Company Registration No. 2984129

GOITRE TOWER ANTHRACITE LIMITED

Report and Financial Statements

18 months ended 30 June 2006

REPORT AND FINANCIAL STATEMENTS 2006

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G N Davies OBE
T O'Sullivan OBE (Chairman)
A Shott
G Parker
R L Williams
T B Roberts OBE (non-executive)
M J Higgins (non-executive)

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

You will see from the financial statements that our performance in 2005/06 shows a substantial improvement on 2004

With increased prices, turnover grew to £38m, allowing us to make a gross profit for the first time for some years which improved our liquidity position

During the year, we received our final instalment of investment aid which has assisted in the development of the last panels to be worked at Tower

We have continued to receive outstanding support from our major customers, Innogy and Evans & Reid

With the completion of coaling earlier this month, the Board is looking to finalise an agreement for the regeneration of the Tower site

It is with sadness that I report the death of Robert Davies, who has acted as director and company secretary

While mining has not been easy, I would express my thanks to the Board and all of you who have played your part in the last period

T O'Sullivan OBE
Chairman

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the 18 months ended 30 June 2006

ACTIVITIES

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

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The results are shown in the profit and loss account on page 7 Coal production continued to be affected by difficult underground conditions during 2005 and 2006, which has affected turnover and, as a result, profitability However, the market price of coal increased compared to 2004 and hence sales and performance improved

The company's key aim has been to continue mining the deep mine for us long as possible, the key measure of effectiveness being production tonnages

Development work continued during the current period and throughout 2007, as a result of which we continued to coal into January 2008 when underground production ceased

We have been able to sell all of our production both during the period under review and through until January 2008 The group has been able to make profits and improve liquidity during the 2007 and 2008 financial years

The consolidated balance sheet on page 8 shows that net assets have increased compared to 2004 by £664,000, however, this is with the benefit of the revaluation of land and buildings by £800,000

During 2007, in line with reduced production, we have steadily decreased costs and redeployed Tower workforce to other mining activities With coaling now ceased in the deep mine, the company is currently seeking a partner to explore the opportunities for future site regeneration

The Board expects the group to continue to trade throughout 2008 and 2009, albeit on a reduced scale, by inter alia utilising its railhead and washery facilities In the longer term, the Board expects the group to generate revenue from its future site regeneration opportunities

The trade and certain assets of Welsh Dragon Coal Limited were disposed of in July 2007 The proceeds were not materially different to the book value of the assets including goodwill sold

The group's liquidity position has improved further following the period-end The group has negotiated for the sale of the majority of its plant and equipment The group is also in negotiations with potential partners in respect of its future site regeneration opportunities As set out in notes 15 and note 26, the group has also renegotiated the terms of repayment of other loans

FINANCIAL RISKS AND RESPONSES

The group is exposed to price risk The group does not manage its exposure to price risk due to cost benefit considerations

The group's principal financial assets are bank balances and cash, and trade and other receivables

The group's credit risk is primarily attributable to its trade receivables The amounts presented in the balance sheet are net of allowances for doubtful receivables An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows

The group has a significant concentration of credit risk, with exposure spread over a small number of counterparties and customers The group manages this risk through its credit control procedures Cash flow risk, relating to demands of working capital, are mitigated through the careful management of stock holdings, review of supplier credit terms, and the management of cash on a group-wide basis to meet the group's cash requirements

The group has limited exposure to variations in interest rates and foreign exchange The directors do not consider it necessary to hedge exposure to the above factors The business is monitored for changes in the risk profile of such exposure and will consider using financial instruments and derivatives as appropriate

DIVIDENDS

The directors do not recommend the payment of a dividend (year ended 31 December 2004 - £nil)

DIRECTORS' REPORT (continued)

DIRECTORS

The current directors of the company, who served throughout the financial year, are as shown on page 1 Ken Davies resigned as a director on 31 October 2005, Brian Morgan resigned as a director on 14 April 2006 Robert Davies was appointed as a director on 31 October 2005 but it is with regret that we report that he passed away on 25 December 2007

SECRETARY

Robert Davies was appointed as company secretary on 7 April 2006, the company will appoint a new company secretary in due course

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

DISABLED PERSONS

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

AUDITORS

In the case of each of the persons who are directors of the company at the date when this report is approved

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware, and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

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

G N I Davies

G N Davies OBE
Director

24 January 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the report and the financial statements in accordance with applicable law and regulations

United Kingdom company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period In preparing these 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 UK 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 that 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 group and parent company financial statements (the "financial statements") of Goitre Tower Anthracite Limited for the 18 months ended 30 June 2006 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes 1 to 26 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

