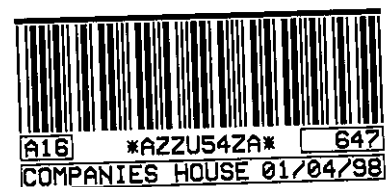


REGISTERED NUMBER 62559

CHARTER CONSOLIDATED INVESTMENTS LIMITED

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1997



CHARTER CONSOLIDATED INVESTMENTS LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR TO 31 DECEMBER 1997

Business and financial position

The company carried on its normal business as an investment holding company during the year and no change is planned in its activities in the year to 31 December 1998.

The results for the year are shown in the profit and loss account on page 2. Dividends of £Nil (1996 £61,841,366) were paid during the year.

The financial position at the year end was considered satisfactory.

Directors

Mr J W Herbert

Mr N E Robson

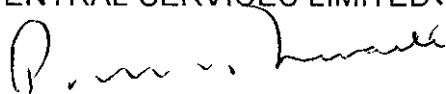
Mr P M Thwaite

The interests of Mr Herbert and Mr Robson to be disclosed under the Companies Act 1985 in the shares of Charter plc are shown in the report of that company for the year ended 31 December 1997. The interests of Mr Thwaite are shown in the report of Charter Consolidated P.L.C. for the year ended 31 December 1997.

No director has an interest in the shares of the company.

By order of the board
For CHARTER CENTRAL SERVICES LIMITED,
Secretaries

P M Thwaite



Registered Office

7 Hobart Place
London, SW1W 0HH
6 March 1998

CHARTER CONSOLIDATED INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997

		1997	1996
	Note	£000	£000
CONTINUING OPERATIONS			
Revenue from investments:			
Dividends and interest receivable	2	-	3
Administration costs	3	<u>(30)</u>	<u>(100)</u>
Operating loss		(30)	(97)
Non-operating exceptional items			
Profit on disposal of subsidiary undertaking		-	27,176
		<u>(30)</u>	<u>27,079</u>
(Loss) / profit on ordinary activities before interest		(30)	27,079
Interest (payable) / receivable - fellow subsidiary undertaking		<u>(804)</u>	<u>1,751</u>
(Loss) / profit on ordinary activities before taxation		(834)	28,830
Tax on (loss) / profit on ordinary activities	4	<u>263</u>	<u>(546)</u>
(Loss) / profit for the financial year		(571)	28,284
Dividends - equity	5	<u>-</u>	<u>(61,841)</u>
(Deficit) retained for the financial year	10	<u>(571)</u>	<u>(33,557)</u>

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

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

CHARTER CONSOLIDATED INVESTMENTS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1997

		1997	1996
	Note	£000	£000
Fixed Assets			
Investments at cost less provision	6	15,314	17,123
Current Assets			
Debtors - amounts falling due within one year	7	99,075	98,479
Creditors - amounts falling due within one year			
Amounts due to fellow subsidiary undertakings		(15,314)	(15,702)
Taxation - corporation tax		(282)	(538)
Other creditors	8	<u>(16)</u>	<u>(14)</u>
Net current assets		<u>83,463</u>	<u>82,225</u>
		<u>98,777</u>	<u>99,348</u>
 CAPITAL AND RESERVES			
Called up share capital	9	20,011	20,011
Share premium account	10	23,210	23,210
Profit and loss account	10	<u>55,556</u>	<u>56,127</u>
Shareholders' funds - equity interests		<u>98,777</u>	<u>99,348</u>

These financial statements were approved by the board of directors on 6 March 1998



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

CHARTER CONSOLIDATED INVESTMENTS LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE YEAR
ENDED 31 DECEMBER 1997

	1997 £000	1996 £000
(Loss) / profit for the financial year	(571)	28,284
Dividends - equity	<u>-</u>	<u>(61,841)</u>
Net reduction in shareholders' funds	(571)	(33,557)
Opening shareholders' funds	<u>99,348</u>	<u>132,905</u>
Closing shareholders' funds	<u><u>98,777</u></u>	<u><u>99,348</u></u>

CHARTER CONSOLIDATED INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

The financial statements are prepared 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.

- a Basis of accounting
The financial statements are prepared in accordance with the historical cost convention.
- b Cash flow
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 Financial Reporting Standard No. 1 from publishing a cash flow statement.
- c Income from investments
Income from investments in the subsidiary undertaking, including where applicable the imputed tax credit, is accounted for on a declared basis.
- d Fixed asset investments
Fixed asset investments are included at cost less provision for any permanent loss in value.
- e Foreign currencies
Foreign currency assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date. Profit and loss items are translated into sterling at the average rates of exchange during the year. All exchange differences are taken to the profit and loss account in the year in which they arise, except those on loans hedging foreign currency denominated fixed asset investments.

