

**CRE Group Limited**

**Directors' report and financial  
statements**

**Registered number 02924220**

**31 March 2004**



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## **Company information**

<b>Chairman</b>	JB Lott
<b>Directors</b>	AS Keane - resigned 30 June 2004 JB Lott Dr L Noordzij (Dutch) - resigned 15 October 2003 DRT Waring - appointed 30 June 2004
<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>	02924220
<b>Auditors</b>	KPMG LLP St Nicholas House Park Row Nottingham NG1 6FQ
<b>Bankers</b>	Fortis Bank SA-NV 23 Camomile Street London EC3A 7PP

## Directors' report

### Introduction

The directors submit their annual report and the audited financial statements for the year ended 31 March 2004.

### Results and dividend

The profit on ordinary activities of the company after taxation amounted to £209,000 (2003: £13,000). The directors do not recommend a dividend (2003: nil) and accordingly £209,000 (2003: £13,000) has been transferred to reserves.

### Activities and business review

The Company 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 - resigned 30 June 2004  
DRT Waring - appointed 30 June 2004

#### *Non-executive directors:*

Dr L Noordzij - resigned 15 October 2003

### 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

13 October 2004

## **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 14.

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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG LLP*

*Chartered Accountants  
Registered Auditor*

*13 October 2004*

**Profit and loss account**  
*for the year ended 31 March 2004*

	<i>Note</i>	<b>2004</b> £000	2003 £000
<b>Turnover</b>	<i>1</i>	<b>256</b>	239
Cost of sales		-	-
		<hr/>	<hr/>
<b>Gross margin</b>		<b>256</b>	239
Depreciation and other amounts written off tangible fixed assets		-	(13)
Other operating charges		(256)	(177)
Exceptional item	<i>2</i>	<b>301</b>	-
		<hr/>	<hr/>
<b>Operating profit</b>	<i>3</i>	<b>301</b>	49
Other interest receivable and similar income		17	-
Interest payable and similar charges	<i>5</i>	-	(5)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		<b>318</b>	44
Tax on profit on ordinary activities	<i>6</i>	(109)	(31)
		<hr/>	<hr/>
<b>Profit for the financial year</b>	<i>11</i>	<b>209</b>	13
		<hr/> <hr/>	<hr/> <hr/>

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 profit reported in the profit and loss account and the profit on an unmodified historical cost basis.

All results derive from continuing activities.

**Balance sheet**  
*as at 31 March 2004*

	<i>Note</i>	<b>£000</b>	<b>2004 £000</b>	<b>£000</b>	<b>2003 £000</b>
<b>Current assets</b>					
Debtors	7	193		456	
Cash		205		-	
		<u>398</u>		<u>456</u>	
<b>Creditors: amounts falling due within one year</b>	8	(205)		(472)	
<b>Net current assets/(liabilities)</b>			<u>193</u>		<u>(16)</u>
<b>Net assets/(liabilities)</b>			<u>193</u>		<u>(16)</u>
<b>Capital and reserves</b>					
Called up share capital (£100 only)	10		-		-
Capital reserve	11		399		399
Profit and loss account	11		(206)		(415)
<b>Equity shareholders' funds/(deficit)</b>	12		<u>193</u>		<u>(16)</u>

These financial statements were approved by the board of directors on 13<sup>th</sup> October 2004  
and were signed on its behalf by:

  
JF 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.

#### *Cash flow statement*

The company is a subsidiary of Rio Tinto plc. 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.

#### *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 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 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 Exceptional item

	2004 £000	2003 £000
Release of provision for bad debt now recovered	301	-

During the year, two debtors who had previously been provided against settled their debts. The provision brought forward has been reversed in the current year.

## Notes (continued)

### 3 Operating profit

	2004 £000	2003 £000
<i>Operating profit is stated after charging/(crediting):</i>		
Auditors' remuneration - audit services	1	1
Depreciation - assets held under hire purchase or finance leases	-	13
Other operating leases	70	70
Loss/(gain) on foreign exchange	2	(5)
	<hr/>	<hr/>

### 4 Directors' emoluments

None of the directors received any remuneration from the company in respect of their services (2003: nil).

### 5 Interest payable and similar charges

	2004 £000	2003 £000
Bank interest	-	5
	<hr/>	<hr/>

### 6 Taxation

	2004 £000	2003 £000
Analysis of tax charge in the year:		
<i>UK corporation tax</i>		
Current tax on income for the year	109	25
Adjustments in respect of prior years	-	6
	<hr/>	<hr/>
Total current tax	109	31
Deferred tax	-	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	109	31
	<hr/>	<hr/>

There is an unrecognised deferred tax asset at the year end of £12,586 (2003: £nil) arising from the tax written down value of fixed assets exceeding the net book amount shown in the financial statements. The recovery of the deferred tax asset is dependent on the levels of future profits and capital expenditure.

