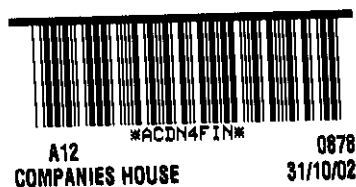


TOWER COLLIERY LIMITED

Report and Financial Statements

31 December 2001



**Deloitte & Touche
Blenheim House
Fitzalan Court
Newport Road
Cardiff
CF24 0TS**

REPORT AND FINANCIAL STATEMENTS 2001

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	4
Independent auditors' report	5
Profit and loss account	6
Balance sheet	7
Notes to the accounts	8

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G N Davies
T O'Sullivan OBE (Chairman)
R D Davies
P J White (resigned 1 August 2001)
K Davies
J Davies
G R Davies (appointed 1 August 2001)
C L Jones OBE (non executive) (resigned 3 May 2001)
T B Roberts OBE (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
Edwards Geldard

AUDITORS

Deloitte & Touche
Blenheim House
Fitzalan Court
Newport Road
Cardiff
CF24 0TS

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

ACTIVITIES

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

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The results for the year show a substantial improvement on 2000 with turnover exceeding £26m for the first time. This has been achieved against a background of difficult mining conditions and a slowdown in the demand for "coal products".

Development of the lateral and V49 panel continue and are on schedule to take over when V47 is worked out in March of next year. It is hoped that V49 will provide coal through until May/June 2004.

The market for coal is likely to be difficult over the next twelve months with over supply affecting the sale of products. The quality of Tower coal and the service provided to our customers will be vital factors in a year when we will need to maintain if not increase our market share.

We were again successful in negotiating a substantial subsidy for 2001. However, the existing subsidy scheme comes to an end in July and as yet there is no guarantee that it will be replaced.

ACQUISITION

On 5 March 2001 the company acquired a further 50% of the issued share capital of Tower Westland (Coal) Limited for £75,000, increasing the company's interest to 100%. This subsidiary's principal activity is the supply of coal. Following the acquisition, the subsidiary changed its name to Tower Energy Resources Limited.

DIVIDENDS

Dividends of £271,000 have been proposed by the directors (2000 - £271,000).

DIRECTORS AND THEIR INTERESTS

The present membership of the Board is set out on page 1.

The directors had no interests in the shares of the company throughout the year. Their interests in the shares of the parent company, Goitre Tower Anthracite Limited, are shown in the directors' report of that company.

G R Davies was appointed as director on 1 August 2001 and C L Jones OBE resigned as director in May 2001. All other directors served throughout the year.

DONATIONS

During the year the company made the following donations:

Charitable purposes - £10,480 (2000 - £9,230).

EMPLOYEES

The company 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)

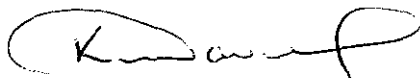
DISABLED PERSONS

The company 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

A resolution for the reappointment of Deloitte & Touche as auditors of the company 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 12th June 2002.

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 as at the end of the financial year 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; 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 TOWER COLLIERY LIMITED

We have audited the financial statements of Tower Colliery Limited for the year ended 31 December 2001 which comprise the profit and loss account, the balance sheet and the related notes 1 to 22. 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 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 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 transactions with the company 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 or material inconsistencies with the financial statements.

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 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 as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Deloitte & Touche

Chartered Accountants and Registered Auditors

Date 12 Jun 2002.

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2001

	Note	2001 £'000	2000 £'000
TURNOVER: continuing operations	2	26,622	24,167
Cost of sales		(26,759)	(23,794)
GROSS (LOSS)/PROFIT		(137)	373
Administrative expenses		(1,419)	(1,629)
Other operating income	4	3,601	2,716
OPERATING PROFIT: continuing operations		2,045	1,460
Investment income	5	457	270
Interest receivable and similar income		241	184
Interest payable and similar charges	7	(162)	(228)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	2,581	1,686
Taxation on profit on ordinary activities		(937)	(640)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,644	1,046
Dividends payable	9	(271)	(271)
RETAINED PROFIT FOR THE FINANCIAL YEAR	18	1,373	775

There are no recognised gains or losses for the current and prior year other than as stated above.

