

Registrar

EVANS & REID COAL COMPANY LIMITED
FINANCIAL STATEMENTS
FOR
30TH SEPTEMBER 2002

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 2002

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 30th September 2002.

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.

DIRECTORS

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

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 pages 7 to 8, and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

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

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 2002

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.

GROUP REORGANISATION

The group to which the company belongs has been restructured by the parent undertaking Evans & Reid Investment Company Limited. The company is affected as follows :-

- a) Advanced Cellular Products Limited, a 78.24% owned subsidiary of the company changed its name to Volcrepe Limited on 22nd November 2001. On even date Volcrepe Limited, a 78.33% owned subsidiary of Evans & Reid Investment Company Limited changed its name to E & R Polymers Limited.
- b) On 1st December 2001 the net assets and trade of Volcrepe Limited and St. Albans Rubber Limited, a 100% owned subsidiary of Volcrepe Limited were transferred to E & R Polymers Limited.
- c) The shares held by Evans & Reid Investment Company Limited in E & R Polymers Limited were transferred to the company.

AUDITORS

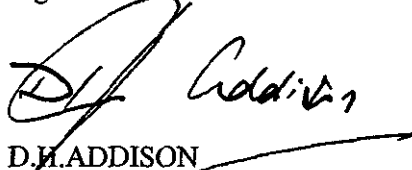
Walter Hunter & Co continue in office by virtue of section 386 Companies Act 1985.

GENERAL MEETINGS

The company has elected, in pursuance of s252 Companies Act 1985, not to lay accounts before the members in general meeting.

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

Signed on behalf of the directors


D.H. ADDISON

Company Secretary

Approved by the directors on 27th May 2003

EVANS & REID COAL COMPANY LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
YEAR ENDED 30TH SEPTEMBER 2002

We have audited the financial statements on pages 5 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 to 8.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE 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 on pages 1 to 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 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 with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom 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.

EVANS & REID COAL COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS *(continued)*

YEAR ENDED 30TH SEPTEMBER 2002

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 2002 and of the loss 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

9th June 2003



WALTER HUNTER & CO
Chartered Accountants
& Registered Auditors

EVANS & REID COAL COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 30TH SEPTEMBER 2002

	Note	2002 £	2001 £
TURNOVER	2	10,494,246	14,222,469
Cost of sales		9,717,540	13,304,393
GROSS PROFIT		776,706	918,076
Administrative expenses		735,037	732,962
OPERATING PROFIT	3	41,669	185,114
Inter company loans waived	6	2,550,072	—
Amounts written off investments	6	(2,550,072)	—
		41,669	185,114
Income from shares in group undertakings	7	84,172	50,000
Interest receivable and similar income	8	58,503	116,239
Interest payable and similar charges	9	(227,759)	(226,289)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(43,415)	125,064
Tax on (loss)/profit on ordinary activities	10	(20,472)	25,892
RETAINED(LOSS) PROFIT FOR THE FINANCIAL YEAR		(22,943)	99,172
Balance brought forward		1,858,947	1,759,775
Balance carried forward		1,836,004	1,858,947

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

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

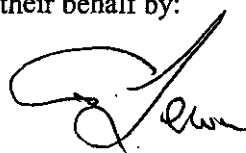
EVANS & REID COAL COMPANY LIMITED

BALANCE SHEET

30TH SEPTEMBER 2002

	Note	2002 £	2001 £
FIXED ASSETS			
Tangible assets	11	81,558	80,576
Investments	12	3,065,327	2,531,551
		<u>3,146,885</u>	<u>2,612,127</u>
CURRENT ASSETS			
Stocks	13	675,880	254,248
Debtors	14	3,213,269	3,322,916
Cash at bank and in hand		1,261,898	1,081,738
		<u>5,151,047</u>	<u>4,658,902</u>
CREDITORS: Amounts falling due within one year	15	<u>4,116,816</u>	<u>3,066,970</u>
NET CURRENT ASSETS		<u>1,034,231</u>	<u>1,591,932</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,181,116</u>	<u>4,204,059</u>
CREDITORS: Amounts falling due after more than one year	16	<u>1,431,610</u>	<u>1,431,610</u>
		<u>2,749,506</u>	<u>2,772,449</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		1,836,004	1,858,947
SHAREHOLDERS' FUNDS	22	<u>2,749,506</u>	<u>2,772,449</u>

These financial statements were approved by the directors on the 27th May 2003 and are signed on their behalf by:



.....
G.LEWIS
DIRECTOR

EVANS & REID COAL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2002

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.

Fixed assets

All fixed assets are initially recorded at cost.

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:

Plant & Machinery	-	25% on cost
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.

Pension costs

The company operates a defined benefit pension scheme for employees. The assets of the scheme are held separately from those of the company. The contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees.

EVANS & REID COAL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2002

1. ACCOUNTING POLICIES *(continued)*

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.

