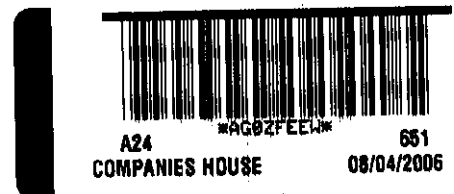


**GOITRE TOWER ANTHRACITE
LIMITED**

Report and Financial Statements

31 December 2004



REPORT AND FINANCIAL STATEMENTS 2004

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G N Davies
T O'Sullivan OBE (Chairman)
K Davies
A Shott
G Parker (appointed 10 March 2004)
L Williams (appointed 26 July 2004)
T B Roberts OBE (non-executive)
B Morgan (non-executive)
M J Higgins (non-executive)

SECRETARY

K Davies

REGISTERED OFFICE

Treherbert Road
Hirwaun
Aberdare
Mid Glamorgan
CF44 9UF

BANKERS

Barclays Bank Plc
National Westminster Bank Plc

SOLICITORS

Morgan Cole
Geldards LLP

AUDITORS

Deloitte & Touche LLP
Cardiff

CHAIRMAN'S STATEMENT

As you will see from the financial statements, performance in 2004 was severely affected by geological problems, as a result of which production and sales were substantially decreased.

At the end of 2004, the coaling panel being mined was abandoned and the development costs were therefore extremely high relative to turnover.

Notwithstanding this, we continued with our development programme and the V51 panel has produced well during 2005. Future panels are in place and ready to coal as we proceed into 2006.

We have been successful in our application for further Investment Aid from the Department of Trade and Industry and anticipate receiving £842,000 towards the middle of 2006.

We have received exceptional support from our major customers, Innogy and Evans & Reid during this difficult year and have entered into a new contract with Innogy to supply coal until late 2007, when, as a result of decreasing coal reserves, the deep mining operation is planned to cease.

This year has been by far the most difficult since we started in 1995 and I would express my thanks to the board and all of you who have played your part in weathering the problems we have experienced.

T O'Sullivan OBE
Chairman

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2004.

ACTIVITIES

The principal activity of the group is coal mining carried out in Wales.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

Mining throughout the year was severely affected by geological conditions in the two panels worked. Production was substantially below targets set at the beginning of the year and, accordingly, turnover was reduced.

During these difficult times, we worked closely with major customers and completed our contracted tonnage in 2005. We continued with our development programme despite the above conditions and the V51 panel came on stream by its due date. Development of further panels is on target.

As a result of the decreasing coal resources, the deep mining operation at the Tower Colliery site is planned to cease in mid to late 2007.

Group company, Tower Energy Resources Limited, has recently entered into a contract with its major customer covering the whole of the period to late 2007.

During the last twelve months of operations the company will substantially reduce operating costs and the directors are of the opinion that the group will have adequate resources to continue to trade throughout the period.

DIVIDENDS

The directors do not recommend the payment of a dividend (2003 - £nil).

DIRECTORS AND THEIR INTERESTS

The current directors of the company, who served throughout the financial year unless stated otherwise, are as shown on page 1. L Williams was appointed as a director on 26 July 2004. R D Davies and G R Davies resigned as directors on 10 March 2004 and 3 July 2004 respectively.

The directors' interests in the ordinary shares of the company at the beginning and the end of the financial year were as follows:

	31 December 2004 No.	1 January 2004 or on appoint- ment No.
G N Davies	8,000	8,000
T O'Sullivan OBE (Chairman)	8,000	8,000
K Davies	8,000	8,000
A Shott	8,000	8,000
G Parker	8,000	8,000
L Williams	8,000	8,000
T B Roberts OBE (non-executive)	-	-
B Morgan (non-executive)	-	-
M J Higgins (non-executive)	-	-

EMPLOYEES

The group is aware of the importance of keeping its employees informed on matters which may affect them and has continued its policy in this respect, with the production of a company newsletter and regular meetings of shareholder employees.

DIRECTORS' REPORT (continued)

DISABLED PERSONS

The group supports the employment of disabled persons wherever possible and by retention of those who become disabled during their employment, and generally through training, career development and promotion.

