

4345939

INTERIM.

Xstrata plc

Financial Statements

Period Ended 31 March 2005



Xstrata plc

Registered No. 4345939

Directors

Willy Strothotte	Non-executive Chairman
David Rough	Non-executive Deputy Chairman
Michael Davis	Chief Executive
Trevor Reid	Finance Director
Santiago Zaldumbide	Executive Director
Ivan Glasenberg	Non-executive Director
Paul Hazen	Non-executive Director
David Issroff	Non-executive Director
Robert MacDonnell	Non-executive Director
Sir Steve Robson	Non-executive Director
Dr Fred Roux	Non-executive Director
Ian Strachan	Non-executive Director

Company Secretary

Richard Elliston

Auditors

Ernst & Young LLP
1 More London Place
London, SE1 2AF

Bankers

UK:	JPMorgan Chase Bank	Switzerland:	UBS
	125 London Wall		Postfach 450
	London EC2Y 5AJ		8098 Zürich
			Switzerland

Legal Advisors

English Law	Freshfields Bruckhaus Deringer 65 Fleet Street London EC4Y 1HS
Swiss Law	Bär & Karrer Seefeldstrasse 19 8024 Zurich
Australian Law	Mallesons Stephen Jaques Level 60, Governor Phillip Tower 1 Farrer Place Sydney NSW 2000

Registered Office

Panton House
25 Haymarket
London SW1Y 4EN

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group 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; and
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Income statement for the period ended 31 March 2005

		<i>Period ended 31 March 2005</i>	<i>Year ended 31 December 2004</i>
	<i>Notes</i>	<i>US\$m</i>	<i>US\$m</i>
Turnover	2	-	4.0
Administrative income / (expense)	3	1.7	(46.9)
Operating profit / (loss)		1.7	(42.9)
Net financial income	4	206.7	222.1
Profit on ordinary activities before taxation		208.4	179.2
Tax on profit on ordinary activities	5	-	(0.4)
Profit for the period		208.4	178.8
Ordinary dividends on equity shares		-	(133.6)
Retained profit for the year	11	208.4	45.2

Balance sheet as at 31 March 2005

		<i>As at</i> 31 March 2005	<i>As at</i> 31 December 2004
	<i>Notes</i>	<i>US\$m</i>	<i>US\$m</i>
Non-current assets			
Financial assets	6	3,762.9	3,679.9
		<u>3,762.9</u>	<u>3,679.9</u>
Current assets			
Other receivables	7	252.3	133.9
Cash at bank and in hand		-	-
		<u>252.3</u>	<u>133.9</u>
Trade and other payables: amounts falling due within one year	8	(17.8)	(31.6)
		<u>234.5</u>	<u>102.3</u>
Net current assets		234.5	102.3
Total assets less current liabilities		<u>3,997.4</u>	<u>3,782.2</u>
Provisions: amounts falling due after more than one year	9	(5.1)	(8.8)
		<u>3,992.3</u>	<u>3,773.4</u>
Capital and reserves			
Called-up share capital	10	316.3	315.8
Share premium account	11	3,434.9	3,416.2
Other reserves	11	13.3	9.5
Treasury shares	11	(49.5)	(32.9)
Retained earnings	11	277.3	64.8
Equity shareholders' funds		<u>3,992.3</u>	<u>3,773.4</u>

Approved by the board of directors on
and signed on its behalf by:



Trevor Reid

Director

28 April 2005

Cash flow statement for the period ended 31 March 2005

	<i>Period ended 31 March 2005 US\$m</i>	<i>Year ended 31 December 2004 US\$m</i>
Profit before interest and taxation	1.7	(42.9)
(Decrease)/increase in equity settled share-based payment reserve	3.8	8.1
Decrease/(increase) in trade and other receivables	0.2	(52.4)
Increase/(decrease) in trade and other payables	(13.8)	20.4
Increase/(decrease) in provisions and other non-cash movements	-	7.1
Cash generated from operations	(8.1)	(59.7)
Income taxation paid	0.4	-
Interest received	7.0	22.4
Distributions received	81.1	118.6
Net cash flow from operating activities	80.4	81.3
(Increase)/decrease in loan to subsidiary	(83.0)	52.2
Net cash flow from investing activities	(83.0)	52.2
Increase in share capital	19.2	-
Purchase of treasury shares	(24.5)	-
Disposal of treasury shares	7.9	-
Dividends paid to equity holders of the parent	-	(133.8)
Net cash flow from financing activities	2.6	(133.8)
Net increase/(decrease) in cash and cash equivalents	-	(0.3)
Cash and cash equivalents at 1 January	-	0.3
Cash and cash equivalents at end of period	-	-

