

**CRE Group Limited**

Directors' report and financial  
statements

Registered number 2924220

31 March 2003



## **Contents**

Company information	1
Directors' report	2
Statement of directors' responsibilities	3
Report of the independent auditors to the members of CRE Group Limited	4
Profit and loss account	5
Balance sheet	6
Notes	7

## **Company information**

<b>Chairman</b>	JB Lott
<b>Directors</b>	AS Keane JB Lott Dr L Noordzij (Dutch)
<b>Company Secretary</b>	D Watson
<b>Registered office</b>	PO Box 18 Common Road Huthwaite Sutton in Ashfield Nottinghamshire NG17 2NS
<b>Registered number</b>	2924220
<b>Auditors</b>	KPMG LLP St Nicholas House Park Row Nottingham NG1 6FQ
<b>Bankers</b>	Royal Bank of Scotland 135 Bishopsgate London EC2M 3UR

## **Directors' report**

### **Introduction**

The directors submit their annual report and the audited financial statements for the year ended 31 March 2003.

### **Results and dividend**

The profit on ordinary activities of the company after taxation amounted to £13,000 (2002: £361,000 loss). The directors do not recommend a dividend (2002: nil) and accordingly £13,000 (2002: £361,000 loss) has been transferred to reserves.

### **Activities and business review**

On 1 April 2002 the Company sold its interest in Gastec at CRE Limited to IMC Group Holdings Limited, its parent undertaking, at book value.

The Company now acts as a property company, receiving rentals for its leasehold premises at Stoke Orchard.

### **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:

#### *Executive directors:*

JB Lott  
AS Keane

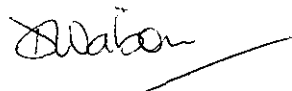
#### *Non-executive directors:*

Dr L Noordzij

### **Auditors**

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



**D Watson**  
*Company Secretary*

### **Registered office**

PO Box 18  
Common Road  
Huthwaite  
Sutton in Ashfield  
Nottinghamshire  
NG17 2NS

22 October 2003

## **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.



**KPMG LLP**

St Nicholas House  
Park Row  
Nottingham  
NG1 6FQ

**Report of the independent auditors to the members of CRE Group Limited**

We have audited the financial statements on pages 5 to 13.

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 auditor's 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**

The directors are responsible for preparing the directors' report and, as described on page 3, 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 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, 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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

22 October 2003

*Chartered Accountants  
Registered Auditor*

**Profit and loss account**  
*for the year ended 31 March 2003*

	<i>Note</i>	<b>2003</b> <b>£000</b>	2002 £000
<b>Turnover</b>	<i>1</i>	<b>239</b>	228
Cost of sales		-	-
<b>Gross margin</b>		<b>239</b>	228
Depreciation and other amounts written off tangible fixed assets		(13)	(4)
Other operating charges		(177)	(223)
<b>Operating profit</b>	<i>2</i>	<b>49</b>	1
Other interest receivable and similar income		-	28
Amounts added back to investments		-	11
Interest payable and similar charges	<i>4</i>	(5)	(40)
Loss on sale of discontinued operation		-	(529)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>44</b>	(529)
Tax on profit/(loss) on ordinary activities	<i>5</i>	(31)	168
<b>Profit/(loss) for the financial year</b>	<i>12</i>	<b>13</b>	(361)

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

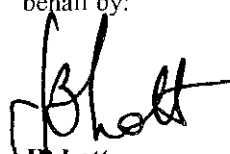
In both the current and preceding years, there was no material difference between the loss reported in the profit and loss account and the loss on an unmodified historical cost basis.

All results derive from continuing activities.

**Balance sheet**  
*as at 31 March 2003*

	<i>Note</i>	<b>2003</b>	<b>2002</b>
		<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>			
Tangible fixed assets	6	-	13
Investments - in joint ventures	7	-	-
		<hr/>	<hr/>
		-	13
<b>Current assets</b>			
Debtors	8	456	712
<b>Creditors: amounts falling due within one year</b>	9	(472)	(682)
		<hr/>	<hr/>
<b>Net current (liabilities)/assets</b>		(16)	30
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		(16)	43
		<hr/>	<hr/>
<b>Provisions for liabilities and charges</b>	10	-	(72)
		<hr/>	<hr/>
<b>Net liabilities</b>		(16)	(29)
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital (£100 only)	11	-	-
Capital reserve	12	399	399
Profit and loss account	12	(415)	(428)
		<hr/>	<hr/>
<b>Equity shareholders' deficit</b>	13	(16)	(29)
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 22 October 2003 and were signed on its behalf by:

  
**JB Lott**  
*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.

Consolidated financial statements have not been prepared as the company is covered by the exemption from consolidation requirements for small groups. Accordingly, the financial statements present information for the individual company only.

#### ***Going concern***

The financial statements have been prepared on the going concern basis which assumes the continuing support of the parent undertaking.

#### ***Cash flow statement***

The company 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 FRS 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	7 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.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Taxation*

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is recognised, without discounting, in respect of all timing differences which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### *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 IMC Group 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 are also two defined contribution schemes and pension contributions to these schemes 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 Operating profit

	2003 £000	2002 £000
<i>Operating profit is stated after charging:</i>		
Auditors' remuneration - audit services	1	1
Depreciation - assets held under hire purchase or finance leases	13	4
Other operating leases	70	70
Loss on foreign exchange	-	12
	<hr/>	<hr/>

### 3 Directors' emoluments

None of the directors received any remuneration from the company in respect of their services (2002: nil).

