

Registered No. 2924220

CRE GROUP LIMITED

**ANNUAL REPORT AND ACCOUNTS
FOR THE PERIOD ENDED 25TH MARCH 1995**



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REPORT OF THE DIRECTORS

INTRODUCTION

The Directors present their annual report and the audited accounts for the period ended 25th March 1995.

PRINCIPAL ACTIVITIES

The Company provides consultancy and environmental services to the energy industry world-wide.

BUSINESS REVIEW

The Company was incorporated as PRECIS (1270) Ltd on 29 April 1994 as a wholly owned subsidiary of British Coal Corporation and changed its name to CRE GROUP Ltd on 10 June 1994 with effect from 31 August 1994 as part of a restructuring within British Coal Corporation (BCC). CRE Group Ltd acquired the assets, liabilities and trading activities of the CRE division of BCC. The Company commenced trading with effect from 31 August 1994, and was purchased by IMC Group Holdings Limited on 26 March 1995.

RESULT AND DIVIDEND

Loss from ordinary activities in the period to March 1995, before taxation, was £628,000. A nil dividend was declared.

FIXED ASSETS

The movement in fixed assets, including the revaluation of properties is set out in note 8 to the accounts.

INSURANCE FOR DIRECTORS

The company maintains insurance for the directors in respect of their duties as directors of the company.

CHARITABLE AND POLITICAL DONATIONS

No donations were made by the company during the period for charitable purposes.

DIRECTORS

The following Directors held office during the period.

Mr M Garrett	Appointed 27th July/Resigned 24th March 1995.
Mr A Horsler	Appointed 27th July/Resigned 6th February 1995.
Mr J C Izard	Appointed 22nd August/Resigned 24th March 1995.
Mr K R Jowett	Appointed 27th July/Resigned 24th March 1995.
Mr J B Lott	Appointed 24th March 1995.
Dr J M Topper	Appointed 27th July/Resigned 24th March 1995/Reappointed 27th March 1995.
Dr J C Whitehead	Appointed 27th July/Resigned 24th March 1995/Reappointed 27th March 1995.
Mr R C Yates	Appointed 24th March 1995.

No Director had any beneficial interest in the shares of the Company or in the shares of any subsidiary/associated company at any time.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgement and estimates have been made in the preparation of the financial statements for the period ended 25 March 1995. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company, and for taking reasonable steps to prevent and detect fraud and other irregularities.

REGISTERED AUDITORS

A resolution to re-appoint the auditors, Coopers & Lybrand will be proposed at the annual general meeting.

BY ORDER OF THE BOARD



I W G BAIRD
Secretary

23 January 1996

Registered Office

Stoke Orchard
Cheltenham
Gloucestershire
GL52 4RZ

REPORT OF THE AUDITORS
TO THE MEMBERS OF CRE GROUP LIMITED

We have audited the financial statements on pages 6 to 16.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

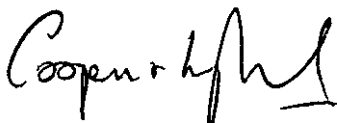
Basis of opinion

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 affairs of the company at 25 March 1995 and of the loss and total recognised gains of the company for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
Nottingham

23 January 1996.

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 25TH MARCH 1995**

	<u>Notes</u>	<u>1995</u> £000's
Turnover	1(b) & 2	3,681
External charges		2,430
Staff costs	3	1,168
Depreciation of tangible fixed assets	1(e)	75
Other operating charges		443
Loss on disposal of fixed assets		3
Operating Loss		<u>438</u>
Exceptional Item		
Provision for restructuring and reorganisation	5	204
Loss after Exceptional Item		<u>642</u>
Interest receivable		(14)
Loss on ordinary activities before taxation	6	<u>628</u>
Taxation	7	-
Loss for the financial period		<u>628</u>
Dividends payable		-
Retained Loss for the financial period	15	<u><u>628</u></u>

All of the above results relate to continuing operations which were acquired during the period.

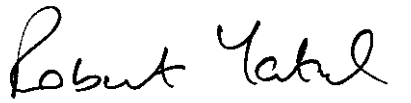
There is no significant difference between the loss on ordinary activities before taxation and the retained loss for the period stated above, and their historical cost equivalents.