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

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 whether in our opinion the information given in the directors' report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 other information contained in the annual report as described in the contents section and consider whether it is consistent with the audited financial statements We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any further information outside the annual report

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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 30 June 2006 and of the group's loss for the 18 months then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Deloitte & Touche LLP

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

24 January 2008

CONSOLIDATED PROFIT AND LOSS ACCOUNT
18 months ended 30 June 2006

	Note	18 months ended 30 June 2006 £'000	Year ended 31 December 2004 £'000
TURNOVER	2	38,463	22,815
Cost of sales		(35,482)	(27,458)
Gross profit/(loss)		2,981	(4,643)
Administrative expenses		(4,103)	(3,035)
Other operating income	4	777	1,315
OPERATING LOSS		(345)	(6,363)
Interest receivable		104	106
Interest payable and similar charges	5	(19)	(18)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	6	(260)	(6,275)
Tax on loss on ordinary activities	7	124	88
LOSS FOR THE FINANCIAL PERIOD	20	(136)	(6,187)

All activities derive from continuing operations

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
18 months ended 30 June 2006

	18 months ended 30 June 2006 £'000	Year ended 31 December 2004 £'000
Loss for the financial period	(136)	(6,187)
Surplus arising on revaluation of freehold land and buildings	800	-
Total recognised gains/(losses) in the financial period	664	(6,187)

There is no difference between the loss on ordinary activities before taxation and the retained loss for the current period or the prior financial year stated above, and their historical cost equivalents

CONSOLIDATED BALANCE SHEET
30 June 2006

	Note	£'000	30 June 2006 £'000	£'000	31 December 2004 £'000
FIXED ASSETS					
Intangible assets	9		123		143
Tangible assets	10		2,825		4,912
Investments	11		25		50
			2,973		5,105
CURRENT ASSETS					
Stocks	12	2,384		1,319	
Debtors	13	2,178		3,039	
Investments	14	812		1,092	
Cash at bank and in hand		3,248		1,848	
		8,622		7,298	
CREDITORS: amounts falling due within one year	15	(5,099)		(5,511)	
NET CURRENT ASSETS			3,523		1,787
TOTAL ASSETS LESS CURRENT LIABILITIES			6,496		6,892
CREDITORS: amounts falling due after more than one year	16		(26)		(106)
PROVISIONS FOR LIABILITIES	18		(2,734)		(3,714)
NET ASSETS			3,736		3,072
CAPITAL AND RESERVES					
Called up share capital	19		2,162		2,162
Share premium account	20		223		223
Own share reserve	20		(513)		(513)
Revaluation reserve	20		800		-
Profit and loss account	20		1,064		1,200
TOTAL SHAREHOLDERS' FUNDS	20		3,736		3,072

These financial statements were approved by the Board of Directors on 24 January 2008

Signed on behalf of the Board of Directors

G N Davies OBE)
) Directors
T O'Sullivan OBE)

COMPANY BALANCE SHEET
30 June 2006

	Note	30 June 2006 £'000	31 December 2004 £'000
FIXED ASSETS			
Investments	11	9,200	9,200
CURRENT ASSETS			
Debtors	13		
Due within one year		169	-
Due after one year		1,171	1,312
Cash at bank and in hand		93	121
		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	19	2,162	2,162
Share premium account	20	223	223
Profit and loss account	20	24	24
TOTAL SHAREHOLDERS' FUNDS	20	2,409	2,409

These financial statements were approved by the Board of Directors on 24 January 2008

Signed on behalf of the Board of Directors

G N Davies OBE)
) Directors
T O'Sullivan OBE)

CONSOLIDATED CASH FLOW STATEMENT
18 months ended 30 June 2006

	Note	£'000	18 months ended 30 June 2006 £'000	£'000	Year ended 31 December 2004 £'000
Net cash inflow/(outflow) from operating activities	21		378		(1,251)
Returns on investments and servicing of finance					
Interest received		104		106	
Interest paid		(7)		(7)	
Interest element of finance lease rental payments		(12)		(11)	
Net cash inflow from returns on investments and servicing of finance			85		88
Taxation					
UK corporation tax repaid/(paid)		105		(17)	
Tax paid			105		(17)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(48)		(552)	
Receipts from sale of fixed assets		645		-	
Cash receipts from investments		25		-	
Net cash inflow/(outflow) from capital expenditure and financial investment			622		(552)
Net cash inflow/(outflow) before use of liquid resources and financing			1,190		(1,732)
Management of liquid resources					
Cash withdrawn from seven-day deposits			280		144
Financing					
New finance leases		-		190	
Capital element of finance lease rental payments		(70)		(39)	
Net cash (outflow)/inflow from financing			(70)		151
Increase/(decrease) in cash in the financial period	22,23		1,400		(1,437)