### 4 Interest payable and similar charges

	2003 £000	2002 £000
Bank interest	5	40
	<hr/>	<hr/>

## Notes (continued)

### 5 Taxation

	2003 £000	2002 £000
Analysis of tax (charge)/credit in the year:		
<i>UK corporation tax</i>		
Current tax on income for the year	(25)	164
Adjustments in respect of prior years	(6)	4
	<hr/>	<hr/>
Total current tax	(31)	168
Deferred tax	-	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	(31)	168
	<hr/>	<hr/>

There is no deferred tax asset or liability at the year end as all timing differences are of a permanent nature. The current tax charge is £18,000 higher (2002: £9,000 higher credit) than the standard rate of corporation tax in the UK of 30% (2002: 30%) for the reasons set out below:

	£000	£000
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	44	(529)
	<hr/>	<hr/>
Current tax (charge)/credit at 30% (2002: 30%)	(13)	159
<i>Effects of:</i>		
Group relief received for no consideration	15	-
Profit not subject to taxation	-	5
Profits/losses not subject to taxation	(23)	-
Depreciation for the year in excess of capital allowances	(4)	-
Adjustment to tax charge in respect of prior years	(6)	4
	<hr/>	<hr/>
Total current tax (charge)/credit	(31)	168
	<hr/>	<hr/>

### 6 Tangible fixed assets

	Leasehold improve- ments £000
<i>Cost:</i>	
At 1 April 2002	21
Written out of books	(21)
	<hr/>
At 31 March 2003	-
	<hr/>
<i>Accumulated depreciation:</i>	
At 1 April 2002	8
Charge for year	13
Written out of books	(21)
	<hr/>
At 31 March 2003	-
	<hr/>
<i>Net book value:</i>	
At 31 March 2003	-
	<hr/>
At 31 March 2002	13
	<hr/>
Expenditure contracted for but not provided in the financial statements amounted to £nil (2002: £nil).	

## Notes (continued)

### 7 Investments - in joint ventures

	2003 £000	2002 £000
<b>Investments</b>		
Cost	-	125
Provisions against carrying value	-	(125)
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

CRE Group Limited had a 50% interest in its joint venture, Gastec at CRE Limited whose principal business is testing and certification of gas appliances; it is incorporated in England and Wales. On 1 April 2002 the company sold its entire shareholding in Gastec at CRE Limited to IMC Group Holdings Limited at book value.

### 8 Debtors

	2003 £000	2002 £000
Trade debtors	56	198
Amounts due from group undertakings	234	323
Amounts due from joint venture undertakings	8	-
Corporation tax recoverable	-	163
Other debtors	140	10
Prepayments and accrued income	18	18
	<u>456</u>	<u>712</u>
	<u>456</u>	<u>712</u>

### 9 Creditors: amounts falling due within one year

	2003 £000	2002 £000
Bank overdraft and loan	102	394
Trade creditors	286	183
Amounts owed to group undertakings	1	22
Corporation tax	25	-
Value added tax	5	4
Other creditors including tax and social security	-	10
Accruals and deferred income	53	69
	<u>472</u>	<u>682</u>
	<u>472</u>	<u>682</u>

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

## Notes (continued)

### 10 Provisions for liabilities and charges

#### *Provisions for losses in joint venture undertakings*

	2003 £000	2002 £000
Balance brought forward	72	83
Released in year	-	(11)
Transferred to IMC Group Holdings Ltd with investment in joint venture	(72)	-
Balance carried forward	<u>-</u>	<u>72</u>

#### *Deferred taxation*

There is no deferred taxation provided or unprovided at the year end (2002: nil).

### 11 Called up share capital

	2003 £	2002 £
<i>Authorised, allotted and fully paid:</i>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

### 12 Reserves

	Profit and loss £000	Capital reserve £000	Total £000
At 1 April 2002	(428)	399	(29)
Transfer for the year	13	-	13
<b>At 31 March 2003</b>	<u>(415)</u>	<u>399</u>	<u>(16)</u>

### 13 Reconciliation of movement in equity shareholders' (deficit)/funds

	2003 £000	2002 £000
Profit/(loss) for the year	13	(361)
Dividends payable	-	-
Net change in equity shareholders' deficit	<u>13</u>	<u>(361)</u>
Opening equity shareholders' (deficit)/funds	(29)	332
Closing equity shareholders' deficit	<u>(16)</u>	<u>(29)</u>

## Notes (continued)

### 14 Contingent liabilities

The bank holds a cross guarantee over the indebtedness of all IMC group companies. At 31 March 2003 that liability amounted to £1,434,773 (2002: £4,567,706).

Under the sale agreement of an associated company, a number of contractual and financial obligations were passed to the succeeding shareholders. Whilst this is considered unlikely, should that party be unable to honour those obligations, then any shortfall to the parties involved as sub-contractors may subsequently fall to the company. The value of any such shortfall is not known.

### 15 Operating lease commitments

At 31 March 2003, the company had the following annual commitments from operating leases in respect of land and buildings:

	2003 £000	2002 £000
<i>Leases which expire:</i>		
Within two to five years	70	70

### 16 Pensions

The IMC Group operates two defined benefit schemes, and two defined contribution schemes for certain employees of the company. These schemes are funded independently of the IMC Group's finances.

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 group 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 Limited.

### 17 Related party transactions

In accordance with the provisions of FRS 8, transactions with fellow members of the IMC Group have not been disclosed. During the year CRE Group Limited entered into transactions with IMC group joint venture companies as follows:

	Provided in year £000	Outstanding at year end £000
Accommodation	78	8

Prices were calculated on an arm's length basis.

**Notes** *(continued)*

**18 Ultimate parent undertaking**

The ultimate parent undertaking and controlling party 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.

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, PO Box 18, Mill Lane, Huthwaite, Nottinghamshire NG17 2NS.