

SHELL COAL INTERNATIONAL LIMITED

DIRECTORS' REPORT

AND ACCOUNTS

1996

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Registered in England: 405724



## SHELL COAL INTERNATIONAL LIMITED

### REPORT OF THE DIRECTORS

The Directors submit their Annual Report and audited accounts for the year ended 31st December 1996.

#### DIRECTORS

The Directors of the Company during the year ended 31st December 1996 were as follows:

M.A. van den Bergh (Chairman)	H.G. Dijkgraaf (Managing)
D.J. de Jong (appointed 31/10/96)	J.A. de Kreij
L.I. Mutch	M.P. Treanor

Since the year end, L.R. Flint, G.I. Griffiths, T.D.R. Morrison and W. van de Vijver have been appointed as Directors, and M.A. van den Bergh, D.J. de Jong, J.A. de Kreij, H.G. Dijkgraaf, L.I. Mutch and M.P. Treanor have resigned as Directors.

Directors' interests in shares, pursuant to the Companies Act 1985, are set out in Note 6 to the accounts.

#### PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Company is a wholly-owned subsidiary undertaking of The Shell Petroleum Company Limited which, in turn, is a subsidiary undertaking of N.V. Koninklijke Nederlandsche Petroleum Maatschappij (Royal Dutch Petroleum Company) which owns 60% of its share capital, the remaining 40% being owned by The "Shell" Transport and Trading Company, p.l.c. (Shell Transport).

The principal activity of the Company is the management of the coal related part of the business of Shell International Petroleum Company Limited, a fellow subsidiary undertaking.

Under the terms of the management agreement between the Company and Shell International Petroleum Company Limited, the Company receives a service fee of £25,000 per annum.

No significant change in the business of the Company has taken place during the year. During 1997 the Company will become a wholly-owned subsidiary undertaking of Shell Coal Holdings Limited which is a subsidiary undertaking of The Shell Petroleum Company Limited. The principal activity of the Company will then become the marketing and trading of coals acquired from Group and third party sources.

The Directors recommend that no dividend be paid for the year ended 31st December 1996.

#### PROFIT AND LOSS ACCOUNT

	£
Profit for the financial year	16,247
Balance at beginning of year	(66,651)
Balance at end of year	(50,404)

## STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARATION OF THE FINANCIAL STATEMENTS

The Companies Act 1985 requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those accounts, the Directors are required to:

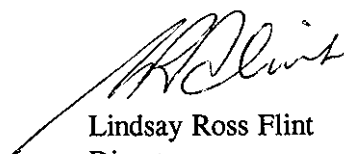
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 1985. They 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

The Company has passed an Elective Resolution in accordance with the Companies Act 1985 to dispense with the holding of annual general meetings, the laying of accounts and reports before general meetings and the annual reappointment of Auditors. Price Waterhouse will, accordingly, continue in office as Auditors of the Company pursuant to Section 386 of the Companies Act 1985. However, pursuant to Section 253(2) of the Companies Act 1985, any Member or the Auditors of the Company may require the accounts and reports to be laid before a general meeting by depositing a notice to that effect at the registered office of the Company not later than 28 days after the despatch of the accounts and reports to members.

BY ORDER OF THE BOARD



Lindsay Ross Flint  
Director

23rd September 1997

AUDITORS' REPORT TO THE SHAREHOLDERS OF SHELL COAL  
INTERNATIONAL LIMITED

We have audited the financial statements on pages 4 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of Directors and Auditors

As described on page 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 31st December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Price Waterhouse

Chartered Accountants

and Registered Auditors

23rd September 1997

Southwark Towers,

32 London Bridge Street,

LONDON, SE1 9SY.

SHELL COAL INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT - for the year ended 31st December 1996

		<u>1996</u>	<u>1995</u>
	<u>Note</u>	<u>£</u>	<u>£</u>
Turnover - continuing operations	2	25,000	25,000
Administrative expenses		<u>(750)</u>	<u>(768)</u>
OPERATING PROFIT - continuing operations		<u>24,250</u>	<u>24,232</u>
Profit on ordinary activities before taxation	3	24,250	24,232
Tax on profit on ordinary activities	5	<u>(8,003)</u>	<u>(7,997)</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR		16,247	16,235
Balance at beginning of year		<u>(66,651)</u>	<u>(82,886)</u>
BALANCE AT END OF YEAR		<u>(50,404)</u>	<u>(66,651)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES - for the year ended 31st December 1996


There were no recognised gains and losses other than the profit for the current and previous years.

SHELL COAL INTERNATIONAL LIMITED

BALANCE SHEET - at 31st December

		<u>1996</u>	<u>1995</u>
	<u>Note</u>	<u>£</u>	<u>£</u>
CURRENT ASSETS			
Debtors	7	33,349	17,096
CREDITORS - amounts falling due within one year	8	<u>(8,753)</u>	<u>(8,747)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>24,596</u>	<u>8,349</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>24,596</u>	<u>8,349</u>
CAPITAL AND RESERVES			
Equity Interest:			
Called up share capital	9	75,000	75,000
Profit and loss account		<u>(50,404)</u>	<u>(66,651)</u>
Shareholders' funds	10	<u>24,596</u>	<u>8,349</u>

The accounts were approved by the Board of Directors on the 23rd September 1997 and were signed on its behalf by:



Lindsay Ross Flint  
Director

## SHELL COAL INTERNATIONAL LIMITED

### NOTES TO THE ACCOUNTS - for the year ended 31st December 1996

#### 1. ACCOUNTING POLICIES

##### a) Accounting Convention

The financial statements have been prepared under the historical cost convention.

