

CRE Group Limited

**Directors' report and financial
statements**

Registered number 2924220

31 March 2000



Financial statements

Contents

Company information	1
Directors' report	2
Statement of directors' responsibilities	4
Report of the auditors to the members of CRE Group Limited	5
Profit and loss account	6
Balance sheet	7
Notes	8

Company information

Chairman	JB Lott
Directors	JB Lott Dr JC Whitehead Dr JM Topper - resigned 31 March 2000 AS Keane (alternate to JB Lott)
Joint secretaries	IWG Baird D Watson
Registered office	Stoke Orchard Cheltenham Gloucestershire GL52 4RZ
Registered number	2924220
Auditors	KPMG St Nicholas House Park Row Nottingham NG1 6FQ
Bankers	National Westminster Bank Plc PO Box 23 Portland Square Sutton-in-Ashfield Nottinghamshire NG17 1AS

Directors' report

Introduction

The directors submit their annual report and the audited financial statements for the year ended 31 March 2000.

Results and dividend

The loss on ordinary activities of the company after taxation amounted to £375,000 (1999: £102,000 loss). The directors do not recommend a dividend (1999: £nil) and accordingly £375,000 (1999: £102,000) has been deducted from reserves.

Activities and business review

The commercial activities of the company are focused on two principal areas of activity, namely:

- Ambient and emissions monitoring services, primarily in the UK;
- Testing and certification of fuels and combustion equipment and training of operatives in a 50:50 joint venture with Gastec Nv of Holland, called Gastec at CRE Limited.

The company also acts as the operating agent for the International Energy Agency in respect of IEA Greenhouse Gas Programme and the IEA Coal Research, the latter through IEA Coal Research Ltd.

Activity levels in the ambient and emissions monitoring business unit increased during the year and this market is seen as one in which further growth can be achieved. A collaboration agreement was established with ETi Group Limited, a specialist environmental monitoring equipment distributor and service company based in Cheltenham, which has a complementary range of skills and services to CRE Group Limited. Since the year-end a merger has taken place between ETi Group Ltd and the Energy and Environment Division of CRE Group Limited, resulting in CRE Group Limited owning 50% of the enlarged ambient and emissions monitoring business, now called EMC Environment Engineering Limited. On 3 April 2000, IMC Technical Services Limited transferred its shareholding in CRE Group Limited to its parent company, IMC Group Holdings Limited.

The 50% joint venture company, Gastec at CRE Limited, continues to develop its range of clients and services for fuel and appliance testing and certification and sees some growth in the market for its operative training activities in the coming year.

Directors

The directors, none of whom is beneficially interested in the shares of the company, or the parent company, who served during the year, were as follows:

JB Lott
Dr JC Whitehead
Dr JM Topper (resigned 31 March 2000)
AS Keane (alternate to JB Lott)

Year 2000

The company has so far been unaffected by the Year 2000 problem, but remains vigilant. The directors are of the opinion that the problem will not affect the going concern of the company barring any unforeseen circumstances.

All expenses incurred in dealing with this issue have been written off to the profit and loss account as incurred, apart from those expenses of a capital nature which have been accounted for as fixed assets.

Directors' report *(continued)*

Auditors

Messrs. Myrus Smith, Chartered Accountants, resigned during the year and KPMG were appointed in their place. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

A handwritten signature in black ink, appearing to be 'IWG Baird', with a long horizontal stroke extending to the right.

IWG Baird
Company Secretary

Registered office

Stoke Orchard
Cheltenham
Gloucestershire
GL52 4RZ

6 October 2000

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 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a 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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

St Nicholas House
Park Row
Nottingham
NG1 6FQ

Report of the auditors to the members of CRE Group Limited

We have audited the financial statements on pages 6 to 17.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. 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, 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.

Basis of audit opinion

We conducted our audit in accordance with 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 31 March 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

6 October 2000

Chartered Accountants
Registered Auditors

Profit and loss account
for the year ended 31 March 2000

	<i>Notes</i>	2000 £000	1999 £000
Turnover	2	4,634	4,943
External charges		(1,687)	(2,076)
Staff costs		(2,319)	(2,243)
Depreciation of tangible fixed assets		(129)	(120)
Profit on disposal of tangible fixed assets		6	7
Provision against carrying value of investment in joint venture		(83)	(27)
Other operating charges (including exceptional item)		(767)	(603)
Operating loss before exceptional item		(139)	(11)
Exceptional item	5	(206)	(108)
Operating loss		(345)	(119)
Interest receivable	6	25	15
Interest payable	6	(105)	-
Loss on ordinary activities before taxation	7	(425)	(104)
Tax on loss on ordinary activities	8	50	2
Loss for the financial year	17	(375)	(102)

There were no recognised gains or losses in either the current or preceding years other than those disclosed in the profit and loss account.

