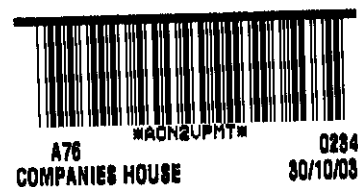


Bulk Energy (Trading) Limited
(Registered number 2438821)

Annual report
for the year ended 31 December 2002



Bulk Energy (Trading) Limited

Annual report for the year ended 31 December 2002

Contents	page
Directors' report	1 - 2
Independent auditors' report	3
Consolidated profit and loss account	4
Balance sheets	5
Consolidated cash flow statement	6
Notes to the financial statements	7 - 16

Bulk Energy (Trading) Limited

1

Directors' report for the year ended 31 December 2002

The directors present their report and the audited financial statements of the group for the year ended 31 December 2002.

Principal activities

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

Review of business and future developments

The directors consider the results for the year and the year end financial position to be satisfactory. The directors expect the present level of activity to be sustained for the foreseeable future.

Dividends

The directors do not recommend the payment of a dividend. (2001 - £Nil).

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	
	2002	2001	2002	2001
	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

Charitable donations

Charitable donations of £7,925 (2001 - £11,296) have been made in the year.

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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 8 under Note 1 'Accounting Policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 and that applicable accounting standards have been followed.

Directors' report for the year ended 31 December 2002 (continued)

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.

Auditors

PricewaterhouseCoopers have resigned as auditors and PricewaterhouseCoopers LLP were appointed by the directors to fill the casual vacancy. PricewaterhouseCoopers LLP have expressed their willingness to continue in office and their re-appointment as auditors will be proposed at the Annual General Meeting.

By order of the board

A handwritten signature in black ink, appearing to read 'D I Forey', is written over the printed name.

David I Forey
Company Secretary

Independent auditors' report to the members of Bulk Energy (Trading) Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement and related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you 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 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. The other information comprises only the director's report.

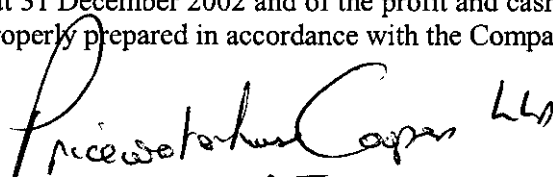
Basis of audit opinion

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 affairs of the company and group at 31 December 2002 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cardiff, 17 October 2003

Bulk Energy (Trading) Limited

4

Consolidated profit and loss account for the year ended 31 December 2002

	Note	2002 £	£	2001 £	£
Turnover (including share of joint venture)					
		3,526,289		7,824,509	
Less share of turnover of joint venture		-		(1,186,100)	
Turnover	2	<u>3,526,289</u>		<u>6,638,409</u>	
Change in stocks of finished goods		(45,386)		149,477	
		<u>3,480,903</u>		<u>6,787,886</u>	
Raw materials and consumables		(1,203,126)		(4,214,707)	
Other external charges		(703,192)		(995,507)	
Staff costs	3	(527,556)		(687,768)	
Depreciation	8	(139,562)		(172,330)	
Other net operating charges		(374,418)		(421,520)	
(Loss)/profit on foreign exchange		(12,283)		7,084	
		<u>(2,960,137)</u>		<u>(6,484,748)</u>	
Group operating profit		<u>520,766</u>		<u>303,138</u>	
Share of operating profit in joint venture		-		78,000	
Total operating profit: group and share of joint venture		<u>520,766</u>		<u>381,138</u>	
Profit on disposal of joint venture	5	-		23,526	
Profit on disposal of tangible fixed assets		16,780		45,963	
Interest receivable and similar income		62,443		82,795	
Profit on ordinary activities before taxation	2,6	<u>599,989</u>		<u>533,422</u>	
Tax on profit on ordinary activities	7	(164,300)		(145,712)	
Profit for the financial year	15	<u>435,689</u>		<u>387,710</u>	

All of the above results arose from continuing operations of the business.