AUDITORS

Deloitte & Touche LLP have indicated their willingness to continue in office as the company's auditors and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



K Davies
Secretary

Date 5th April 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 the group as at the end of the financial year and of the profit or loss of the group 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; and
- 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GOITRE TOWER ANTHRACITE LIMITED

We have audited the financial statements of Goitre Tower Anthracite Limited for the year ended 31 December 2004 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members *those matters we are required to state to them in an auditors' report and for no other purpose*. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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 transactions with the company and other members of the group is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 circumstances of the company and the group, 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.

Going concern

In forming our opinion, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the remaining coal resource available to the group and the likely future cessation of deep mining. In view of the significance of the uncertainty, we consider that it should be brought to your attention, but our opinion is not qualified in this respect. The financial statements do not include any adjustments that would be necessary had they been prepared on a basis other than going concern.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GOITRE TOWER ANTHRACITE LIMITED (continued)**

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2004 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Cardiff, United Kingdom

Date *7 April 2005*

GOITRE TOWER ANTHRACITE LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT Year ended 31 December 2004

	Note	2004 £'000	2003 £'000
TURNOVER	2	22,815	25,237
Cost of sales		(27,458)	(25,472)
Gross loss		(4,643)	(235)
Administrative expenses		(3,035)	(2,569)
Other operating income	4	1,315	2,355
OPERATING LOSS		(6,363)	(449)
Interest receivable		106	123
Interest payable and similar charges	6	(18)	(5)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(6,275)	(331)
Tax on loss on ordinary activities	7	88	37
RETAINED LOSS FOR THE FINANCIAL YEAR TRANSFERRED FROM RESERVES	19	(6,187)	(294)

All activities derive from continuing operations.

There have been no recognised gains and losses for the current financial year or the prior financial period other than as stated in the profit and loss account and, accordingly, no separate statement of total recognised gains and losses is presented.

GOITRE TOWER ANTHRACITE LIMITED

CONSOLIDATED BALANCE SHEET
31 December 2004

	Note	2004 £'000	2003 (as restated) £'000
FIXED ASSETS			
Intangible assets	9	143	143
Tangible assets	10	4,912	5,748
Investments	11	50	50
		<u>5,105</u>	<u>5,941</u>
CURRENT ASSETS			
Stocks	12	1,319	2,688
Debtors	13	3,039	5,196
Investments	14	1,092	1,236
Cash at bank and in hand		1,848	3,285
		<u>7,298</u>	<u>12,405</u>
CREDITORS: amounts falling due within one year	15	<u>(5,511)</u>	<u>(4,980)</u>
NET CURRENT ASSETS		<u>1,787</u>	<u>7,425</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,892</u>	<u>13,366</u>
CREDITORS: amounts falling due after more than one year	16	(106)	-
PROVISIONS FOR LIABILITIES AND CHARGES	18	<u>(3,714)</u>	<u>(4,107)</u>
NET ASSETS		<u>3,072</u>	<u>9,259</u>
CAPITAL AND RESERVES			
Called up share capital	19	2,162	2,162
Share premium account	20	223	223
Own share reserve	24	(513)	(513)
Profit and loss account	20	1,200	7,387
TOTAL EQUITY SHAREHOLDERS' FUNDS	20	<u>3,072</u>	<u>9,259</u>

These financial statements were approved by the Board of Directors on 5th April 2006
Signed on behalf of the Board of Directors

G N Davies)

)

Directors

T O'Sullivan OBE)

)

GOITRE TOWER ANTHRACITE LIMITED

COMPANY BALANCE SHEET
31 December 2004

	Note	2004 £'000	2003 £'000
FIXED ASSETS			
Investments	11	9,200	9,200
CURRENT ASSETS			
Debtors	13		
Due within one year		-	366
Due after one year		1,312	912
Cash at bank and in hand		121	155
		1,433	1,433
CREDITORS: amounts falling due within one year	15	(2,074)	(2,074)
NET CURRENT LIABILITIES		(641)	(641)
TOTAL ASSETS LESS CURRENT LIABILITIES		8,559	8,559
CREDITORS: amounts falling due after more than one year	16	(6,150)	(6,150)
NET ASSETS		2,409	2,409
CAPITAL AND RESERVES			
Called up share capital	18	2,162	2,162
Share premium account	19	223	223
Profit and loss account	19	24	24
TOTAL EQUITY SHAREHOLDERS' FUNDS	19	2,409	2,409

