

Xstrata plc

Interim Financial Statements

Eight Month Period Ended 31 August 2003

4345939



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

Chalfen Secretaries Limited
3rd Floor, 19 Phipp Street
London EC2A 4NZ

Auditors

Ernst & Young LLP
Becket House
1 Lambeth Palace Road
London SE1 7EU

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.

Profit and loss account

		8 months ended 31 August 2003	Year ended 31 December 2002
	Notes	US\$m	US\$m
Turnover	2	83.7	-
Administrative expenses	3	(3.6)	(9.9)
Operating profit / (loss)		80.1	(9.9)
Net interest receivable	4	39.4	-
Profit / (loss) on ordinary activities before taxation		119.5	(9.9)
Tax on profit on ordinary activities	5	(0.2)	-
Profit / (loss) for the period		119.3	(9.9)
Ordinary dividends on equity shares		(42.1)	(50.3)
Retained profit / (loss) for the year	11	77.2	(60.2)

Statement of total recognised gains and losses

There are no recognised gains or losses in either period other than as stated above.

Balance sheet

		<i>As at</i> <i>31 August</i>	<i>As at</i> <i>31 December</i>
		<i>2003</i>	<i>2002</i>
	<i>Notes</i>	<i>US\$m</i>	<i>US\$m</i>
Fixed assets			
Investment	6	3,815.6	2,347.2
		<u>3,815.6</u>	<u>2,347.2</u>
Current assets			
Debtors	7	1.8	0.8
Cash at bank and in hand		0.3	0.3
		<u>2.1</u>	<u>1.1</u>
Creditors: amounts falling due within one year	8	(44.2)	(51.1)
Net current liabilities		<u>(42.1)</u>	<u>(50.0)</u>
Total assets less current liabilities		<u>3,773.5</u>	<u>2,297.2</u>
Creditors: amounts falling due after more than one year	9	(7.0)	(4.2)
		<u>3,766.5</u>	<u>2,293.0</u>
Capital and reserves			
Called-up share capital	10	315.8	126.3
Share premium account		2,484.5	1,277.7
Other reserves		949.2	949.2
Profit and loss account	11	17.0	(60.2)
Equity shareholders' funds		<u>3,766.5</u>	<u>2,293.0</u>

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



Director

2 October 2003

Notes to the financial statements

1. Accounting Policies

Basis of preparation

These financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards. Xstrata plc (the Company) has adopted the following principal accounting policies:

Foreign currencies

Transactions in foreign currencies are translated at the exchange rates ruling at the date of transaction or, where forward cover contracts have been arranged, at contractual rates. Monetary assets and liabilities denominated in foreign currencies are re-translated at year end exchange rates, or at a contractual rate if applicable.

Exchange differences on the re-translation of the investments in overseas subsidiaries, joint arrangements, joint ventures and associates at closing rates, together with differences between profit and loss accounts translated at average and at closing rates, are dealt with in reserves. Exchange differences on foreign currency borrowings financing those net investments, are also dealt with in reserves. All other exchange differences are charged or credited to the profit and loss account in the year in which they arise.

Turnover

Turnover is recognized at invoiced amounts.

Capital instruments

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds.

2. Turnover

	<i>8 months ended</i>	<i>Year ended</i>
	<i>31 August</i>	<i>31 December</i>
	<i>2003</i>	<i>2002</i>
	<i>US\$m</i>	<i>US\$m</i>
Onward charges to group undertakings	83.7	-
	<u>83.7</u>	<u>-</u>

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

Notes to the financial statements

3. Administrative expenses

	<i>8 months ended</i>	<i>Year ended</i>
	<i>31 August</i>	<i>31 December</i>
	<i>2003</i>	<i>2002</i>
	<i>US\$m</i>	<i>US\$m</i>
Amounts paid to auditors for non-audit services	0.4	0.1
Recharged expenses from fellow group operation	3.0	1.8
Foreign exchange (gain) / loss	(1.7)	5.8
Other administrative expenses	1.9	2.2
	<u>3.6</u>	<u>9.9</u>

4. Net interest receivable

	<i>8 months ended</i>	<i>Year ended</i>
	<i>31 August</i>	<i>31 December</i>
	<i>2003</i>	<i>2002</i>
	<i>US\$m</i>	<i>US\$m</i>
Interest income from group undertakings	36.6	-
Other interest income	2.8	-
	<u>39.4</u>	<u>-</u>

5. Tax on loss on ordinary activities

There is US\$0.2m corporation tax due in the year (2002 – US\$nil).

