

CRE Group Limited

Directors' report and financial
statements

Registered number 2924220

31 March 2002



Contents

Company information	1
Directors' report	2
Statement of directors' responsibilities	4
Report of the independent 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

AS Keane
JB Lott
JE Mills (resigned 28 March 2002)
Dr L Noordzij (Dutch)

Company Secretary

D Watson

Registered office

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

Registered number

2924220

Auditors

KPMG LLP
St Nicholas House
Park Row
Nottingham
NG1 6FQ

Bankers

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 2002.

Results and dividend

The loss on ordinary activities of the company after taxation amounted to £361,000 (2001: £66,000 loss). The directors do not recommend a dividend (2001: £nil) and accordingly £361,000 (2001: £66,000 loss) has been deducted from reserves.

Activities and business review

The company sold its investment in Combustion Systems Limited at cost to its parent undertaking, IMC Group Holdings Limited, on 3 April 2001. On 3 July 2001, the company sold its investment in IEA Coal Research Limited and in the IEA Greenhouse Gas programme to IEA Environmental Projects Limited at cost.

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.

On 23 March 2002, the company sold its 50% shareholding in EMC Environment Engineering Limited to The Casella Group Limited for nominal consideration. In return, The Casella Group Limited undertook to guarantee the repayment in full by EMC Environment Engineering Limited of the outstanding balance owed by EMC Environment Engineering Limited to the company which totalled £680,000 at the date of the sale. Repayment is due in two instalments. Having paid the first instalment of £340,000 The Casella Group Limited defaulted on the second instalment due on 1 July 2002. Pending resolution of this issue, the company has provided in full for the remaining balance.

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:

JE Mills (resigned 28 March 2002)

Dr L Noordzij

Directors' report *(continued)*

Auditors

On 17 May 2002 KPMG resigned as auditors to the company. KPMG LLP filled the resulting casual vacancy and were formally appointed as auditors at the Annual General Meeting held on 16 December 2002.

By order of the board



D Watson
Company Secretary

Registered office

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

7 January 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 6 to 15.

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 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 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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

7 January 2003

*Chartered Accountants
Registered Auditor*

Profit and loss account
for the year ended 31 March 2002

	Notes	2002 £000	2001 Continuing £000	2001 Discontinued £000	2001 £000
Turnover	1	228	93	-	93
Other operating income		-	-	1,220	1,220
Staff costs		-	-	(1,150)	(1,150)
Depreciation and other amounts written off tangible fixed assets		(4)	(2)	-	(2)
Other operating charges (including exceptional item)		(223)	(13)	(222)	(235)
Operating profit/(loss)	2	<u>1</u>	<u>78</u>	<u>(152)</u>	<u>(74)</u>
Income from shares in group undertakings		-			8
Interest receivable	5	28			118
Amounts added back/(written off) investments		11			(99)
Interest payable	5	(40)			(90)
Loss on sale of discontinued operation		(529)			-
Loss on ordinary activities before taxation		<u>(529)</u>			<u>(137)</u>
Tax on loss on ordinary activities	6	168			71
Loss for the financial year	15	<u>(361)</u>			<u>(66)</u>

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.

Balance sheet
as at 31 March 2002

	Notes	£000	2002 £000	£000	2001 £000
Fixed assets					
Tangible fixed assets	7		13		17
Investments - in subsidiaries	8		-		-
- in joint ventures	9		-		-
			<u>13</u>		<u>17</u>
Current assets					
Debtors	10	712		1,212	
Creditors: amounts falling due within one year	11	<u>(682)</u>		<u>(814)</u>	
Net current liabilities			<u>30</u>		<u>398</u>
Total assets less current liabilities			<u>43</u>		<u>415</u>
Provisions for liabilities and charges	12		<u>(72)</u>		<u>(83)</u>
Net assets			<u>(29)</u>		<u>332</u>
Capital and reserves					
Called up share capital (£100 only)	13		-		-
Capital reserve	14		399		399
Profit and loss account	14		<u>(428)</u>		<u>(67)</u>
Equity shareholders' funds	15		<u>(29)</u>		<u>332</u>

These financial statements were approved by the board of directors on 7 January 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 loss

	2002 £000	2001 £000
<i>Operating loss is stated after charging/(crediting):</i>		
Auditors' remuneration - audit services	1	2
Depreciation - assets held under hire purchase or finance leases	4	2
Other operating leases	70	10
Loss on foreign exchange	12	-
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

3 Directors' emoluments

	2002	2001
	£000	£000
<i>The emoluments of the directors, excluding pension contributions, amounted to:</i>		
Fees	-	61
	<hr/>	<hr/>
	Number	Number
Number of directors included in the defined benefit scheme	-	1
	<hr/>	<hr/>

The emoluments of the highest paid director, excluding pension contributions, were £nil (2001 £60,616). At the year end, the director had accrued a pension of £nil pa (2001: £8,183 pa).

4 Employees

	2002	2001
	Number	Number
<i>The average number of persons employed, including directors, during the year was as follows:</i>		
Administrative	-	28
Technical and technical support	-	12
	<hr/>	<hr/>
	-	40
	<hr/>	<hr/>
	£000	£000
<i>An analysis of the overall employment costs (including all directors) is as follows:</i>		
Wages and salaries	-	951
Social security costs	-	75
Other pension costs	-	124
	<hr/>	<hr/>
	-	1,150
	<hr/>	<hr/>

5 Interest

	2002	2001
	£000	£000
<i>Interest receivable comprises:</i>		
Bank interest	28	30
Charged to subsidiary undertaking	-	88
	<hr/>	<hr/>
	28	118
	<hr/>	<hr/>
<i>Interest payable comprises:</i>		
Bank interest	(40)	(84)
Lease interest	-	(6)
	<hr/>	<hr/>
	(40)	(90)
	<hr/>	<hr/>

Notes (continued)

6 Taxation

	2002 £000	2001 £000
Analysis of tax charge in the year:		
<i>UK corporation tax</i>		
Current tax on income for the year	164	21
Adjustments in respect of prior years	4	50
Total current tax	168	71
<i>Deferred tax</i>	-	-
Tax on profit on ordinary activities	168	71

There is no deferred tax asset or liability at the year end as all timing differences are of a permanent nature.