These financial statements were approved by the Board of Directors on *5th April 2006*
Signed on behalf of the Board of Directors

G N Davies)

) *G.N. Davies*
) Directors
) *[Signature]*

T O'Sullivan OBE)

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2004

	Note	2004 £'000	2003 £'000
Net cash (outflow)/inflow from operating activities	21	(1,251)	755
Returns on investments and servicing of finance			
Interest received		106	123
Interest paid		(7)	(5)
Interest element of finance lease rental payments		(11)	-
Net cash inflow from returns on investments and servicing of finance		88	118
Taxation			
UK corporation tax paid (including advance corporation tax)		(17)	(1,054)
Tax paid		(17)	(1,054)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(552)	(787)
Payments to acquire own shares		-	(89)
Net cash outflow from capital expenditure and financial investment		(552)	(876)
Net cash outflow before use of liquid resources and financing		(1,732)	(1,057)
Management of liquid resources			
Cash withdrawn from seven day deposits		144	505
Financing			
New finance leases		190	-
Capital element of finance lease rental payments		(39)	-
Net cash outflow from financing		151	-
Decrease in cash in the year	22,23	(1,437)	(552)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been applied consistently throughout the financial year and the prior financial period, are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of preparation

As a result of the decreasing coal resources, the deep mining operation at the Tower Colliery site is planned to cease in mid to late 2007. This timing is based on current geological surveys undertaken by the company which show the remaining panels to be worked and the estimated extractable coal contained within each section.

Tower Energy Resources Limited has recently entered into a contract with its major customer covering the whole of the period to late 2007. The turnover from this contract has been included in the company's profit forecasts and these show the company returning to a profitable position by mid 2006.

During the last twelve months of operations the company will substantially reduce operating costs through lower face development costs and other savings associated with the wind down of operations and the directors are therefore of the opinion that the group will have adequate resources to continue to trade throughout the remaining period.

The company has made a prior year adjustment in respect of the way it treats the disclosure of investment in its own shares. In 2003 they were disclosed within investments, however due to a change in accounting policy under UITF37 they are required to be shown as a debit to reserves under the heading 'Own Share reserve'.

There has been no effect on the Profit and Loss Account for either year, but there has been a reduction in investments and net assets of £513k for both 2003 and 2004.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries, Tower Colliery Limited, Tower Energy Resources Limited and Welsh Dragon Coal Limited.

The joint venture, Principality Fuel Company Limited, has been excluded from consolidation on the grounds of immateriality.

Related party transactions

The company has taken advantage of the exemptions given in Financial Reporting Standard 8, and not disclosed transactions with group companies of which the group owns more than 90% of the voting rights, and which are eliminated on consolidation.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment.

Acquisitions

On the acquisition of a business, fair values are attributed to the group's share of net tangible assets. Where the cost of acquisition exceeds the values attributable to such net assets, the difference is treated as purchased goodwill and capitalised in the balance sheet in the year of acquisition. Prior to the implementation of FRS 10, purchased goodwill was written off directly to reserves and has not been reinstated.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2004

1. ACCOUNTING POLICIES (continued)

Intangible fixed assets

Goodwill on acquisition is not amortised but, in accordance with FRS 11, an annual impairment review is carried out.

Tangible fixed assets

Tangible fixed assets are depreciated at cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Land and buildings	-	8.33% per annum
Plant and machinery	-	Over the period to 30 June 2007
Development expenditure	-	Over the period to 30 June 2007

The directors revised the estimated useful life of development expenditure during the year. Previously, the expenditure was being written off over the period to 31 December 2006 and it is now being written off over the period to 30 June 2007. The effect of this is to reduce the depreciation charge by £180,000.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Insurance receipts

Insurance receipts are credited against the cost to which they relate.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax 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.

Restoration expenses

Provision is made over the working life of coal production sites to cover the costs of progressive and terminal site restoration.

Pension costs

The group operates a defined contribution pension scheme for all qualified employees, the assets of which are held in individually administered funds. Pension costs are charged to the profit and loss account as incurred.

Leases

Assets held under finance lease and hire purchase contracts are capitalised at their fair value on the inception of the lease and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding.

Rentals are charged to the profit and loss account in equal amounts over the lease term.

