Registered no: 3075502

CPL Distribution Limited

Annual report

for the nine months ended 30 March 1996

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Pages

Directors and advisers

Directors

D E Foster (Chairman)
S Howarth
K Broom
B A Williams
W F Clarke

Secretary and Registered Office

B J Bean
Mill Lane
Wingerworth
Chesterfield
Derbyshire
S42 6NG

Registered Auditors

Coopers & Lybrand
1 East Parade
Sheffield
S1 2ET

Solicitors

Dibb Lupton Broomhead
Fountain Precinct
Balm Green
Sheffield
S1 1RZ

Bankers

National Westminster Bank plc
5 Market Place
Chesterfield
Derbyshire
S40 1TJ

Directors' report
for the nine months ended 30 March 1996

The directors present their report and the audited financial statements for the nine months ended 30 March 1996. The company was incorporated on 4 July 1995 and changed its name from Truckalloy to CPL Distribution Limited.

Principal activities

The principal activities of the company are the wholesale and retail of solid fuel.

Review of business and future developments

The profit and loss account for the year is set out on page 7.

On 4 July 1995, the company was incorporated under the name Truckalloy Limited. On 1 September 1995, the company changed its name to Coal Products Distribution Limited and on 7 September 1995, the company changed its name to CPL Distribution Limited.

On 5 October 1995, the company acquired the trade, assets and liabilities of Anglo Coal Limited for a consideration of £14.8m. Further details can be found in note 16 to the financial statements.

Both the level of business and the year end financial position remain satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future.

Dividends

The directors do not recommend the payment of a dividend.

Directors

The directors of the company at 30 March 1996 are listed below:

D E Foster (Chairman) (appointed 27 July 1995)
S Howarth (appointed 31 August 1995)
K Broom (appointed 27 July 1995)
B A Williams (appointed 31 August 1995)
W F Clarke (appointed 31 August 1995)
Instant Companies Limited (appointed 4 July 1995, resigned 27 July 1995)
Swift Incorporations Limited (appointed 4 July 1995, resigned 27 July 1995)

There is no requirement for directors to retire by rotation.

Directors' interests in the shares of the company

According to the register kept in accordance with the Companies Act 1985, the directors had no interests at any time during the year in the shares of the company.

All the directors at 30 March 1996 are also directors of the ultimate holding company and their interests in the shares of group companies are disclosed in the directors report of that company.

Charitable and political donations

During the year the company made charitable donations of £779 but made no donations in the year for political purposes.

Employment policy

The policy of the directors is to encourage the involvement of all employees in the development and performance of the company. All employees receive notification of important developments, acquisitions and other matters of interest through regular editions and of the parent company's journal.

The company pursues a policy of providing, wherever possible, the same employment opportunities to disabled persons as to others, having regard to the aptitudes and abilities of each applicant. Efforts are made to enable employees who become disabled during their employment to continue their careers with the company. Training, career development and promotion of disabled persons is, as far as possible, identical to that of other employees who are not disabled.

The company recognises the high standards required to ensure the health, safety and welfare of its employees at work, its customers and the general public. The policies in this regard are regularly reviewed with the objective of ensuring these standards are maintained.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board

B J Bean
Company Secretary
7 August 1996

Statement of directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the nine months period ended 30 March 1996. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

B J Bean
Company Secretary
7 August 1996

Report of the auditors to the members of CPL Distribution Limited

We have audited the financial statements on pages 7 to 18.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of 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 at 30 March 1996 and of its loss for the nine months then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants and Registered Auditors
Sheffield
7 August 1996

Profit and loss account for the nine months ended 30 March 1996

	Notes	Nine months ended 30 March 1996 £'000
Turnover	2	66,182
Net operating expenses	3	(64,503)
Exceptional operating expenses	3	(742)
Operating profit		
Continuing operations		937
Acquisitions		-
Total operating profit		937
Net interest charges	6	(964)
Loss on ordinary activities before taxation	7	(27)
Tax on loss on ordinary activities	8	(456)
Retained loss for the financial period	17	(483)

The company has no recognised gains and losses other than the losses above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the period stated above, and their historical cost equivalents.

All of the above turnover and operating profit relates to acquisitions made in the period.