The current tax credit is £9,000 higher (2001: £30,000 lower) than the standard rate of corporation tax in the UK of 30% (2001: 30%) for the reasons set out below:

	£000	£000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	529	137
Current tax credit at 30% (2001: 30%)	(159)	(41)
<i>Effects of:</i>		
Profit not subject to taxation	(5)	(10)
Expenditure not deductible for tax purposes	-	34
Depreciation for the year in excess of capital allowances	-	12
Other short term timing differences	-	(16)
Adjustment to tax charge in respect of prior years	(4)	(50)
Total current tax credit	(168)	(71)

7 Tangible fixed assets

	Leasehold improve- ments £000
<i>Cost:</i>	
At 1 April 2001	21
<i>Accumulated depreciation:</i>	
At 1 April 2001	4
Charge for year	4
At 31 March 2002	8
<i>Net book value:</i>	
At 31 March 2002	13
At 31 March 2001	17

Expenditure contracted for but not provided in the financial statements amounted to £nil (2001: £nil).

Notes (continued)

8 Investment - in subsidiaries

	2002 £	2001 £
Cost	-	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	
	2002 £	2001 £
<i>Name of subsidiary:</i>		
Combustion Systems Limited	-	6
IEA Coal Research Limited	-	2

The company sold its investment in Combustion Systems Limited at cost to its parent undertaking, IMC Group Holdings Limited, on 3 April 2001. On 3 July 2001, the company sold its investment in IEA Coal Research Limited to IEA Environmental Projects Limited at cost.

The company acted as operating agent for the International Energy Agency in respect of the IEA Greenhouse Gas Programme up to 2 July 2001, and through its subsidiary IEA Coal Research Limited, of IEA Coal Research up to 2 April 2001, when these activities were transferred to IEA Environmental Projects Limited.

9 Investments - in joint ventures

	2002 £000	2001 £000
Investments		
Cost	125	125
Provisions against carrying value	(125)	(125)
	-	-

CRE Group Limited has 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. The company's share of the net assets and liabilities of Gastec at CRE Limited as at 31 March 2001 was as follows:

	2002 £000	2001 £000
Share of assets		
Tangible fixed assets	41	29
Share of current assets	152	232
	193	261
Share of liabilities		
Liabilities due within one year	(265)	(344)
Share of net liabilities	(72)	(83)

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

Notes (continued)

9 Investments - in joint ventures (continued)

On 23 March 2002 CRE Group Limited sold its 50% holding in the issued ordinary share capital of EMC Environment Engineering Limited for no consideration, resulting in neither a profit or a loss on disposal.

10 Debtors

	2002 £000	2001 £000
Trade debtors	198	211
Amount recoverable on contracts	-	4
Amounts due from group undertakings	323	95
Amounts due from joint venture undertakings	-	550
Corporation tax recoverable	163	21
Other debtors	10	323
Prepayments and accrued income	18	8
	<u>712</u>	<u>1,212</u>

11 Creditors: amounts falling due within one year

	2002 £000	2001 £000
Bank overdraft and loan	394	39
Payments received on account	-	19
Trade creditors	183	283
Amounts owed to subsidiary undertakings	22	347
Value added tax	4	10
Other creditors including tax and social security	10	111
Accruals and deferred income	69	5
	<u>682</u>	<u>814</u>

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

12 Provisions for liabilities and charges

Provisions for losses in joint venture undertakings

	2002 £000	2001 £000
Balance brought forward	83	-
(Released)/provided in year	(11)	83
Balance carried forward	<u>72</u>	<u>83</u>

Deferred taxation

There is no deferred taxation provided or unprovided at the year end (2001: £nil).

Notes (continued)

13 Called up share capital

	2002 £	2001 £
<i>Authorised, allotted and fully paid:</i>		
100 ordinary shares of £1 each	100	100

14 Reserves

	Profit and loss £000	Capital reserve £000	Total £000
At 1 April 2001	(67)	399	332
Transfer for the year	(361)	-	(361)
At 31 March 2002	(428)	399	(29)

15 Reconciliation of movement in equity shareholders' funds

	2002 £000	2001 £000
Loss for the year	(361)	(66)
Dividends payable	-	-
Net additions to equity shareholders' funds	(361)	(66)
Opening equity shareholders' funds	332	398
Closing equity shareholders' funds	(29)	332

16 Contingent liabilities

The bank holds a cross guarantee over the indebtedness of all IMC group companies. At 31 March 2002 that liability amounted to £4,567,706 (2001: £3,592,807).

17 Operating lease commitments

At 31 March 2002, the company had the following annual commitments from operating leases:

Land and buildings

	2002 £000	2001 £000
<i>Leases which expire:</i>		
Within one year	-	10
Within two to five years	70	-
	70	10

Notes (continued)

18 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.

19 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 its joint venture companies as follows:

	Gastec at CRE Limited		EMC Environmental Engineering Limited	
	Provided in year	Outstanding at year end	Provided in year	Outstanding at year end
	£000	£000	£000	£000
Accommodation	54	-	42	42

Prices were calculated on an arm's length basis.

The company sold its entire shareholding in EMC Environment Engineering Limited on 23 March 2002.

20 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.