

EVANS & REID COAL COMPANY LIMITED
FINANCIAL STATEMENTS
FOR
30TH SEPTEMBER 2000

Company Registration Number 180263

WALTER HUNTER & CO
Chartered Accountants & Registered Auditors
24 Bridge Street,
Newport,
South Wales
NP20 4SF



EVANS & REID COAL COMPANY LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 30TH SEPTEMBER 2000

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 30th September 2000.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was that of factors supplying customers in the E.C.

Its subsidiary undertakings are similarly involved as factors, secondary aluminium smelting and cellular rubber production.

The directors consider the financial position of the company at the year end to be satisfactory.

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year were as follows:

G. Lewis
A.D.N Davies
J.R. Dunn
D.I. Williams
W. Bayley (Appointed 1st October 1999)

The directors have no beneficial interest in the share capital of the company.

FIXED ASSETS

Freehold property is shown in the Balance Sheet at £4,940. In the opinion of the directors, its market value is in excess of this amount.

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 company at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on page 6, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

EVANS & REID COAL COMPANY LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30TH SEPTEMBER 2000

DIRECTORS' RESPONSIBILITIES *(continued)*

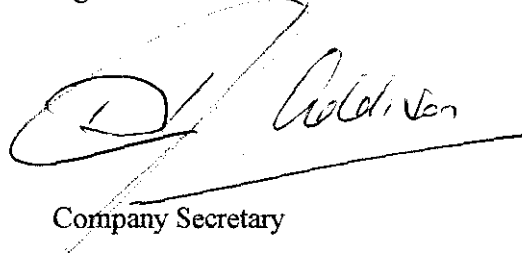
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding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

AUDITORS

Walter Hunter & Co continue in office by virtue of section 386 Companies Act 1985.

Registered office:
Empire House
Mount Stuart Square
Cardiff
CF10 5QZ

Signed on behalf of the directors

A handwritten signature in black ink, appearing to read 'A. G. Jones', is written over a horizontal line. The signature is stylized and cursive.

Company Secretary

Approved by the directors on 10th May 2001

EVANS & REID COAL COMPANY LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 30TH SEPTEMBER 2000

We have audited the financial statements on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As described on pages 1 to 2, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 circumstances, consistently applied and adequately disclosed.

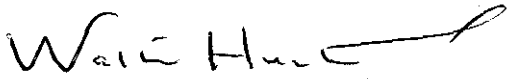
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 affairs as at 30th September 2000 and of the profit of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

24 Bridge Street,
Newport,
South Wales
NP20 4SF

11th May 2001


Chartered Accountants
& Registered Auditors

EVANS & REID COAL COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 30TH SEPTEMBER 2000

	Note	2000 £	1999 £
TURNOVER	2	14,575,575	16,250,981
Cost of sales		13,668,969	15,287,803
GROSS PROFIT		906,606	963,178
Administrative expenses		726,159	458,312
OPERATING PROFIT	3	180,447	504,866
Amounts written off loans to group undertakings		-	15,476
		180,447	520,342
Income from shares in group undertakings	6	405,973	74,000
Interest receivable and similar income	7	43,280	18,455
Amounts written off investments	8	(107,132)	(6,612)
Interest payable and similar charges	9	(232,383)	(215,695)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		290,185	390,490
Tax on profit on ordinary activities	10	644	(96,695)
RETAINED PROFIT FOR THE FINANCIAL YEAR		290,829	293,795
Balance brought forward		1,468,946	1,175,151
Balance carried forward		1,759,775	1,468,946

The company has no recognised gains or losses other than the results for the year as set out above.

All of the activities of the company are classed as continuing.