Statement of changes in equity

	<i>Share Capital US\$m</i>	<i>Share premium US\$m</i>	<i>Other reserves US\$m</i>	<i>Treasury shares US\$m</i>	<i>Retained earnings US\$m</i>
At 1 January 2005	315.8	3,416.2	9.5	(32.9)	64.8
Share-based expense in the period	-	-	3.8	-	-
Retained profit for the period	-	-	-	-	208.4
Additions	-	-	-	(24.5)	-
Sale of Treasury shares	-	-	-	7.9	4.1
Share capital issued	0.5	18.7	-	-	-
At 31 March 2005	<u>316.3</u>	<u>3,434.9</u>	<u>13.3</u>	<u>(49.5)</u>	<u>277.3</u>

Notes to the financial statements

1. Accounting Policies

Statement of compliance

The financial statements of Xstrata plc have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the Interpretations issued by the International Interpretations Committee (IFRIC), with International Accounting Standards (IAS) and interpretations formulated by the IFRIC predecessor, the International Accounting Standards Committee (IASC), except for IAS 32 and IAS 39 which are only applicable from 1 January 2005.

The IFRS standards have not yet received full EU endorsement and there is potential for future Interpretations to be issued by the International Interpretations Committee (IFRIC) that may cause retrospective application. Due to this, information reported herein may require amendment at a future date.

First time adoption IFRS

To comply with European Union legislation, the Group has adopted International Financial Reporting Standards (IFRS) from 1 January 2005. The 2004 comparative information has been adjusted to conform with IFRS. Under IFRS 1 'First time adoption of International Financial Reporting Standards', IFRS are applied retrospectively at the transition balance sheet date with all adjustments to assets and liabilities as stated under UK GAAP taken to retained earnings unless certain exemptions are applied. The primary exemptions that have been applied by the Group are:

- business combinations not restated retrospectively, as allowed under IFRS 3;
- the transition to IAS 32 and IAS 39 was deferred until 1 January 2005 so UK GAAP continued to be applied in the 2004 comparative figures; and
- certain exemptions on share based payments under IFRS 2 have been adopted as described below.

Basis of preparation

These financial statements have been prepared under the historical cost convention in accordance with applicable IFRS. Certain comparative figures have been reclassified to be presented in a manner consistent with that shown for the current year.

Xstrata plc (the Company) has adopted the following principal accounting policies:

Foreign currencies

The financial statements are presented in US dollars which is the Company's functional currency, and all values are rounded to the nearest 0.1 million (US\$m) except where otherwise indicated. Functional currencies are determined after consideration of the primary economic environment of the entity. Transactions in foreign currencies are translated at the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at period end exchange rates. Where transactions in foreign currencies are hedged they are translated at contractual rates.

Turnover

Turnover is recognized at invoiced amounts.

Dividend income

Dividend income is recognized when a dividend is declared and it is probable that it will be received.

Dividend payments

Dividend expense is recognised when approved by shareholders.

Notes to the financial statements

Equity based compensation plans

Equity settled awards are those where employees receive shares in Xstrata plc. Where an employee has an option to receive Xstrata shares or cash, an assessment is made as to which settlement option is more probable based on past practice and stated policy. For equity settled awards, the fair value is determined at the date of grant taking into account any market performance conditions. Over the vesting period, this is charged to the income statement on a straight line basis, adjusted for non-market performance conditions and expected employee numbers.

When an equity settled award vests only non market performance conditions and those due to employee numbers are adjusted in the income statement.

Cash settled awards are those where employees receive cash in lieu of shares in Xstrata plc. For cash settled awards, the fair value is determined at the date of grant taking into account all performance conditions. At each reporting period over the vesting period, the fair value is re-calculated and charged over the remaining vesting period, adjusted for all performance conditions and expected employee numbers. Changes in fair value between vesting date and the exercise date are recognised in the income statement in full at each reporting date.

