

**Deloitte &
Touche**

Deloitte Touche
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International



Company Registration No. 2997375

REGISTRAR OF COMPANIES

TOWER COLLIERY LIMITED

Report and Financial Statements

31 December 1996

**Deloitte & Touche
Blenheim House
Fitzalan Court
Newport Road
Cardiff CF2 1TS**





REPORT AND FINANCIAL STATEMENTS 1996

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REPORT AND FINANCIAL STATEMENTS 1996

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P G Weekes
G N Davies
T O'Sullivan (Chairman)
A Shott
P J White
K Davies
J Davies

C L Jones (Non executive)
T B Roberts (Non executive)

SECRETARY

P J White

REGISTERED OFFICE

Treherbert Road
Hirwaun
Aberdare
Mid Glamorgan
CF44 9UF

BANKERS

Barclays Bank plc

SOLICITORS

Bevan Ashford

AUDITORS

Deloitte & Touche
Chartered Accountants
Blenheim House
Fitzalan Court
Newport Road
Cardiff CF2 1TS

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1996.

ACTIVITIES

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

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The accounts reflect the continued progress made during the year with turnover of £22.5 million based upon saleable tonnage of 550,000 tonnes.

We have continued to develop our sales base for industrial and domestic coal.

During the year we completed our first "face installation" on schedule and within budget, and while the V38 face has not been easy to coal it is now close to the end of its scheduled life.

Installations of the V43 face is complete with changeover from V38 programmed for the end of March. We look forward with some confidence to working the new face in 1997.

The directors are very pleased to report results ahead of forecast especially taking into consideration the level of "development" work undertaken in the year.

DIVIDENDS AND TRANSFERS TO RESERVES

An interim dividend of £126,072 (1995 - £121,750) was paid during the period. The directors recommend the payment of a final dividend of £252,152 (1995 - £243,500). After dividends, retained profits of £2,193,000 (1995 - £1,844,000) have been transferred to reserves.

FIXED ASSETS

Movements of fixed assets are detailed in note 8 of the accounts.

DIRECTORS AND THEIR INTERESTS

The present membership of the Board is set out on page 1. Mr T B Roberts was appointed director on 23 March 1996 and messrs K Davies and J Davies were appointed directors on 1 November 1996. All other directors served throughout the year.

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.

DIRECTORS' AND OFFICERS' LIABILITY

Directors' and officers' liability insurance has been purchased by the company during the period.

DONATIONS

During the year the company made the following donations:

Charitable purposes - £9,320

DIRECTORS' REPORT

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.

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



P J White
Secretary

10 March 1997

**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.

By order of the Board

P J White

Secretary

10 March 1997



Chartered Accountants

Deloitte & Touche
Blenheim House
Fitzalan Court
Newport Road
Cardiff CF2 1TS

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AUDITORS' REPORT TO THE MEMBERS OF TOWER COLLIERY LIMITED

We have audited the financial statements on pages 6 to 13 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. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche

Chartered Accountants and
Registered Auditors

Date 11 March 1997

PROFIT AND LOSS ACCOUNT
Year ended 31 December 1996

| | Note | 1996 £'000 | 1995 £'000 |
|--|------|---------------|---------------|
| TURNOVER: continuing operations | 2 | 22,541 | 18,621 |
| Cost of sales | | (17,011) | (13,296) |
| GROSS PROFIT | | 5,530 | 5,325 |
| Administration expenses | | (1,527) | (1,346) |
| OPERATING PROFIT - continuing operations | | 4,003 | 3,979 |
| Interest receivable and similar income | | 338 | 124 |
| Interest payable and similar charges | 5 | (29) | (40) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 4 | 4,312 | 4,063 |
| Taxation on profit on ordinary activities | 6 | (1,741) | (1,853) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | 2,571 | 2,210 |
| Dividends | 7 | (378) | (366) |
| RETAINED PROFIT FOR THE FINANCIAL YEAR | | 2,193 | 1,844 |

There are no recognised gains or losses other than as stated above.