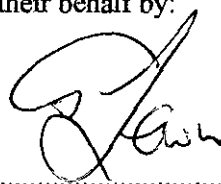
EVANS & REID COAL COMPANY LIMITED

BALANCE SHEET

30TH SEPTEMBER 2000

	Note	2000	1999
		£	£
FIXED ASSETS			
Tangible assets	11	94,787	83,044
Investments	12	2,506,971	2,906,383
		<u>2,601,758</u>	<u>2,989,427</u>
CURRENT ASSETS			
Stocks	13	339,276	262,626
Debtors	14	3,682,147	5,261,211
Cash at bank and in hand		714,384	179,319
		<u>4,735,807</u>	<u>5,703,156</u>
CREDITORS: Amounts falling due within one year	15	<u>(3,027,523)</u>	<u>(4,485,262)</u>
NET CURRENT ASSETS		<u>1,708,284</u>	<u>1,217,894</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,310,042</u>	<u>4,207,321</u>
CREDITORS: Amounts falling due after more than one year	16	<u>(1,636,765)</u>	<u>(1,824,873)</u>
		<u>2,673,277</u>	<u>2,382,448</u>
CAPITAL AND RESERVES			
Called-up equity share capital	20	863,150	863,150
Other reserves	21	50,352	50,352
Profit and Loss Account		<u>1,759,775</u>	<u>1,468,946</u>
SHAREHOLDERS' FUNDS	22	<u>2,673,277</u>	<u>2,382,448</u>

These financial statements were approved by the directors on the 10th May 2001 and are signed on their behalf by:



DIRECTOR

EVANS & REID COAL COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 30TH SEPTEMBER 2000****1. ACCOUNTING POLICIES****Basis of accounting**

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Motor vehicles	-	25% on reducing balance
Office equipment	-	25% on reducing balance

Investment property

The company has not complied with the requirements of SSAP 19, Accounting for Investment Properties, which requires properties to be included in the balance sheet at open market value as, in the opinion of the directors, the cost of obtaining a professional valuation is unwarranted, and also because, in the opinion of the directors, there would be no material difference between the cost and open market value. In accordance with SSAP 19, no depreciation is charged in the accounts.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Foreign currencies

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating result.

EVANS & REID COAL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2000

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2000 £	1999 £
United Kingdom	<u>14,575,575</u>	<u>16,250,981</u>
Sales - group undertakings	68,488	177,390
- outside customers	<u>14,507,087</u>	<u>16,073,591</u>
	<u>£14,575,575</u>	<u>£16,250,981</u>

3. OPERATING PROFIT

Operating profit is stated after charging:

	2000 £	1999 £
Amortisation of unlisted investment	280	-
Depreciation	28,190	13,824
Auditors' remuneration		
- as auditors	<u>7,150</u>	<u>4,725</u>

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2000 No.	1999 No.
Office and management	4	3
Sales	8	5
	<u>12</u>	<u>8</u>

The aggregate payroll costs of the above were:

	2000 £	1999 £
Wages and salaries	322,128	193,844
Social security costs	34,286	18,521
Staff pension contributions	54,560	40,629
Other pension costs	<u>12,174</u>	<u>11,493</u>
	<u>423,148</u>	<u>264,487</u>

EVANS & REID COAL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2000

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2000	1999
	£	£
Emoluments receivable	161,600	187,016
Value of company pension contributions to final salary scheme	35,151	30,211
Excess retirement benefits funded by the company:		
Pensions to former directors	12,174	11,076
	<u>208,925</u>	<u>228,303</u>

Of the aggregate emoluments (excluding pension premiums):

	2000	1999
	£	£
The chairman received	NIL	£11,533
The highest paid director received	£39,775	£45,746
The emoluments of the other director was within the following ranges :-		
£ 5,001 - £10,000	-	1
£10,001 - £15,000	1	-
£35,001 - £40,000	3	2

6. INCOME FROM SHARES IN GROUP UNDERTAKINGS

	2000	1999
	£	£
Intra-group dividends	<u>405,973</u>	<u>74,000</u>

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2000	1999
	£	£
Bank interest receivable	34,780	9,955
Rent receivable	8,500	8,500
	<u>43,280</u>	<u>18,455</u>

8. AMOUNTS WRITTEN OFF INVESTMENTS

	2000	1999
	£	£
Amount written off investment in group undertaking	<u>107,132</u>	<u>6,612</u>

