BULK ENERGY (TRADING) LIMITED
(Registered Number 2438821)

DIRECTORS' REPORT AND ACCOUNTS

31 DECEMBER 1998



BULK ENERGY (TRADING) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998

The directors present their report and the audited accounts of the group for the year ended 31 December 1998.

REVIEW OF THE BUSINESS

The group's principal activities remain those of coal wholesaling, bulk handling and stevedoring and terminal operation.

RESULTS AND DIVIDENDS

The group's profit for the financial year was £313,613 (1997 - £325,003). The directors recommend the payment of a dividend of £290,000 (1997 - £250,000).

The profit for the year after dividends of £23,613 (1997 - £75,003) has been transferred to reserves.

FUTURE PROSPECTS

The future prospects of the company are determined by the activities of its subsidiaries. The directors intend to secure the future of the group by their policies of responding to competition, motivating employees and reducing costs.

DIRECTORS AND THEIR INTERESTS

The following served as directors of the company throughout the year, and their interests in the ordinary share capital of the company at the end of the year are given below:

	'A' Ordinary £1 shares		'B' Ordinary £1 shares	
	1998	1997	1998	1997
	Number	Number	Number	Number
Adrian J Williams	25,000	25,000	25,000	25,000
Andrew J Williams	25,000	25,000	25,000	25,000

The company share capital is 100% owned by the Directors in the proportions noted above.

FIXED ASSETS

Details of movements in fixed assets are given in Notes 8 and 9 to the accounts.

CHARITABLE DONATIONS

Group companies have made total charitable donations of £11,678 for the year ended 31 December 1998.

BULK ENERGY (TRADING) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998 (CONTINUED)

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 group and company and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

(1) select suitable accounting policies and then apply them consistently;

(2) make judgements and estimates that are reasonable and prudent;

(3) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

(4) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and 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 group and company 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.

YEAR 2000

The costs directly associated with Year 2000 compliance amounted to £Nil in 1998. Directly attributable costs are negligible for the period through to 2000.

AUDITORS

Following the merger of Price Waterhouse and Coopers and Lybrand at 1 July 1998, Price Waterhouse resigned as auditors to the company and the directors appointed the merged firm PricewaterhouseCoopers to fill the temporary vacancy. PricewaterhouseCoopers have expressed their willingness to continue in office and a resolution to confirm their appointment will be proposed at the Annual General Meeting.

By Order of the Board

DAVID I FOREY
Company secretary

18 August 1999

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
Churchill House
Churchill Way
Cardiff CF1 4XQ
Telephone +44 (0) 1222 237000
Facsimile +44 (0) 1222 802400

AUDITORS' REPORT TO THE SHAREHOLDERS OF BULK ENERGY (TRADING) LIMITED

We have audited the financial statements on pages 5 to 18 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 2 the financial statements. Our responsibilities, as independent auditors, are established primarily by statute, the Auditing Practices Board, and our professional 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. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of 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 and group'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 and group's affairs as at 31 December 1998 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants
and Registered Auditors
Cardiff

18 August 1999

PricewaterhouseCoopers is the successor partnership to the UK firms of Price Waterhouse and Coopers & Lybrand. The principal place of business of PricewaterhouseCoopers and its associate partnerships, and of Coopers & Lybrand, is 1 Embankment Place, London WC2N 6NN. The principal place of business of Price Waterhouse is Southwark Towers, 32 London Bridge Street, London SE1 9SY. Lists of the partners' names are available for inspection at those places.