The fair values of the awards are determined using a binomial model.

Where the award is cancelled, the following treatment is used:

Equity Settled

Treated as though they have vested immediately, such that any cost not yet recognised is recognised in the income statement in full with any compensation paid being treated as a deduction from equity unless paid in excess of the fair value of the options at cancellation date which is recognised in the income statement.

Cash Settled

Previous charges reversed as Xstrata no longer has a liability. Any compensation paid adjusts the liability, with the difference recognised in the income statement.

Where the award is cancelled and a replacement issued, or a re-pricing occurs, the difference between fair value of the replaced or re-priced option and the original option is expensed over the time to vesting in addition to the amount based on the grant date fair value of the original option.

The Group has taken advantage of the transitional provisions of IFRS 2 in relation to unvested equity settled awards granted prior to 7 November 2002.

Treasury Stock

Where shares held by the Employee share ownership plan (ESOP) trust are awarded to employees, the value of such shares have already been amortised in accordance with the LTIP policy and there is no change in equity at the time of the award. Where shares held under the ESOP trust are sold, as they are no longer required for the satisfaction of awards under the above award rules, the proceeds are shown as a change in equity.

Investments

Other investments are classified as financial assets in the balance sheet and are split between current and non current assets. Other investments, other than available for sale financial assets, are carried at cost, which may be fair value at acquisition if acquired as part of a business combination. Investments are regularly reviewed for impairment and written down to recoverable amount if required. Listed investments use market value as recoverable amount. Available for sale financial assets are recognised at fair value.

Notes to the financial statements

2. Turnover

	<i>Period ended</i>	<i>Year ended</i>
	<i>31 March</i>	<i>31 December</i>
	<i>2005</i>	<i>2004</i>
	<i>US\$m</i>	<i>US\$m</i>
Onward charges to group companies	-	4.0
	<u>-</u>	<u>4.0</u>

The Company operates in one geographic area, being Europe, and one business, being that of a holding company.

3. Administrative expenses

	<i>Period ended</i>	<i>Year ended</i>
	<i>31 March</i>	<i>31 December</i>
	<i>2005</i>	<i>2004</i>
	<i>US\$m</i>	<i>US\$m</i>
Salaries and remuneration	4.5	15.1
Recharged expenses from group companies	-	10.7
Foreign exchange (gain) / loss	(7.5)	15.2
Directors' fees and expenses	0.5	2.1
Other administrative expenses	0.8	3.8
	<u>(1.7)</u>	<u>46.9</u>

4. Net financial income

	<i>Period ended</i>	<i>Year ended</i>
	<i>31 March</i>	<i>31 December</i>
	<i>2005</i>	<i>2004</i>
	<i>US\$m</i>	<i>US\$m</i>
Dividend income from group undertakings	199.7	199.7
Interest income from group undertakings	7.0	22.4
	<u>206.7</u>	<u>222.1</u>

Notes to the financial statements

5. Tax on profit on ordinary activities

	<i>Period ended 31 March 2005 US\$m</i>	<i>Year ended 31 December 2004 US\$m</i>
Foreign tax on ordinary activities	-	0.4

Xstrata plc is a holding company, tax resident in Switzerland. As a holding company, Xstrata plc benefits from the holding privilege for Cantonal and Communal corporate income taxes. No Federal corporate income tax arises given Xstrata plc has a 100% participation deduction.

6. Financial assets

	<i>Investment in subsidiary undertaking US\$m</i>	<i>Loan to subsidiary undertakings US\$m</i>	<i>Total US\$m</i>
At 1 January 2004	3,439.8	292.3	3,732.1
Disposals	-	(52.2)	(52.2)
At 31 December 2004	3,439.8	240.1	3,679.9
Additions	-	83.0	83.0
At 31 March 2005	3,439.8	323.1	3,762.9

The investment in subsidiary undertaking represents the following:

<u>Subsidiary</u>	<u>Percentage ownership</u>	<u>Country of incorporation</u>	<u>Principal activity</u>
Xstrata (Schweiz) AG	100%	Switzerland	Holding company
Xstrata Capital Corporation AVV	51% ⁽¹⁾	Aruba	Finance company

⁽¹⁾ The Company owns 51 'B' shares, giving an entitlement to 51% of the voting rights in Xstrata Capital Corporation AVV, and also owns 6000 'A' shares giving the Company 39.95% of dividend rights in these shares.

