

Russlate Limited
Company Number SC 56232

Accounts

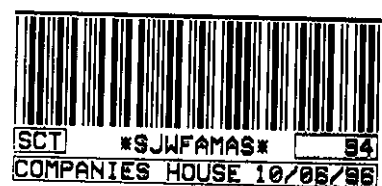
For the Year Ended 31 December 1995

Hardie Caldwell
(INCORPORATING PEACOCK & HENRY)

CHARTERED ACCOUNTANTS

Glasgow

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**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 1995**

Directors: S R Nicolson - Resigned 30 January 1996
R A Belch
R Davidson

The directors submit their report and statement of accounts for the year ended 31 December 1995.

Review of activities

The company did not trade during the year.

Directors and their interests

None of the directors had any interest in the share capital of the company. The interest of the directors who are also directors of the holding company are shown in that company's accounts. The interest of the director who is not also a director of the holding company in the share capital of the holding company is as follows:

	31.12.95	31.12.94
R Davidson	15,229	14,347

In accordance with the Executive Share Option Scheme, R Davidson has been granted the following options to purchase Ordinary Shares in the holding company:

<u>Date of Grant</u>	<u>Number of Ordinary Shares</u>	<u>Option Price</u>
6.9.85	30,000	85.4p
17.7.87	5,000	111.2p
15.7.88	15,000	71.8p
14.7.89	15,000	90.0p
23.4.91	15,000	95.0p
27.4.92	15,000	86.0p
11.4.94	10,000	71.8p

These options are exercisable between three and ten years from the date of granting. R Davidson exercised his option to purchase 30,000 ordinary shares and 15,000 ordinary shares in the holding company on 2 June 1995. The exercise price of these options were 85.4p and 71.8p respectively. The market price of the shares at the date of exercise was 105.0p.

The grant of options to directors, who are also directors of the holding company, to purchase ordinary shares in the holding company are shown in that company's accounts.

Auditors

The auditors, Messrs Hardie Caldwell, Chartered Accountants, have expressed their willingness to continue in office and a resolution proposing their re-appointment will be put to the Annual General Meeting.

Approved by the Board on 27 March 1996 and signed on its behalf by

R Davidson



Secretary

Tannochside Park
Uddingston G71 5PH

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the company's state of affairs at the end of the year and of its results for that period. In preparing those accounts 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, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to assume 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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud or other irregularities.

**REPORT OF THE AUDITORS
TO THE MEMBERS OF RUSSLATE LIMITED**

We have audited the accounts on pages 4 to 5 which have been prepared under the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

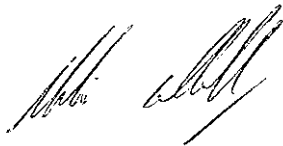
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 the information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 December 1995 and have been properly prepared in accordance with the Companies Act 1985.



Hardie Caldwell
*Chartered Accountants
and Registered Auditor*

Savoy Tower
77 Renfrew Street
Glasgow G2 3BY



BALANCE SHEET
AS AT 31 DECEMBER 1995

	Note	£	1994 £
Current assets			
Debtors	2	285,972	286,583
Creditors: amounts falling due within one year	3	496,870	497,481
		<u>(210,898)</u>	<u>(210,898)</u>
Capital and reserves			
Called up share capital	4	44,000	44,000
General capital reserve		67,516	67,516
Profit and loss account		<u>(322,414)</u>	<u>(322,414)</u>
		<u>(210,898)</u>	<u>(210,898)</u>

Approved by the Board on 27 March 1996 and signed on its behalf by

R A Belch

Director

R Davidson

Director

The notes on page 5 form part of these accounts.

**NOTES ON THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1995**

1) Accounting policies

Accounting convention

The accounts comply with all applicable accounting standards and have been prepared under the historical cost convention.

2) Debtors

	£	1994 £
Amounts owed by fellow subsidiaries	251,699	252,310
Corporate taxes	34,273	34,273
	<u>285,972</u>	<u>286,583</u>

All of the above amounts are due for payment within the following year.

3) Creditors

	£	£
Bank overdraft	-	-
Amounts owed to ultimate holding company	488,827	489,438
Amounts owed to fellow subsidiaries	8,043	8,043
	<u>496,870</u>	<u>497,481</u>

The amounts owed to the ultimate holding company have no fixed date for repayment. The ultimate holding company, Alexander Russell PLC, has confirmed its continuing support for the company and in the event of receivership or liquidation of the company, has agreed to subordinate its claim to that of all other creditors.

4) Share capital

Authorised : 50,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
Allotted and fully paid : 44,000 ordinary shares of £1 each	<u>44,000</u>	<u>44,000</u>

5) Ultimate holding company

The company is a wholly owned subsidiary of Russell Coal Limited which is in turn wholly owned by Alexander Russell PLC both companies being incorporated in Scotland. In the opinion of the directors, Alexander Russell PLC is the company's ultimate holding company.