

REGISTERED NUMBER 62559

CHARTER CONSOLIDATED INVESTMENTS LIMITED

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2005



CHARTER CONSOLIDATED INVESTMENTS LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2005

The directors present their report and the audited financial statements for the year ended 31 December 2005.

Principal activities and review of the business

The results for the year are shown in the profit and loss account on page 2. The company carried on its normal business of acting as an investment holding company during the year and no change is planned in its activities in the year to 31 December 2006. The financial position at the year end was considered satisfactory.

Results and dividends

The profit for the year, after taxation, was £1,086,000 (2004: £55,000). No dividends were paid or proposed in the year (2004: £nil). The retained profit for the year has been transferred to reserves.

Directors

The directors who held office during the year are given below:

R A Careless
A R Yapp (resigned 27 January 2006)
J L Avery

The directors at the year end had no interests at any time during the year in the shares of the company. R A Careless is also a director of the ultimate holding company, Charter plc, and his interests in shares of group companies are disclosed in the Annual Report and Accounts of that company. A R Yapp was also a director of the intermediate holding company, Charter Consolidated P.L.C., and her interests in the shares of group companies are disclosed in the Annual Report and Accounts of that company. J L Avery had no interest at any time during the year in the shares of any group companies.

Auditors

The company has passed elective resolutions so that there is no requirement either to hold annual general meetings or to appoint the auditors, PricewaterhouseCoopers LLP, on an annual basis.

By order of the board



R A Careless
For Charter Central Services Limited
Company Secretary

Registered Office
52 Grosvenor Gardens
London, SW1W 0AU
30 March 2006

CHARTER CONSOLIDATED INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

		2005	2004
	Note	£000	£000
CONTINUING OPERATIONS			
Administration costs	2	(15)	(10)
OPERATING LOSS		<u>(15)</u>	<u>(10)</u>
Interest receivable and similar income		3,042	1
Interest payable and similar charges - foreign exchange	4	(1,034)	-
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>1,993</u>	<u>(9)</u>
Tax (charge) / credit on profit / (loss) on ordinary activities	3	(907)	64
PROFIT FOR THE FINANCIAL YEAR	8	<u><u>1,086</u></u>	<u><u>55</u></u>

The company has no recognised gains or losses other than those recognised or included above. As a result no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

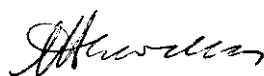
The notes on pages 5 to 9 form part of these financial statements.

CHARTER CONSOLIDATED INVESTMENTS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2005

		2005	2004
	Note	£000	£000
FIXED ASSET INVESTMENTS	4	14,641	15,675
CURRENT ASSETS			
Debtors: Amounts falling due within one year	5	83,084	98,971
CURRENT LIABILITIES			
Creditors: Amounts falling due within one year	6	(445)	(18,452)
NET CURRENT ASSETS		82,639	80,519
NET ASSETS		<u>97,280</u>	<u>96,194</u>
CAPITAL AND RESERVES			
Called-up share capital	7	20,011	20,011
Share premium account	8	23,210	23,210
Profit and loss account	8	54,059	52,973
EQUITY SHAREHOLDERS' FUNDS		<u>97,280</u>	<u>96,194</u>

The financial statements on pages 2 to 9 were approved by the Board on 30 March 2006 and were signed on its behalf by:



R A Careless
Director

CHARTER CONSOLIDATED INVESTMENTS LIMITED

**RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS FOR THE YEAR ENDED
31 DECEMBER 2005**

	2005	2004
	£000	£000
Profit for the financial year	1,086	55
Net effect of translation of currencies - taxation	-	44
	<hr/> 1,086	<hr/> 99
Opening equity shareholders' funds	96,194	96,095
Closing equity shareholders' funds	<hr/> <u>97,280</u>	<hr/> <u>96,194</u>

CHARTER CONSOLIDATED INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

1 Principal accounting policies

The financial statements are prepared on the going concern basis in accordance with the Companies Act 1985 and in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

In 2005 the company adopted FRS 17, 'Retirement benefits', FRS 21, 'Events after the balance sheet date', the presentation elements of FRS 25, 'Financial instruments: disclosure and presentation', and FRS 28, 'Corresponding amounts'. The adoption of these standards has had no impact on either this year's figures or the comparative figures.

