

Bulk Energy (Trading) Limited
(Registered number 2438821)

Annual report
for the year ended 31 December 2003



Bulk Energy (Trading) Limited

Annual report for the year ended 31 December 2003

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Bulk Energy (Trading) Limited

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Directors' report for the year ended 31 December 2003

The directors present their report and the audited financial statements of the group for the year ended 31 December 2003.

Principal activities

The group's principal activities remain those of coal wholesaling, operation of port facilities and property investment

Review of business and future developments

The group reduced the level of its port facilities operations on 1 April 2003. 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.

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	
	2003	2002	2003	2002
	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 £5,200 (2002 - £7,925) have been made in the year.

Directors' report for the year ended 31 December 2003 (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. 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. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2003 and that applicable accounting standards have been followed.

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

The auditors, PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By order of the board



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.

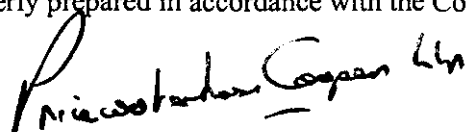
Basis of audit opinion

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 2003 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,

26 October 2004

Bulk Energy (Trading) Limited

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Consolidated profit and loss account for the year ended 31 December 2003

	Note	2003 £	2002 £
Turnover	2	2,490,151	3,526,289
Change in stocks of finished goods		(95,072)	(45,386)
		<u>2,395,079</u>	<u>3,480,903</u>
Raw materials and consumables		(727,895)	(1,203,126)
Other external charges		(688,171)	(703,192)
Staff costs	3	(356,631)	(527,556)
Depreciation	7	(127,805)	(139,562)
Other net operating charges		(264,436)	(374,418)
Profit/(loss) on foreign exchange		1,442	(12,283)
		<u>(2,163,496)</u>	<u>(2,960,137)</u>
Group operating profit		231,583	520,766
Profit on disposal of tangible fixed assets		14,671	16,780
Interest receivable and similar income		29,930	62,443
Amounts written off investments		(8,250)	-
Profit on ordinary activities before taxation	5	267,934	599,989
Tax on profit on ordinary activities	6	(60,500)	(164,300)
Profit for the financial year	15	207,434	435,689

All of the above results arose from continuing operations.

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

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Balance sheets at 31 December 2003

	Notes	Group		Company	
		2003 £	2002 £	2003 £	2002 £
Fixed assets					
Tangible assets	7	4,216,419	4,222,619	2,524,518	2,524,518
Investments	8	-	-	98,921	98,921
		<u>4,216,419</u>	<u>4,222,619</u>	<u>2,623,439</u>	<u>2,623,439</u>
Current assets					
Stocks	9	142,570	237,523	-	-
Debtors	10	390,741	511,517	258,525	131,842
Investments	11	538,250	-	538,250	-
Cash at bank and in hand		245,197	610,302	233,892	584,143
		<u>1,316,758</u>	<u>1,359,342</u>	<u>1,030,667</u>	<u>715,985</u>
Creditors - amounts falling due within one year	12	(483,678)	(735,896)	(237,869)	(130,621)
Net current assets		<u>833,080</u>	<u>623,446</u>	<u>782,798</u>	<u>585,364</u>
Total assets less current liabilities		<u>5,049,499</u>	<u>4,846,065</u>	<u>3,416,237</u>	<u>3,208,803</u>
Provisions for liabilities and charges	13	(15,000)	(19,000)	-	-
		<u>5,034,499</u>	<u>4,827,065</u>	<u>3,416,237</u>	<u>3,208,803</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	3,575,582	3,368,148	3,308,330	3,100,896
Equity shareholders funds		<u>5,034,499</u>	<u>4,827,065</u>	<u>3,416,237</u>	<u>3,208,803</u>

The financial statements on pages 4 to 16 were approved by the board of directors on **26 Oct 2004** and were signed on its behalf by:


Director

Bulk Energy (Trading) Limited

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Consolidated cash flow statement for the year ended 31 December 2003

	Notes	2003 £	2002 £
Net cash inflow from operating activities	17	432,216	462,677
Returns on investments and servicing of finance			
Interest received		29,930	62,443
Taxation			
Corporation tax paid		(167,506)	(40,910)
Capital expenditure and financial investment			
Purchase of fixed assets		(154,785)	(2,571,138)
Sale of fixed assets		47,851	98,500
Net cash (outflow) from capital expenditure and financial investment		(106,934)	(2,472,638)
Net cash inflow/(outflow) before use of liquid resources		187,706	(1,988,428)
Management of net liquid resources			
(Increase) in government securities		(546,500)	-
(Decrease) in net cash	18	(358,794)	(1,988,428)