The loan to subsidiary undertaking represents a loan to Xstrata (Schweiz) AG, a group company, and is subject to an interest rate of 6%.

In the opinion of the directors, the aggregate value of the shares in and amounts receivable from the subsidiary undertaking is not less than the amounts at which they are shown in the balance sheet.

Notes to the financial statements

7. Other receivables: amounts falling due within one year

	<i>31 March</i>	<i>31 December</i>
	<i>2005</i>	<i>2004</i>
	<i>US\$m</i>	<i>US\$m</i>
Amounts due from group companies	252.1	133.5
Other debtors	0.2	0.4
	<u>252.3</u>	<u>133.9</u>

Amounts due from group companies represents short term receivables relating to dividend income and recharging of expenses. No interest is charged on these amounts.

Notes to the financial statements

8. Trade and other payables: amounts falling due within one year

	31 March 2005	31 December 2004
	US\$m	US\$m
Amounts owed to group companies	17.4	29.7
Other creditors	0.4	1.9
	<u>17.8</u>	<u>31.6</u>

The Directors, when approving these accounts, have confirmed the declaration of a final dividend of US\$100 million (16 US cents per share), payable on 20 May 2004. This is subject to approval at the AGM on 9 May 2005, and have not been accrued in these financial statements.

9. Provisions: amounts falling due after more than one year

	31 March 2005	31 December 2004
	US\$m	US\$m
Cash settled share-based payments	<u>5.1</u>	<u>8.8</u>

10. Share capital

	31 March 2005	31 December 2004
	US\$m	US\$m
<i>Authorised share capital</i>		
875,000,000 ordinary shares of US\$0.50 each (2003: 875,000,000 ordinary shares of US\$0.50 each)	437.5	437.5
50,000 deferred shares of £1 each	0.1	0.1
1 special voting share of US\$0.50	-	-
	<u>437.6</u>	<u>437.6</u>

	31 March 2005	31 December 2004
	US\$m	US\$m
<i>Allotted, called up and fully paid</i>		
632,502,416 ordinary shares of US\$0.50 each (2004: 631,502,416 ordinary shares of US\$0.50 each)	316.3	315.8
50,000 deferred shares of £1 each paid to £0.25	-	-
1 special voting share of US\$0.50	-	-
	<u>316.3</u>	<u>315.8</u>

Notes to the financial statements

The holders of deferred shares do not have the right to receive notice of any general meeting of the Company, nor the right to attend, speak or vote at any such general meeting. The deferred shares have no rights to dividends and, on a winding-up or other return of capital entitle the holder only to the repayment of the amounts paid upon such shares after repayment of the nominal amount paid up on the Ordinary Shares, the nominal amount paid up on the special voting share plus the payment of £100,000 per Ordinary Share. The Company may, at its option, redeem all of the deferred shares in issue at any time (but subject to the minimum capital requirement of the Companies Act 1985) at a price not exceeding £1 for each share redeemed to be paid to the relevant registered holders of the shares.

Certain rights, that are inalienable under Swiss law, have been preserved in the Xstrata plc Articles of Association by creating a special voting share that carries weighted voting rights sufficient to defeat any resolution which could amend or remove these entrenched rights. The holder of the special voting share is the Law Debenture Trust Corporation plc which has entered into a voting agreement with the Company, specifying the conditions upon which it is entitled to exercise its right to vote. The special voting share does not carry a right to receive dividends and is entitled to no more than the amount of capital paid up in the event of liquidation.