EVANS & REID COAL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2000

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2000	1999
	£	£
Bank interest	56,903	27,810
Other interest payable	175,480	187,885
	<u>232,383</u>	<u>215,695</u>

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000	1999
	£	£
In respect of the year:		
Corporation Tax based on the results for the year at 30% (1999 - 30.50%)	1,223	97,080
Adjustment in respect of previous years:		
Corporation Tax	(1,867)	(385)
	<u>(644)</u>	<u>96,695</u>

11. TANGIBLE FIXED ASSETS

	Motor Vehicles	Office Equipment	Total
	£	£	£
COST			
At 1st October 1999	102,507	52,055	154,562
Additions	53,923	2,698	56,621
Disposals	(38,727)	(40,703)	(79,430)
At 30th September 2000	<u>117,703</u>	<u>14,050</u>	<u>131,753</u>
DEPRECIATION			
At 1st October 1999	23,564	47,954	71,518
Charge for the year	26,671	1,519	28,190
On disposals	(22,039)	(40,703)	(62,742)
At 30th September 2000	<u>28,196</u>	<u>8,770</u>	<u>36,966</u>
NET BOOK VALUE			
At 30th September 2000	<u>89,507</u>	<u>5,280</u>	<u>94,787</u>
At 30th September 1999	<u>78,943</u>	<u>4,101</u>	<u>83,044</u>

EVANS & REID COAL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2000

12. INVESTMENTS

	Shares in subsidiary undertakings £	Freehold investment property £	Unlisted investment £	Total £
COST				
At 1st October 1999	3,105,064	4,940	2,050	3,112,054
Additions	-	-	8,000	8,000
Disposals	(300,000)	-	-	(300,000)
At 30th September 2000	<u>2,805,064</u>	<u>4,940</u>	<u>10,050</u>	<u>2,820,054</u>
AMOUNTS WRITTEN OFF				
At 1st October 1999	205,671	-	-	205,671
Written off in year	107,132	-	280	107,412
At 30th September 2000	<u>312,803</u>	<u>-</u>	<u>280</u>	<u>313,083</u>
NET BOOK VALUE				
At 30th September 2000	<u>2,492,261</u>	<u>4,940</u>	<u>9,770</u>	<u>2,506,971</u>
At 30th September 1999	<u>2,899,393</u>	<u>4,940</u>	<u>2,050</u>	<u>2,906,383</u>

EVANS & REID COAL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2000

12. INVESTMENTS *(continued)*

Directors' valuation - unlisted investment

£ 9,770

SUBSIDIARY UNDERTAKINGS

	Cost £	Amount Written off £	Balance Sheet Value £
D.T. Williams (Cardiff) Ltd. 3,000 Shares of £1 each, fully paid	3,000	3,000	-
Braithwaite Heslop & Co. Ltd. 12,617 Shares of £1 each, fully paid	3,612	3,612	-
Evans & Reid Coal Concentration (Cardiff) Ltd., 100 Shares of £1 each, fully paid	65	-	65
Evans & Reid Alloys Ltd., 25,000 Shares of £1 each, fully paid	127,110	127,109	1
The Sutton Trading Co. Ltd., 50,000 Shares of £1 each, fully paid	164,450	81,690	82,760
Baker & Kernick Ltd., 100,008 Shares of £1 each, fully paid	197,392	97,392	100,000
Advanced Cellular Products Ltd., 7,824 Shares of 1p each fully paid less : reduction in purchase price	2,609,435 (300,000)	-	- 2,309,435
	<u>£2,805,064</u>	<u>£312,803</u>	<u>£2,492,261</u>

	Proportion of issued shares held	Principal activity
Evans & Reid Concentration (Cardiff) Ltd.	100%	Coal Factors
Evans & Reid Alloys Ltd.	100%	Secondary Aluminium Smelting
The Sutton Trading Co. Ltd.	100%	Dormant
Baker & Kernick Ltd.	100%	Coal Factors
Advanced Cellular Products Ltd.	78.24%	Cellular Rubber Production

Advanced Cellular Products Ltd. owns 100% of the issued share capital of St Albans Rubber Ltd. whose principal activity is also cellular rubber production.