All partners in the associate partnerships are authorised to conduct business as agents of, and all contracts for services to clients are with, PricewaterhouseCoopers. PricewaterhouseCoopers is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

BULK ENERGY (TRADING) LIMITED

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1998

	1998		1997	
	£	£	£	£
TURNOVER – INCLUDING SHARE OF JOINT VENTURE		11,586,113		10,632,123
Less share of joint venture		(3,884,604)		-
GROUP TURNOVER (Notes 1,2)		7,701,509		10,632,123
Change in stocks of finished goods		261,924		(118,805)
		7,963,433		10,513,318
Raw materials and consumables	(4,559,201)		(5,907,194)	
Other external charges	(1,854,107)		(2,713,267)	
Staff costs (Note 3)	(758,186)		(541,784)	
Depreciation	(278,582)		(272,192)	
Other operating charges	(350,310)		(681,407)	
		(7,800,386)		(10,115,844)
GROUP OPERATING PROFIT		163,047		397,474
Share of operating profit in joint venture		98,000		-
GROUP OPERATING PROFIT INCLUDING JOINT VENTURES		261,047		397,474
Profit on disposal of tangible fixed assets		115,857		17,093
Interest receivable & similar income		26,118		39,496
Interest payable & similar charges		(21,909)		(15)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Notes 2,5)		381,113		454,048
Tax on profit on ordinary activities (Note 6)		(67,500)		(129,045)
PROFIT FOR THE FINANCIAL YEAR		313,613		325,003
Dividends (Note 7)		(290,000)		(250,000)
PROFIT TRANSFERRED TO RESERVES (Note 17)		23,613		75,003

The profit for the financial year includes all recognised gains and losses in the year and relates to continuing operations.

The notes on pages 9 to 18 form an integral part of these accounts.

BULK ENERGY (TRADING) LIMITED

GROUP BALANCE SHEET - 31 DECEMBER 1998

	1998		1997	
	£	£	£	£
FIXED ASSETS				
Tangible assets (Note 8)		2,220,836		2,258,107
Listed investments (Note 9)		281		756
Investments in joint ventures:				
Share of gross assets	666,200		50,000	
Share of gross liabilities	(538,700)		-	
		127,500		50,000
		2,348,617		2,308,863
CURRENT ASSETS				
Stocks (Note 10)	1,105,349		863,074	
Debtors (Note 11)	1,309,925		1,860,922	
Cash at bank and in hand	681,155		834,312	
	3,096,429		3,558,308	
CREDITORS - Amounts falling due within one year (Note 12)	(2,083,169)		(2,514,907)	
NET CURRENT ASSETS		1,013,260		1,043,401
TOTAL ASSETS LESS CURRENT LIABILITIES		3,361,877		3,352,264
PROVISION FOR LIABILITIES AND CHARGES (Note 13)		(53,000)		(67,000)
		3,308,877		3,285,264
CAPITAL AND RESERVES				
Called up share capital (Note 15)		100,000		100,000
Share premium account (Note 16)		7,907		7,907
Profit and loss account (Note 16)		1,849,960		1,826,347
Capital reserve (Note 16)		14,028		14,028
Revaluation reserve (Note 16)		1,336,982		1,336,982
SHAREHOLDERS FUNDS (Note 17)		3,308,877		3,285,264

APPROVED BY THE BOARD ON 18 August 1999

Andrew J Williams
DIRECTOR

The notes on pages 9 to 18 form an integral part of these accounts.

BULK ENERGY (TRADING) LIMITED

COMPANY BALANCE SHEET - 31 DECEMBER 1998

	1998		1997	
	£	£	£	£
FIXED ASSETS				
Investments (Note 9)		99,021		99,021
CURRENT ASSETS				
Debtors (Note 11)	72		251,613	
Cash at bank and in hand	270,000		500,091	
	270,072		751,704	
CREDITORS - Amounts falling due within one year (Note 12)	(170,245)		(651,877)	
NET CURRENT ASSETS		99,827		99,827
		198,848		198,848
CAPITAL AND RESERVES				
Called up share capital (Note 16)		100,000		100,000
Share premium account (Note 17)		7,907		7,907
Profit and loss account (Note 17)		90,941		90,941
		198,848		198,848

APPROVED BY THE BOARD ON 18 August 1999

Andrew J Williams
DIRECTOR

The notes on pages 9 to 18 form an integral part of these accounts.