NOTES TO THE FINANCIAL STATEMENTS
18 months ended 30 June 2006

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 current and the prior financial year, are described below

Accounting convention

The financial statements are prepared under the historical cost convention, modified to include the revaluation of certain fixed assets

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

Intangible fixed assets

Goodwill on acquisition has not been amortised but, in accordance with FRS 11, an annual impairment review was carried out Provision has been made during the period against the goodwill in relation to Tower Energy Resources Limited (see note 9) Following the year end the trade and assets of the Welsh Dragon Coal Limited was sold (see note 9 and note 26) The amount received in respect of the Welsh Dragon Coal Limited goodwill was not materially different to the carrying value

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation net of depreciation and any provision for impairment Depreciation is provided 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

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

NOTES TO THE FINANCIAL STATEMENTS
18 months ended 30 June 2006

1. **ACCOUNTING POLICIES (continued)**

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

Closure costs relating to shaft treatment, pit-top restoration and subsidence are recognised as a provision at commissioning stage Costs are charged to the provision as incurred Provision for other closure costs is made when there is a demonstrable commitment to the closure

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 AND REVENUE RECOGNITION**

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, is attributable to one activity, and is recognised upon delivery

NOTES TO THE FINANCIAL STATEMENTS
18 months ended 30 June 2006

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The Group	**18 months ended 30 June 2006**	**Year ended 31 December 2004**
	£'000	**£'000**
Directors' emoluments		
Other emoluments (excluding employers' national insurance)	399	233
Pension contributions	3	8
	402	241
	No.	**No.**
Number of directors who are members of a defined contribution pension scheme	4	6
	£'000	**£'000**
Highest paid director		
Emoluments	89	59

The highest paid director is not a member of the pension scheme

	£'000	**£'000**
Employee costs (including directors)		
Wages and salaries	13,530	9,476
Social security costs	1,399	1,002
Other pension costs	174	127
	15,103	10,605
Average number of persons employed (including directors)	**No.**	**No.**
General administration	23	24
Mining	320	327
	343	351

The Company

The company did not have any employees during the 18 months ended 30 June 2006 or the year ended 31 December 2004, other than the directors

The directors are also directors of Tower Colliery Limited, they are remunerated by Tower Colliery Limited for their services to the group as a whole It is not practicable to allocate their remuneration between their services to the company and other entities

NOTES TO THE FINANCIAL STATEMENTS
18 months ended 30 June 2006

4. OTHER OPERATING INCOME

Other income of £777,000 (year ended 31 December 2004 - £1,315,000) represents a subsidy due from the Department of Trade and Industry £777,000 (year ended 31 December 2004 - £440,000) of this subsidy was unpaid at the financial year-end and is recorded in other debtors

5. INTEREST PAYABLE AND SIMILAR CHARGES

	18 months ended 30 June 2006 £'000	Year ended 31 December 2004 £'000
Bank loans, overdrafts and other loans repayable within five years	7	6
Finance lease and hire purchase contracts	12	12
	19	18

6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	18 months ended 30 June 2006 £'000	Year ended 31 December 2004 £'000
This is stated after charging/(crediting)		
Auditors' remuneration		
- audit fees	37	22
- other services	23	11
Impairment of goodwill	20	-
Profit on disposal of fixed assets	(62)	-
Depreciation		
- owned assets	1,898	1,353
- leased assets	35	35
Impairment of fixed assets	419	-

Audit fees in respect of the company were £5,000 (year ended 31 December 2004 - £5,000)

NOTES TO THE FINANCIAL STATEMENTS
18 months ended 30 June 2006

7. TAX ON LOSS ON ORDINARY ACTIVITIES

	18 months ended 30 June 2006 £'000	Year ended 31 December 2004 £'000
Current taxation		
United Kingdom corporation tax		
Current tax on income for the year at 30% (year ended 31 December 2004 - 30%)	-	-
Adjustment in respect of prior years	105	88
Total current tax	105	88
Deferred tax	19	-
	124	88

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	(260)	(6,275)
Tax on loss on ordinary activities before tax at 30% (year ended 31 December 2004 – 30%)	78	1,883
Factors affecting charge for the financial year		
Expenses not deductible for tax purposes	(12)	(8)
Capital allowances in excess of depreciation	(23)	(66)
Trade losses not utilised	(43)	(1,809)
Adjustment in respect of prior years	105	88
Current tax charge for the financial year	105	88

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 7 million (year ended 31 December 2004 £1 8 million) The asset would be recovered if sufficient trading profits were generated against which these losses could be utilised