BALANCE SHEET
31 December 1996

| | Note | <u>1996</u> | <u>1995</u> |
|--|------|----------------|----------------|
| | | £'000 | £'000 |
| FIXED ASSETS | | | |
| Tangible assets | 8 | 10,223 | 9,979 |
| CURRENT ASSETS | | | |
| Stocks | 9 | 1,982 | 1,235 |
| Debtors | 10 | 4,786 | 4,205 |
| Cash at bank and in hand | | 5,000 | 3,625 |
| | | <u>11,768</u> | <u>9,065</u> |
| CREDITORS: amounts falling due within one year | 11 | <u>(4,227)</u> | <u>(4,263)</u> |
| NET CURRENT ASSETS | | <u>7,541</u> | <u>4,802</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>17,764</u> | <u>14,781</u> |
| CREDITORS: amounts falling due after more than one year | 12 | (1,582) | (911) |
| PROVISIONS FOR LIABILITIES AND CHARGES | 13 | <u>(2,945)</u> | <u>(2,826)</u> |
| TOTAL NET ASSETS | | <u>13,237</u> | <u>11,044</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 14 | - | - |
| Other reserves | 15 | 9,200 | 9,200 |
| Profit and loss account | 15 | <u>4,037</u> | <u>1,844</u> |
| TOTAL EQUITY SHAREHOLDERS' FUNDS | | <u>13,237</u> | <u>11,044</u> |

These financial statements were approved by the Board of Directors on 10 March 1997.

Signed on behalf of the Board of Directors

G N Davies)

) Directors

T O'Sullivan)

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

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.

Land and buildings

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 |

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 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.

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

Cash flow statement

The company is not presenting a cash flow statement. It is taking advantage of the exemption contained in FRS1 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 1996

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.

| | 1996 £'000 | 1995 £'000 |
|-----------------------------|---------------|---------------|
| Turnover comprises: | | |
| Sales to external companies | 22,235 | 18,621 |
| Sales to fellow subsidiary | 306 | - |
| | <u>22,541</u> | <u>18,621</u> |

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

| | 1996 £'000 | 1995 £'000 |
|---|---------------|---------------|
| Directors' emoluments | | |
| Other emoluments (including employers' national insurance) | 209 | 221 |
| Pension contributions | 4 | 2 |
| | <u>213</u> | <u>223</u> |
| Remuneration of chairman | 3 | 3 |
| Remuneration of highest paid director | 52 | 50 |
| Scale of directors' remuneration | No. | No. |
| £ 0 - £ 5,000 | 4 | 2 |
| £ 10,001 - £ 15,000 | 1 | - |
| £ 30,001 - £ 35,000 | - | 1 |
| £ 35,001 - £ 40,000 | 2 | 1 |
| £ 40,001 - £ 45,000 | 1 | 1 |
| £ 45,001 - £ 50,000 | - | 1 |
| £ 50,001 - £ 55,000 | 1 | - |
| | <u>£'000</u> | <u>£'000</u> |
| Employee costs (including directors): | | |
| Wages and salaries | 5,899 | 5,023 |
| Social security costs | 533 | 421 |
| Other pension costs | 173 | 175 |
| | <u>6,605</u> | <u>5,619</u> |
| Average number of persons employed (including directors) | No. | No. |
| General administration | 19 | 17 |
| Mining | 240 | 229 |
| | <u>259</u> | <u>246</u> |

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

| | 1996 £'000 | 1995 £'000 |
|--|---------------|---------------|
| The profit on ordinary activities before taxation is after charging: | | |
| Auditors' remuneration | | |
| - Audit fees | 12 | 12 |
| - Other services | 4 | 3 |
| Depreciation - owned assets | 1,628 | 1,249 |
| - leased assets | 10 | 5 |
| | <u>1,644</u> | <u>1,269</u> |

5. INTEREST PAYABLE AND SIMILAR CHARGES

| | 1996 £'000 | 1995 £'000 |
|--|---------------|---------------|
| Bank loans, overdrafts and other loans repayable within five years | 16 | 29 |
| Finance leases and hire purchase contracts | 10 | 6 |
| Other loans | 3 | 5 |
| | <u>29</u> | <u>40</u> |

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 1996 £'000 | 1995 £'000 |
|--|---------------|---------------|
| United Kingdom corporation tax at 33% (1995 - 33%) | 1,820 | 1,853 |
| Over provision in prior period | (79) | - |
| | <u>1,741</u> | <u>1,853</u> |

7. DIVIDENDS

| | 1996 £'000 | 1995 £'000 |
|----------------|---------------|---------------|
| Interim paid | 126 | 122 |
| Final proposed | 252 | 244 |
| | <u>378</u> | <u>366</u> |