##### b) Compliance with Accounting Standards

The financial statements have been prepared in accordance with applicable accounting standards.

##### c) Group Accounts

The Ultimate Parent Company is N.V. Koninklijke Nederlandsche Petroleum Maatschappij (Royal Dutch Petroleum Company) which is incorporated in the Netherlands.

The accounts of the Company are incorporated in the financial statements of the Royal Dutch/Shell Group of Companies which are included in the Annual Reports of Royal Dutch Petroleum Company and The "Shell" Transport and Trading Company, p.l.c.

Copies of the financial statements of the Royal Dutch/Shell Group of Companies are available from:

Group Investor Relations  
FTC Division  
Shell Centre  
LONDON  
SE1 7NA

##### d) Activities

The Company, as manager of the coal related business of Shell International Petroleum Company Limited, a fellow subsidiary undertaking, also entered into trade contracts in its own name, on behalf of Shell International Petroleum Company Limited. All results of these contracts are reflected within the accounts of Shell International Petroleum Company Limited and do not affect the accounts of the Company.

##### e) Cash Flow Statements

In accordance with the exemption allowed by paragraph 5(a) of Financial Reporting Standard 1, a cash flow statement for the Company has not been provided.

##### f) Related Party Disclosures

In accordance with the exemption allowed by paragraph 3(c) of Financial Reporting Standard 8, no disclosure is made of transactions with other member companies of the Royal Dutch/Shell Group and related parties of the Group.

## PROFIT AND LOSS ACCOUNT

### 2. Turnover

Turnover represents the receipt of a management fee from a fellow UK subsidiary undertaking.

### 3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging the following:

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Auditors' remuneration for audit services	750	750

### 4. Historical Cost Profits and Losses

There were no differences between reported profits and historical profits on ordinary activities before taxation.

### 5. Taxation

The charge for the year is made up as follows:

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
i) United Kingdom Corporation Tax	<u>8,003</u>	<u>7,997</u>

It is the policy of the Company, and of other Group undertakings, to record a tax charge or credit in the profit and loss account calculated at the tax rate prevailing in the year for tax payable to the Inland Revenue, or for group relief to be surrendered to or received from other Group undertakings, and for which payment may be requested. In the event that payment should be made at a rate different from the tax rate prevailing in the relevant year, adjustments would be taken up to reflect the rate differential.



6. Directors

- a) Information relating to Directors' emoluments and pensions pursuant to Section 232 of and Schedule 6 to the Companies Act 1985.

None of the directors received any emoluments (1995 - nil) in respect of their services to the company.

- b) Directors' interests in shares of Royal Dutch Petroleum Company

- i) The Directors' shareholding and debenture-holding interests (other than share options) in Royal Dutch Petroleum Company ("Royal Dutch") and its subsidiary undertakings recorded in the Register of such interests were as follows:

	<u>Royal Dutch Ordinary Shares N.Fl. 5 each</u>		<u>Royal Dutch 4% Priority Shares N.Fl. 1000 each</u>	
	<u>1st January 1996</u>	<u>31st December 1996</u>	<u>1st January 1996</u>	<u>31st December 1996</u>
M.A. van den Bergh	980	980	6	6

- ii) The interests of the Directors of the Company in shares of Royal Dutch under share option schemes as recorded in the Register of such interests were as follows:

	<u>Royal Dutch Ordinary shares N.Fl.5</u>			
	<u>Options Outstanding 1st January 1996</u>	<u>Options Granted</u>	<u>Options Exercised</u>	<u>Options Outstanding 31st December 1996</u>
M.A. van den Bergh	24,000	12,000	21,000	15,000
H.G. Dijkgraaf	3,500	5,000	-	8,500
D.J. de Jong	1,350	1,350	-	2,700
J.A. de Kreij	8,500	-	8,500	-

## BALANCE SHEET

### 7. Debtors - amounts falling due within one year

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Amounts owed by Group undertakings:		
Parent undertaking	8,349	17,096
Fellow subsidiary undertaking	<u>25,000</u>	<u>-</u>
	<u>33,349</u>	<u>17,096</u>

### 8. Creditors - amounts falling due within one year

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Taxation payable	8,003	7,997
Accruals and deferred income	<u>750</u>	<u>750</u>
	<u>8,753</u>	<u>8,747</u>

The corporation tax liability represents the current year's tax charge calculated based on the current tax rate which will either be settled by payment to the Inland Revenue or by payment to Group companies for group relief.

### 9. Called up share capital

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
75,000 Authorised, allocated and fully paid ordinary shares of £1 each	<u>75,000</u>	<u>75,000</u>

### 10. Reconciliation of movements in shareholders' funds

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Profit for the financial year	16,247	16,235
Opening shareholders' funds	<u>8,349</u>	<u>(7,886)</u>
Closing shareholders' funds	<u>24,596</u>	<u>8,349</u>