**BALANCE SHEET
AS AT 25TH MARCH 1995**

	<u>Notes</u>	<u>1995</u> <u>£000's</u>
FIXED ASSETS		
Tangible assets	8	1,330
Investments	10	(2)
		<u>1,328</u>
CURRENT ASSETS		
Debtors: amounts falling due in one year	9	1,907
Cash at bank and in hand		1,294
		<u>3,201</u>
CREDITORS: amounts falling due within one year		
Payments in advance		627
Trade creditors		564
Other creditors including taxation and social security payable	11	2,196
Accruals		628
		<u>4,015</u>
NET CURRENT ASSETS		<u>(814)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>514</u>
PROVISIONS FOR LIABILITIES AND CHARGES	12	204
NET ASSETS		<u><u>310</u></u>
Financed by:		
CAPITAL AND RESERVES		
Called up share capital (£100 only)	13	-
Profit and loss account	14	(628)
Revaluation Reserve	14	602
Capital Reserve	14	336
EQUITY SHAREHOLDERS' FUNDS		<u><u>310</u></u>

These accounts were approved by the Board of Directors on 23 January 1996 and are signed on its behalf by:

.....
J B LOTT - Director


.....
R C Yates - Director

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE PERIOD ENDED 25TH MARCH 1995**

	<u>1995</u> <u>£000's</u>
Loss for the financial period	(628)
	<hr/>
Unrealised surplus on revaluation of properties	602
	<hr/>
Loans from holding company waived during period	336
	<hr/>
Other recognised gains and losses relating to the period	938
	<hr/>
Total recognised gains and losses relating to the period	<u>310</u>

**NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED 25TH MARCH 1995**

1. ACCOUNTING POLICIES

(a) Basis of Accounting

The accounts have been prepared in accordance with applicable accounting standards in the United Kingdom.

The company has taken advantage of the provisions of S.228 of the Companies Act 1985 and accordingly Group accounts have not been prepared.

At 25th March 1995 the company was a wholly owned subsidiary of British Coal Corporation. The cash flows of this company are included in the consolidated group cash flow statement. Consequently the company is exempt under the terms of Financial Reporting Standard No. 1 from publishing a cash flow statement.

The accounts have been prepared on the historic cost basis of accounting.

(b) Turnover

Turnover represents the value of all activity undertaken during the period, including expenses and excluding Value Added Tax.

(c) Amounts Recoverable on Contracts

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

(d) Development Costs

Expenditure on enquiries and proposals is written off as incurred except in those instances where it can be demonstrated that these costs are reimbursable to the Company. The costs of the enquiry or proposal stage of a particular contract are not included in the valuation of work in progress on that contract.

(e) Depreciation

Depreciation is calculated to write off the cost of fixed assets in equal annual instalments over their estimated useful lives on the following basis:

Buildings	0.67%
Plant & Machinery	10 - 20% per annum

Freehold land is not depreciated.

(f) Deferred Taxation

Deferred taxation is provided on the liability method only where it can be shown that it will become payable within the foreseeable future.

(g) Foreign Currency

Exchange differences are taken to profit and loss account as and when they are recognised.

(h) **Pensions**

The Pension Scheme operated by British Coal Corporation on behalf of CRE Group Limited was the British Coal Staff Superannuation Scheme, a defined benefits scheme. As a result of actuarial valuations the Company had a "holiday" from paying employers contributions.

2. **TURNOVER**

- (a) Turnover includes directly attributable expenses.
(b) An analysis of the turnover by geographical markets has not been presented.