Basis of accounting

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

Related party transactions

The company has taken advantage of the exemption in FRS 8 from disclosing related party transactions with members of the Charter plc group.

Fixed asset investments

Fixed asset investments are included at cost less provision for any diminution in value.

Cash flow statement

The company is a wholly owned subsidiary of Charter plc, and the cash flows of the company are included in the consolidated group cash flow statement. Consequently the company is exempt under the terms of FRS 1 (Revised 1996) from publishing a cash flow statement.

Foreign currencies

Foreign currency assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date. Foreign currency transactions are translated using the exchange rate at the date of the transaction. All exchange differences are taken to the profit and loss account in the year in which they arise.

Deferred taxation

In accordance with FRS 19 deferred taxation is provided on the incremental liability approach in respect of timing differences giving rise to an asset or liability. Deferred taxation assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

CHARTER CONSOLIDATED INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)

2 Administration costs

Directors emoluments

The company's directors are employed and remunerated by a fellow subsidiary undertaking and they received no emoluments in respect of their services to this company.

Employees

The company has no employees.

Auditors

Auditors' remuneration is borne by a fellow subsidiary undertaking.

Management fee

Charter Central Services Limited has made a charge of £15,000 (2004: £10,000) to the company for management and other services.

3 Tax charge / (credit) on profit / (loss) on ordinary activities	2005	2004
	£000	£000
UK corporation tax at 30% (2004: 30%)	907	(3)
Adjustment in respect of previous years	-	(61)
	<u>907</u>	<u>(64)</u>

The tax for the year is higher (2004: lower) than the standard rate of corporation tax in the UK (30%).

The differences are explained below.

Profit / (loss) on ordinary activities before tax	<u>1,993</u>	<u>(9)</u>
Tax at 30%	(598)	3
Effects of:		
Non taxable impairment of subsidiary	(309)	-
Adjustment in respect of previous years	-	61
	<u>(907)</u>	<u>64</u>

CHARTER CONSOLIDATED INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (CONTINUED)

4 Fixed asset investments	2005	2004
	£000	£000
At cost		
Opening balance and closing balance	<u>19,342</u>	<u>19,342</u>
Foreign exchange provision		
Opening balance	(3,667)	(3,815)
Movement in the year	(1,034)	148
Closing balance	<u>(4,701)</u>	<u>(3,667)</u>
Net book value	<u><u>14,641</u></u>	<u><u>15,675</u></u>

Details of the company's principle investment is as follows:

Company	Incoporation	Holding
Bay Tree Holdings AB	Netherlands	Preference shares

A full list of group undertakings will be annexed to the company's next annual return.

In accordance with Section 228 Companies Act 1985, consolidated accounts have not been prepared as the company is a wholly owned subsidiary of Charter plc, a company registered in England and Wales.

5 Debtors: Amounts falling due within one year	2005	2004
	£000	£000
Amounts due from immediate parent undertaking	-	98,471
Amounts due from fellow subsidiary undertakings	83,084	19
Corporation tax - group relief	-	481
	<u><u>83,084</u></u>	<u><u>98,971</u></u>

Amounts due from fellow subsidiary undertakings are unsecured, have no fixed repayment date and from 1 January 2005 interest was charged at LIBOR minus 1%. In the previous year all amounts were interest

CHARTER CONSOLIDATED INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005
(CONTINUED)**

6 Creditors: Amounts falling due within one year	2005	2004
	£000	£000
Amounts due to fellow subsidiary undertakings	-	18,434
Wankie Colliery Debenture	17	17
Unclaimed ordinary dividends	1	1
Corporation tax - group relief	427	-
	<u>445</u>	<u>18,452</u>

In the prior year amounts due to fellow subsidiary undertakings were unsecured, had no fixed repayment terms and were interest free.