The profit for the financial year includes all recognised gains and losses in the year.

The company has no recognised gains and losses other than those included in the profits above and therefore no separate statement of total recognised gains and losses has been presented.

There is no significant difference between the profit on ordinary activities before tax and the retained profit for the year stated above, and their historical cost equivalents.

The notes on pages 7 to 16 form an integral part of these financial statements.

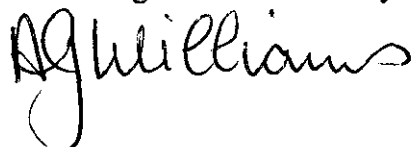
Bulk Energy (Trading) Limited

5

Balance sheets at 31 December 2002

		Group		Company	
	Notes	2002 £	2001 £	2002 £	2001 £
Fixed assets					
Tangible assets	8	4,222,619	1,872,763	2,524,518	-
Investments	9	-	-	98,921	98,921
		<u>4,222,619</u>	<u>1,872,763</u>	<u>2,623,439</u>	<u>98,921</u>
Current assets					
Stocks	10	237,523	282,909	-	-
Debtors	11	511,517	509,396	131,842	1,726,400
Cash at bank and in hand		610,302	2,581,277	584,143	2,555,799
		<u>1,359,342</u>	<u>3,373,582</u>	<u>715,985</u>	<u>4,282,199</u>
Creditors - amounts falling due within one year	12	(735,896)	(830,969)	(130,621)	(1,648,633)
Net current assets		<u>623,446</u>	<u>2,542,613</u>	<u>585,364</u>	<u>2,633,566</u>
Total assets less current liabilities		<u>4,846,065</u>	<u>4,415,376</u>	<u>3,208,803</u>	<u>2,732,487</u>
Provisions for liabilities and charges	13	(19,000)	(24,000)	-	-
		<u>4,827,065</u>	<u>4,391,376</u>	<u>3,208,803</u>	<u>2,732,487</u>
Capital and reserves					
Called up share capital	14	100,000	100,000	100,000	100,000
Share premium account	15	7,907	7,907	7,907	7,907
Revaluation reserve	15	1,336,982	1,336,982	-	-
Capital reserve	15	14,028	14,028	-	-
Profit and loss account	15	3,368,148	2,932,459	3,100,896	2,624,580
Equity shareholders funds		<u>4,827,065</u>	<u>4,391,376</u>	<u>3,208,803</u>	<u>2,732,487</u>

The financial statements on pages 4 to 16 were approved by the board of directors on 17 October 2003 and were signed on its behalf by:



Andrew J Williams
DIRECTOR

The notes on pages 7 to 16 form an integral part of these financial statements.

Bulk Energy (Trading) Limited

6

Consolidated cash flow statement for the year ended 31 December 2002

	Notes	2002 £	2001 £
Net cash inflow from operating activities	17	462,677	730,564
Dividends received from joint venture		-	327,300
Returns on investments and servicing of finance			
Interest received		62,443	82,795
Taxation			
Corporation tax paid		(40,910)	(50,753)
Capital expenditure and financial investment			
Disposal of investments		-	931
Purchase of fixed assets		(2,571,138)	(122,974)
Sale of fixed assets		98,500	88,777
Net cash (outflow) from capital expenditure and financial investment		(2,472,638)	(33,266)
Disposals			
Sale of joint venture		-	75,000
Equity dividends paid		-	-
Financing		-	-
(Decrease)/increase in cash	18	(1,988,428)	1,131,640

The notes on pages 7 to 16 form an integral part of these financial statements.

