

TOWER COLLIERY LIMITED

Report and Financial Statements

31 December 1999

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



REPORT AND FINANCIAL STATEMENTS 1999

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REPORT AND FINANCIAL STATEMENTS 1999

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

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

C L Jones OBE (Non executive)
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 1999.

ACTIVITIES

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

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The results for 1999 were dramatically affected by the earthquake of 26th October, which stopped coal production for almost two months.

As a consequence production and turnover at £22.4 million (see note 2), was below target and major costs were incurred while the underground problems were being solved. We were fortunate in having sufficient cash resources to finance this costly period.

The efforts made in the last two months of the year enabled production to restart in January 2000, much sooner than originally anticipated. Fortunately we were able to continue with our programme of underground development and the next face is ready to take over when the existing panel is exhausted.

Work has commenced on schedule to develop the V47 face, which it is estimated will be ready for production in the middle of next year.

The market for coal, reported on last year, continues to be difficult within the U.K. and the European Community, with cheap imports and the value of the pound having its effect on demand.

Despite this however, we have increased our tonnage with Innogy (National Power) and negotiated a major three-year contract with 'Gateway' for the supply of coal to the Concessionary Market.

We have made a positive recovery from the set backs experienced last year but need to be continually aware of the competition and challenges existing within the industry.

DIVIDENDS

No dividends have been paid or proposed by the directors (1998 - £nil).

DIRECTORS AND THEIR INTERESTS

The present membership of the Board is set out on page 1. All directors served throughout the year with the exception of P G Weekes who resigned on 30 September 1999.

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.

DONATIONS

During the year the company made the following donations:

Charitable purposes - £8,640 (1998 - £9,747).

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.

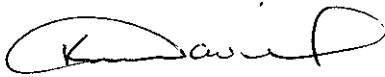
DIRECTORS' REPORT**DISABLED PERSONS**

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 25 August 2000.

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 14 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 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche

Chartered Accountants and
Registered Auditors

25 August 2000

PROFIT AND LOSS ACCOUNT
Year ended 31 December 1999

	Note	1999 £'000	1998 £'000
TURNOVER: continuing operations	2	22,436	22,144
Cost of sales		(22,119)	(19,286)
GROSS PROFIT		317	2,858
Administration expenses		(1,436)	(1,589)
OPERATING (LOSS)/PROFIT – continuing operations		(1,119)	1,269
Investment income	4	200	-
Interest receivable and similar income		237	345
Interest payable and similar charges	6	(250)	(168)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(932)	1,446
Taxation on (loss)/profit on ordinary activities	7	305	(372)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(627)	1,074
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR	16	(627)	1,074

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

BALANCE SHEET
31 December 1999

	Note	£'000	1999 £'000	1998 £'000
FIXED ASSETS				
Tangible assets	8		9,231	9,800
Investments	9		50	50
			<u>9,281</u>	<u>9,850</u>
CURRENT ASSETS				
Stocks	10	1,227		1,681
Debtors	11	3,211		5,387
Debtors due after more than one year	11	6,150		4,100
Cash at bank and in hand		4,002		5,994
		<u>14,590</u>		<u>17,162</u>
CREDITORS: amounts falling due within one year	12	(3,282)		(4,411)
NET CURRENT ASSETS			<u>11,308</u>	<u>12,751</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			20,589	22,601
CREDITORS: amounts falling due after more than one year	13		(2,495)	(3,880)
PROVISIONS FOR LIABILITIES AND CHARGES	14		(3,139)	(3,139)
TOTAL NET ASSETS			<u>14,955</u>	<u>15,582</u>
CAPITAL AND RESERVES				
Called up share capital	15		-	-
Other reserves	16		9,200	9,200
Profit and loss account	16		5,755	6,382
TOTAL EQUITY SHAREHOLDERS' FUNDS			<u>14,955</u>	<u>15,582</u>

These financial statements were approved by the Board of Directors on 25 August 2000.
Signed on behalf of the Board of Directors

G N Davies)

) Directors

T O'Sullivan)

NOTES TO THE ACCOUNTS
Year ended 31 December 1999**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.

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.

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.

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

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.