3. **EMPLOYEES**

1995
£000's

(a) **Staff costs, including:
Executive Directors:**

Aggregate gross salaries	1,086
Employer's social security costs	82
Pension costs	-
	<hr/>
	1,168
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(b) **The average number of persons employed
by the Company, including Executive
Directors, during the year was:**

Technical and Technical Support	70
Administrative	14
	<hr/>
	84
	<hr/>

4. **EMOLUMENTS OF DIRECTORS**

1995
£

The emoluments of the Directors, including
pension contributions, amounted to:

Fees	-
Other emoluments	72,618
	<hr/>
	72,618
	<hr/>

The emoluments of the Directors, excluding
pension contributions, were paid as follows:
Emoluments of Chairman

Emoluments of highest paid Director	40,211
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4. **EMOLUMENTS OF DIRECTORS - continued**

Number of Directors whose emoluments, excluding pension contributions, fell within the ranges:

	<u>1995</u>
£ 0 - £ 5,000	6
£30,001 - £35,000	1
£40,001 - £45,000	1

5. **EXCEPTIONAL ITEM**

The exceptional item includes a charge of £204,000 for restructuring and reorganisation costs associated with the company's premises.

6. **TRADING LOSS**

1995
£000's

Loss on ordinary activities before taxation is stated after charging:

Hire of Office Equipment - Operating Lease	5
	==
Auditors Remuneration for audit	14
	==

Auditors remuneration for non audit services amounted to £22,000.

7. **TAXATION**

Tax losses arising from the trading loss have not been recognised in accordance with the sale and purchase agreement between BCC and IMC Group Holdings Ltd as they are to be surrendered to British Coal Corporation for no payment.

8. **TANGIBLE FIXED ASSETS**

	<u>Land & Buildings</u>	<u>Plant & Mech.</u>	<u>Total</u>
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
COST VALUATION			
An acquisition at 31 August 1994	2,077	2,122	4,199
Additions	-	222	222
Disposals	-	(13)	(13)
Surplus on revaluation	602	-	602
	==	==	==
At 25 March 1995	2,679	2,331	5,010
	==	==	==
DEPRECIATION			
An acquisition at 31 August 1994	1,661	1,954	3,615
Charge for period	18	57	75
Eliminated on disposals	-	(10)	(10)
	==	==	==
At 25 March 1995	1,679	2,001	3,680
	==	==	==
NET BOOK VALUE			
At 25 March 1995	1,000	330	1,330
	==	==	==

During the period the land and buildings were revalued at open market, existing use basis by Debenham Thorpe, a firm of independent Chartered Surveyors and the revalued figures are presented above.

8. **TANGIBLE FIXED ASSETS - continued**

If land and buildings had not been revalued they would have been included at the following amounts:

	<u>1995</u> <u>£000's</u>
Cost	2,077
Aggregate depreciation based on cost	1,679
	<hr/>
	398
	<hr/>

CAPITAL COMMITMENTS

	<u>1995</u> <u>£000's</u>
Contracted for but not provided in the accounts	-
Authorised but not contracted for	18

9. **DEBTORS**

	<u>1995</u> <u>£000's</u>
Amounts falling due within one year:	
Trade debtors	883
Amounts recoverable on contracts	713
Prepayments	36
Other debtors	<u>275</u>
	1,907
	<hr/>

10. **INVESTMENTS**

	<u>1995</u>
Cost	£2
	<hr/>
	<u>£000's</u>
Provision for losses:	
Provided during period	2
	<hr/>
At 25 March 1995	2
	<hr/>

The subsidiaries of the company are as follows:

All the subsidiaries are registered in England and Wales and are 100% owned by CRE Group Limited.

Name of Subsidiary	Aggregate Amount of Share Capital and Reserves
	£'s
Combustion Systems Limited	(1,727)
IEA Coal Research Limited	2

10. **INVESTMENTS - continued**

The Company acts as operating agent for the International Energy Agency in respect of the IEA Greenhouse Gas Programme and its subsidiary IEA Coal Research Ltd acts as operating agent for IEA Coal Research. The accounts for both of these are maintained separately and are audited by Ernest & Young and Coopers & Lybrand respectively. The assets and liabilities of these which are operated by the Company are not included in the balance sheet but in view of their significance are summarised below:

	<u>1995</u> <u>£000's</u>
IEA Greenhouse Gas Programme	
Miscellaneous Debtors	166
Miscellaneous Creditors	<u>(680)</u>
Cash held on behalf of the members	514
	<hr/>
IEA Coal Research	
Miscellaneous Debtors	305
Miscellaneous Creditors	<u>(175)</u>
Deficit on members funds	<u>(130)</u>

Particulars of Joint Venture

<u>Name of Joint Venture</u>	<u>Address of Principle Place of Business</u>	<u>CRE Group Limited's Interest in Joint Venture</u>
Gastec at CRE	Stoke Orchard Cheltenham Gloucestershire G152 4RZ	45%

11. **CREDITORS**

Included in other creditors, amounts falling due within one year, are:

	<u>1995</u> <u>£000's</u>
Loan from British Coal Corporation	106
Loan from IMC Group Holdings Ltd	1,296
Value added tax	69

The loans are interest free and unsecured.