Notes to the financial statements - 31 December 2002

1 Accounting policies

Accounting convention

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of land and buildings and in accordance with applicable accounting standards all of which have been applied consistently throughout the year and the preceding year, with the exception of accounting standards adopted in the current year. However, compliance with SSAP 19 "Accounting for Investment Properties", requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of the departure is given in the note relating to investment properties below. Where a range of treatments is available the directors apply the most appropriate accounting policy and estimation treatment in accordance with FRS 18. In December 2000, the Accounting Standards Board issued FRS19 'Deferred Tax'. The group has adopted FRS19 in the financial statements.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and of all the subsidiary undertakings made up to the year end. The results of subsidiaries sold or acquired are included in the consolidated profit and loss account up to or from the date control passes. Intra group sales and profits are eliminated fully on consolidation.

On acquisition of a subsidiary all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes in those assets and liabilities, and the operating gains and losses that arise after the group has gained control of the subsidiary are charged to the profit and loss account.

Turnover

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

Investment properties

In accordance with SSAP 19, (i) investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve, and (ii) no depreciation or amortisation is provided in respect of investment properties. The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, as these properties are not held for consumption but for investment, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view. If this departure from the Act had not been made the profit for the financial year would have been reduced by depreciation on the revalued properties of £17,000 (2001 : £nil).

**Notes to the financial statements - 31 December 2002
(continued)****Other tangible fixed assets**

Tangible fixed assets, other than freehold land and buildings, are stated at cost less accumulated depreciation. Freehold land and buildings are included in the financial statements at their revalued amount.

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%
Buildings	15%

Stocks

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

Deferred taxation

FRS19 'Deferred tax' has been adopted in the preparation of these financial statements. The standard requires full provision to be made for deferred tax arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations, where future payment or receipt is more likely than not to occur. In adopting FRS19, the company has chosen not to discount tax assets and liabilities

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.

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Pension costs

The company operates a defined contribution scheme which is non contributory. Payments made to the scheme are charged in these financial statements as part of the employment costs and represent the company's contributions payable in the period.

2 Turnover

Analysis of the geographical location has not been given as, in the opinion of the directors, the disclosure of this information would be seriously prejudicial to the interests of the group.

Bulk Energy (Trading) Limited

9

Notes to the financial statements - 31 December 2002 (continued)

3 Staff costs

	2002 £	2001 £
Staff costs incurred during the year were as follows:		
Wages and salaries	472,999	626,115
Social security costs	52,974	60,261
Other pension costs	1,583	1,392
	<u>527,556</u>	<u>687,768</u>

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

	2002 Number	2001 Number
Production	13	12
Administration	6	9
	<u>19</u>	<u>21</u>

4 Directors' emoluments

	2002 £	2001 £
Aggregate emoluments	201,236	238,789
Company pension contributions to defined contribution schemes	-	-
Highest paid director:		
Aggregate emoluments	108,238	212,503
Company pension contributions to defined contribution scheme	-	-

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

No retirement benefits are accruing to directors under defined contribution schemes.

**Notes to the financial statements - 31 December 2002
(continued)****5 Profit on sale of joint venture**

	2002 £	2001 £
Profit on sale of investment in joint venture	-	23,526
	<u> </u>	<u> </u>
Taxation	-	4,800
	<u> </u>	<u> </u>

In February 2001 the group sold its interest in the joint venture Tower Westland (Coal Trading) Limited for £75,000 in cash.

6 Profit on ordinary activities before taxation

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

	2002 £	2001 £
Hire of plant and machinery	11,841	17,116
Auditors' remuneration	10,000	10,000
	<u> </u>	<u> </u>

Fees paid to auditors for non audit services, including expenses, for 2002 were £6,412 (2001 - £20,000).

