

2168685

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2005
FOR
IEA ENVIRONMENTAL PROJECTS LTD**



IEA ENVIRONMENTAL PROJECTS LTD

**CONTENTS OF THE FINANCIAL STATEMENTS
for the year ended 31st March 2005**

	Page
Company Information	1
Report of the Directors	2
Report of the Independent Auditors	4
Profit and Loss Account	5
Balance Sheet	6
Cash Flow Statement	7
Notes to the Cash Flow Statement	8
Notes to the Financial Statements	10
Profit and Loss Account	15

IEA ENVIRONMENTAL PROJECTS LTD

COMPANY INFORMATION
for the year ended 31st March 2005

DIRECTORS:

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

SECRETARY:

C F Nathan

REGISTERED OFFICE:

Gemini House
10-18 Putney Hill
London
SW15 6AA

REGISTERED NUMBER:

2168685 (England and Wales)

AUDITORS:

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

IEA ENVIRONMENTAL PROJECTS LTD

REPORT OF THE DIRECTORS for the year ended 31st March 2005

The directors present their report with the financial statements of the company for the year ended 31st March 2005.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the Operating Agent for the IEA Greenhouse Gas R & D Programme on behalf of its members. This is an international collaboration supported by sixteen nations, the European Commission and ten 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.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

The company's net expenditure in each year is reimbursed by the members of the IEA Greenhouse Gas R & D Programme who make an annual contribution to the Programme with the company making neither profit nor loss from these activities.

An order of the High Court of Justice Chancery Division dated 29th September 2004 confirmed the reduction of the share capital of the company from £100,000 to £100. On 17th December 2004 the £100 share capital of the company was transferred from IMC Group Holdings Ltd to Rio Tinto International Holdings Ltd.

DIVIDENDS

No dividends will be distributed for the year ended 31st March 2005.

DIRECTORS

The directors during the year under review were:

Dr E J Dorward-King	- appointed 1.1.05
J B Lott	
Dr J M Topper	
A S Keane	- resigned 30.6.04

The directors holding office at 31st March 2005 did not hold any beneficial interest in the issued share capital of the company at 1st April 2004 (or date of appointment if later) or 31st March 2005.

None of the directors held any interest in the stock and shares of IMC Group Holdings Ltd or Rio Tinto International Holdings Ltd, the parents respectively of the company before and after 17th December 2004, nor had any rights to acquire shares or debentures of the company or any other body corporate under any arrangement to which the company is a party.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 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.

IEA ENVIRONMENTAL PROJECTS LTD

**REPORT OF THE DIRECTORS
for the year ended 31st March 2005**

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

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 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.

AUDITORS

The auditors, HLB Vantis Audit, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to read 'C F Nathan', written in a cursive style.

C F Nathan - Secretary

23rd September 2005

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
IEA ENVIRONMENTAL PROJECTS LTD**

We have audited the financial statements of IEA Environmental Projects Ltd for the year ended 31st March 2005 on pages five to fourteen. These financial statements have been prepared under the historical cost convention and 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 directors and auditors

As described on pages two and three the company's directors are responsible for the preparation of 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 Report of the Directors 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 directors' remuneration and transactions with the company is not disclosed.

We read the Report of the Directors 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 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

HLB Vantis Audit

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

Date: *30th January 2006*

IEA ENVIRONMENTAL PROJECTS LTD

PROFIT AND LOSS ACCOUNT
for the year ended 31st March 2005

		31.3.05	31.3.04
	Notes	£	£
TURNOVER		1,004,570	1,072,188
Administrative expenses		1,051,783	1,121,891
OPERATING LOSS	3	(47,213)	(49,703)
Interest receivable and similar income		47,275	38,770
		62	(10,933)
Interest payable and similar charges	4	62	299
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		-	(11,232)
Tax on loss on ordinary activities	5	-	(11,232)
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		-	-
RETAINED PROFIT CARRIED FORWARD		-	-

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses for the current year or previous year.