2. TURNOVER

Turnover represents amounts derived from the provision of goods and services which fall within the group's ordinary activities after deduction of trade discounts and value added tax. The turnover and pre-tax loss, all of which arise in the United Kingdom, are attributable to one activity, and is recognised upon delivery.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2004

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2004 £'000	2003 £'000
Directors' emoluments		
Other emoluments (excluding employers' national insurance)	233	296
Pension contributions	8	10
	<u>241</u>	<u>306</u>
	No.	No.
Number of directors who are members of a defined contribution pension scheme	6	6
	<u>£'000</u>	<u>£'000</u>
Highest paid director		
Emoluments	59	59
	<u>£'000</u>	<u>£'000</u>
The highest paid director is not a member of the pension scheme.		
	£'000	£'000
Employee costs (including directors)		
Wages and salaries	9,476	9,157
Social security costs	1,002	940
Other pension costs	127	487
	<u>10,605</u>	<u>10,584</u>
	No.	No.
Average number of persons employed (including directors)		
General administration	24	25
Mining	327	303
	<u>351</u>	<u>328</u>

4. OTHER OPERATING INCOME

Other income of £1,315,462 (2003 - £900,000) represents a subsidy due from the Department of Trade and Industry. £440,000 (2003 - £900,000) of this subsidy was unpaid at the year end and is recorded in other debtors. The remaining £1,455,000 of income in 2003 relates to compensation received from one of the company's customers because of their failure to meet contracted coal purchases and was treated as exceptional income.

5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2004 £'000	2003 £'000
This is stated after charging/(crediting)		
Auditors' remuneration		
- audit fees	22	14
- other services	11	9
Depreciation		
- owned assets	1,353	1,373
- leased assets	35	-
Subsidy income	(1,315)	(900)
Exceptional income	-	(1,455)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £'000	2003 £'000
Bank loans, overdrafts and other loans repayable within five years	6	5
Finance lease and hire purchase contracts	12	-
	<u>18</u>	<u>5</u>

7. TAX ON LOSS ON ORDINARY ACTIVITIES

	2004 £'000	2003 £'000
Current taxation		
United Kingdom corporation tax:		
Current tax on income for the year at 30% (2003 - 30%)	-	-
Adjustment in respect of prior years	88	-
Total current tax	<u>88</u>	<u>-</u>
Deferred tax	-	37
	<u>88</u>	<u>37</u>

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	£'000	£'000
Loss on ordinary activities before tax	<u>(6,275)</u>	<u>(331)</u>
Tax on loss on ordinary activities before tax at 30% (2003 - 30%)	1,883	99
Factors affecting charge for the year		
Expenses not deductible for tax purposes	(8)	(20)
Capital allowances in excess of depreciation	(66)	(29)
Trade losses not utilised	(1,809)	(50)
Adjustment in respect of prior years	88	-
Current tax charge for year	<u>88</u>	<u>-</u>

A deferred tax asset has not been recognised in respect of timing differences relating to trading losses of Tower Colliery Limited as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is approximately £1.8 million. The asset would be recovered if sufficient trade profits were generated against which these losses could be utilised.

8. PARENT COMPANY PROFIT AND LOSS ACCOUNT

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company made neither a profit nor a loss for the financial year or the prior financial period.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2004

9. INTANGIBLE FIXED ASSETS

	Goodwill £'000
Cost and net book value	
At 31 December 2004 and	
31 December 2003	143

The goodwill relates to the purchase of assets by Welsh Dragon Coal Limited and Tower Energy Resources Limited, both of which are wholly owned subsidiaries of Goitre Tower Anthracite Limited.

Goodwill on acquisition is not amortised but, in accordance with FRS 11, an annual impairment review is carried out.