The forthcoming reduction in the corporation tax rate to 28% is not anticipated to materially affect the future tax charge

NOTES TO THE FINANCIAL STATEMENTS
18 months ended 30 June 2006

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 current period or the prior financial year

9. INTANGIBLE FIXED ASSETS

Group	**Goodwill £'000**
Cost	
At 1 January 2005 and 30 June 2006	143
Provision for impairment	
At 1 January 2005	-
Charge	(20)
30 June 2006	(20)
Net book value	
At 30 June 2006	123
At 31 December 2004	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 The balance in respect of Tower Energy Resources Limited has been fully provided for during the period The assets and trade of Welsh Dragon Coal Limited were sold following the year end (refer to note 26) The sale proceeds were not significantly different to the carrying values of the assets and goodwill disposed of

NOTES TO THE FINANCIAL STATEMENTS
18 months ended 30 June 2006

10. TANGIBLE FIXED ASSETS

The Group	Long-term development expenditure £'000	Land and buildings £'000	Plant and machinery £'000	Total £'000
Cost or valuation				
At 1 January 2005	4,930	1,605	14,439	20,974
Additions	-	-	48	48
Disposals	-	(682)	-	(682)
Revaluation	-	228	-	228
At 30 June 2006	4,930	1,151	14,487	20,568
Accumulated depreciation				
At 1 January 2005	3,973	599	11,490	16,062
Charge for the financial year	573	72	1,288	1,933
Disposals	-	(99)	-	(99)
Revaluation	-	(572)	-	(572)
Impairment	-	-	419	419
At 30 June 2006	4,546	-	13,197	17,743
Net book value				
At 30 June 2006	384	1,151	1,290	2,825
At 31 December 2004	957	1,006	2,949	4,912

The company's freehold land and building was valued on 30 June 2006 by an independent professionally qualified valuer, on an existing use basis

If the freehold land and building had been included in the financial statements at cost less depreciation, the carrying value would have been £351,000 (year ended 31 December 2004 - £1,006,000)

11. INVESTMENTS

The Group	Loan to joint venture £'000	Shares in joint venture £'000	Total £'000
Cost and net book value			
At 1 January 2005	25	25	50
Loan repayment	(25)	-	(25)
At 30 June 2006	-	25	25

The Company	Shares in subsidiary £'000
Cost and net book value	
At 1 January 2005 and 30 June 2006	9,200

NOTES TO THE FINANCIAL STATEMENTS
18 months ended 30 June 2006

11. INVESTMENTS (continued)

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 30 June 2006, its capital and reserves amounted to £58,053 (year ended 31 December 2004 - £60,236) and its loss for the financial year then ended was £2,183 (year ended 31 December 2004 – loss of £2,109) It is held at cost in the consolidated balance sheet

12. STOCKS

	30 June 2006 £'000	31 December 2004 £'000
The Group		
Raw materials and consumables	532	927
Finished goods held for resale	1,852	392
	2,384	1,319

13. DEBTORS

	The Group 30 June 2006 £'000	The Company 30 June 2006 £'000	The Group 31 December 2004 £'000	The Company 31 December 2004 £'000
Trade debtors	1,121	-	2,150	-
Amounts owed by subsidiary undertakings	-	1,340	-	1,312
Other debtors	833	-	761	-
Prepayments and accrued income	224	-	128	-
	2,178	1,340	3,039	1,312

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

NOTES TO THE FINANCIAL STATEMENTS
18 months ended 30 June 2006

14. CURRENT ASSET INVESTMENTS

	30 June 2006 £'000	31 December 2004 £'000
The Group		
Cash held on seven-day deposit	812	1,092

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 30 June 2006 £'000	The Company 30 June 2006 £'000	The Group 31 December 2004 £'000	The Company 31 December 2004 £'000
Other loans	2,050	2,050	2,050	2,050
Trade creditors	1,193	24	2,096	24
Other creditors	475	-	137	-
Other taxation and social security	1,058	-	911	-
Accruals and deferred income	269	-	272	-
Amounts due under hire purchase contracts and finance lease	54	-	45	-
	5,099	2,074	5,511	2,074

Other loans are non interest bearing Following the year end the company has agreed a repayment schedule with the provider of the other loans The company has agreed to repay £250,000 on 31 March 2008 and £218,000 on 30 September 2008 with the balance to be paid no later than 31 January 2012 Amounts not paid on 31 January 2012 will be subject to interest at 2 0% above the Bank of England base rate