BALANCE SHEET
31 December 2001

	Note	£'000	2001 £'000	£'000	2000 £'000
FIXED ASSETS					
Tangible assets	10		6,117		7,219
Investments	11		650		100
			<u>6,767</u>		<u>7,319</u>
CURRENT ASSETS					
Stocks	12	1,307		1,780	
Debtors	13	7,016		7,952	
Debtors due after more than one year	13	6,150		6,150	
Cash at bank and in hand		4,100		2,402	
			<u>18,573</u>	<u>18,284</u>	
CREDITORS: amounts falling due within one year	14	(3,026)		(4,785)	
NET CURRENT ASSETS			<u>15,547</u>		<u>13,499</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			22,314		20,818
CREDITORS: amounts falling due after more than one year	15		(1,172)		(1,189)
PROVISIONS FOR LIABILITIES AND CHARGES	16		(4,039)		(3,899)
TOTAL NET ASSETS			<u>17,103</u>		<u>15,730</u>
CAPITAL AND RESERVES					
Called up share capital	17		-		-
Other reserves	18		9,200		9,200
Profit and loss account	18		7,903		6,530
TOTAL EQUITY SHAREHOLDERS' FUNDS			<u>17,103</u>		<u>15,730</u>

These financial statements were approved by the Board of Directors on 12th JUNE 2002.

Signed on behalf of the Board of Directors

G N Davies)

) 
) Directors

T O'Sullivan OBE)

) 

NOTES TO THE ACCOUNTS
Year ended 31 December 2001**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Investments

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

Group accounts are not prepared as consolidated accounts are prepared by the parent company.

Depreciation

Depreciation is provided on 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	-	8.33% - 33.33% per annum
Development expenditure	-	Underground development costs of a longer-term nature are separately identified and written-off over their expected commercial lives of up to 5 years, once commissioned.

Stocks

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

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising 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 to the extent that it is probable that a liability or asset will crystallise in the future.

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

Pension costs are charged to the profit and loss account as incurred.

Leases

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases 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.

Cash flow statement

The company is not presenting a cash flow statement. It is taking advantage of the exemption contained in FRS 1 as the parent company, Goitre Tower Anthracite Limited, has included a consolidated cash flow statement in the group accounts.

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

1. ACCOUNTING POLICIES (continued)

Related party transactions

As in excess of 90% of the company's voting rights are controlled by Goitre Tower Anthracite Limited, the company is not required to disclose transactions with other group undertakings. The company has not transacted with any other related parties during the year.

2. TURNOVER

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

	2001 £'000	2000 £'000
Turnover comprises:		
Sales to external companies	14,186	22,374
Sales to Joint Venture	1,875	-
Sales to fellow subsidiary	10,561	938
Insurance proceeds	-	855
	<u>26,622</u>	<u>24,167</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2001 £'000	2000 £'000
Directors' emoluments		
Other emoluments (excluding employer's national insurance)	246	241
Pension contributions	9	8
	<u>255</u>	<u>249</u>
	No.	No.
Number of directors who are members of a defined contribution pension scheme	6	5
	<u>£'000</u>	<u>£'000</u>
Highest paid director		
Remuneration of highest paid director:	59	57
The highest paid director is not a member of the pension scheme		
Employee costs (including directors)	£'000	£'000
Wages and salaries	8,190	7,837
Social security costs	838	782
Other pension costs	468	475
	<u>9,496</u>	<u>9,094</u>
Average number of persons employed (including directors)	No.	No.
General administration	25	23
Mining	303	277
	<u>328</u>	<u>300</u>

4. OTHER OPERATING INCOME

In respect of the year 2001 the company has credited a subsidy due from the DTI of £3,601,000 (2000 - £2,716,000) to the profit and loss account.

£3,000,000 (2000 - £2,716,000) of this amount is included in debtors.

5. INVESTMENT INCOME

	2001 £'000	2000 £'000
Income from fixed asset investments	<u>457</u>	<u>270</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2001 £'000	2000 £'000
The profit on ordinary activities before taxation is after charging:		
Auditors' remuneration		
- Audit fees	13	13
- Other services	9	5
Depreciation - owned assets	2,150	1,911
- leased assets	613	1,234
And after crediting:		
Subsidy income	3,601	2,176

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £'000	2000 £'000
Bank loans, overdrafts and other loans repayable within five years	-	25
Finance leases and hire purchase contracts	162	203
	162	228

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £'000	2000 £'000
United Kingdom corporation tax at 30% (2000 - 30%)	937	640

9. DIVIDENDS

	2001 £'000	2000 £'000
£271,000 per ordinary share proposed (2000 - £271,000)	271	271

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

10. TANGIBLE FIXED ASSETS

	Long-term development £'000	Land and buildings £'000	Plant and Machinery £'000	Total £'000
Cost				
At 1 January 2001	2,886	788	12,668	16,342
Additions	1,273	-	388	1,661
At 31 December 2001	4,159	788	13,056	18,003
Accumulated depreciation				
At 1 January 2001	1,263	292	7,568	9,123
Charge for the year	1,314	57	1,392	2,763
At 31 December 2001	2,577	349	8,960	11,886
Net book value				
At 31 December 2001	1,582	439	4,096	6,117
At 31 December 2000	1,623	496	5,100	7,219

The net book value of the company's plant and machinery includes £213,543 (2000 - £3,506,879) in respect of assets held under finance leases and hire purchase agreements.