BULK ENERGY (TRADING) LIMITED

GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1998

	1998 £	1997 £
NET CASH INFLOW FROM OPERATING ACTIVITIES (Note 19)	351,630	1,430,856
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	26,118	39,496
Interest paid	(21,909)	-
Interest element of hire purchase finance payments	-	(15)
NET CASH INFLOW RETURNS ON CAPITAL EXPENDITURE	4,209	39,481
TAXATION		
Corporation tax paid	(165,442)	(160,393)
TAX PAID	(165,442)	(160,393)
CAPITAL EXPENDITURE		
Purchase of investments	-	(48,355)
Purchase of fixed assets	(338,207)	(290,267)
Sale of fixed assets	212,753	51,180
NET CASH (OUTFLOW) FROM CAPITAL EXPENDITURE	(125,454)	(287,442)
DIVIDENDS PAID	(250,000)	-
FINANCING		
Repayment of capital element of leasing finance	-	(1,856)
NET CASH (OUTFLOW) FROM FINANCING	-	(1,856)
(DECREASE)/INCREASE IN CASH (Note 20)	(185,057)	1,020,646

The notes on pages 9 to 18 form an integral part of these accounts.

BULK ENERGY (TRADING) LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1998

1 ACCOUNTING POLICIES

(1) Accounting convention

The accounts have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and in accordance with applicable accounting standards.

(2) Basis of consolidation

The consolidated accounts of the group represent the results of the four subsidiaries and Joint Venture for the year ended 31 December 1998.

(3) Turnover

Turnover, which excludes value added tax, represents the invoiced value of goods and services supplied.

(4) Tangible fixed assets

Tangible fixed assets, other than freehold land and buildings, are stated at cost less accumulated depreciation.

Depreciation has been provided so as to write down the cost of assets to their residual values on a straight line basis at the following annual rates:

Site equipment, plant and machinery	15%
Motor vehicles	25%
Computer and office equipment	15% - 25%

Freehold land and buildings are included in the accounts at their revalued amount.

(5) Stocks

Stocks of finished goods are included at the lower of cost and net realisable value.

(6) Deferred taxation

Provision is made for deferred taxation using the liability method on timing differences arising between profits as shown by the accounts and profits as computed for taxation purposes. Provision is only made to the extent that a liability is expected to crystallise in the foreseeable future.

(7) Foreign exchange

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the balance sheet date. Profit and loss account items are translated at the rate ruling at the transaction date.

1 ACCOUNTING POLICIES (CONTINUED)

(8) Assets held under finance leases and hire purchase contracts

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. Rental payments are apportioned between the finance charge and a reduction of the outstanding obligation for future amounts payable. The total finance charge is allocated to periods over the lease term so as to produce a constant periodic rate of charge on the remaining balance of the obligation for each accounting period.

2 SEGMENTAL INFORMATION

Analyses of geographical location and class of business for turnover and an analysis of class of business for profit on ordinary activities before taxation have not been given as, in the opinion of the directors, the disclosure of this information would be seriously prejudicial to the interests of the company (Schedule 4, Part III, Section 55(5) Companies Act 1985 and Statement of Standard Accounting Practice Number 25).

3 STAFF COSTS

	1998 £	1997 £
Staff costs incurred during the year were as follows:		
Wages and salaries	689,740	491,824
Social security costs	65,434	47,052
Other pension costs	3,012	2,908
	758,186	541,784

The average number of persons (including directors) employed by the group during the year was:

	1998 Number	1997 Number
Production	17	15
Administration	12	12
	29	27

4 DIRECTORS' EMOLUMENTS

	1998 £	1997 £
Directors' emoluments	348,753	322,125
Pension contributions	1,300	2,000
The emoluments, excluding pension contributions, of the highest paid director	163,411	293,539
Pension contributions	-	2,000

All directors' emoluments were paid by subsidiary companies of Bulk Energy (Trading) Limited.