10. TANGIBLE FIXED ASSETS

The Group	Long-term development expenditure £'000	Land and buildings £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 January 2004	4,930	1,534	13,958	20,422
Additions	-	71	481	552
At 31 December 2004	4,930	1,605	14,439	20,974
Accumulated depreciation				
At 1 January 2004	3,545	483	10,646	14,674
Charge for the year	428	116	844	1,388
At 31 December 2004	3,973	599	11,490	16,062
Net book value				
At 31 December 2004	957	1,006	2,949	4,912
At 31 December 2003	1,385	1,051	3,312	5,748

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2004

11. INVESTMENTS

	Loan to joint venture £'000	The Group (as restated) Shares in joint venture £'000	The Company Shares in subsidiary £'000
Cost and net book value			
At 31 December 2004 and			
31 December 2003	25	25	9,200

The company has the following wholly owned subsidiaries:

Name	Country of incorporation/ registration and operation	Activity
Goitre Insurance Services Limited	Guernsey	Insurance
Tower Colliery Limited	England and Wales	Coal mining
Welsh Dragon Coal Limited	England and Wales	Coal distribution
Tower Energy Resources Limited	England and Wales	Coal supplier

All the above investments are unlisted.

The company's investment in the joint venture, Principality Fuel Company Limited, has not been incorporated under the gross equity method as it is immaterial to the group.

At 31 December 2004, its capital and reserves amounted to £60,236 (2003 - £62,345) and its loss for the year then ended was £2,109 (2003 – profit of £1,597). It is held at cost in the consolidated balance sheet.

Interests in own shares which were held as investments in the prior year and have been reclassified to shareholders funds in the current year to better reflect the nature of the transaction in line with the urgent issues task force abstract 37.

12. STOCKS

	2004 £'000	2003 £'000
The Group		
Raw materials and consumables	927	1,267
Finished goods held for re-sale	392	1,421
	<u>1,319</u>	<u>2,688</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2004

13. DEBTORS

	The Group 2004 £'000	The Company 2004 £'000	The Group 2003 £'000	The Company 2003 £'000
Trade debtors	2,150	-	3,877	-
Amounts owed by subsidiary undertakings	-	1,312	-	912
Other debtors	761	-	1,185	366
Prepayments and accrued income	128	-	134	-
	<u>3,039</u>	<u>1,312</u>	<u>5,196</u>	<u>1,278</u>

Amounts owed by subsidiary undertakings to the company are due after more than one year.

14. CURRENT ASSET INVESTMENTS

	2004 £'000	2003 £'000
The Group		
Cash held on 7-day deposit	<u>1,092</u>	<u>1,236</u>

The current asset investments relate to amounts held on deposit to fund future provision liabilities, and access is restricted to these funds for this purpose only.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group 2004 £'000	The Company 2004 £'000	The Group 2003 £'000	The Company 2003 £'000
Other loans	2,050	2,050	2,050	2,050
Trade creditors	2,096	24	1,102	24
Corporation tax	-	-	105	-
Other creditors	137	-	93	-
Other taxation and social security	911	-	1,214	-
Accruals and deferred income	272	-	416	-
Amounts due under hire purchase contracts and finance lease	45	-	-	-
	<u>5,511</u>	<u>2,074</u>	<u>4,980</u>	<u>2,074</u>

Obligations under hire purchase contracts are secured on the related assets.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2004

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	The Group 2004 £'000	The Company 2004 £'000	The Group 2003 £'000	The Company 2003 £'000
Amounts due under hire purchase contracts and finance lease	106	-	-	-
Amounts owed to subsidiary undertaking	-	6,150	-	6,150
	<u>106</u>	<u>6,150</u>	<u>-</u>	<u>6,150</u>

Obligations under hire purchase contracts are secured on the related assets.

17. BORROWINGS

	2004 £'000	2003 £'000
Obligations under finance lease and hire purchase contracts	<u>151</u>	<u>-</u>
The maturity of the above amounts is as follows:		
Within one year or on demand	45	-
Between one and two years	49	-
Between two and five years	57	-
After more than five years	-	-
	<u>151</u>	<u>-</u>

Obligations under hire purchase contracts are secured on the related assets.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

18. PROVISIONS FOR LIABILITIES AND CHARGES

The Group	At 1 January 2004 £'000	Charged/ credited to profit and loss account £'000	At 31 December 2004 £'000
Restoration and subsidence provisions	3,188	(886)	2,302
Medical claims	900	493	1,393
Deferred taxation	19	-	19
	<u>4,107</u>	<u>(393)</u>	<u>3,714</u>

Restoration and subsidence provisions will be utilised should mining cease or subsidence occur and the company will become liable for these costs upon the date of mining cessation or subsidence.

The medical claims relate to current claims against the company and they will become payable in the instance that such claims be found against the company.

The bank holds a bond in favour of Brit Insurance Limited for £500,000 in relation to the medical claims.

