

PEABODY AUSTRALIA LIMITED

DIRECTORS' REPORT

Directors: J C Cohen
A R C Durrant
A Washkowitz

Secretary: J C Cohen

Registered Office: 14 Dominion Street, London EC2M 2RJ

The directors present their report and audited accounts of the company for the eighteen month period 1 October 1996 to 31 March 1998.

PRINCIPAL ACTIVITIES

The company is an investment holding company.

RESULTS AND DIVIDENDS

The directors shown at the head of this report are currently in office. The changes in the board since 30 September 1996 were:

	<u>Appointed</u>	<u>Registered</u>
S E J Compson	30.09.96	19.05.98
S C A Masters	30.09.96	19.05.98
M C Murray	-	19.05.98
G Dransfield	-	31.01.97
A J H Dougal	-	30.09.96
P J Turner	-	30.09.96
P J Turner	01.03.97 (re-appointed)	19.05.98
J C Cohen	19.05.98	
A R C Durrant	19.05.98	
A Washkowitz	19.05.98	

There were no other directors during the period.

PEABODY AUSTRALIA LIMITED

DIRECTORS' INTERESTS

There were no notifiable interests of the directors in office on 31 March 1998; Advantage has been taken of paragraph 3(1)(b) of the Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985.

ULTIMATE HOLDING COMPANY

The ultimate holding company at 31 March 1998 was The Energy Group PLC. On 19 May 1998 Lehman Merchant Banking Partners II LP became the ultimate parent undertaking of the company when it acquired it from The Energy Group PLC. The Energy Group PLC has subsequently re-registered as a private company and is now known as Energy Holdings (No. 3) Limited.

MILLENNIUM IT RISK

The company acknowledges the Year 2000 issue. This is being dealt with by The Energy Group PLC (now Energy Holdings (No. 3) Limited) whose approach to dealing with the issue is disclosed in its Directors' Report.

ANNUAL GENERAL MEETINGS

Pursuant to Elective Resolutions of the company passed on 31 January and 31 July 1991 the company has dispensed with the need to hold Annual General Meetings. Any member of the company is entitled to require the laying of the accounts before a general meeting on giving due notice to that effect in accordance with Section 253 of the Companies Act 1985.

By order of the Board



J C Cohen

Date: 29/4 / 1999

PEABODY AUSTRALIA LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Directors' responsibilities for the financial statements

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 and of the profit or loss of the company for that year. In preparing these financial statements for the period ended 31 March 1998, the directors consider that they have selected suitable accounting policies and applied them consistently, made judgements and estimates that are reasonable and prudent, and followed applicable accounting standards.

The directors are responsible for ensuring that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are responsible for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

PEABODY AUSTRALIA LIMITED

PROFIT AND LOSS ACCOUNT - for the period 1 October 1996 to 31 March 1998

	18 Months to 31 March 1998 £	12 Months to 30 September 1996 £
Income from investments	<u>NIL</u>	<u>804,849</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	NIL	804,849
Taxation	<u>-</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	<u>NIL</u>	<u>804,849</u>
RETAINED PROFIT FOR YEAR	<u><u>NIL</u></u>	<u><u>804,849</u></u>

Movements in reserves are set out in note 4.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses attributable to members of the company. (1996: gain-£804,849).

PEABODY AUSTRALIA LIMITED

BALANCE SHEET - At 31 March 1998

	<u>Note</u>	31 March 1998 £	30 September 1996 £
FIXED ASSET INVESTMENTS	2	80,800	80,800
CURRENT ASSETS			
Amounts due from fellow subsidiary undertaking		<u>804,849</u>	<u>804,849</u>
NET CURRENT ASSETS		<u>804,849</u>	<u>804,849</u>
TOTAL ASSETS		<u>885,649</u>	<u>885,649</u>
CAPITAL AND RESERVES			
Called up share capital	3	5,744	5,744
Profit and Loss account		879,805	879,805
Capital Redemption reserve		100	100
		<u>885,649</u>	<u>885,649</u>

The company is exempt under Section 249A(1) of the Companies Act 1985 from the requirements to have its accounts audited for the financial year 1 October 1996 to 31 March 1998.

The company has not received any notices from its shareholders requiring the company to have its accounts audited.

The directors acknowledge their responsibility to keep accounting records which comply with Section 221 of the Companies Act 1985, and to prepare accounts that give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of Section 226 of the Companies Act 1985 and which otherwise comply with the requirements of the Companies Act 1985 relating to accounts, so far as applicable to the company.

Approved by the Board of Directors



Director

Date: 29/4 / 1999

PEABODY AUSTRALIA LIMITED

NOTES ON THE ACCOUNTS - for the period 1 October 1996 to 31 March 1998

1. ACCOUNTING POLICIES

Accounting Convention

The accounts have been prepared in accordance with applicable accounting standards, using the historical cost convention.

2. INVESTMENTS

Shares in Subsidiary Undertakings

At 31 March 1998 and at 30 September 1996 80,800

At the balance sheet date, investments of the company were:

<u>Company</u>	<u>Country of Incorporation</u>	<u>Holding</u>	<u>Type</u>
Peabody Investments (Australia) Pty Ltd	Australia	100%	Ordinary Shares

The company, being a wholly owned subsidiary undertaking of another incorporated in The European Union, is not required to submit group accounts. In the opinion of the directors, the aggregate value of the assets of the company, consisting of shares and amounts owing to the company's subsidiary undertakings, is not less than the aggregate of the amounts at which those assets are stated in the balance sheet.

3. SHARE CAPITAL

	31 March 1998		30 September 1996	
	US\$ Authorised	US\$ Issued	US\$ Authorised	US\$ Issued
Authorised, allotted called up and fully paid 1,000,000 'A' ordinary shares of US\$0.01 each	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>

PEABODY AUSTRALIA LIMITED

NOTES ON THE ACCOUNTS - for the period 1 October 1996 to 31 March 1998

4. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS IN RESERVES

	<u>Share Capital</u> £	<u>Profit and loss accounts</u> £	<u>Capital Redemption Reserve</u> £	<u>Total</u> £
At 1 October 1996	5,744	879,805	100	885,649
Retained profit for the year	-	-	-	-
At 31 March 1998	<u>5,744</u>	<u>879,805</u>	<u>100</u>	<u>885,649</u>

5. RELATED PARTIES

The company has taken advantage of the exemption in FRS8 from disclosing transactions with related parties that are part of The Energy Group PLC.

6. CASH FLOW

The company has taken advantage of the exemption of FRS1 (Revised) and has not prepared a cash flow statement.

7. GROUP ACCOUNTS

The parent undertaking of the group of undertakings for which group accounts were drawn up and of which the company was a member as at 31 March 1998 was The Energy Group PLC (registered in England and Wales). Copies of The Energy Group PLC's accounts can be obtained from 117 Piccadilly, London, W1V 9FJ. Hanson PLC, the previous ultimate parent undertaking, demerged The Energy Group PLC on 24 February 1997 and The Energy Group PLC became the ultimate parent undertaking of the company from that date.

8. SUBSEQUENT EVENTS

On 19 May 1998 Lehman Merchant Banking Partners II LP became the ultimate parent undertaking of the company when it acquired it from The Energy Group PLC. The Energy Group PLC has subsequently re-registered as a private company and is now known as Energy Holdings (No. 3) Limited.