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging/(crediting) the following:

	1998 £	1997 £
Hire of plant and machinery	48,895	49,886
Auditors' remuneration	10,000	9,267
Interest payable on bank and other borrowings repayable within five years	21,909	15
(Gain)/Loss on foreign exchange	(4,987)	566
Rental income	(25,367)	(3,170)

Fees paid to auditors for non audit remuneration, including expenses, for 1998 were £8,000 (1997 - £7,380).

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

Taxation on the profit for the year

	1998 £	1997 £
UK corporation tax based on profit for the year at 21% (1997 - 33%)	62,760	160,393
Deferred taxation (see note 15)	(15,760)	(31,348)
Taxation on profit on ordinary activities	47,000	129,045
Share of taxation on profit on joint venture	20,500	-
	67,500	129,045

7 DIVIDENDS

	1998 £	1997 £
Final dividend paid on equity shares at 290 pence per share (1997 - 250 pence per share)	290,000	250,000

8 TANGIBLE ASSETS - GROUP ONLY

	Freehold land and Buildings £	Site equipment, plant and machinery £	Motor vehicles £	Computer and office equipment £	Total £
COST/VALUATION					
At 1 January 1998	1,406,224	1,636,372	266,240	62,262	3,371,098
Additions	-	266,239	62,873	9,095	338,207
Disposals	-	(321,211)	(50,240)	(5,658)	(377,109)
At 31 December 1998	1,406,224	1,581,400	278,873	65,699	3,332,196
ACCUMULATED DEPRECIATION					
At 1 January 1998	3,607	957,182	112,058	40,144	1,112,991
Charge for the year	1,237	200,199	68,906	8,240	278,582
Released on disposals	-	(247,944)	(30,175)	(2,094)	(280,213)
At 31 December 1998	4,844	909,437	150,789	46,290	1,111,360
NET BOOK AMOUNT					
At 31 December 1998	1,401,380	671,963	128,084	19,409	2,220,836
At 1 January 1998	1,402,617	679,190	154,182	22,118	2,258,107

The land and buildings were revalued on the basis of their aggregate open market value at 31 December 1997 by DTZ Debenham Thorpe, Chartered Surveyors. The historical cost of the land and buildings at 31 December 1998 was £64,926 (1997 - £64,926).

9 FIXED ASSET INVESTMENTS

GROUP

	1998 £	1997 £
Shares listed on the stock exchange at cost	3,915	3,915
Amounts provided for diminution in value	(3,634)	(3,159)
	281	756

The shares were listed on the London Stock Exchange at a total market value of £281 at 31 December 1998 (1997 - £756). The directors believe that this fall in market value represents a permanent diminution in the book value of the investment.

JOINT VENTURE

	1998 £	1997 £
Investment in joint venture	50,000	50,000
Share of profit of joint venture	77,500	-
	127,500	50,000

Name of company	Country of incorporation or registration	Class of shares held	Proportion held	Nature of business
Tower Westland (Coal Trading) Limited	Wales	Ordinary	50%	Industrial coal suppliers.

9 FIXED ASSET INVESTMENTS (CONTINUED)

COMPANY

	1998 £	1997 £
Investment in subsidiary companies at cost	99,021	99,021

Details of subsidiary companies during the year, all of which operate in the United Kingdom, are as follows:

Name of company	Country of incorporation or registration	Class of shares held	Proportion held	Nature of business
Westland Coal Supplies Limited	Wales	Ordinary	100%	Coal wholesaler and handler
AJ Williams Fuels (Overseas Sales) Limited	Wales	Ordinary	100%	Coal stevedore and handler
Briton Ferry (Shipping Services) Limited	Wales	Ordinary	100%	Terminal operators, stevedores and warehousemen
Westland Coal International Limited	Wales	Ordinary	100%	Coal Import/export