7 Tax on profit on ordinary activities**(a) The tax charge represents:**

	2002 £	2001 £
Current taxation:		
UK Corporation tax at 30% (2001: 23%)	169,300	124,000
Share of joint venture	-	20,700
	<u>169,300</u>	<u>144,700</u>
Deferred taxation:		
Origination and reversal of timing differences	(5,000)	1,012
Tax on profit on ordinary activities	<u>164,300</u>	<u>145,712</u>

Bulk Energy (Trading) Limited

Notes to the financial statements - 31 December 2002

(continued)

11

(b) Factors affecting the tax charge:

	2002 £	2001 £
Profit on ordinary activities	599,989	533,422
UK Corporation tax on profit on ordinary activities at 30%	<u>164,247</u>	<u>160,027</u>
Effects of:		
Expenses not deductible for tax purposes	8,543	2,782
Accelerated capital allowances and other timing differences	4,666	(1,012)
Tax at marginal rates	<u>(8,156)</u>	<u>(17,097)</u>
Current charge for period	<u>169,300</u>	<u>144,700</u>

8 Tangible assets

Group	Freehold investment properties £	Freehold land and buildings £	Site equipment, plant and machinery £	Motor vehicles £	Computer and office equipment £	Total £
Cost or valuation						
At 1 January 2002	-	1,409,574	1,574,937	261,943	56,675	3,303,129
Additions	2,524,518	-	17,840	23,346	5,434	2,571,138
Disposals	-	-	-	(159,323)	-	(159,323)
At 31 December 2002	2,524,518	1,409,574	1,592,777	125,966	62,109	5,714,944
Accumulated depreciation						
At 1 January 2002	-	7,187	1,269,285	106,793	47,101	1,430,366
Charge for the year	-	503	98,832	36,198	4,029	139,562
Released on disposals	-	-	-	(77,603)	-	(77,603)
At 31 December 2002	-	7,690	1,368,117	65,388	51,130	1,492,325
Net book value At 31 December 2002	2,524,518	1,401,884	224,660	60,578	10,979	4,222,619
At 31 December 2001	-	1,402,387	305,652	155,150	9,574	1,872,763

In the opinion of the directors there is no difference between the cost of investment properties and their open market value at the year end.

The freehold 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 transitional rules of FRS 15 have been applied and the valuation has not been updated.

The historical cost of freehold land and buildings at 31 December 2002 was £88,726 (2001 - £68,276).

Bulk Energy (Trading) Limited

12

Notes to the financial statements - 31 December 2002 (continued)

Company	Freehold investment properties £
Cost or valuation and net book value	
At 1 January 2002	-
Additions	2,524,518
At 31 December 2002	<u>2,524,518</u>

9 Fixed asset investments

Company	2002 £	2001 £
Investment in subsidiary companies at cost	<u>98,921</u>	<u>98,921</u>

Details of subsidiary companies 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
Briton Ferry (Shipping Services) Limited	Wales	Ordinary	100%	Terminal operators, stevedores and warehousing
Westland Coal International Limited	Wales	Ordinary	100%	Coal import/export

10 Stocks

Group	2002 £	2001 £
Finished goods	<u>237,523</u>	<u>282,909</u>

**Notes to the financial statements - 31 December 2002
(continued)****11 Debtors**

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Trade debtors	443,605	453,862	91,383	-
Amounts owed by group undertakings	8,500	-	39,061	1,726,400
Other debtors	14,070	22,775	1,398	-
Prepayments and accrued income	45,342	32,759	-	-
	<u>511,517</u>	<u>509,396</u>	<u>131,842</u>	<u>1,726,400</u>

12 Creditors - Amounts falling due within one year

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Bank overdraft	22,295	4,842	-	-
Trade creditors	174,071	243,615	409	-
Amounts owed to group undertakings	-	-	26,688	1,648,633
Other creditors including taxation and social security	122,696	176,848	17,699	-
Corporation tax	180,923	125,231	14,700	-
Accruals and deferred income	227,411	280,433	71,125	-
	<u>735,896</u>	<u>830,969</u>	<u>130,621</u>	<u>1,648,633</u>

The bank overdraft is secured by a fixed and floating charge over the assets of group companies and by cross guarantees of group companies.