11. INVESTMENTS

	Shares in group undertakings £'000	Shares in subsidiaries £'000	Loan to subsidiary £'000	Shares in joint ventures £'000	Total £'000
Cost and net book value					
At 1 January 2001	-	-	25	75	100
Transfers	-	50	-	(50)	-
Additions	375	175	-	-	550
At 31 December 2001	375	225	25	25	650

During the year the company paid £100,000 to acquire the entire share capital of Goitre Insurance Limited, a captive insurance company incorporated in Guernsey.

On 5 March 2001 the company acquired a further 50% of the issued share capital of Tower Energy Resources Limited for £75,000.

12. STOCKS

	2001 £'000	2000 £'000
Raw materials and consumables	897	640
Finished goods held for resale	410	1,140
	1,307	1,780

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

13. DEBTORS

	2001 £'000	2000 £'000
Due within one year		
Trade debtors	1,579	3,119
Amounts owed from related parties	1,700	1,960
Other debtors	3,086	2,757
Prepayments and accrued income	251	116
Dividend receivable	400	-
	<u>7,016</u>	<u>7,952</u>
Due after more than one year		
Amount due from parent company	<u>6,150</u>	<u>6,150</u>

Included within other debtors is £66,000 (2000 - £nil) of loans made to employees during the year to enable them to purchase shares in the company.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £'000	2000 £'000
Obligations under finance leases and hire purchase contracts	17	1,294
Trade creditors	1,134	1,388
Other creditors including taxation and social security	1,411	1,528
Accruals and deferred income	193	304
Dividend payable	271	271
	<u>3,026</u>	<u>4,785</u>
Other creditors including taxation and social security includes:		
Taxation and social security	<u>484</u>	<u>1,287</u>

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

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

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

	2001 £'000	2000 £'000
Obligations under finance leases and hire purchase contracts	-	17
Amounts due to parent company	1,172	1,172
	<u>1,172</u>	<u>1,189</u>
Analysis of finance leases and hire purchase contracts		
Amounts falling due:		
Within one year	17	1,294
One to two years	-	17
Two to five years	-	-
	<u>17</u>	<u>1,311</u>

Amounts due to parent company are unsecured and have no fixed dates for repayment except that repayment will not be required within one year.

16. PROVISIONS FOR LIABILITIES AND CHARGES

	At 1 January 2001 £'000	Charged to profit and loss account £'000	At 31 December 2001 £'000
Restoration and subsidence provision	3,139	-	3,139
Medical claims	760	140	900
	<u>3,899</u>	<u>140</u>	<u>4,039</u>

The amounts of deferred taxation provided and unprovided in the accounts are:

	Provided 2001 £'000	Provided 2000 £'000	Unprovided 2001 £'000	Unprovided 2000 £'000
Capital allowances in excess of depreciation	-	-	75	345

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

17. CALLED UP SHARE CAPITAL

	2001 £'000	2000 £'000
Authorised		
100,000 ordinary shares of £1 each	100	100
Called up, allotted and fully paid		
1 ordinary share of £1	-	-

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

	Other reserves £'000	Profit and loss account £'000	Total 2001 £'000	Total 2000 £'000
At beginning of year	9,200	6,530	15,730	14,955
Profit attributable to members of the company	-	1,373	1,373	775
At end of year	9,200	7,903	17,103	15,730

19. CAPITAL COMMITMENTS

	2001 £'000	2000 £'000
Contracted for but not provided	-	142

20. PENSIONS

The company 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 £468,000 (2000 - £475,000). At 31 December 2001 contributions totalling £nil (2000 - £nil) were payable to the fund and are included in creditors.

21. CONTINGENT LIABILITY

The subsidy income referred to in note 4 is in certain circumstances subject to reclaim.

22. PARENT COMPANY

The company's ultimate parent company is Goitre Tower Anthracite Limited, a company registered in England and Wales.

Copies of the financial statements of Goitre Tower Anthracite Limited are available from Companies House, Crown Way, Maindy, Cardiff.