NOTES TO THE ACCOUNTS
Year ended 31 December 1996
8. TANGIBLE FIXED ASSETS

| | Land and buildings £'000 | Plant and machinery £'000 | Total £'000 |
|---------------------------------|---|--|------------------------|
| Cost | | | |
| At 1 January 1996 | 423 | 10,810 | 11,233 |
| Additions | 111 | 1,771 | 1,882 |
| | <u>534</u> | <u>12,581</u> | <u>13,115</u> |
| At 31 December 1996 | | | |
| Accumulated depreciation | | | |
| At 1 January 1996 | 35 | 1,219 | 1,254 |
| Charge for the year | 45 | 1,593 | 1,638 |
| | <u>80</u> | <u>2,812</u> | <u>2,892</u> |
| At 31 December 1996 | | | |
| Net book value | | | |
| At 31 December 1996 | <u>454</u> | <u>9,769</u> | <u>10,223</u> |
| At 31 December 1995 | <u>388</u> | <u>9,591</u> | <u>9,979</u> |

The net book value of the company's plant and machinery includes £1,307,000 (1995 - £50,000) in respect of assets held under finance leases and hire purchase agreements.

9. STOCKS

| | 1996 £'000 | 1995 £'000 |
|--------------------------------|-----------------------|-----------------------|
| Raw materials and consumables | 1,662 | 1,044 |
| Finished goods held for resale | 320 | 191 |
| | <u>1,982</u> | <u>1,235</u> |

10. DEBTORS

| | 1996 £'000 | 1995 £'000 |
|-----------------------------------|-----------------------|-----------------------|
| Trade debtors | 3,579 | 3,776 |
| Amounts owed from related parties | 443 | - |
| Other debtors | 63 | 61 |
| Prepayments and accrued income | 701 | 368 |
| | <u>4,786</u> | <u>4,205</u> |

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 1996 £'000 | 1995 £'000 |
|---|---------------|---------------|
| Bank loan (secured) | - | 168 |
| Obligations under finance leases and hire purchase contracts | 295 | 37 |
| Trade creditors | 662 | 1,194 |
| Other creditors including taxation and social security | 2,790 | 2,531 |
| Accruals and deferred income | 228 | 89 |
| Proposed dividend | 252 | 244 |
| | <u>4,227</u> | <u>4,263</u> |
| This heading includes | | |
| Taxation and social security | <u>2,312</u> | <u>2,392</u> |

The bank loan is secured by a fixed and floating charge over the assets of the company.

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

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

| | 1996 £'000 | 1995 £'000 |
|---|---------------|---------------|
| Obligations under finance leases and hire purchase contracts | 670 | - |
| Amounts due to parent company | 912 | 911 |
| | <u>1,582</u> | <u>911</u> |

Obligations under finance leases and hire purchase contracts are all due within two and five years.

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

13. PROVISIONS FOR LIABILITIES AND CHARGES

| | At 1 January 1996 £'000 | Charged to profit and loss account £'000 | At 31 December 1996 £'000 |
|---------------------------------------|----------------------------------|--|------------------------------------|
| Restoration and subsidence provisions | <u>2,826</u> | <u>119</u> | <u>2,945</u> |

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

| | Provided 1996 £'000 | Provided 1995 £'000 | Unprovided 1996 £'000 | Unprovided 1995 £'000 |
|---|---------------------------|---------------------------|-----------------------------|-----------------------------|
| Capital allowances in excess of depreciation | <u>-</u> | <u>-</u> | <u>127</u> | <u>-</u> |

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

14. CALLED UP SHARE CAPITAL

| | 1996 £ | 1995 £ |
|---|----------------|----------------|
| Authorised | | |
| 100,000 ordinary shares of £1 each | <u>100,000</u> | <u>100,000</u> |
| Called up, allotted and fully paid | | |
| 1 ordinary share of £1 | <u>1</u> | <u>1</u> |

15. 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 1996 £'000 |
|---|-------------------------------------|----------------------------|--|------------------------|
| At beginning of period | - | 9,200 | 1,844 | 11,044 |
| Profit attributable to members of the company | - | - | 2,571 | 2,571 |
| Dividends | - | - | (378) | (378) |
| At end of period | <u>-</u> | <u>9,200</u> | <u>4,037</u> | <u>13,237</u> |

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

16. CAPITAL COMMITMENTS

| | 1996 £'000 | 1995 £'000 |
|---------------------------------|---------------|---------------|
| Contracted for but not provided | <u>320</u> | <u>-</u> |

17. 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 £238,000 (1995 - £175,000). At 31 December 1996 contributions totalling £51,182 (1995 - £48,000) were payable to the fund and are included in creditors.

18. 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.