11. Reserves

	<i>Share premium</i>	<i>Other reserves</i>	<i>Treasury shares</i>	<i>Retained earnings</i>
	<i>US\$m</i>	<i>US\$m</i>	<i>US\$m</i>	<i>US\$m</i>
At 1 January 2005	3,416.2	9.5	(32.9)	64.8
Share-based expense in the period	-	3.8	-	-
Retained profit for the period	-	-	-	208.4
Additions	-	-	(24.5)	-
Sale of treasury shares	-	-	7.9	4.1
Proceeds on share capital issued	18.7	-	-	-
At 31 March 2005	3,434.9	13.3	(49.5)	277.3

Treasury shares comprise shares of Xstrata plc held in the Employee Share Ownership Trust. The trust is used to co-ordinate the funding and manage the delivery of ordinary shares for options and the Long Term Incentive plan (LTIP). The LTIP is a plan for employees designed to reward long term performance and consists of two elements. The first is the awarding of free shares, subject to certain performance criteria. The second is a share option scheme, again subject to certain performance criteria.

At 31 March 2005, 4,329,155 (31 December 2004: 4,109,545) shares were held by the trust with a market value of US\$81.8 million (31 December 2004: US\$73.5 million). Shares held by the trust are not entitled to dividends. Costs relating to the administration of the trust are expensed in the period in which they are incurred.

Other reserves relate to equity-settled share-based payments to employees in accordance with IFRS2.

12. Long term incentive plan

The Xstrata plc Long Term Incentive Plan (LTIP) has two elements:

- (i) A contingent award of free ordinary shares that vests after three years, subject to, and to the extent that, performance criteria determined at the time of grant have been satisfied; and

Notes to the financial statements

(ii) A share option to acquire ordinary shares at a specified exercise price after the third anniversary of grant, subject to, and to the extent that, performance criteria determined at the time of grant have been satisfied.

No consideration will be payable on the vesting of an LTIP award of free ordinary shares. On exercise of an option, a participant will be required to pay an exercise price that will not be less than the market value of an ordinary share on the date of grant.

The movement in the number of free ordinary shares and share options are as follows:

Scheme	Strike Price	Exercise period	At	Granted	Exercised	Lapsed	At
			31 December	during	during	during	31 March
			2004	the year	the year	the year	2005
			No.	No.	No.	No.	No.
Shares:							
2005	-	March 2008 – March 2018	-	1,325,723	-	3,064	1,322,659
2004	-	March 2007 – March 2014	1,659,447	-	-	5,708	1,623,739
2003	-	February 2006 - February 2013	717,066	-	-	2,278	714,788
2002	-	May 2005 - May 2012	85,849	-	-	329	85,520
			2,462,362	1,325,723	-	11,379	3,776,706
Options:							
2005	GBP 10.60	March 2008 – March 2018	-	4,419,089	-	10,213	4,408,876
2004	GBP 7.35	March 2007 – March 2014	5,468,301	-	-	19,026	5,449,275
2004	GBP 7.03	March 2007 – March 2014	63,163	-	-	-	63,163
2003	GBP 3.60	February 2006 - February 2013	2,221,891	-	-	7,056	2,214,835
2002	GBP 6.23	May 2005 - May 2012	633,678	-	-	3,450	630,228
2002	GBP 6.44	May 2005 - May 2012	33,279	-	-	-	33,279
2002	GBP 6.30	May 2005 - May 2012	22,620	-	-	-	22,620
			8,442,932	4,419,089	-	39,745	12,822,276

Xstrata AG incentive plan

With the merger of Xstrata AG into Xstrata plc, Xstrata plc assumed the obligations of Xstrata AG under the scheme with the number of options and strike price adjusted accordingly. The share options have a two year vesting period followed by a three year exercise period. No further options will be granted under this incentive plan. The movement in the number of share options are as follows:

Notes to the financial statements

Scheme	Strike Price	Exercise period	At	Granted	Exercised	Lapsed	At
			31 December	during	during	during	31 March
			2004	the year	the year	the year	2005
			No.	No.	No.	No.	No.
Options:							
2002	CHF 14.98	Jan 2004 - Jan 2007	671,854	-	548,158	-	123,696
2001	CHF 28.64	Jan 2003 - Jan 2006	511,589	-	-	-	511,589
2000	CHF 22.28	Jan 2002 - Jan 2005	690,287	-	-	690,287	-
			1,873,730	-	548,158	690,287	635,285

As at 31 March 2005, the Company held 4,329,155 shares (2004: 4,109,545 shares) to hedge its exposure under the above share and option plans.