## Notes (continued)

### 6 Taxation (continued)

The current tax charge is £14,000 higher (2003: £18,000 higher) than the standard rate of corporation tax in the UK of 30% (2003: 30%) for the reasons set out below:

	2004 £000	2003 £000
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	318	44
	<hr/>	<hr/>
Current tax charge at 30% (2003: 30%)	95	13
<i>Effects of:</i>		
Group relief received for no consideration	-	(15)
Expenditure disallowed for corporation tax	1	-
Losses not subject to taxation	-	23
Capital items charged against profits	13	-
Depreciation for the year (below)/in excess of capital allowances	-	4
Adjustment to tax charge in respect of prior years	-	6
	<hr/>	<hr/>
Total current tax charge	109	31
	<hr/>	<hr/>

### 7 Debtors

	2004 £000	2003 £000
Trade debtors	6	56
Amounts due from group undertakings	147	234
Amounts due from joint venture undertakings	13	8
Other debtors	7	140
Prepayments and accrued income	20	18
	<hr/>	<hr/>
	193	456
	<hr/>	<hr/>

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

	2004 £000	2003 £000
Bank overdraft and loan	-	102
Trade creditors	76	286
Amounts owed to group undertakings	1	1
Corporation tax	109	25
Value added tax	-	5
Accruals and deferred income	19	53
	<hr/>	<hr/>
	205	472
	<hr/>	<hr/>

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

**Notes (continued)**

**9 Provisions for liabilities and charges**

*Provisions for losses in joint venture undertakings*

	2004 £000	2003 £000
Balance brought forward	-	72
Released in year	-	-
Transferred to IMC Group Holdings Ltd with investment in joint venture	-	(72)
	<hr/>	<hr/>
Balance carried forward	-	-
	<hr/>	<hr/>

*Deferred taxation*

There is no deferred taxation provided or unprovided at the year end (2003: nil).

**10 Called up share capital**

	2004 £	2003 £
<i>Authorised, allotted and fully paid:</i>		
100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>

**11 Reserves**

	Profit and loss £000	Capital Reserve £000	Total £000
At 1 April 2003	(415)	399	(16)
Transfer for the year	209	-	209
	<hr/>	<hr/>	<hr/>
At 31 March 2004	(206)	399	193
	<hr/>	<hr/>	<hr/>

**12 Reconciliation of movement in equity shareholders' funds**

	2003 £000	2002 £000
Profit for the year	209	13
Dividends payable	-	-
	<hr/>	<hr/>
Net change in equity shareholders' funds	209	13
Opening equity shareholders' deficit	(16)	(29)
	<hr/>	<hr/>
Closing equity shareholders' funds/(deficit)	193	(16)
	<hr/>	<hr/>

## Notes (continued)

### 13 Contingent liabilities

The bank holds cross guarantees over the indebtedness of all IMC group companies. At 31 March 2004 that liability amounted to £nil (2003: £1,434,773).

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 unknown.

### 14 Operating lease commitments

At 31 March 2004, the company had the following annual commitments from operating leases in respect of land and buildings:

	2004 £000	2003 £000
<i>Leases which expire:</i>		
Within two to five years	70	70

### 15 Pensions

The company operates two defined benefit schemes for certain former employees of the company and for the current employees of a former joint venture company, and two defined contribution schemes. These schemes are funded independently of the company's finances.

#### *Defined benefit schemes*

The two defined benefit schemes operated by the company were the ICF Group Pension Scheme and the Industry-Wide Coal Staff Superannuation Scheme ('IWC-SSS'). The company has been advised by the actuaries to the 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 below.

#### *ICF Group Pension Scheme*

The ICF Group Pension Scheme is a group scheme and is run for certain employees of the ICF Group and the IMC Group. This scheme is not open to new members.

As of 1 April 2004 the assets and liabilities of the ICF Pension Scheme were transferred to the Rio Tinto Pension Fund and accordingly no disclosures have been made under SSAP 24 or FRS 17.

#### *Industry-Wide Coal Staff Superannuation Scheme ('IWC-SSS')*

In line with the requirements of FRS 17, published by the Accounting Standards Board in November 2000, details of the scheme are provided below in accordance with both SSAP 24 and FRS 17. The company will not be adopting FRS 17 earlier than the mandatory requirement to do so and therefore the figures in the accounts represent the SSAP 24 requirements.