10 STOCKS - GROUP ONLY

	1998 £	1997 £
Finished goods	1,105,349	843,425
Spare parts	-	19,649
	1,105,349	863,074

11 DEBTORS

	Group 1998 £	Company 1998 £	Group 1997 £	Company 1997 £
Trade debtors	876,683	-	1,542,519	-
Amounts owed by group undertakings	-	-	-	251,526
Other debtors	230,471	-	183,228	-
Prepayments	140,271	72	72,675	87
ACT recoverable	62,500	-	62,500	-
	1,309,925	72	1,860,922	251,613

12 CREDITORS - Amounts falling due within one year

	Group 1998 £	Company 1998 £	Group 1997 £	Company 1997 £
Bank overdraft	509,605	164,770	477,705	385,897
Trade creditors	618,588	-	723,612	-
Amounts owed to group undertakings	-	5,475	-	15,980
ACT payable	-	-	62,500	-
Other creditors including taxation and social security	324,976	-	595,894	-
Accruals	630,000	-	655,196	250,000
	2,083,169	170,245	2,514,907	651,877

NOTES TO THE ACCOUNTS - 31 DECEMBER 1998 (CONTINUED)

13 PROVISION FOR LIABILITIES AND CHARGES

GROUP

	1998		1997	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Accelerated capital Allowances	53,000	14,586	67,000	Nil

An amount of £14,000 was credited to the profit and loss account during the year (1997 - 31,348).

COMPANY

There is no potential deferred taxation liability.

14 CALLED UP SHARE CAPITAL - GROUP AND COMPANY

	1998	1997
	£	£
Authorised:		
Ordinary shares of £1 each	100,000	100,000
Allotted and fully paid:		
Ordinary shares of £1 each	100,000	100,000

15 RESERVES

	Capital reserve Group 1998	Revaluation reserve Group 1998	Share premium account Company 1998	Profit and loss account Group 1998	Profit and loss account Company 1998
	£	£	£	£	£
At 1 January 1998	14,028	1,336,982	7,907	1,826,347	90,941
Profit/(loss) for the financial year	-	-	-	23,613	-
At 31 December 1998	14,028	1,336,982	7,907	1,849,960	90,941

As permitted by Section 228(7) of the Companies Act 1985, no separate profit and loss account has been prepared for the parent company, Bulk Energy (Trading) Limited.

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group 1998 £	Company 1998 £	Group 1997 £	Company 1997 £
Profit/(loss) for the financial year	23,613	-	75,003	-
Revaluations in year	-	-	100,000	-
Capital reserve created on acquisition	-	-	-	-
Opening shareholders' funds	3,285,264	198,848	3,110,261	198,848
Closing shareholders' funds	3,308,877	198,848	3,285,264	198,848

Shareholders funds are all equity in nature.

17 RECONCILIATION OF GROUP OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	1998 £	1997 £
Operating profit	163,047	397,474
Depreciation	278,582	272,192
Movement in stocks	(261,924)	116,246
Movement in debtors	550,997	1,125,126
Movement in creditors	(379,072)	(480,182)
Net cash inflow from operating activities	351,630	1,430,856

18 ANALYSIS OF NET DEBT

	1998 £	1997 £	Change in year £
Cash at bank and in hand	681,155	834,312	(153,157)
Bank overdraft	(509,605)	(477,705)	(31,900)
	171,550	(356,607)	(185,057)

19 CONTINGENT LIABILITIES

This company has given an unlimited guarantee to its bankers dated 27 September 1996 in favour of group companies, Westland Coal Supplies Limited and AJ Williams Fuels (Overseas Sales) Limited and Westland Coal International Limited. Extends to Briton Ferry Shipping Services from 2 March 1998.

In addition, the bank has a right of set off incorporated in a mortgage debenture dated 4 May 1990 and updated 24 January 1997 over all assets of this company as security for these companies' overdraft facilities.