	<i>8 months ended</i>	<i>Year ended</i>
	<i>31 August</i>	<i>31 December</i>
	<i>2003</i>	<i>2002</i>
	<i>US\$m</i>	<i>US\$m</i>
Foreign tax underprovided in previous years	<u>0.2</u>	<u>-</u>

Notes to the financial statements

6. Fixed asset investments

	<i>Investment in subsidiary undertaking US\$m</i>	<i>Loan to subsidiary undertaking US\$m</i>	<i>Own shares US\$m</i>	<i>Total US\$m</i>
At 1 January 2002	-	-	-	-
Additions	1,946.8	384.9	15.5	2,347.2
At 31 December 2002	1,946.8	384.9	15.5	2,347.2
Additions	1,493.0	(32.0)	7.4	1,468.4
At 31 August 2003	3,439.8	352.9	22.9	3,815.6

Own 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 two elements. The first is the awarding of free shares, subject to certain performance criteria. The second is a share option, again subject to certain performance criteria.

At 31 August 2003, 3,128,980 (31 December 2002: 1,250,120) shares were held by the trust with a market value of US\$23.9 million (31 December 2002 US\$13.1 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.

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

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.

7. Debtors: amounts falling due within one year

	<i>31 August 2003 US\$m</i>	<i>31 December 2002 US\$m</i>
Other taxation and VAT	1.2	0.8
Prepayments and accrued income	0.4	-
Other debtors	0.2	-
	<u>1.8</u>	<u>0.8</u>

Notes to the financial statements

8. Creditors: amounts falling due within one year

	31 August 2003 US\$m	31 December 2002 US\$m
Dividends	42.1	50.3
Other creditors (unsecured)	2.1	0.8
	<u>44.2</u>	<u>51.1</u>

The Directors, when approving these accounts, have confirmed the declaration of an interim dividend of 6.7 US cents per share, payable on 17 October 2003.

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

	31 August 2003 US\$m	31 December 2002 US\$m
Amounts owed to group undertakings (unsecured)	<u>7.0</u>	<u>4.2</u>

10. Share capital

	31 August 2003 US\$m	31 December 2002 US\$m
<i>Authorised share capital</i>		
875,000,000 ordinary shares of US\$0.50 each (2002: 350,000,000 ordinary shares of US\$0.50 each)	437.5	175.0
50,000 deferred shares of £1 each	0.1	0.1
1 special voting share of US\$0.50	-	-
	<u>437.6</u>	<u>175.1</u>
	31 August 2003 US\$m	31 December 2002 US\$m
<i>Allotted, called up and fully paid</i>		
875,000,000 ordinary shares of US\$0.50 each (2002: 350,000,000 ordinary shares of US\$0.50 each)	315.8	126.3
50,000 deferred shares of £1 each	-	-
1 special voting share of US\$0.50	-	-
	<u>315.8</u>	<u>126.3</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>Profit and loss account</i>
	<i>US\$m</i>	<i>US\$m</i>	<i>US\$m</i>
At 1 January 2003	1,277.7	949.2	(60.2)
Retained profit for the year	-	-	77.2
Issue of ordinary share capital	1,206.8	-	-
At 31 August 2003	2,484.5	949.2	17.0

12. Reconciliation of movements in shareholders' funds

	<i>31 August 2003 US\$m</i>	<i>31 December 2002 US\$m</i>
Opening shareholders' funds	2,293.0	-
Attributable profit for the year	119.3	(9.9)
Arising on share issues	1,426.8	2,398.2
Share issue costs	(30.5)	(88.9)
Merger of subsidiaries	-	43.9
Dividends	(42.1)	(50.3)
Closing shareholders' funds	3,766.5	2,293.0

13. Related party disclosures

The company has taken advantage of the exemption contained within Financial Reporting Standard No 8 "Related Party Disclosures", and has not disclosed transactions with group companies. There were no other related party transactions in the period.