

Registration number 02668844

**Gwynfynydd Gold Mine Ltd**

**Directors' report and financial statements**

**for the year ended 31 December 2005**



## **Gwynfynydd Gold Mine Ltd**

### **Company information**

Directors	Roland Frank Phelps Clayton Hugo Wynne Robson
Secretary	Mrs Mai Parry Roberts
Company number	02668844
Registered office	41 Frithwood Avenue Northwood Middlesex HA6 3LY
Auditors	Robert Gray Chartered Accountants Messina House 25 Portland Street Aberystwyth Ceredigion SY23 2DX
Business address	41 Frithwood Avenue Northwood Middlesex HA6 3LY
Bankers	Barclays Bank Plc 5 High Road Willesden Green London NW16 2TE

# **Gwynfynydd Gold Mine Ltd**

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# Gwynfynydd Gold Mine Ltd

## Directors' report for the year ended 31 December 2005

The directors present their report and the financial statements for the year ended 31 December 2005.

### Principal activity and review of the business

The principal activities of the group are the mining, manufacture and retail of gold and jewellery.

### Results and dividends

The results for the year are set out on page 5.

The directors do not recommend payment of a final dividend.

### Financial risk management objectives and policies

- a) the financial risk management objectives and policies of the company including the policy for hedging each major type of forecasted transaction for which hedge accounting is used; and
  - b) the exposure of the company to price risk, credit risk, liquidity risk and cash flow risk;
- unless such information is not material for the assessment of the assets, liabilities, financial position and profit or loss of the company.

### Directors and their interests

The directors who served during the year and their interests in the company are as stated below:

	Class of share	31/12/05	01/01/05
Roland Frank Phelps	Ordinary shares	-	-

The interests of the directors in the shares of the parent company, Welsh Gold plc, can be found in the Directors' Report within the accounts of the parent company.

### Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that year. In preparing these the directors are required to:

- select suitable accounting policies and 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 financial statements;
- 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 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 and other irregularities.

**Gwynfynydd Gold Mine Ltd**

**Directors' report  
for the year ended 31 December 2005**

..... continued

The directors of a company must, in determining how amounts are presented within items in the profit and loss account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles and practice.

**Auditors**

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Robert Gray Chartered Accountants be reappointed as auditors of the company will be put to the Annual General Meeting.

This report was approved by the Board on 3 May 2006 and signed on its behalf by

A handwritten signature in black ink, appearing to read 'R Phelps', is written over the printed name.

**Roland Frank Phelps**

**Director**

## **Gwynfynydd Gold Mine Ltd**

### **Independent auditors' report to the shareholders of Gwynfynydd Gold Mine Ltd**

We have audited the financial statements of Gwynfynydd Gold Mine Ltd for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

#### **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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)..

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 and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

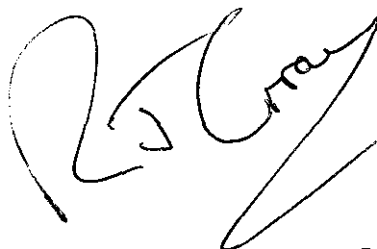
**Gwynfynydd Gold Mine Ltd**

**Independent auditors' report to the shareholders of Gwynfynydd Gold Mine Ltd continued**

**Fundamental uncertainty**

**Opinion**

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Robert Gray Chartered Accountants  
and  
Registered Auditor  
3 May 2006**

**Messina House  
25 Portland Street  
Aberystwyth  
Ceredigion  
SY23 2DX**

**Gwynfynydd Gold Mine Ltd**

**Profit and loss account  
for the year ended 31 December 2005**

		<b>Continuing operations</b>	
		<b>2005</b>	<b>2004</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>
<b>Turnover</b>	<b>2</b>	28,000	18,000
Administrative expenses		(635)	(2,272)
<b>Profit on ordinary activities before taxation</b>		27,365	15,728
Tax on profit on ordinary activities		-	-
<b>Profit on ordinary activities after taxation</b>		27,365	15,728
<b>Retained profit for the year</b>	<b>8</b>	27,365	15,728

There are no recognised gains or losses other than the profit or loss for the above two financial years.

The notes on pages 8 to 11 form an integral part of these financial statements.



**Gwynfynydd Gold Mine Ltd**

**Balance sheet  
as at 31 December 2005**

		2005		2004	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Tangible assets	5		15,000		15,000
<b>Current assets</b>					
Cash at bank and in hand		5,013		4,729	
		<u>5,013</u>		<u>4,729</u>	
<b>Creditors: amounts falling due within one year</b>	6	<u>(34,908)</u>		<u>(34,908)</u>	
<b>Net current liabilities</b>			<u>(29,895)</u>		<u>(30,179)</u>
<b>Total assets less current liabilities</b>			(14,895)		(15,179)
<b>Deficiency of assets</b>			<u>(14,895)</u>		<u>(15,179)</u>
<b>Capital and reserves</b>					
Called up share capital	7		483,000		483,000
Profit and loss account	8		<u>(497,895)</u>		<u>(498,179)</u>
<b>Equity shareholders' funds</b>	9		<u>(14,895)</u>		<u>(15,179)</u>

