

SHELL COAL MARKETING LIMITED  
(formerly SHELL COAL INTERNATIONAL LIMITED)

DIRECTORS' REPORT

AND ACCOUNTS

1997

CONTENTS

REPORT OF THE DIRECTORS

REPORT OF THE AUDITORS

PROFIT AND LOSS ACCOUNT

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

BALANCE SHEET

NOTES TO THE ACCOUNTS

Registered in England: 405724



SHELL COAL MARKETING LIMITED (formerly SHELL COAL INTERNATIONAL LIMITED)

REPORT OF THE DIRECTORS

The Directors submit their Annual Report and audited accounts for the year ended 31st December 1997.

DIRECTORS

The Directors of the Company during the year ended 31st December 1997 were as follows:

M.A. van den Bergh (resigned 8/9/97)	H.G. Dijkgraaf (resigned 21/7/97)
D.J. de Jong (resigned 8/9/97)	J.A. de Kreij (resigned 31/3/97)
L.I. Mutch (resigned 8/9/97)	M.P. Treanor (resigned 8/9/97)
L.R. Flint (appointed 8/9/97)	G.I. Griffiths (appointed 8/9/97)
T.D.R. Morrison (appointed 8/9/97)	W. van de Vijver (appointed 8/9/97)

Since the year end M.J. Rowe and K. de Segundo have been appointed directors and G.I. Griffiths and W. van de Vijver have resigned.

Directors' interests in shares, pursuant to the Companies Act 1985, are set out in Note 7 to the accounts.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the Company is the marketing and trading of coals acquired from Group and third party sources.

During 1997 the Company became a wholly-owned subsidiary undertaking of Shell Coal Holdings Limited which is a subsidiary undertaking of The Shell Petroleum Company Limited.

On 4 July 1997 the Company took over the Tavistock Agency agreement from Shell International Petroleum Company Ltd. The remainder of the Shell International Petroleum Company Ltd's coal business was transferred to the Company on 1 January 1998.

In 1998 a special resolution was passed changing the Company's name to Shell Coal Marketing Limited.

The Directors recommend that no dividend be paid for the year ended 31st December 1997.

## 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:

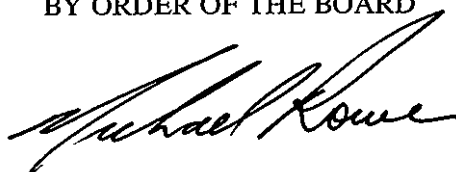
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts 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

Following the merger on 1 July 1998 of the company's auditors, Price Waterhouse, with Coopers & Lybrand, the new firm, PricewaterhouseCoopers has been appointed auditors to the Company. 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. PricewaterhouseCoopers 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



Michael John Rowe  
Director

7 October 1998

AUDITORS' REPORT TO THE SHAREHOLDERS OF SHELL COAL MARKETING LIMITED  
(formerly SHELL COAL INTERNATIONAL LIMITED)

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 to 7.

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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

Registered Auditors

7 October 1998

Southwark Towers,

32 London Bridge Street,

LONDON, SE1 9SY.

SHELL COAL MARKETING LIMITED (formerly SHELL COAL INTERNATIONAL LIMITED)

PROFIT AND LOSS ACCOUNT - for the year ended 31st December 1997

		<u>1997</u>	<u>1996</u>
	<u>Note</u>	<u>£</u>	<u>£</u>
Turnover -	2		
Continuing operations		-	-
Acquisitions		40,756,718	-
Discontinued operations		<u>25,000</u>	<u>25,000</u>
		40,781,718	25,000
Cost of sales	3	<u>(39,887,198)</u>	<u>-</u>
GROSS PROFIT/(LOSS)		894,520	25,000
Net operating expenses	3	<u>(625,831)</u>	<u>(750)</u>
OPERATING PROFIT			
Continuing operations		-	-
Acquisitions		243,689	-
Discontinued operations		<u>25,000</u>	<u>24,250</u>
		<u>268,689</u>	<u>24,250</u>
Profit on ordinary activities before taxation	4	268,689	24,250
Tax on profit on ordinary activities	6	<u>(89,368)</u>	<u>(8,003)</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR		179,321	16,247
Balance at beginning of year		<u>(50,404)</u>	<u>(66,651)</u>
BALANCE AT END OF YEAR		<u>128,917</u>	<u>(50,404)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES - for the year ended 31st December 1997

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

SHELL COAL MARKETING LIMITED (formerly SHELL COAL INTERNATIONAL LIMITED)

BALANCE SHEET - at 31st December

	Note	<u>1997</u> £	<u>1996</u> £
CURRENT ASSETS			
Debtors	8	13,689,678	33,349
CREDITORS - amounts falling due within one year	9	(10,485,761)	(8,753)
NET CURRENT ASSETS		<u>3,203,917</u>	<u>24,596</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,203,917</u>	<u>24,596</u>
CAPITAL AND RESERVES			
Equity Interest:			
Called up share capital	11	3,075,000	75,000
Profit and loss account		<u>128,917</u>	(50,404)
Shareholders' funds	12	<u>3,203,917</u>	<u>24,596</u>

The accounts were approved by the Board of Directors on the 7th October 1998 and were signed on its behalf by:



Lindsay Ross Flint  
Director

SHELL COAL MARKETING LIMITED (formerly SHELL COAL INTERNATIONAL LIMITED)

NOTES TO THE ACCOUNTS - for the year ended 31st December 1997

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 Company is a wholly-owned subsidiary undertaking of Shell Coal Holding Limited which, in turn, 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 Royal Dutch Petroleum Company has the right to appoint the majority of the Directors of The Shell Petroleum Company Limited.