The amounts of deferred taxation provided in the financial statements are as follows:

The amounts of deferred taxation provided in the financial statements are as follows:

	2004 £'000	2003 £'000
Capital allowances in excess of depreciation	<u>19</u>	<u>19</u>

19. CALLED UP SHARE CAPITAL

	2004 £'000	2003 £'000
Authorised		
2,600,000 'A' ordinary shares of £1 each	2,600	2,600
1,400,000 'C' ordinary shares of £1 each	<u>1,400</u>	<u>1,400</u>
	<u>4,000</u>	<u>4,000</u>
Allotted and fully paid		
1,961,635 'A' ordinary shares of £1 each	1,962	1,962
200,000 'C' ordinary shares of £1 each	<u>200</u>	<u>200</u>
	<u>2,162</u>	<u>2,162</u>

All ordinary shares have equal rights to dividends and repayment of capital. 'C' ordinary shares have no voting rights.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

20. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

	Issued share capital £'000	Share premium account £'000	Own shares reserve £'000	Profit and loss account £'000	Total 2004 £'000	Total 2003 £'000
The Group						
At beginning of year as previously reported	2,162	223	-	7,387	9,772	10,066
Prior year adjustment (Note 1)	-	-	(513)	-	(513)	(513)
	<u>2,162</u>	<u>223</u>	<u>(513)</u>	<u>7,387</u>	<u>9,259</u>	<u>9,553</u>
Balance at the beginning of the year as restated	2,162	223	(513)	7,387	9,259	9,553
Loss attributable to members of the group	-	-	-	(6,187)	(6,187)	(294)
	<u>2,162</u>	<u>223</u>	<u>(513)</u>	<u>1,200</u>	<u>3,072</u>	<u>9,259</u>
At end of year	<u>2,162</u>	<u>223</u>	<u>(513)</u>	<u>1,200</u>	<u>3,072</u>	<u>9,259</u>
The Company						
At beginning of year and end of year	<u>2,162</u>	<u>223</u>	<u>-</u>	<u>24</u>	<u>2,409</u>	<u>2,409</u>

21. RECONCILIATION OF OPERATING LOSS TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2004 £'000	2003 £'000
Operating loss	(6,363)	(449)
Depreciation	1,388	1,373
Decrease in stocks	1,369	283
Decrease in debtors	2,157	574
Increase/(decrease) in creditors	591	(1,038)
(Decrease)/increase in provisions	(393)	12
	<u>(393)</u>	<u>12</u>
Net cash (outflow)/inflow from operating activities	<u>(1,251)</u>	<u>755</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2004

22. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	£'000	2004 £'000	£'000	2003 £'000
Decrease in cash in the year	(1,437)		(552)	
Cash outflow from increase in debt and lease financing	39		-	
Cash inflow from increase in liquid resources	(144)		(505)	
Changes in net funds resulting from cash flows		(1,542)		(1,057)
New finance leases		(190)		-
Movement in net funds in the year		(1,732)		(1,057)
Net funds at 1 January		2,471		3,528
Net funds at 31 December		739		2,471

23. ANALYSIS OF CHANGE IN NET FUNDS

	At 1 January 2004 £'000	Cash flow £'000	Other non-cash changes £'000	At 31 December 2004 £'000
Cash at bank and in hand	3,285	(1,437)	-	1,848
Debt due within one year	(2,050)	-	-	(2,050)
Finance leases	-	39	(190)	(151)
Current asset investments	1,236	(144)	-	1,092
	2,471	(1,542)	(190)	739

24. OWN SHARES RESERVE

The Group	£'000
Cost and net book value:	
At 1 January and 31 December 2004	513

Interests in own shares held represent holdings in Goitre Tower Anthracite Limited by Welsh Dragon Coal Limited of £13,000 (2003 - £13,000) and by Goitre Tower Anthracite Trustees Limited of £500,000 (2003 - £500,000). These amounts were held as investments in the prior year and have been reclassified to shareholders funds to better reflect the nature of the transaction in line with the urgent issues task force abstract 37.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

25. PENSIONS

The group operates a defined contribution pension scheme for all qualified employees. The assets of the scheme are held in individually administered funds. The cost of pensions for the company in the year was £127,000 (2003 - £487,000).