13 Provisions for liabilities and charges

Group	2002
	£
Deferred tax:	
At 1 January 2002	24,000
Credited to the profit and loss account	(5,000)
At 31 December 2002	<u>19,000</u>

Bulk Energy (Trading) Limited

Notes to the financial statements - 31 December 2002

(continued)

14

Deferred taxation provided in the financial statements is set out below.

	2002 £	2001 £
Accelerated capital allowances	19,000	24,000

No provision has been made for deferred tax on gains recognized on revaluing property to its market value. Such tax would only become payable if the properties were sold without it being possible to claim rollover relief. The total amount unprovided for is £400,000. At present it is not envisaged that any such tax will become payable in the foreseeable future.

14 Called up share capital

	2002 £	2001 £
Authorised:		
50,000 'A' ordinary shares of £1 each	50,000	50,000
50,000 'B' ordinary shares of £1 each	50,000	50,000
	<u>100,000</u>	<u>100,000</u>
Allotted and fully paid:		
50,000 'A' ordinary shares of £1 each	50,000	50,000
50,000 'B' ordinary shares of £1 each	50,000	50,000
	<u>100,000</u>	<u>100,000</u>

The following specific rights attach to the A ordinary shares of £1 each:

Rights to income

The 'A' ordinary shares are entitled to any distribution en specie of shares held by the company in Westland Coal Supplies Limited

Rights to capital on a winding up

On a return of capital the 'A' ordinary shares shall only be entitled to any shares held by the company in Westland Coal Supplies Limited.

Voting rights

Holders of the 'A' ordinary shares shall only be entitled to attend and vote at general meetings until they have received the distribution noted above.

**Notes to the financial statements - 31 December 2002
(continued)****15 Reserves**

	Share premium account Group £	Revaluation reserve Group £	Capital reserve Group £	Profit and loss account Group £	Share premium account Company £	Profit and loss account Company £
At 1 January 2002	7,907	1,336,982	14,028	2,932,459	7,907	2,624,580
Profit for the financial year	-	-	-	435,689	-	476,316
At 31 December 2002	7,907	1,336,982	14,028	3,368,148	7,907	3,100,896

Of the profit for the financial year, £476,316 (2001: £2,525,000) is dealt with in the accounts of Bulk Energy (Trading) Limited. The directors have taken advantage of the exemption available under section 230 of the Companies Act 1985 and not presented a profit and loss account.

16 Reconciliation of movements in shareholders' funds

	Group		Company	
	2002 £	2001 £	2002 £	2001 £
Profit for the financial year	435,689	387,710	476,316	2,525,000
Opening shareholders' funds	4,391,376	4,003,666	2,732,487	207,487
Closing shareholders' funds	<u>4,827,065</u>	<u>4,391,376</u>	<u>3,208,803</u>	<u>2,732,487</u>

17 Reconciliation of operating profit to net cash inflow from operating activities

	2002 £	2001 £
Operating profit	520,766	303,138
Depreciation	139,562	172,330
Decrease/(increase) in stocks	45,386	(149,477)
(Increase)/decrease in debtors	(2,121)	387,716
(Decrease)/increase in creditors	(240,916)	16,857
Net cash inflow from operating activities	<u>462,677</u>	<u>730,564</u>

**Notes to the financial statements - 31 December 2002
(continued)****18 Analysis of net cash**

	2002 £	2001 £	Change in year £
Cash at bank and in hand	610,302	2,581,277	(1,970,975)
Bank overdraft	(22,295)	(4,842)	(17,453)
	<u>588,007</u>	<u>2,576,435</u>	<u>(1,988,428)</u>

19 Related party transactions

Advantage has been taken of the exemption conferred by FRS 8 from disclosing transactions undertaken between this company and other members of the group which are included in the consolidated financial statements which are publicly available.

20 Contingent liabilities

The company has given an unlimited guarantee to its bankers in respect of the bank borrowings of the group companies, Briton Ferry (Shipping Services) Limited, Westland Coal International Limited and Westland Coal Supplies Limited. The guarantee is secured by a fixed and floating charge over the assets of the company