2. TURNOVER

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

An analysis of turnover is given below:

	2002 £	2001 £
United Kingdom	<u>10,494,246</u>	<u>14,222,469</u>
Sales - group undertakings	49,421	60,438
- outside customers	<u>10,444,825</u>	<u>14,162,031</u>
	<u>£10,494,246</u>	<u>£14,222,469</u>

3. OPERATING PROFIT

Operating profit is stated after charging:

	2002 £	2001 £
Amortisation of unlisted investment	420	420
Depreciation	27,964	26,608
Auditors' remuneration		
- as auditors	<u>6,175</u>	<u>7,065</u>

EVANS & REID COAL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2002

4. PARTICULARS OF EMPLOYEES

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

	2002	2001
	No	No
Office and management	4	4
Sales	8	8
	<u>12</u>	<u>12</u>

The aggregate payroll costs of the above were:

	2002	2001
	£	£
Wages and salaries	325,042	339,726
Social security costs	32,750	34,050
Staff pension contributions	76,161	63,884
Other pension costs	12,174	12,174
	<u>446,127</u>	<u>449,834</u>

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments, including pension contributions and amounts from subsidiary undertakings, in respect of qualifying services were:

	2002	2001
	£	£
Emoluments receivable	219,722	194,583
Value of company pension contributions to final salary scheme	63,615	46,968
Excess retirement benefits funded by the company:		
Pensions to former director	12,174	12,174
	<u>295,511</u>	<u>253,725</u>

Of the aggregate emoluments (excluding pension premiums):

	2002	2001
	£	£
The chairman received	NIL	NIL
The highest paid director received	£68,262	£47,072
The emoluments of the other director was within the following ranges :-		
£35,001 - £40,000	3	3
£40,001 - £45,000	-	1
£45,001 - £50,000	1	-

EVANS & REID COAL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2002

6. GROUP REORGANISATION

The group to which the company belongs has been restructured by the parent undertaking Evans & Reid Investment Company Limited. The company is affected as follows:-

a)Advanced Cellular Products Limited, a 78.24% owned subsidiary of the company changed its name to Volcrepe Limited on 22nd November 2001. On even date Volcrepe Limited, a 78.33% owned subsidiary of Evans & Reid Investment Company Limited changed its name to E & R Polymers Limited.

b)On 1st December 2001 the net assets and trade of Volcrepe Limited and St. Albans Rubber Limited, a 100% owned subsidiary of Volcrepe Limited were transferred to E & R Polymers Limited.

c)The shares held by Evans & Reid Investment Company Limited in E & R Polymers Limited were transferred to the company.

The effect of the group reorganisation is as follows :

	2002 £	2001 £
Amount written off investments	(2,550,072)	-
Inter company loans waived	<u>2,550,072</u>	<u>-</u>

7. INCOME FROM SHARES IN GROUP UNDERTAKINGS

	2002 £	2001 £
Intra-group dividends	<u>84,172</u>	<u>50,000</u>

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2002 £	2001 £
Bank interest receivable	45,878	107,739
Rent receivable	12,625	8,500
	<u>58,503</u>	<u>116,239</u>

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £	2001 £
Bank interest	70,411	59,375
Other interest payable	157,348	166,914
	<u>227,759</u>	<u>226,289</u>

EVANS & REID COAL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2002

10. TAX ON LOSS OR PROFIT ON ORDINARY ACTIVITIES

	2002 £	2001 £
Current tax:		
UK Corporation tax based on the results for the year at 30% (2001 - 30%)	-	26,000
Adjustment to prior year	(472)	(108)
	(472)	25,892
Group relief receivable	(20,000)	-
Total current tax	<u>(20,472)</u>	<u>25,892</u>

11. TANGIBLE FIXED ASSETS

	Plant & Machinery £	Motor Vehicles £	Office Equipment £	Total £
COST				
At 1st October 2001	4,000	116,341	14,050	134,391
Additions	5,350	38,596	-	43,946
Disposals	-	(39,458)	-	(39,458)
At 30th September 2002	<u>9,350</u>	<u>115,479</u>	<u>14,050</u>	<u>138,879</u>
DEPRECIATION				
At 1st October 2001	1,000	42,725	10,090	53,815
Charge for the year	2,338	24,636	990	27,964
On disposals	-	(24,458)	-	(24,458)
At 30th September 2002	<u>3,338</u>	<u>42,903</u>	<u>11,080</u>	<u>57,321</u>
NET BOOK VALUE				
At 30th September 2002	<u>6,012</u>	<u>72,576</u>	<u>2,970</u>	<u>81,558</u>
At 30th September 2001	<u>3,000</u>	<u>73,616</u>	<u>3,960</u>	<u>80,576</u>