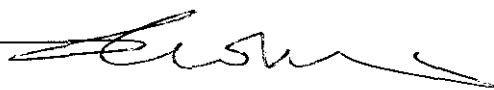
In both the current and preceding years, the company made no material acquisitions and had no discontinued operations.

In both the current and preceding years, there was no material difference between the loss reported in the profit and loss account and the loss on an unmodified historical cost basis.

Balance sheet
as at 31 March 2000

	Notes	£000	2000 £000	£000	1999 £000
Fixed assets					
Tangible fixed assets	9		367		412
Investments - in subsidiaries	10		-		-
- in joint ventures	11		16		99
			<u>383</u>		<u>511</u>
Current assets					
Debtors	12	3,740		3,182	
Cash at bank and in hand		12		1,258	
		<u>3,752</u>		<u>4,440</u>	
Creditors: amounts falling due within one year	13	<u>(3,654)</u>		<u>(4,068)</u>	
Net current liabilities			98		372
Total assets less current liabilities			481		883
Creditors: amounts falling due after more than one year	14		(83)		(88)
Provision for liabilities and charges	15		-		(22)
Net assets			<u>398</u>		<u>773</u>
Capital and reserves					
Called up share capital (£100 only)	16		-		-
Capital reserve	17		399		399
Profit and loss account	17		(1)		374
Equity shareholders' funds	18		<u>398</u>		<u>773</u>

These financial statements were approved by the board of directors on 6 October 2000 and were signed on its behalf by:



JC Whitehead
Director

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of accounting

These financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom. A summary of the more important policies, which have been consistently applied, is set out below.

Cash flow statement

The company is a wholly owned subsidiary of IMC Technical Services Limited, which is a wholly owned subsidiary of IMC Group Holdings Limited. The cash flows of this company are included in the consolidated group cash flow statement within the financial statements of IMC Group Holdings Limited. Consequently the company is exempt under the terms of Financial Reporting Standard Number 1 from publishing a cash flow statement.

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding value added tax.

Fixed assets

Tangible assets have been stated at cost, after adjusting for additions and disposals during the year, less accumulated depreciation to date.

Depreciation is calculated on a straight line basis so as to write off the cost of fixed assets over the expected useful economic lives on the following basis:

Leasehold improvements	28 years straight line
Plant and machinery	10-20% per annum
Vehicles	20% per annum
Equipment	20-33% per annum

Amounts recoverable on contracts

The attributable profit on long-term contracts is recognised once their outcome can be assessed with reasonable certainty. The profit recognised reflects the proportion of work completed to date on the project.

In accordance with the provisions of SSAP 9 (revised): 'Amounts Recoverable on Contracts' represents the value of work done at the lower of cost and net realisable value, for which no invoice has been raised, but which is reflected within activity in the profit and loss account.

Full provision is made for losses on all contracts in the year in which the loss is first foreseen.

Deferred taxation

Deferred taxation is provided for under the liability method using the rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability will crystallise.

Notes (continued)

1 Accounting policies (continued)

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year, except where the transactions are covered by forward exchange contracts, when the contracted rate is used. All exchange differences are dealt with in the profit and loss account.

Pension funds

The company operates two defined benefit schemes, contributions to which are charged to the profit and loss account over the expected working lives of employees who are pension scheme members. There is also a defined contributions scheme and pension contributions to this scheme are charged against profits as incurred.

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of the leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease. All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

2 Turnover

Geographic analysis of turnover:

	2000 £000	1999 £000
UK	3,043	2,861
Europe	1,372	1,750
Asia	219	286
Other	-	46
	<hr/> 4,634 <hr/>	<hr/> 4,943 <hr/>

Turnover includes directly attributable expenses.

Notes (continued)

3 Directors' emoluments

	2000 £000	1999 £000
<i>The emoluments of the directors, excluding pension contributions, amounted to:</i>		
Fees	146	144
	<u> </u>	<u> </u>
	Number	Number
Defined benefit scheme	2	2
	<u> </u>	<u> </u>

The emoluments of the highest paid director, excluding pension contributions, were £78,394 (1999: £76,169). At the year end, the director had accrued a pension of £7,014pa (1999: £5,845pa).