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) Foreign Currency Translation

Income and expenses items denominated in foreign currencies are translated into Sterling at the average rate ruling on their transaction date.

Assets and liabilities recorded in foreign currencies have been expressed in Sterling at the rates of exchange ruling on 31 December 1997. Differences on translation are included in the profit and loss account.

e) Leased assets

Assets leased under finance and operating leases have been accounted for on the basis prescribed by SSAP 21. Hence assets held under finance leases are reported as fixed assets, with the corresponding lease obligation as a liability.

f) 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.

g) 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 or investees of the Group qualifying as related parties.



## PROFIT AND LOSS ACCOUNT

2. <u>Turnover</u>	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
<u>Geographical markets</u>		
Europe	25,474,282	25,000
Other Eastern Hemisphere	<u>15,307,436</u>	<u>-</u>
	<u>40,781,718</u>	<u>25,000</u>
<u>Class of Business</u>		

Turnover is principally related, directly or indirectly, to the coal business.

### 3. Cost of Sales and Net Operating Expenses

	<u>£</u>	<u>£</u>	<u>1997</u>	<u>1996</u>
	Continuing	Discontinued	Total	Total
Cost of Sales	39,887,198	-	39,887,198	-
Marketing costs	625,151	-	625,151	-
Administrative expenses	<u>680</u>	<u>-</u>	<u>680</u>	<u>750</u>
	<u>40,513,029</u>	<u>-</u>	<u>40,513,029</u>	<u>750</u>

### 4) Profit on ordinary activities before taxation

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

	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
Auditors' remuneration for audit services	7,900	750

### 5) Historical Cost Profits and Losses

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

### 6) Taxation

The charge for the year is made up as follows:

	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
i) United Kingdom Corporation Tax at the rate of 31.5 % (1996 : 33 %)	<u>89,368</u>	<u>8,003</u>

The Company has no unprovided deferred tax.

7. Directors

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

	<u>1997</u> <u>£</u>	<u>1996</u> <u>£</u>
Aggregate emoluments	26,447	-

The number of directors to whom retirement benefits are accruing is as follows:

	<u>1997</u> <u>Number</u>	<u>1996</u> <u>Number</u>
In respect of defined benefit schemes	1	-

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

- i) According to the Register recording such interest, no Director who was in office on 31<sup>st</sup> December 1997 had any such shareholdings or debenture-holding interests as are referred to in the Companies Act 1985.
- 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>Options</u> <u>Outstanding</u> <u>1st January</u> <u>1997#</u>	<u>Options</u> <u>Granted</u>	<u>Options</u> <u>Exercised</u>	<u>Royal Dutch Ordinary shares N.Fl.1.25</u> <u>Options</u> <u>Outstanding</u> <u>31st December</u> <u>1997</u>
L. R. Flint	4,800	2,400	-	7,200
W. van de Vijver .	7,200	10,000	-	17,200

According to the Register of Directors' interests, no other Directors had any such interests in the above-named undertaking nor in any other undertaking requiring disclosure under the Companies Act 1985.

# All shares and option holdings have been adjusted where necessary to reflect the stock split of one N.Fl. 5 share into four N.Fl 1.25 shares with effect from 30 June 1997.

## BALANCE SHEET

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

	<u>1997</u> £	<u>1996</u> £
Trade debtors	850,438	-
Amounts owed by Group undertakings:		
Parent undertaking	12,839,240	8,349
Fellow subsidiary undertaking	<u>-</u>	<u>25,000</u>
	<u>13,689,678</u>	<u>33,349</u>

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

	<u>1997</u> £	<u>1996</u> £
Trade creditors	10,395,713	-
Taxation payable	89,368	8,003
Accruals and deferred income	<u>680</u>	<u>750</u>
	<u>10,485,761</u>	<u>8,753</u>

### 10. Commitments under operating leases

At 31 December 1997 the Company had annual commitments under operating leases as follows:

	<u>1997</u> £	<u>1996</u> £
Land and buildings:		
Lease expiring - after five years	<u>120,000</u>	<u>-</u>

### 11. Called up share capital

	£
At 1 January 1997 75,000 Authorised, allocated and fully paid ordinary shares of £1 each	75,000
3,000,000 allocated fully paid ordinary shares of £1 each issued during the 1997	<u>3,000,000</u>
At 31 December 1997 3,075,000 Authorised, allocated and fully paid ordinary shares of £1 each	<u>3,075,000</u>

The Share Capital issued during the year provided the finances required for the expansion of the Company's trading activities.

12. Reconciliation of movements in shareholders' funds

	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
Profit for the financial year	179,321	16,247
New share capital subscribed	<u>3,000,000</u>	<u>-</u>
Net addition to shareholders' fund	3,179,321	16,247
Opening shareholders' funds	<u>24,596</u>	<u>8,349</u>
Closing shareholders' funds	<u>3,203,917</u>	<u>24,596</u>