EVANS & REID COAL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2002

12. INVESTMENTS

	Shares in subsidiary and associated undertakings	Freehold investment property	Unlisted investment	Total
	£	£	£	£
COST				
At 1st October 2001	2,823,452	4,940	10,050	2,838,442
Additions	3,190,356	—	—	3,190,356
Disposals	(2,656,160)	—	—	(2,656,160)
At 30th September 2002	<u>3,357,648</u>	<u>4,940</u>	<u>10,350</u>	<u>3,372,638</u>
AMOUNTS WRITTEN OFF				
At 1st October 2001	306,191	—	700	306,891
Written off in year	—	—	420	420
At 30th September 2002	<u>306,191</u>	<u>—</u>	<u>1,120</u>	<u>307,311</u>
NET BOOK VALUE				
At 30th September 2002	<u>3,051,457</u>	<u>4,940</u>	<u>8,930</u>	<u>3,065,327</u>
At 30th September 2001	<u>2,517,261</u>	<u>4,940</u>	<u>9,350</u>	<u>2,531,551</u>

EVANS & REID COAL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2002

12. INVESTMENTS (continued)

Directors' valuation - unlisted investment

£ 8,930

SUBSIDIARY UNDERTAKINGS

	Cost £	Amount Written off £	Balance Sheet Value £
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
E & R Polymers Limited 213,502 Shares of £1 each fully paid	2,843,631	-	2,843,631
Volcrepe Limited (formerly Advanced Cellular Products Ltd.,) 9,500 Shares of 1p each fully paid	-	-	-
ASSOCIATED UNDERTAKING			
The Principality Fuel Co. Ltd. 25,000 Shares of £1 each fully paid	25,000	-	25,000
	<u>£3,357,648</u>	<u>£306,191</u>	<u>£3,051,457</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%	Dormant
The Principality Fuel Co. Ltd.	50%	Solid and other fuel factors
E & R Polymers Limited	88.34%	Cellular Rubber Production

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

EVANS & REID COAL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2002

13. STOCKS

	2002	2001
	£	£
Raw materials	<u>675,880</u>	<u>254,248</u>

14. DEBTORS

	2002	2001
	£	£
Trade debtors	3,054,418	3,189,891
Amounts owed by group undertakings	15,983	14,474
Corporation tax repayable	20,000	—
Dividends receivable	40,000	50,000
Amounts owed by group undertakings - loans	25,000	25,000
Other debtors	57,868	43,551
	<u>3,213,269</u>	<u>3,322,916</u>

15. CREDITORS: Amounts falling due within one year

	2002	2001
	£	£
Bank loans	524,390	524,390
Overdrafts	1,727,678	1,032,258
Trade creditors	1,188,163	967,017
Amounts owed to group undertakings	547,913	403,887
Other creditors including taxation and social security:		
Corporation tax	—	26,000
PAYE and social security	15,501	14,409
VAT	55,732	28,319
Amounts owed to group undertakings	<u>7,400</u>	<u>12,455</u>
	78,633	81,183
Accruals and deferred income	<u>50,039</u>	<u>58,235</u>
	<u>4,116,816</u>	<u>3,066,970</u>

EVANS & REID COAL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2002

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

	2002 £	2001 £
Bank loans and overdrafts	<u>1,431,610</u>	<u>1,431,610</u>
Maturity of bank loans and overdrafts:		
In one year or less	2,252,068	1,556,648
Between one and two years	268,426	286,322
Between two and five years	1,073,708	858,966
After five years or more	89,476	286,322
	<u>3,683,678</u>	<u>2,988,258</u>

Borrowings include the following term loans:

Term	10 years
Principal	£1,956,000
Outstanding principal	£1,431,610
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. FRS 17 Retirement Benefits

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 participating undertakings as a whole. However being a multiple employer scheme the company is unable to identify its share of the underlying assets and liabilities. The scheme funds are administered by an independent insurance company and any surplus/ deficit will be accounted for by Evans & Reid Investment Company Limited, its holding company.

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 £76,161 (2001 £63,884).

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 eleven Group undertakings. At 30th September 2002, the contingent liability amounted to £699,761 (2001 £NIL).

EVANS & REID COAL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2002

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:

	2002 £	2001 £
900,000 Ordinary shares of £1 each	<u>900,000</u>	<u>900,000</u>

Allotted, called up and fully paid:

	2002 No	£	2001 No	£
Ordinary shares of £1 each	<u>863,150</u>	<u>863,150</u>	<u>863,150</u>	<u>863,150</u>

21. OTHER RESERVES

	2002 £	2001 £
Pre-acquisition profit (not distributable by parent undertaking)	<u>50,352</u>	<u>50,352</u>

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
(Loss)/Profit for the financial year	(22,943)	99,172
Opening shareholders' equity funds	<u>2,772,449</u>	<u>2,673,277</u>
Closing shareholders' equity funds	<u>2,749,506</u>	<u>2,772,449</u>

23. ULTIMATE PARENT COMPANY

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