Obligations under hire purchase contracts are secured on the related assets

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

	The Group 30 June 2006 £'000	The Company 30 June 2006 £'000	The Group 31 December 2004 £'000	The Company 31 December 2004 £'000
Amounts due under hire purchase contracts and finance lease	26	-	106	-
Amounts owed to subsidiary undertaking	-	6,150	-	6,150
	26	6,150	106	6,150

Obligations under hire purchase contracts are secured on the related assets

NOTES TO THE FINANCIAL STATEMENTS
18 months ended 30 June 2006

17. BORROWINGS

	30 June 2006 £'000	31 December 2004 £'000
Obligations under finance lease and hire purchase contracts	81	151
The maturity of the above amounts is as follows		
Within one year or on demand	55	45
Between one and two years	26	49
Between two and five years	-	57
	81	151

Obligations under hire purchase contracts are secured on the related assets

18. PROVISIONS FOR LIABILITIES

The Group	At 1 January 2005 £'000	(Charged)/ credited to profit and loss account £'000	At 30 June 2006 £'000
Restoration and subsidence provisions	2,302	(1,136)	1,166
Medical claims	1,393	175	1,568
Deferred taxation	19	(19)	-
	3,714	(980)	2,734

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

	30 June 2006 £'000	31 December 2004 £'000
Capital allowances in excess of depreciation	-	19

NOTES TO THE FINANCIAL STATEMENTS
18 months ended 30 June 2006

19. CALLED UP SHARE CAPITAL

	30 June 2006 £'000	31 December 2004 £'000
Authorised		
2,600,000 'A' ordinary shares of £1 each	2,600	2,600
1,400,000 'C' ordinary shares of £1 each	1,400	1,400
	4,000	4,000
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	200	200
	2,162	2,162

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

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

	Issued share capital £'000	Share premium account £'000	Own share reserve £'000	Profit and loss account £'000	Revaluation reserve £'000	Total 30 June 2006 £'000	Total 31 December 2004 £'000
The Group							
At beginning of financial period	2,162	223	(513)	1,200	-	3,072	9,259
Loss attributable to members of the group	-	-	-	(136)	-	(136)	(6,187)
Surplus on revaluation	-	-	-	-	800	800	-
At end of financial period	2,162	223	(513)	1,064	800	3,736	3,072
The Company							
At beginning and end of financial period	2,162	223	-	24	-	2,409	2,409

NOTES TO THE FINANCIAL STATEMENTS
18 months ended 30 June 2006

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

	30 June 2006 £'000	31 December 2004 £'000
Operating loss	(345)	(6,363)
Depreciation and other amounts written off intangible and tangible fixed assets	2,372	1,388
Profit on disposal of fixed assets	(62)	-
(Increase)/decrease in stocks	(1,065)	1,369
Decrease in debtors	861	2,157
(Decrease)/increase in creditors	(422)	591
Decrease in provisions	(961)	(393)
Net cash inflow/(outflow) from operating activities	378	(1,251)

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

	£'000	30 June 2006 £'000	£'000	31 December 2004 £'000
Increase/(decrease) in cash in the financial year	1,400		(1,437)	
Cash outflow from increase in debt and lease financing	70		39	
Cash inflow from increase in liquid resources	(280)		(144)	
Changes in net funds resulting from cash flows		1,190		(1,542)
New finance leases		-		(190)
Movement in net funds in the financial year		1,190		(1,732)
Net funds at beginning of financial year		739		2,471
Net funds at end of financial year		1,929		739

NOTES TO THE FINANCIAL STATEMENTS
18 months ended 30 June 2006

23 ANALYSIS OF CHANGE IN NET FUNDS

	At 1 January 2005 £'000	Cash flow £'000	At 30 June 2006 £'000
Cash at bank and in hand	1,848	1,400	3,248
Debt due within one year	(2,050)	-	(2,050)
Finance leases	(151)	70	(81)
Current asset investments	1,092	(280)	812
	739	1,190	1,929

24. OWN SHARES RESERVE

The Group	**£'000**
Cost and net book value	
At 1 January 2005 and 30 June 2006	513

Interests in own shares held represent holdings in Goitre Tower Anthracite Limited by Welsh Dragon Coal Limited of £13,000 (year ended 31 December 2004 - £13,000) and by Goitre Tower Anthracite Trustees Limited of £500,000 (year ended 31 December 2004 - £500,000)

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 financial year was £174,000 (year ended 31 December 2004 - £127,000)

26. POST BALANCE SHEET EVENTS

In July 2007, the trade and certain assets of Welsh Dragon Coal Limited were sold The proceeds were not materially different to the book values of the assets and goodwill sold

In December 2007, the company re-negotiated the terms of repayment on other loans which were current liabilities at 30 June 2006 (refer to note 15)