4 Employees

<i>The average number of persons employed, including directors, during the year was as follows:</i>	Number	Number
Administrative	20	19
Technical and technical support	63	66
	<u> </u>	<u> </u>
	83	85
	<u> </u>	<u> </u>
	£000	£000
<i>An analysis of the overall employment costs (including all directors) is as follows:</i>		
Wages and salaries	1,910	1,850
Social security costs	153	148
Other pension costs	256	245
	<u> </u>	<u> </u>
	2,319	2,243
	<u> </u>	<u> </u>

5 Exceptional item

	£000	£000
Redundancy costs	104	108
Contract losses	102	-
	<u> </u>	<u> </u>
	206	108
	<u> </u>	<u> </u>

Notes (continued)

6 Interest

	2000 £000	1999 £000
<i>Interest receivable comprises:</i>		
Bank interest	25	15
	<hr/>	<hr/>
<i>Interest payable comprises:</i>		
Bank interest	(99)	-
Lease interest	(6)	-
	<hr/>	<hr/>
	(105)	-
	<hr/>	<hr/>

7 Profit before taxation

	£000	£000
<i>Operating profit is stated after charging:</i>		
Auditors' remuneration - audit services	18	14
- non-audit services	-	-
Depreciation - owned assets	98	118
- assets held under hire purchase or finance leases	31	2
Hire of plant and machinery - operating leases	9	8
Profit on disposal of fixed assets	(6)	(7)
Profit on foreign exchange	(12)	(20)
	<hr/>	<hr/>

8 Taxation

	2000 £000	1999 £000
<i>Based on the profit for the year:</i>		
UK Corporation tax at 30% (1999: 21%) - current year	-	24
- overprovision in prior years	28	-
Deferred taxation released/(charged)	22	(22)
	<hr/>	<hr/>
	50	2
	<hr/>	<hr/>

Notes (continued)

9 Tangible fixed assets

	Leasehold improve- ments £000	Vehicles £000	Equipment £000	Total £000
<i>Cost:</i>				
At 1 April 1999	10	121	2,290	2,421
Additions	11	1	70	82
Group transfers	-	17	-	17
Disposals	-	(7)	(198)	(205)
At 31 March 2000	21	132	2,162	2,315
<i>Accumulated depreciation:</i>				
At 1 April 1999	-	90	1,919	2,009
Charge for year	2	11	116	129
Group transfers	-	15	-	15
Disposals	-	(7)	(198)	(205)
At 31 March 2000	2	109	1,837	1,948
<i>Net book value:</i>				
At 31 March 2000	19	23	325	367
At 31 March 1999	10	31	371	412

The net book value of fixed assets includes an amount of £144,872 (1999: £133,927) in respect of assets held under finance leases.

Expenditure contracted for but not provided in the financial statements amounted to £nil (1999: £60,000).

10 Investment - in subsidiaries

	2000 £	1999 £
Cost	8	8

All subsidiaries are registered in England and Wales and are 100% owned by CRE Group Limited and are as follows:

	Aggregate amount of share capital and reserves	
	2000 £	1999 £
<i>Name of subsidiary:</i>		
Combustion Systems Limited	6	6
IEA Coal Research Limited	2	2

Notes (continued)

10 Investment – in subsidiaries (continued)

The company acts as operating agent for the International Energy Agency in respect of the IEA Greenhouse Gas Programme, and through its subsidiary IEA Coal Research Limited, of IEA Coal Research. The financial statements for both of these are maintained separately and are audited by Ernst & Young and KPMG respectively. The assets and liabilities of these are operated by the company, are not included in the balance sheet but in view of their significance are summarised below:

	2000 £000	1999 £000
IEA Greenhouse Gas Programme		
Miscellaneous debtors	335	180
Miscellaneous creditors	(1,007)	(1,258)
	<hr/>	<hr/>
Cash held on behalf of members	(672)	(1,078)
	<hr/>	<hr/>
IEA Coal Research		
Miscellaneous debtors	350	333
Miscellaneous creditors	(445)	(527)
	<hr/>	<hr/>
Cash held on behalf of members	(95)	(194)
	<hr/>	<hr/>

11 Investments – in joint ventures

CRE Group Limited has a 50% interest in its joint venture, Gastec at CRE Limited whose business is testing and certification of gas appliances; it is incorporated in England and Wales.