12. **PROVISION FOR LIABILITIES AND CHARGES**

	<u>1995</u> <u>£000's</u>
At 31 August 1994	-
Charge for the period	204
	<hr/>
At 25 March 1995	204
	<hr/> <hr/>

All of the above is for site rationalisation.

Deferred Taxation

	<u>Amount</u> <u>Provided</u> <u>£000's</u>	<u>Amount</u> <u>Unprovided</u> <u>£000's</u>
Tax effect of timing differences:		
Excess of capital allowance over depreciation	-	109
Other provisions	-	(67)
	<hr/>	<hr/>
	-	42
	<hr/> <hr/>	<hr/> <hr/>

The directors do not consider that there will be any capital gains tax arising from the revaluation of the property.

13. **CALLED UP SHARE CAPITAL**

	<u>1995</u> <u>£'s</u>
100 Authorised, allotted, issued and fully paid: Ordinary shares of £1.00	100
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The shares were issued at par as part of the formation of the company.

14. **RESERVES**

	Profit & Loss £000's	Revaluation Reserve £000's	Capital Reserve £000's	Total £000's
On incorporation	-	-	-	-
Loss for the period	(628)	-	-	(628)
Arising on revaluation of properties	-	602	-	602
Waiver of loan by holding company	-	-	336	336
	<hr/>	<hr/>	<hr/>	<hr/>
At 25th March 1995	(628)	602	336	310
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

For the taxation implications of revaluation see note 12.

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1995</u> <u>£000's</u>
Loss for the financial period	(628)
Dividends	-
	<u>(628)</u>
Other recognised gains and losses relating to the period	
Revaluation of fixed assets	602
Waiver of loan	336
	<u>310</u>
Net addition to Shareholders' funds	
Opening Shareholders' funds	-
	<u>310</u>
Closing Shareholders' funds	<u><u>310</u></u>

16 ACQUISITION OF CRE DIVISION OF BRITISH COAL CORPORATION (BCC)

With effect of 31 August 1994 and as part of the restructuring of BCC, CRE Group Limited acquired assets, liabilities and trading activities of the CRE division of BCC. The assets and liabilities acquired were as follows:

	<u>Book Value</u> <u>£000's</u>
Fixed Assets	584
Debtors	1,522
Cash at bank and in hand	211
Creditors	(579)
	<u>1,738</u>
Total	<u><u>1,738</u></u>
Financed by:	
Loan Account	<u><u>1,738</u></u>

17. OPERATING LEASE RENTALS

Other than land and buildings:	<u>1995</u> <u>£000's</u>
Commitments:	
Next year	7
2 - 5 years	20
Over 5 years	-
	<u>27</u>
	<u><u>27</u></u>

18. CONTINGENT LIABILITIES

There is a contingent liability where the Company has entered into a cross Company guarantee executed in favour of National Westminster Bank plc by which, inter alia, the Company guarantees all of the liabilities of IMC Group Holdings and International Mining Consultants Limited.

19. ULTIMATE PARENT

The ultimate parent company as at 25 March 1995 was British Coal Corporation, a company registered in England and Wales. Following the acquisition of the CRE group by IMC Group Holdings Limited on 26 March 1995 the ultimate holding company became Inter-Continental Fuels Limited, a company registered in England and Wales.

The financial statements of Inter-Continental Fuels Limited can be obtained from The Secretary, Inter Continental Fuels 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 Group Holdings Limited, a company registered in England and Wales. Copies of the consolidated financial statements are available from The Secretary, IMC Group Holdings Limited, P O Box 18, Mill Lane, Huthwaite, Sutton in Ashfield, Nottinghamshire NG17 2NS.