The financial statements were approved by the Board on 3 May 2006 and signed on its behalf by

  
**Roland Frank Phelps**  
**Director**

**The notes on pages 8 to 11 form an integral part of these financial statements.**

**Gwynfynydd Gold Mine Ltd**

**Cash flow statement  
for the year ended 31 December 2005**

Notes	2005 £	2004 £
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>		
Operating profit	27,365	15,728
Depreciation	-	1,687
Increase in creditors	-	2,281
Increase in provisions	(27,082)	(16,890)
<b>Net cash inflow from operating activities</b>	<u>283</u>	<u>2,806</u>
 <b>Cash flow statement</b>		
<b>Increase in cash in the year</b>	<u>283</u>	<u>2,806</u>
 <b>Reconciliation of net cash flow to movement in net funds (Note 13)</b>		
<b>Increase in cash in the year</b>	283	2,806
<b>Net funds at 1 January 2005</b>	4,729	1,923
<b>Net funds at 31 December 2005</b>	<u>5,012</u>	<u>4,729</u>

# **Gwynfynydd Gold Mine Ltd**

## **Notes to the financial statements for the year ended 31 December 2005**

### **1. Accounting policies**

#### **1.1. Accounting convention**

The financial statements are prepared under the historical cost convention and comply with financial reporting standards of the Accounting Standards Board.

The company has consistently applied all relevant accounting standards.

#### **1.2. Turnover**

Turnover represents the total invoice value, excluding value added tax, of sales made during the year.

#### **1.3. Tangible fixed assets and depreciation**

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Land and buildings	-	The directors do not consider it appropriate to depreciate the land
Plant and machinery	-	25% Straight Line

#### **1.4. Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

# Gwynfynydd Gold Mine Ltd

## Notes to the financial statements for the year ended 31 December 2005

..... continued

### 2. Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the UK.

### 3. Operating profit

	2005 £	2004 £
Operating profit is stated after charging:		
Depreciation and other amounts written off tangible assets	-	1,688
Auditors' remuneration	620	570
	<u>620</u>	<u>570</u>

The employees of the company are the two directors who did not receive any remuneration during the year.

### 4. Employees

There were no employees during the year apart from the directors.

### 5. Tangible fixed assets

	Land and buildings freehold £	Plant and machinery £	Fixtures, fittings and equipment £	Total £
<b>Cost</b>				
At 1 January 2005	15,000	149,393	5,306	169,699
At 31 December 2005	<u>15,000</u>	<u>149,393</u>	<u>5,306</u>	<u>169,699</u>
<b>Depreciation</b>				
At 1 January 2005	-	149,393	5,306	154,699
At 31 December 2005	<u>-</u>	<u>149,393</u>	<u>5,306</u>	<u>154,699</u>
<b>Net book values</b>				
At 31 December 2005	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
At 31 December 2004	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>

The mine was originally revalued upwards by the directors on 27th January 1995 to £1,026,000. A reduction in this valuation was recognised at the end of 1998 when the mine was revalued at £521,000. A further reduction was recognised at the end of 1999 to £64,500. At the end of 2001 the directors had revalued the mine at £15,000. The Directors consider this is an accurate reflection of the value of the land and buildings at 31st December 2004.

**Gwynfynydd Gold Mine Ltd**

**Notes to the financial statements  
for the year ended 31 December 2005**

..... continued

<b>6. Creditors: amounts falling due within one year</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Amounts owed to group undertaking	29,105	29,105
Directors' accounts	5,803	5,803
	<u>34,908</u>	<u>34,908</u>
<b>7. Share capital</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
<b>Authorised equity</b>		
1,000,000 Ordinary shares of 1 each	1,000,000	1,000,000
<b>Allotted, called up and fully paid equity</b>		
483,000 Ordinary shares of 1 each	<u>483,000</u>	<u>483,000</u>
<b>8. Equity Reserves</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£</b>	<b>£</b>
<b>At 1 January 2005</b>	(498,179)	(498,179)
Retained profit for the year	27,365	27,365
Other movements	(27,081)	(27,081)
<b>At 31 December 2005</b>	<u>(497,895)</u>	<u>(497,895)</u>
<b>9. Reconciliation of movements in shareholders' funds</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Profit for the year	27,365	15,728
Other recognised gains or losses	(27,081)	(16,890)
Net addition to shareholders' funds	284	(1,162)
Opening shareholders' funds	(15,179)	(14,017)
Closing shareholders' funds	<u>(14,895)</u>	<u>(15,179)</u>

# Gwynfynydd Gold Mine Ltd

## Notes to the financial statements for the year ended 31 December 2005

..... continued

### 10. Ultimate parent undertaking

The ultimate parent company is Welsh Gold plc which is incorporated in England & Wales. It owns all the issued share capital and has included the company in its group accounts, copies of which are available from its registered office.

### 11. Controlling interest

The company is under the control of the managing director Mr Roland Phelps.

### 13. Analysis of changes in net funds

	Opening balance	Cash flows	Closing balance
	£	£	£
Cash at bank and in hand	4,729	284	5,013
Net funds	<u>4,729</u>	<u>284</u>	<u>5,013</u>