

TOWER COLLIERY LIMITED

Report and Financial Statements

31 December 2000



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

REPORT AND FINANCIAL STATEMENTS 2000

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REPORT AND FINANCIAL STATEMENTS 2000

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G N Davies
T O'Sullivan OBE (Chairman)
R D Davies (appointed 19 October 2000)
P J White
K Davies
J Davies

C L Jones OBE (Non executive) (resigned 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

SOLICITORS

Morgan Cole

AUDITORS

Deloitte & Touche
Chartered Accountants
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 2000.

ACTIVITIES

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

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The results for year 2000 reflect the positive progress achieved during the year with group turnover exceeding £24 million for the first time.

Development of the laterals and the new panel (V47) continued well and our continuing investment for the future has considerably strengthened the company's mining position.

The V47 panel is the biggest ever driven at Tower (c. 1600 metres) and will come on stream in early September 2001.

It is planned to produce coal from this panel for some eighteen months until March 2003 – meanwhile we are now working on extending the existing laterals to open up V49.

The market for coal which has been difficult for the last few years has shown a considerable improvement in the last six months culminating in us signing recently a major contract with Innogy for industrial coal to Aberthaw which will run to March 2004.

We have also increased our tonnage to Gateway since the contract was signed twelve months ago, with price increases for domestic product being achieved for the first time since 1995.

The outlook for 2001-2004 is very encouraging, with full order books and the price of coal increasing.

DIVIDENDS

Dividends of £271,000 have been proposed by the directors (1999 - £nil).

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 period. Their interests in the shares of the parent company, Goitre Tower Anthracite Limited, are shown in the directors' report of that company.

R D Davies was appointed director on 19 October 2000 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 - £9,230 (1999 - £8,640).

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

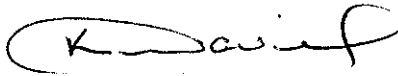
DISABLED PERSONS

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 6th June 2001

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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;
- 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. 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 TOWER COLLIERY LIMITED

We have audited the financial statements on pages 6 to 15 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with United Kingdom Law and Accounting Standards. 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 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 at 31 December 2000 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

6 June 2001.

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2000

	Note	2000 £'000	1999 £'000
TURNOVER: continuing operations	2	24,167	22,436
Cost of sales		(23,794)	(22,119)
GROSS PROFIT		373	317
Administration expenses		(1,629)	(1,436)
Other operating income	4	2,716	-
OPERATING PROFIT/(LOSS) – continuing operations		1,460	(1,119)
Investment income	5	270	200
Interest receivable and similar income		184	237
Interest payable and similar charges	7	(228)	(250)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	6	1,686	(932)
Taxation on profit/(loss) on ordinary activities	8	(640)	305
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		1,046	(627)
Dividends payable	9	(271)	-
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR	18	775	(627)

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

BALANCE SHEET
31 December 2000

	Note	£'000	2000 £'000	£'000	1999 £'000
FIXED ASSETS					
Tangible assets	10		7,219		9,231
Investments	11		100		50
			<u>7,319</u>		<u>9,281</u>
CURRENT ASSETS					
Stocks	12	1,780		1,227	
Debtors	13	7,952		3,211	
Debtors due after more than one year	13	6,150		6,150	
Cash at bank and in hand		2,402		4,002	
		<u>18,284</u>		<u>14,590</u>	
CREDITORS: amounts falling due within one year	14	<u>(4,785)</u>		<u>(3,282)</u>	
NET CURRENT ASSETS			<u>13,499</u>		<u>11,308</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			20,818		20,589
CREDITORS: amounts falling due after more than one year	15		(1,189)		(2,495)
PROVISIONS FOR LIABILITIES AND CHARGES	16		<u>(3,899)</u>		<u>(3,139)</u>
TOTAL NET ASSETS			<u>15,730</u>		<u>14,955</u>
CAPITAL AND RESERVES					
Called up share capital	17		-		-
Other reserves	18		9,200		9,200
Profit and loss account	18		6,530		5,755
TOTAL EQUITY SHAREHOLDERS' FUNDS			<u>15,730</u>		<u>14,955</u>

These financial statements were approved by the Board of Directors on 6th June 2001
Signed on behalf of the Board of Directors

G N Davies)

) Directors

T O'Sullivan)

NOTES TO THE ACCOUNTS

Year ended 31 December 2000

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.

The joint venture, Tower Westland (Coal Trading) Limited, is consolidated in the ultimate parent company's accounts.

The joint venture, Principality Fuel Company Limited has been excluded from consolidation due to immateriality.

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.

1. ACCOUNTING POLICIES (continued)

NOTES TO THE ACCOUNTS**Year ended 31 December 2000****Related party transactions**

As in excess of 90% of the company's voting rights are controlled by the 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 loss, all of which arises in the United Kingdom, is attributable to one activity.

	2000 £'000	1999 £'000
Turnover comprises:		
Sales to external companies	22,374	19,967
Sales to fellow subsidiary	938	889
Insurance proceeds	855	1,580
	<u>24,167</u>	<u>22,436</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2000

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2000 £'000	1999 £'000
Directors' emoluments		
Other emoluments (excluding employers' national insurance)	241	246
Pension contributions	8	8
	<u>249</u>	<u>254</u>
	No.	No.
Number of directors who are members of a defined contribution pension scheme	5	5
	<u>£'000</u>	<u>£'000</u>
Highest paid director		
Remuneration of highest paid director:	57	56
The highest paid director is not a member of the pension scheme.		
Employee costs (including directors):	£'000	£'000
Wages and salaries	7,837	7,455
Social security costs	782	652
Other pension costs	475	437
	<u>9,094</u>	<u>8,544</u>
Average number of persons employed (including directors)	No.	No.
General administration	23	23
Mining	277	274
	<u>300</u>	<u>297</u>

4. OTHER OPERATING INCOME

During April 2001 the company received a subsidy from the DTI of £2,716,000 relating to the trading year ending 31 December 2000.