	£000	£000
Investment		
Cost	125	125
Provisions against carrying value	(109)	(26)
	<hr/>	<hr/>
	16	99
	<hr/>	<hr/>
Share of assets		
Share of fixed assets	50	55
Share of current assets	234	318
	<hr/>	<hr/>
	284	373
Share of liabilities		
Liabilities due within one year	(268)	(274)
	<hr/>	<hr/>
Share of net assets	16	99
	<hr/>	<hr/>

Notes (continued)

12 Debtors

	2000 £000	1999 £000
Trade debtors	983	1,240
Amount recoverable on contracts	1,303	1,549
Amounts due from group companies	949	220
Amounts due from joint venture	327	-
Other debtors	90	92
Prepayments and accrued income	88	81
	<u>3,740</u>	<u>3,182</u>

13 Creditors: amounts falling due within one year

	£000	£000
Bank overdraft and loan	939	887
Net obligations under hire purchase and finance lease contracts	31	25
Payments received on account	203	970
Trade creditors	643	824
Amounts owed to subsidiary undertakings	19	137
Value added tax	66	82
Other creditors including tax and social security	1,204	746
Accruals and deferred income	549	397
	<u>3,654</u>	<u>4,068</u>

The bank overdraft is secured by a deed of subordination and an unscheduled mortgage debenture.

14 Creditors: amounts falling due after more than one year

	£000	£000
Net obligations under hire purchase and finance lease contracts	83	88
	<u>83</u>	<u>88</u>

Notes (continued)

15 Provisions for liabilities and charges

Site rationalisation

	2000 £000	1999 £000
Opening balance	-	73
Utilised in the year	-	(73)
Closing balance	-	-

Deferred taxation

Deferred taxation provided and unprovided for in the financial statements is set out below.

	Amount provided		Amount unprovided	
	2000 £000	1999 £000	2000 £000	1999 £000
Accelerated capital allowances	-	22	-	-

16 Called up share capital

	2000 £	1999 £
<i>Authorised, allotted and fully paid:</i> 100 ordinary shares of £1 each	100	100

17 Reserves

	Profit and loss £000	Capital reserve £000	Total £000
At 1 April 1999	374	399	773
Transfer for the year	(375)	-	(375)
At 31 March 2000	(1)	399	398

Notes (continued)

18 Reconciliation of movement in equity shareholders' funds

	2000 £000	1999 £000
Loss for the year	(375)	(102)
Dividends payable	-	-
Net additions to equity shareholders' funds	(375)	(102)
Opening equity shareholders' funds	773	875
Closing equity shareholders' funds	398	773

19 Contingent liabilities

The bank holds a cross guarantee over the indebtedness of all IMC group companies. At 31 March 2000 that liability amounted to £2,364,461 (1999: £3,315,668).

20 Operating lease commitments

At 31 March 2000, the company had the following annual commitments from operating leases:

	2000		1999	
	Land and buildings £000	Others £000	Land and building £000	Others £000
<i>Leases which expire:</i>				
Within one year	-	4	-	-
Within two to five years	70	8	-	8
Over five years	-	-	50	-
	70	12	50	8

21 Finance lease creditor

At 31 March 2000, the company had creditors arising from finance leases due for repayment as follows:

	2000 £000	1999 £000
Due within one year	31	25
Between two and five years	83	88
	114	113

Notes (continued)

22 Pensions

The IMC group operates two defined benefit schemes, and a defined contribution scheme for certain employees of the company.

The contributions are based on pension costs across the group as a whole. The scheme is managed independently of the group's finances. Details of the group schemes are disclosed in the financial statements of IMC Group Holdings Limited.

Contributions amounted to £256,000 (1999: £245,000) in respect of the defined benefit. Outstanding contributions to the defined benefit scheme at the year end amounted to £21,549 (1999: £nil).

23 Related party transactions

In accordance with the provisions of Financial Reporting Standard No. 8, transactions with fellow members of the IMC Group have not been disclosed. During the year CRE Group Limited provided professional services with associated expenses to its associated company Gastec at CRE Limited to the value of £843,000. Prices for these services were calculated on an arm's length basis. At 31 March 2000, the balance owed by Gastec at CRE Limited for these services totalled £288,000.

24 Ultimate parent undertaking

The ultimate parent undertaking and ultimate controlling party is ICF Group Limited, a company registered in England and Wales. The financial statements for ICF Group Limited can be obtained from the Secretary, ICF Group Limited, 450 London Road, North Cheam, Surrey, SM3 8HZ.

The parent that heads the smallest group of undertakings for which consolidated financial statements are prepared is IMC Technical Services Limited, a company registered in England and Wales. Copies of the consolidated financial statements are available from the Secretary, IMC Technical Services Limited, Stoke Orchard, Cheltenham, Gloucestershire, GL52 4RZ. On 3 April 2000, IMC Technical Services transferred its entire shareholding in the company to IMC Group Holdings Limited.