Reconciliation of net cash

	Notes	2003 £	2002 £
Net cash at 1 January 2003		588,007	2,576,435
(Decrease) in net cash		(358,794)	(1,988,428)
Movement in government securities		546,500	-
Other non cash changes		(8,250)	-
Net cash at 31 December 2003	18	767,463	588,007

Notes to the financial statements - 31 December 2003

1 Accounting policies

Accounting convention

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards. A summary of the more important accounting policies which have been applied consistently is set out below. 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.

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 (2002 : £17,000).

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.

Notes to the financial statements - 31 December 2003 (continued)

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.

Current asset investments

Current asset investments 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.

Notes to the financial statements - 31 December 2003 (continued)**3 Staff costs**

	2003 £	2002 £
Staff costs incurred during the year were as follows:		
Wages and salaries	326,238	472,999
Social security costs	30,027	52,974
Other pension costs	366	1,583
	<u>356,631</u>	<u>527,556</u>

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

	2003 Number	2002 Number
Production	3	13
Administration	1	6
	<u>4</u>	<u>19</u>

4 Directors' emoluments

	2003 £	2002 £
Aggregate emoluments	148,733	201,236
Company pension contributions to defined contribution schemes	-	-
Highest paid director:		
Aggregate emoluments	147,991	108,238
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 2003 (continued)**5 Profit on ordinary activities before taxation**

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

	2003 £	2002 £
Hire of plant and machinery	21,440	11,841
Auditors' remuneration	10,711	10,000
	<u> </u>	<u> </u>

Fees paid to auditors for non audit services, including expenses, for 2003 were £4,151 (2002 - £6,412).

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

	2003 £	2002 £
Current taxation:		
UK Corporation tax at 24% (2002: 30%)	74,000	169,300
Adjustment in respect of previous periods	(9,500)	-
	<u>64,500</u>	<u>169,300</u>
Deferred taxation:		
Origination and reversal of timing differences	(4,000)	(5,000)
Tax on profit on ordinary activities	<u>60,500</u>	<u>164,300</u>

(b) Factors affecting the tax charge:

	2003 £	2002 £
Profit on ordinary activities	267,934	599,989
UK Corporation tax on profit on ordinary activities at 26% (2002: 27%)	70,761	164,247
Effects of:		
Expenses not deductible for tax purposes	9,430	8,543
Accelerated capital allowances and other timing differences	5,650	4,666
Tax at marginal rates	(11,841)	(8,156)
Adjustments in respect of previous periods	(9,500)	-
Current charge for period	<u>64,500</u>	<u>169,300</u>

Notes to the financial statements - 31 December 2003 (continued)

7 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 2003	2,524,518	1,409,574	1,592,777	109,616	62,109	5,698,594
Additions	-	-	61,250	91,908	1,627	154,785
Disposals	-	-	-	(78,065)	-	(78,065)
At 31 December 2003	2,524,518	1,409,574	1,654,027	123,459	63,736	5,775,314
Accumulated depreciation						
At 1 January 2003	-	7,690	1,368,117	49,038	51,130	1,475,975
Charge for the year	-	503	93,390	30,054	3,858	127,805
Released on disposals	-	-	-	(44,885)	-	(44,885)
At 31 December 2003	-	8,193	1,461,507	34,207	54,988	1,558,895
Net book value						
At 31 December 2003	2,524,518	1,401,381	192,520	89,252	8,748	4,216,419
At 31 December 2002	2,524,518	1,401,884	224,660	60,578	10,979	4,222,619

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 2003 was £88,726 (2002 - £88,726).