The company holds £16,829 as Trustee for the outstanding stockholders of the Wankie Colliery Co. Limited, 5.5% Debenture Stock 1962/78.

7 Share capital	2005	2004
	£000	£000
Authorised 21,000,000 ordinary shares of £1 each	<u>21,000</u>	<u>21,000</u>
Allotted, called up and fully paid 20,011,003 ordinary shares of £1 each	<u>20,011</u>	<u>20,011</u>

8 Reserves	Share premium account	Profit and loss account	Total
	£000	£000	£000
Opening balance	23,210	52,973	76,183
Retained profit for the year	-	1,086	1,086
Closing balance	<u>23,210</u>	<u>54,059</u>	<u>77,269</u>

CHARTER CONSOLIDATED INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (CONTINUED)

9 Contingent liabilities

This company, along with its ultimate holding company Charter plc, and certain fellow subsidiaries, has been named as a defendant in a number of asbestos-related actions in the United States on the basis that it is allegedly liable for the acts of a former subsidiary of Charter plc, Cape PLC. The company contests the existence of any such liability. The issue went to trial in three cases involving Charter plc's principal subsidiary, Charter Consolidated P.L.C. and other wholly owned subsidiaries of Charter plc between 1985 and 1987. In the first of these cases, tried in Pennsylvania, after an adverse lower court decision the appeal court gave judgement in the Charter defendants' favour. In the second case, in New Jersey, judgement was also given for the Charter defendants. The third case, in South Carolina, was dismissed for lack of subject matter jurisdiction, without a decision having been rendered on the issue. During recent years, Charter plc and/or certain of its subsidiaries have been served in a number of cases in Mississippi, Illinois and a few other states. Currently the cases against Charter are confined to Mississippi. Charter is seeking dismissals in these pending cases. Upon advice of counsel, Charter has settled some of the cases brought in Mississippi and will continue to pursue dismissals in the remainder. The directors have received legal advice that Charter plc and its wholly owned subsidiaries should be able to continue to defend successfully the actions brought against them, but that uncertainty must exist as to the eventual outcome of the trial of any particular action. It is not practicable to estimate in any particular case the amount of damages which might ensue if liability were imposed on Charter plc or any of its wholly owned subsidiaries. In 2005, £0.1 million was charged against Charter's operating profits in respect of defence costs and other expenses. The litigation is reviewed each year and, based on that review and legal advice, the directors believe that the aggregate of any such liability is unlikely to have a material effect on the company's financial position. In these circumstances the directors have concluded that it is not appropriate to make any provision in respect of such actions.

10 Ultimate parent company

The company is a subsidiary of Charter Consolidated P.L.C., its immediate controlling party. The company regards Charter plc as its ultimate parent company and, for the purpose of Financial Reporting Standard 8, Related Party Disclosures, its ultimate controlling party. The parent undertaking of the largest and smallest group of undertakings for which group accounts are prepared and of which the company is a member is Charter plc, 52 Grosvenor Gardens, London SW1W 0AU, a company incorporated in England and Wales. Copies of its group financial statements are available from its registered office in England.

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 year and of its profit or loss for that period. The directors are required to prepare financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 5 under Note 1 'Principal accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2005 and that applicable accounting standards have been followed.

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. 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.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and the directors have taken all the steps they ought to have taken as directors, in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHARTER CONSOLIDATED INVESTMENTS LIMITED

We have audited the financial statements of Charter Consolidated Investments Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of movements in Equity Shareholders funds, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 other transactions 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.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHARTER CONSOLIDATED
INVESTMENTS LIMITED (CONTINUED)**

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

30 March 2006