Group financial statements have not been prepared as the company itself is a wholly owned subsidiary of a company incorporated in Great Britain.

The directors are of the opinion that the realisable value of the subsidiary undertakings would not be less than the value stated above.

EVANS & REID COAL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2000

13. STOCKS

	2000	1999
	£	£
Raw Materials	<u>339,276</u>	<u>262,626</u>

14. DEBTORS

	2000	1999
	£	£
Trade debtors	2,857,658	4,819,132
Amounts owed by group undertakings	17,320	66,609
Corporation Tax repayable	11,377	-
VAT recoverable	-	27,178
Dividends receivable	435,973	74,000
Amounts owed by group undertakings - Loans	-	240,183
Other debtors	<u>359,819</u>	<u>34,109</u>
	<u>3,682,147</u>	<u>5,261,211</u>

15. CREDITORS: Amounts falling due within one year

	2000	1999
	£	£
Income tax payable	-	428
Bank loans and overdrafts	1,352,728	1,279,454
Trade creditors	1,238,433	1,478,109
Amounts owed to group undertakings	322,233	320,321
Other creditors including taxation		
Corporation Tax	-	97,080
PAYE and social security	17,804	10,799
VAT	14,283	-
Loan notes payable	-	391,200
Amounts owed to group undertakings	<u>10,323</u>	<u>813,505</u>
	42,410	1,312,584
Accruals and deferred income	<u>71,719</u>	<u>94,366</u>
	<u>3,027,523</u>	<u>4,485,262</u>

EVANS & REID COAL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2000

16. CREDITORS: Amounts falling due after more than one year

	2000 £	1999 £
Bank loans and overdrafts	1,636,765	1,824,873
Amounts payable by instalments not wholly repayable within five years:		
Bank loan - between one and two years	205,155	188,108
- between two to five years	975,752	777,799
- after five years or more	455,858	858,966
	<u>1,636,765</u>	<u>1,824,873</u>

Borrowings include the following term loans:

Term	10 years
Principal	£1,956,000
Outstanding principal	£1,636,765
First drawn	Nov 1997
Interest	Fixed at 8.76% for 5 years
Repayment	By quarterly instalments commencing Feb 2000

The bank overdraft and loan are secured by a debenture giving a legal mortgage over the freehold property, a first fixed charge over all book debts of the company, a first floating charge over all other assets and a cross guarantee and debenture on other Group undertakings.

17. PENSIONS

The company participates in the Evans & Reid Investment Company Limited group defined pension scheme, the contribution rates of which are based upon pension costs across the Group as a whole. The scheme funds are administered by an independent insurance company and the scheme is fully funded based on a recent actuarial valuation.

The cost of each annual contribution is charged against profit evenly over the year to which it relates. The charge for the year amounted to £54,560 (1999 £40,629).

EVANS & REID COAL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2000

18. CONTINGENCIES

Under a right of set off given to its bankers the company is contingently liable to the extent of its credit balance at any time for overdraft facilities provided by the bank for the company and fourteen Group undertakings. At 30th September 2000, the contingent liability amounted to £711,703 (1999 £NIL).

The company is also contingently liable to its bankers in respect of guarantees given for :-

	2000	1999
	£	£
Loan notes payable	-	391,200
	=	=

19. RELATED PARTY TRANSACTIONS

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.

20. SHARE CAPITAL

Authorised share capital:

	2000	1999
	£	£
900,000 Ordinary shares of £1.00 each	900,000	900,000

Allotted, called up and fully paid:

	2000	1999
	£	£
Ordinary share capital	863,150	863,150

21. OTHER RESERVES

	2000	1999
	£	£
Pre-acquisition profit (not distributable by parent undertaking)	50,352	50,352

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000	1999
	£	£
Profit for the financial year	290,829	293,795
Opening shareholders' equity funds	2,382,448	2,088,653
Closing shareholders' equity funds	2,673,277	2,382,448

23. ULTIMATE PARENT COMPANY

The company is a wholly owned subsidiary of Evans & Reid Investment Company Limited, incorporated in Great Britain.