Company	Freehold investment properties £
Cost or valuation and net book value	
At 1 January 2003 and 31 December 2003	2,524,518

Bulk Energy (Trading) Limited

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Notes to the financial statements - 31 December 2003 (continued)

8 Fixed asset investments

Company	2003 £	2002 £
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%	Operation of port facilities
Westland Coal International Limited	Wales	Ordinary	100%	Dormant

9 Stocks

Group	2003 £	2002 £
Finished goods	<u>142,570</u>	<u>237,523</u>

10 Debtors

	Group		Company	
	2003 £	2002 £	2003 £	2002 £
Trade debtors	318,977	443,605	79,610	91,383
Amounts owed by group undertakings	-	-	167,232	39,061
Other debtors	35,656	22,570	2,955	1,398
Prepayments and accrued income	36,108	45,342	8,728	-
	<u>390,741</u>	<u>511,517</u>	<u>258,525</u>	<u>131,842</u>

Bulk Energy (Trading) Limited

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Notes to the financial statements - 31 December 2003 (continued)

11 Current asset investments

Group and company	2003 £	2002 £
Government securities	538,250	-

12 Creditors - Amounts falling due within one year

	Group 2003 £	2002 £	Company 2003 £	2002 £
Bank overdraft	15,984	22,295	-	-
Trade creditors	199,357	174,071	293	409
Amounts owed to group undertakings	-	-	158,605	26,688
Other creditors including taxation and social security	75,022	131,196	-	17,699
Corporation tax	77,049	180,923	26,082	14,700
Accruals and deferred income	116,266	227,411	52,889	71,125
	<u>483,678</u>	<u>735,896</u>	<u>237,869</u>	<u>130,621</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	2003 £
Deferred tax:	
At 1 January 2003	19,000
Credit to the profit and loss account	(4,000)
At 31 December 2003	<u>15,000</u>

Notes to the financial statements - 31 December 2003 (continued)

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

	2003 £	2002 £
Accelerated capital allowances	15,000	19,000

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

	2003 £	2002 £
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 2003 (continued)

15 Reserves

	Share premium account	Revaluatio n reserve	Capital reserve	Profit and loss account	Share premium account	Profit and loss account
	Group £	Group £	Group £	Group £	Company £	Company £
At 1 January 2003	7,907	1,336,982	14,028	3,368,148	7,907	3,100,896
Profit for the financial year	-	-	-	207,434	-	207,434
At 31 December 2003	<u>7,907</u>	<u>1,336,982</u>	<u>14,028</u>	<u>3,575,582</u>	<u>7,907</u>	<u>3,308,330</u>

Of the profit for the financial year, £207,434 (2002: £476,316) 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 £		2002 £
Profit for the financial year	207,434	435,689	207,434	476,316
Opening shareholders' funds	4,827,065	4,391,376	3,208,803	2,732,487
Closing shareholders' funds	<u>5,034,499</u>	<u>4,827,065</u>	<u>3,416,237</u>	<u>3,208,803</u>

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

	2003 £	2002 £
Operating profit	231,583	520,766
Depreciation	127,805	139,562
Decrease in stocks	94,953	45,386
Decrease/(increase) in debtors	120,776	(2,121)
(Decrease) in creditors	(142,901)	(240,916)
Net cash inflow from operating activities	<u>432,216</u>	<u>462,677</u>

Notes to the financial statements - 31 December 2003 (continued)**18 Analysis of net cash**

	At 1 January 2003 £	Cash flow £	Non cash changes £	At 31 December 2003 £
Cash at bank and in hand	610,302	(365,105)	-	245,197
Bank overdraft	(22,295)	6,311	-	(15,984)
Liquid resources	-	546,500	(8,250)	538,250
	<u>588,007</u>	<u>187,706</u>	<u>(8,250)</u>	<u>767,463</u>

Liquid resources comprise government securities.

Non cash changes comprise amounts written off government securities.

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.

With effect from 1 April 2003 a group company entered into a lease of its port facilities to Briton Ferry Stevedoring Limited. Briton Ferry Stevedoring Limited is owned and controlled by Andrew J Williams a director of the company and shareholder of the parent undertaking. Under an agreement between the group company and Briton Ferry Stevedoring Limited the operation of the port facility was transferred to Briton Ferry Stevedoring Limited. The lease is being granted following the agreement to transfer to Briton Ferry Stevedoring Limited the right to operate the port in consideration for Briton Ferry Stevedoring Limited indemnifying the group company in respect of all past, present and future liabilities in respect of the operation of the port facility. The group has received £127,530 from Briton Ferry Stevedoring Limited under the terms of the lease and for the hire of plant. At the year end Briton Ferry Stevedoring Limited owed £2,530 to the group in respect of these charges.

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