Reconciliation of movements in shareholders funds

	Nine months ended 30 March 1996 £'000
Loss for the financial year	(483)
Goodwill acquired during the year	(6,743)
Closing shareholders funds	(7,226)

Balance sheet
at 30 March 1996

	Notes	1996 £'000
Fixed assets		
Tangible assets	9	3,668
Current assets		
Stocks	10	3,846
Debtors	11	22,913
Cash at bank and in hand		2,162
		28,921
Creditors: amounts falling due within one year	12	(23,908)
Net current assets		5,013
Total assets less current liabilities		8,681
Creditors: amounts falling due after more than one year	13	(15,907)
Net liabilities		(7,226)
Capital and reserves		
Called up share capital	15	-
Other reserves	17	(6,743)
Profit and loss account	17	(483)
Equity shareholders' funds		(7,226)

The financial statements on pages 7 to 18 were approved by the board of directors on 7 August 1996 and were signed on its behalf by:

K Broom
Finance Director

Notes to the financial statements for the nine months ended 30 March 1996

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistent, is set out below.

Fundamental accounting concept

The accounts have been prepared under the going concern concept which assumes the continual financial support of Coal Products Holdings Limited. Coal Products Holdings Limited has confirmed that support will be forthcoming for the foreseeable future.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill arising on the acquisition of subsidiaries and associates is written off immediately against reserves.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal rates used for this purpose are:

Freehold buildings and leasehold properties	50 years or over period of lease if less than 50 years
Plant and machinery	3-20 years
Motor vehicles	5 years

Freehold land is not depreciated.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitment is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Turnover

Turnover, which excludes valued added tax and trade discounts, represents the invoiced value of goods and services supplied.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise. Full provision is made for deferred taxation on timing differences arising from the provision of employee pensions.

Pension scheme arrangements

The company operates a defined benefit pension scheme. The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme.

The company provides no other post retirement benefits to its employees.

2 Turnover

Turnover consists entirely of sales made in the United Kingdom.

3 Net operating expenses

	Nine months ended 30 March 1996 £'000
Continuing operations - acquisitions	
Raw materials and components	53,559
Other external charges	2,015
Employee costs	3,724
Exceptional costs	742
Depreciation	256
Other operating costs	3,113
	63,409
Decrease in stocks	2,497
Other operating income	(661)
	65,245

Exceptional items

Restructuring costs of £742,000 relate to the post-acquisition reorganisation and integration of the assets and liabilities of Anglo Coal Limited.

4 Directors' emoluments

None of the directors received any emoluments from the company for their services.

5 Employee information

The average weekly number of persons (including executive directors) employed by the company during the period was:

	1996 Number
By activity	
Selling and distribution	415
Administration	86
	501

	Nine months ended 30 March 1996 £'000
Staff costs (for the above persons)	
Wages and salaries	3,971
Social security costs	262
Other pension costs	233
	4,466

6 Net interest payable and similar charges

	Nine months ended 30 March 1996 £'000
Interest payable	
Bank overdraft	124
Group borrowings	865
	989
Bank interest receivable	(25)
	964

7 Loss on ordinary activities before taxation

	Nine months ended 30 March 1996 £'000
Loss on ordinary activities before taxation is stated after charging:	
Loss on disposal of tangible fixed assets	12
Depreciation charge for the year:	
- Tangible owned fixed assets	254
- Tangible fixed assets held under finance leases	2
Auditors remuneration for:	
- Audit	60
Hire of other assets - operating leases	382

8 Tax on loss on ordinary activities

	Nine months ended 30 March 1996 £'000
United Kingdom corporation tax at 33%	
Current	456

9 Tangible fixed assets

	Freehold land and buildings £'000	Short leasehold £'000	Plant and machinery £'000	Motor vehicles £'000	Long leasehold £'000	Total £'000
Cost						
Additions from acquisitions	2,119	289	9,461	95	156	12,120
Additions	-	-	138	-	-	138
Disposals	-	(5)	(252)	(62)	-	(319)
Group transfers in/(out)	(133)	-	(2,779)	(11)	-	(2,923)
At 30 March 1996	**1,986**	**284**	**6,568**	**22**	**156**	**9,016**
Depreciation						
Additions from acquisitions	19	203	7,061	67	32	7,382
Charge for period	1	8	243	1	3	256
Disposals	-	(5)	(218)	(45)	-	(268)
Group transfers in/(out)	(17)	-	(1,995)	(10)	-	(2,022)
At 30 March 1996	**3**	**206**	**5,091**	**13**	**35**	**5,348**
Net book value						
At 30 March 1996	**1,983**	**78**	**1,477**	**9**	**121**	**3,668**

The net book value of tangible fixed assets includes an amount of £15,000 in respect of assets held under finance leases.

10 Stocks

	1996 £'000
Goods for resale	**3,846**

11 Debtors

	1996 £'000
Amounts falling due within one year	
Trade debtors	**18,945**
Amounts owed by group undertakings	**1,418**
Other debtors	**2,178**
Prepayments and accrued income	**372**
	22,913

12 Creditors: amounts falling due within one year

	1996 £'000
Bank overdrafts (see below)	3,784
Obligations under finance leases	7
Trade creditors	14,570
Amounts owed to group undertakings	2,260
Group relief payable	456
Other taxation and social security	1,110
Other creditors	147
Accruals and deferred income	1,574
	23,908

The bank overdraft is secured by a fixed and floating charge over all assets of the company. Interest is payable at LIBOR plus 2.5%.