CHARTER CONSOLIDATED INVESTMENTS LIMITED

NOTES TO THE FINANCIAL ACCOUNTS

	1997	1996
	£000	£000
2 Dividends and interest receivable		
Subsidiary undertaking	<u>-</u>	<u>3</u>
3 Administration costs		
a The company's directors are employed and remunerated by a fellow subsidiary undertaking. They receive no emoluments for their services to the company.		
b Charter Central Services Limited makes a charge to the company in respect of management and other services.		
c The company has no employees.		
d Auditors' remuneration is borne by a fellow subsidiary undertaking.		
	1997	1996
	£000	£000
4 Tax on profit on ordinary activities		
Tax credit / (charge) on profit for the period		
United Kingdom		
Corporation tax at 31.5% (1996: 33%)	263	(545)
Tax at 20% (1996: 20%) on franked investment income	-	(1)
	<u>263</u>	<u>(546)</u>
5 Dividends - equity		
First interim dividend paid	-	2,841
Second interim dividend paid	-	59,000
	<u>-</u>	<u>61,841</u>

CHARTER CONSOLIDATED INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

	1997 £000	1996 £000
6 Fixed asset investment		
At cost less amounts provided		
Opening balance	17,123	32,296
Additions	-	19,342
Disposals	-	(32,296)
Exchange adjustment	(1,809)	(2,219)
Closing balance	<u>15,314</u>	<u>17,123</u>
7 Debtors		
Amounts falling due within one year		
Amount owed by immediate parent undertaking	98,472	98,465
Amount owed by fellow subsidiary undertaking	603	14
	<u>99,075</u>	<u>98,479</u>

The amount owed by the immediate parent undertaking is interest free and has no fixed repayment terms.

8 Other creditors - Includes Wankie Colliery Co. Limited - 5 1/2% Debenture Stock 1962/78

The company holds cash amounting to £14,283 as Trustee for the outstanding stockholders of the Wankie Colliery Co. Limited, 5 1/2% Debenture Stock 1962/78.

CHARTER CONSOLIDATED INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

	1997	1996
	£000	£000
9 Share capital		
Authorised 21,000,000 ordinary shares of £1 each	<u>21,000</u>	<u>21,000</u>
Issued, called up and fully paid 20,011,003 ordinary shares of £1 each	<u>20,011</u>	<u>20,011</u>
10 Reserves		
	Share premium account £000	Profit and loss account £000
		Total £000
Opening balance	23,210	56,127
Deficit for the year	-	(571)
Closing balance	<u>23,210</u>	<u>55,556</u>

CHARTER CONSOLIDATED INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11 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, Cape PLC. The Company contests the existence of any such liability. The issue went to trial in three cases involving the Company's intermediate holding company, Charter Consolidated P.L.C. and certain of its subsidiaries between 1985 and 1987. In the first case, tried in Pennsylvania, after an adverse lower court decision the appeal court gave judgment in the Charter defendants' favour. In the second case, in New Jersey, judgment 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 the last three years, Charter and/or certain of its subsidiaries have been served in a number of cases in Mississippi and a few other states. Charter is seeking dismissals in these pending cases. Upon advice of counsel, Charter has settled the majority of cases brought in Mississippi and Charter will continue to pursue dismissals in the remaining cases. The directors have received legal advice that the Company should be able to defend successfully the actions brought against it, 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 the Company. 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.

12 Ultimate parent company

The company's ultimate parent company is Charter plc, a company registered in England and Wales. Copies of the ultimate parent company's annual report can be obtained from the Secretary, 7 Hobart Place, London, SW1W 0HH.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial period 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 financial statements, 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 financial statements;
- prepare the financial statements 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 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.

AUDITORS'REPORT TO THE MEMBERS OF
CHARTER CONSOLIDATED INVESTMENTS LIMITED

We have audited the financial statements on pages 2 to 9.

Respective responsibilities of directors and auditors.

As described on page 10 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.

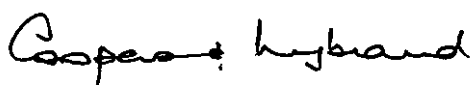
Basis of opinion

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



Coopers & Lybrand
Chartered Accountants & Registered Auditors
London
6 March 1998