## Notes (continued)

### 15 Pensions (continued)

#### SSAP 24

The IWC-SSS is a defined benefit scheme for certain employees who were previously employed by British Coal. This scheme is not open to new members. The pension costs charged to profits are based on actuarial methods and assumptions designed to spread the anticipated costs over the service lives of the employees in the scheme, so as to ensure the regular pension cost represents a substantially level percentage of the current and expected future pensionable payroll. The most recent actuarial valuation took place as at 31 December 2000. This valuation revealed a surplus in funding of £222,000, representing 11.2% of the value of liabilities, and that the scheme complied with the minimum funding requirements imposed by the Pensions Act 1995. The employers' contribution rate was reduced from 17.1% to 15.7% of pensionable salaries with effect from 1 January 2002 on the advice of a qualified actuary.

#### FRS 17

The actuarial valuation for the scheme was updated to 31 March 2004 by an independent qualified actuary in accordance with the transitional arrangements of FRS 17. As required by FRS 17, the defined benefit liabilities of the scheme has been measured according to the projected unit method.

The following table sets out the key FRS 17 assumptions used for this defined benefit scheme.

Assumptions:	2004 %	2003 %
Price inflation	2.8	2.5
Discount rate	5.4	5.5
Pension increases	2.8	2.5
Salary growth	4.8	3.5

The table below sets out as at 31 March 2004 the fair value of assets into the main classes, the present value of the FRS 17 liabilities and the deficit of assets above the FRS 17 liabilities.

#### Asset distribution and expected return:

	2004		2003	
	Expected return % p.a.	Fair value £000	Expected return % p.a.	Fair value £000
<i>Components:</i>				
Equities	7.00	1,962	6.25	1,830
Index linked gilts	5.4	363	-	-
		<u>2,325</u>		<u>1,830</u>

#### Balance sheet:

	2004 £000	2003 £000
Total fair value of assets	2,325	1,830
Present value of liabilities	(3,250)	(2,727)
Deficit	<u>(925)</u>	<u>(897)</u>

Under FRS 17, the scheme would be represented on the balance sheet as a net pension liability of £648,000 (2003: £628,000 liability) after deferred taxation.

## Notes (continued)

### 15 Pensions (continued)

The post retirement deficit under FRS 17 would have moved as follows during the year to 31 March 2004:

	2004 £000	2003 £000
Post retirement (deficit)/surplus at 1 April	(897)	179
Current service cost (employee and employer)	(91)	(84)
Contributions (employee and employer)	78	166
Other net finance return	(36)	19
Actuarial gain/(loss)	21	(1,177)
	<hr/>	<hr/>
Post retirement deficit at 31 March	(925)	(897)
	<hr/>	<hr/>

The following amounts would have been included within operating profit under FRS 17 for the year to 31 March 2004:

	2004 £000	2003 £000
Current service cost (employer's part only)	70	63
Past service cost	-	-
	<hr/>	<hr/>
	70	63
	<hr/>	<hr/>

The following amounts would have been included as net finance income under FRS 17 for the year to 31 March 2004:

	2004 £000	2003 £000
Expected return on pension scheme assets	116	161
Interest on post retirement liabilities	(152)	(142)
	<hr/>	<hr/>
Net credit to finance income	(36)	19
	<hr/>	<hr/>

The following amounts would have been recognised within the statement of total recognised gains and losses ("STRGL") under FRS 17 for the year to 31 March 2004:

	2004 £000	%	2003 £000	%
Actual return less expected return on scheme assets	402	17	(984)	(36)
Experience losses arising on liabilities	8	1	33	-
Loss due to changes in assumptions underlying the present value of scheme assets	(389)	(17)	(226)	(8)
	<hr/>		<hr/>	
Actual gain/(loss) recognised in the STRGL	21	1	(1,177)	(43)
	<hr/>		<hr/>	

The above percentages show the STRGL components as a percentage of the end of year Scheme's asset or liability value as appropriate.

## Notes (continued)

### 15 Pensions (continued)

The scheme is closed to new entrants and, under the method used to establish pension costs in accordance with FRS 17, the cost of providing benefits to members is expected to increase as the average age of the members increases.

The Company's net assets, including the disclosed FRS 17 balance sheet items for both defined benefit schemes shown above, would be £0.5 million net liabilities at 31 March 2004 (2003: £0.6 million).

#### *Defined Contribution Schemes*

The company operates defined contribution schemes through Equitable Life and Friends Provident. Pension costs relating to these schemes are charged against profits as incurred.

There were no contributions made by the company (2003: £nil) in respect of either of the defined benefit schemes or for the money purchase schemes. At the year end there were no outstanding contributions to either the defined benefit schemes (2003: £nil) or in respect of the money purchase schemes.

### 16 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	83	13

Prices were calculated on an arm's length basis.

### 17 Parent and ultimate parent undertaking

The parent undertaking is IMC Group Holdings Limited, a company registered in England and Wales. The financial statements for IMC Group Holdings Limited can be obtained from the Secretary, IMC Group Holdings Limited, PO Box 18, Mill Lane, Huthwaite, Sutton in Ashfield, Nottinghamshire NG17 2NS.

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.