of movements in shareholders' funds

	2006 £	2005 £
Loss for the financial year	-	-
Opening shareholders' funds	100	100
Closing shareholders' funds	100	100

### 13 Directors' emoluments

	2006 £	2005 £
Emoluments for qualifying services	14,000	18,333

# IEA ENVIRONMENTAL PROJECTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

### 14 Employees

#### Number of employees

The average monthly number of employees (including directors) during the year was:

	2006 Number	2005 Number
Administration and technical	8	7

#### Employment costs

	2006 £	2005 £
Wages and salaries	318,621	338,903
Social security costs	23,623	21,309
Other pension costs	17,652	34,232
	359,896	394,444

### 15 Control

The company was a wholly owned subsidiary of Rio Tinto International Holdings Limited for both the current year and previous year from 18th December 2004, before which it was a subsidiary of IMC Group Holdings Limited. The ultimate parent undertaking and ultimate controlling party for both the current and prior year is Rio Tinto Plc, a company registered in England and Wales. The financial statements for Rio Tinto Plc can be obtained from the Secretary, Rio Tinto Plc, 6 St James Square, London SW1Y 4LD.

### 16 Related party transactions

The company made charges to IEA Greenhouse Gas R&D Programme of £1,030,442 (2005 - £953,613).

The company was recharged by IEA Coal Research Ltd, its subsidiary during the year, for services of £379,492 (2005 - £354,382). The company owed IEA Coal Research Ltd £60,915 at the balance sheet date (2005 - £75,634).

There were no other material related party transactions during the year.