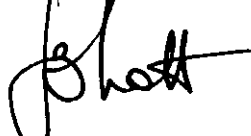
The notes form part of these financial statements

IEA ENVIRONMENTAL PROJECTS LTD

BALANCE SHEET
31st March 2005

		<u>31.3.05</u>		<u>31.3.04</u>	
	Notes	£	£	£	£
FIXED ASSETS:					
Investments	6		2		2
CURRENT ASSETS:					
Debtors	7	571,067		283,477	
Prepayments and accrued income		10,200		75,967	
Cash at bank and in hand		1,190,512		1,418,455	
		<u>1,771,779</u>		<u>1,777,899</u>	
CREDITORS: Amounts falling due within one year	8	<u>1,001,954</u>		<u>917,367</u>	
NET CURRENT ASSETS:			<u>769,825</u>		<u>860,532</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			<u>769,827</u>		<u>860,534</u>
CREDITORS: Amounts falling due after more than one year	9		<u>769,727</u>		<u>760,534</u>
			<u>£100</u>		<u>£100,000</u>
CAPITAL AND RESERVES:					
Called up share capital	11		<u>100</u>		<u>100,000</u>
SHAREHOLDERS' FUNDS:	15		<u>£100</u>		<u>£100,000</u>

ON BEHALF OF THE BOARD:



J B Loft - Director



Dr J M Topper - Director

Approved by the Board on 23rd September 2005

The notes form part of these financial statements

IEA ENVIRONMENTAL PROJECTS LTD

**CASH FLOW STATEMENT
for the year ended 31st March 2005**

		<u>31.3.05</u>	<u>31.3.04</u>
	Notes	£	£
Net cash outflow from operating activities	1	(275,156)	(19,405)
Returns on investments and servicing of finance	2	47,213	38,471
Taxation		-	(28,768)
Decrease in cash in the period		<u>£(227,943)</u>	<u>£(9,702)</u>
<hr/>			
Reconciliation of net cash flow to movement in net funds	3		
Decrease in cash in the period		<u>(227,943)</u>	<u>(9,702)</u>
Change in net funds resulting from cash flows		<u>(227,943)</u>	<u>(9,702)</u>
Movement in net funds in the period		<u>(227,943)</u>	<u>(9,702)</u>
Net funds at 1st April		<u>1,418,455</u>	<u>1,428,157</u>
Net funds at 31st March		<u>£1,190,512</u>	<u>£1,418,455</u>

The notes form part of these financial statements

IEA ENVIRONMENTAL PROJECTS LTD

**NOTES TO THE CASH FLOW STATEMENT
for the year ended 31st March 2005**

1. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	31.3.05 £	31.3.04 £
Operating loss	(47,213)	(49,703)
Increase in debtors	(321,723)	(18,301)
Increase in creditors	<u>93,780</u>	<u>48,599</u>
Net cash outflow from operating activities	<u><u>(275,156)</u></u>	<u><u>(19,405)</u></u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	31.3.05 £	31.3.04 £
Returns on investments and servicing of finance		
Interest received	47,275	38,770
Interest paid	<u>(62)</u>	<u>(299)</u>
Net cash inflow for returns on investments and servicing of finance	<u><u>47,213</u></u>	<u><u>38,471</u></u>

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.4.04 £	Cash flow £	At 31.3.05 £
Net cash:			
Cash at bank and in hand	<u>1,418,455</u>	<u>(227,943)</u>	<u>1,190,512</u>
	<u>1,418,455</u>	<u>(227,943)</u>	<u>1,190,512</u>
Total	<u><u>1,418,455</u></u>	<u><u>(227,943)</u></u>	<u><u>1,190,512</u></u>
Analysed in Balance Sheet			
Cash at bank and in hand	<u>1,418,455</u>		<u>1,190,512</u>
	<u><u>1,418,455</u></u>		<u><u>1,190,512</u></u>

The notes form part of these financial statements

IEA ENVIRONMENTAL PROJECTS LTD

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st March 2005

1. ACCOUNTING POLICIES

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.

The accounts 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.

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

Turnover

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

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Pensions

The company's parent company operates two defined benefit schemes and the company operates a defined contribution scheme. Contributions payable for the year are charged to the profit & loss account as incurred.

2. STAFF COSTS

	31.3.05	31.3.04
	£	£
Wages and salaries	338,903	250,136
Social security costs	21,309	20,505
Other pension costs	34,232	28,206
	<u>394,444</u>	<u>298,847</u>

The average monthly number of employees during the year was as follows:

	31.3.05	31.3.04
Administration and technical	<u>7</u>	<u>6</u>

IEA ENVIRONMENTAL PROJECTS LTD

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st March 2005

3. OPERATING LOSS

The operating loss is stated after charging:

	31.3.05	31.3.04
	£	£
Auditors' remuneration	3,350	-
Operating lease rentals	3,729	4,715
	<u> </u>	<u> </u>
Directors' emoluments	18,333	13,668
	<u> </u>	<u> </u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	31.3.05	31.3.04
	£	£
Bank interest	62	59
Other interest payable	-	240
	<u> </u>	<u> </u>
	62	299
	<u> </u>	<u> </u>