13 Creditors: amounts falling due after more than one year

	1996 £'000
Obligations under finance leases	7
Amounts owed to parent company	15,900
	15,907

Finance leases

The net finance lease obligations to which the company is committed are:

	1996 £'000
In one year or less	7
Between two and five years	7
	14

14 Pension and similar obligations

The company operates a defined benefit scheme. The assets of the scheme are held separately to those of the company.

Those employees who were formerly members of the Anglo Coal pension scheme were given the opportunity to join the CPL Distribution Scheme, which is a funded final salary scheme. The company will make contributions to the scheme over the remaining service lives of the employees.

The total pension cost of the company for the period was £233,000.

The pension costs are assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The initial level of employers' contributions for the scheme is set at 11%. The scheme will be valued on a triennial basis and contribution levels will be reviewed in light of such valuations.

The principal actuarial assumptions adopted in calculating the pension costs charged in the accounts were:

Investment return relative to RPI:	4½% per annum
Pay growth relative to RPI:	2% per annum

The CPL Distribution Scheme is a new scheme and therefore at the date of the initial valuation there were no assets or liabilities.

The company has no ongoing liabilities in respect of employees pension arrangements prior to the purchase of certain of the assets and liabilities of Anglo Coal.

15 Called up share capital

	1996 £
Authorised	
1,000 ordinary shares of £1 each	**1,000**
Allotted, called up and fully paid	
2 ordinary shares of £1 each	**2**

On 19 August 1995, two ordinary shares were approved and issued to Coal Products Holdings Limited for a consideration of £1 each.

16 Acquisitions

On 5 October 1995 the company acquired the assets and liabilities of Anglo Coal Limited for a consideration of £14,825,000. The company also acquired several other small businesses during the period for a total consideration of £452,000.

The consideration was satisfied by a loan from CPL Distribution Limited parent company, Coal Products Holdings Limited £14,825,000 and cash of £452,000. The assets and liabilities have been brought into the accounts of CPL Distribution at their fair values. The company has used acquisition accounting to account for the purchase.

The assets and liabilities purchased during the period are set out below:

	Book value (see below) £'000	Accounting policy alignment £'000	Fair value £'000
Tangible fixed assets	5,050	(312)	4,738
Current assets			
Stocks	8,458	-	8,458
Debtors	18,210	(290)	17,920
Cash at bank and in hand	12	-	12
Total assets	31,730	(602)	31,128
Liabilities			
Creditors	(18,932)	-	(18,932)
Bank overdraft	(3,662)	-	(3,662)
Net assets	9,136	(602)	8,534
Goodwill			6,743
Consideration			15,227
Satisfied by:			
Loan from parent company			14,825
Cash			452
			15,277

Book value represents historical cost to Anglo Coal Limited less depreciation and other adjustments to fall in line with Anglo Coal accounting policies.

Fair value adjustments represent debtor provisions and the alignment of accounting policies with those of the group.

The profits after taxation of material acquisitions in the periods before acquisition were as follows:

	£'000
Previous year end	31 March
Previous full year:	
Loss after taxation	(1,200)
From previous year end to acquisition period	6 months
Turnover	4,900
Operating loss and loss before taxation	(2,700)
Taxation	800
Retained loss	(1,900)

The company did not have any unrecognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses have been presented.

Goodwill

The cumulative amount of goodwill resulting from acquisitions which has been written off to reserves is set out below:

	1996 £'000
Written off to reserves in the period	(6,743)

17 Movement on reserves

	Nine months ended 30 March 1996	
	Other reserves £'000	Profit and loss account £'000
Retained loss for the year	-	(483)
Goodwill written off (see note 16)	(6,743)	-
At 30 March 1996	**(6,743)**	**(483)**

18 Capital commitments

There were no capital commitments at 31 March 1996.

19 Contingent liabilities

	1996 £'000
Amount of guarantee in respect of cross-guarantee on bank overdraft of subsidiaries within the group	672

20 Financial commitments

At 30 March 1996, the company had annual commitments under non-cancellable operating leases as follows:

	1996 Plant and machinery £'000
Expiring within one year	267
Expiring within two to five years	344
Expiring over five years	52
	663

21 Ultimate parent company

The directors regard Coal Products Holdings Limited as the ultimate parent company, which is preparing accounts for the sixteen month period to 30 March 1996. Coal Products Holdings Limited has a 100% interest in the equity capital of CPL Distribution Limited.