	1999 £'000	1998 £'000
Turnover comprises:		
Sales to external companies	19,967	21,217
Sales to fellow subsidiary	889	927
Insurance proceeds	1,580	-
	<u>22,436</u>	<u>22,144</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1999 £'000	1998 £'000
Directors' emoluments		
Other emoluments (including employers' national insurance)	246	247
Pension contributions	8	8
	<u>254</u>	<u>255</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:	56	56
The highest paid director is not a member of the pension scheme.		
Employee costs (including directors):	£'000	£'000
Wages and salaries	7,455	7,423
Social security costs	652	638
Other pension costs	437	416
	<u>8,544</u>	<u>8,477</u>
Average number of persons employed (including directors)	No.	No.
General administration	23	23
Mining	274	275
	<u>297</u>	<u>298</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1999**4. INVESTMENT INCOME**

	1999 £'000	1998 £'000
Income from fixed asset investment	200	-

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

	1999 £'000	1998 £'000
The (loss)/profit on ordinary activities before taxation is after charging:		
Auditors' remuneration		
- Audit fees	13	13
- Other services	5	5
Depreciation - owned assets	577	602
- leased assets	1,215	1,146

6. INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £'000	1998 £'000
Bank loans, overdrafts and other loans repayable within five years	20	18
Finance leases and hire purchase contracts	230	150
	250	168

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

	1999 £'000	1998 £'000
United Kingdom corporation tax at 31% (1998 - 31%)	(305)	372

NOTES TO THE ACCOUNTS
Year ended 31 December 1999**8. TANGIBLE FIXED ASSETS**

	Long term development £'000	Land and buildings £'000	Plant and Machinery £'000	Total £'000
Cost				
At 1 January 1999	1,392	754	11,840	13,986
Additions	642	-	581	1,223
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1999	2,034	754	12,421	15,209
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation				
At 1 January 1999	-	180	4,006	4,186
Charge for the year	-	54	1,738	1,792
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1999	-	234	5,744	5,978
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 1999	2,034	520	6,677	9,231
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1998	1,392	574	7,834	9,800
	<hr/>	<hr/>	<hr/>	<hr/>

Expenditure incurred on the long term development relates to an ongoing project and is therefore not being depreciated.

The net book value of the company's plant and machinery includes £4,741,428 (1998 - £5,602,000) in respect of assets held under finance leases and hire purchase agreements.

9. INVESTMENTS

	Shares in joint venture £'000
Cost and net book value:	
At 1 January 1999 and at 31 December 1999	50
	<hr/>
The above shares are unlisted.	

10. STOCKS

	1999 £'000	1998 £'000
Raw materials and consumables	1,045	1,071
Finished goods held for resale	182	610
	<hr/>	<hr/>
	1,227	1,681
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

11. DEBTORS

	1999 £'000	1998 £'000
Due within one year		
Trade debtors	587	3,396
Amounts owed from related parties	1,458	1,605
Other debtors	1,050	29
Prepayments and accrued income	116	357
	<u>3,211</u>	<u>5,387</u>
Due after more than one year		
Amount due from parent company	<u>6,150</u>	<u>4,100</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £'000	1998 £'000
Obligations under finance leases and hire purchase contracts	1,855	2,000
Trade creditors	788	1,185
Other creditors including taxation and social security	296	893
Accruals and deferred income	343	290
Due to related party	-	43
	<u>3,282</u>	<u>4,411</u>
Other creditors including taxation and social security includes:		
Taxation and social security	<u>243</u>	<u>880</u>

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

NOTES TO THE ACCOUNTS**Year ended 31 December 1999****13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	1999 £'000	1998 £'000
Obligations under finance leases and hire purchase contracts	1,323	2,708
Amounts due to parent company	1,172	1,172
	<u>2,495</u>	<u>3,880</u>
Analysis of finance leases and hire purchase contracts		
Amounts falling due:		
Within one year	1,855	2,000
One to two years	1,284	1,764
Two to five years	39	944
	<u>3,178</u>	<u>4,708</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.

14. PROVISIONS FOR LIABILITIES AND CHARGES

	At 1 January 1999 £'000	Charged to profit and loss account £'000	At 31 December 1999 £'000
Restoration and subsidence provisions	3,139	-	3,139

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

	Provided 1999 £'000	Provided 1998 £'000	Unprovided 1999 £'000	Unprovided 1998 £'000
Capital allowances in excess of depreciation	-	-	483	273

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

15. CALLED UP SHARE CAPITAL

	1999 £	1998 £
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

16. 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 1999 £'000	Total 1998 £'000
At beginning of period	-	9,200	6,382	15,582	14,508
(Loss)/profit attributable to members of the company	-	-	(627)	(627)	1,074
At end of period	-	9,200	5,755	14,955	15,582

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

17. CAPITAL COMMITMENTS

	1999 £'000	1998 £'000
Contracted for but not provided	420	380

18. 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 £437,000 (1998 - £416,000). At 31 December 1999 contributions totalling £nil (1998 - £nil) were payable to the fund and are included in creditors.

19. 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.