5. INVESTMENT INCOME

	2000 £'000	1999 £'000
Income from fixed asset investments	<u>270</u>	<u>200</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2000

6. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	2000 £'000	1999 £'000
The profit/(loss) on ordinary activities before taxation is after charging:		
Auditors' remuneration		
- Audit fees	13	13
- Other services	5	5
Depreciation - owned assets	1,911	577
- leased assets	1,234	1,215
And after crediting:		
Subsidy income	2,176	-
	<u>2,176</u>	<u>-</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2000 £'000	1999 £'000
Bank loans, overdrafts and other loans repayable within five years	25	20
Finance leases and hire purchase contracts	203	230
	<u>228</u>	<u>250</u>

8. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2000 £'000	1999 £'000
United Kingdom corporation tax at 30% (1999 - 30%)	640	(305)
	<u>640</u>	<u>(305)</u>

9. DIVIDENDS

	2000 £'000	1999 £'000
£ per share proposed	271	-
	<u>271</u>	<u>-</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

10. TANGIBLE FIXED ASSETS

	Long term development £'000	Land and buildings £'000	Plant and Machinery £'000	Total £'000
Cost				
At 1 January 2000	2,034	754	12,421	15,209
Additions	852	34	247	1,133
At 31 December 2000	2,886	788	12,668	16,342
Accumulated depreciation				
At 1 January 2000	-	234	5,744	5,978
Charge for the year	1,263	58	1,824	3,145
At 31 December 2000	1,263	292	7,568	9,123
Net book value				
At 31 December 2000	1,623	496	5,100	7,219
At 31 December 1999	2,034	520	6,677	9,231

The net book value of the company's plant and machinery includes £3,506,879 (1999 - £4,741,428) in respect of assets held under finance leases and hire purchase agreements.

11. INVESTMENTS

	Loan to joint ventures £'000	Shares in joint ventures £'000	Total £'000
Cost and net book value:			
At 1 January 2000	-	50	50
Additions	25	25	50
As at 31 December 2000	25	75	100

12. STOCKS

	2000 £'000	1999 £'000
Raw materials and consumables	640	1,045
Finished goods held for resale	1,140	182
	1,780	1,227

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

13. DEBTORS

	2000 £'000	1999 £'000
Due within one year		
Trade debtors	3,119	587
Amounts owed from related parties	1,960	1,458
Other debtors	2,757	1,050
Prepayments and accrued income	116	116
	<u>7,952</u>	<u>3,211</u>
Due after more than one year		
Amount due from parent company	<u>6,150</u>	<u>6,150</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000 £'000	1999 £'000
Obligations under finance leases and hire purchase contracts	1,294	1,855
Trade creditors	1,388	788
Other creditors including taxation and social security	1,528	296
Accruals and deferred income	304	343
Dividend payable	271	-
	<u>4,785</u>	<u>3,282</u>
Other creditors including taxation and social security includes:		
Taxation and social security	<u>647</u>	<u>243</u>

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

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

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

	2000 £'000	1999 £'000
Obligations under finance leases and hire purchase contracts	17	1,323
Amounts due to parent company	1,172	1,172
	<u>1,189</u>	<u>2,495</u>
Analysis of finance leases and hire purchase contracts		
Amounts falling due:		
Within one year	1,294	1,855
One to two years	17	1,284
Two to five years	-	39
	<u>1,311</u>	<u>3,178</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 2000 £'000	Charged to profit and loss account £'000	At 31 December 2000 £'000
Restoration and subsidence provision	3,139	-	3,139
Medical claims	-	760	760
	<u>3,139</u>	<u>760</u>	<u>3,899</u>

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

	Provided 2000 £'000	Provided 1999 £'000	Unprovided 2000 £'000	Unprovided 1999 £'000
Capital allowances in excess of depreciation	-	-	345	483

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

17. CALLED UP SHARE CAPITAL

	2000 £'000	1999 £'000
Authorised		
100,000 ordinary shares of £1 each	100,000	100,000
Called up, allotted and fully paid		
1 ordinary share of £1	1	1

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

	Issued share capital £'000	Other reserves £'000	Profit and loss account £'000	Total 2000 £'000	Total 1999 £'000
At beginning of period	-	9,200	5,755	14,955	15,582
Profit/(loss) attributable to members of the company	-	-	775	775	(627)
At end of period	-	9,200	6,530	15,730	14,955

Other reserves represent £2,000,000 of undistributable reserves, and £7,200,000 of distributable reserves.

19. CAPITAL COMMITMENTS

	2000 £'000	1999 £'000
Contracted for but not provided	142	420

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 period was £475,000 (1999 - £437,000). At 31 December 2000 contributions totalling £nil (1999 - £nil) were payable to the fund and are included in creditors.

21. CONTINGENT LIABILITY

The company received £2,176,000 from the DTI in the form of a subsidy during April 2001 relating to the year ended 31 December 2001.

The subsidy income 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.