5. TAXATION

Analysis of the tax credit

The tax credit on the profit on ordinary activities for the year was as follows:

	31.3.05	31.3.04
	£	£
Current tax:		
Overprovision in prior year	-	(11,232)
	<u> </u>	<u> </u>
Tax on loss on ordinary activities	-	(11,232)
	<u> </u>	<u> </u>

6. FIXED ASSET INVESTMENTS

		£
COST:		
At 1st April 2004		
and 31st March 2005		2
		<u> </u>
NET BOOK VALUE:		
At 31st March 2005		2
		<u> </u>
At 31st March 2004		2
		<u> </u>
	31.3.05	31.3.04
	£	£
Unlisted investments	2	2
	<u> </u>	<u> </u>

IEA ENVIRONMENTAL PROJECTS LTD

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st March 2005

6. FIXED ASSET INVESTMENTS - continued

The company's investments at the balance sheet date in the share capital of unlisted companies include the following:

IEA Coal Research Ltd

Nature of business: Operating agent for IEA Clean Coal Centre

Class of shares:	%
Ordinary	holding 100.00

	31.3.05	31.3.04
	£	£
Aggregate capital and reserves	2	2
	=	=

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: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	31.3.05	31.3.04
	£	£
Trade debtors	566,849	160,829
Other debtors	4,118	22,648
Owed by group undertakings	100	100,000
	571,067	283,477
	=	=

**8. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	31.3.05	31.3.04
	£	£
Trade creditors	762	-
Owed to group undertakings	75,634	52,547
Other creditors	144,228	91,293
Contributions paid in advance	674,022	514,123
Accrued expenses	107,308	259,404
	1,001,954	917,367
	=	=

IEA ENVIRONMENTAL PROJECTS LTD

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st March 2005**

**9. CREDITORS: AMOUNTS FALLING
DUE AFTER MORE THAN ONE YEAR**

The following amounts are held on behalf of contributing members:

	As at 31 March 2005 £	As at 31 March 2004 £
Winding-up fund	287,622	333,958
Members unspent balances	482,105	386,554
	<u>769,727</u>	<u>720,512</u>

The winding-up fund relates to the estimate made by the Board of IEA Environmental Projects Ltd of the costs required to wind up the Programme if it came to a halt at 31 March 2005. 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.

10. OPERATING LEASE COMMITMENTS

The following payments are committed to be paid within one year:

	Operating leases 31.3.05 £	31.3.04 £
Expiring: Between one and five years	<u>-</u>	<u>4,490</u>

11. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	31.3.05	31.3.04
			£	£
100,000	Ordinary shares	£1	<u>100,000</u>	<u>100,000</u>
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	31.3.05	31.3.04
			£	£
100	Ordinary shares	£1	100	100,000
(31.3.04 - 100,000)			<u> </u>	<u> </u>

An order of the High Court of Justice Chancery Division dated 29th September 2004 confirmed the reduction of the share capital of the company from £100,000 to £100.

IEA ENVIRONMENTAL PROJECTS LTD

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st March 2005

12. PENSION COMMITMENTS

The company is part of the IMC Group Holdings Ltd group, and participates in two defined benefit pension schemes which are funded independently of the IMC group's finances. Five of the employees of IEA Environmental Projects Ltd are members of these schemes.

The company has been advised by the actuaries to both defined benefit pension schemes that it is not possible to break down the assets and liabilities of these group schemes by each individual employer company to meet the reporting requirements of FRS 17. Details of the overall position of these schemes are disclosed in the financial statements of IMC Group Holdings Ltd.

Contributions amounted to £34,232 (2004 - £28,206) and at the year end outstanding contributions amounted to £2,023 (2004 - £1,709).

13. ULTIMATE PARENT COMPANY

The company was a wholly owned subsidiary of IMC Group Holdings Limited for both the current year until 17th December 2004 and the previous year. Since 17th December 2004 the company has been a subsidiary of Rio Tinto International 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.

14. RELATED PARTY DISCLOSURES

The company made charges to IEA Greenhouse Gas R&D Programme of £953,613 (2004 - £1,033,074).

The company was recharged by IEA Coal Research Ltd, its subsidiary during the year, for services of £354,382 (2004 - £312,146). The company owed IEA Coal Research Ltd £75,634 at the balance sheet date (2004 - £52,427).

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

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31.3.05 £	31.3.04 £
Profit for the financial year	-	-
Reduction of share capital	(99,900)	-
Net (reduction)/addition to shareholders' funds	(99,900)	-
Opening shareholders' funds	100,000	100,000
Closing shareholders' funds	100	100,000
 Equity interests	 100	 100,000