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Company Registration No. 2997375

TOWER COLLIERY LIMITED

Report and Financial Statements

31 December 2003



Deloitte & Touche LLP
Cardiff

REPORT AND FINANCIAL STATEMENTS 2003

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G N Davies
T O'Sullivan OBE (Chairman)
K Davies
G R Davies
A Shott
G Parker
B Morgan (non-executive)
M J Higgins (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
National Westminster Bank Plc

SOLICITORS

Morgan Cole
Edwards Geldard

AUDITORS

Deloitte & Touche LLP
Cardiff

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

ACTIVITIES

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

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The results for 2003 were greatly affected by difficult mining conditions in the early part of the year, which resulted in a substantial loss of production over an eight-week period.

Our contract with Aberthaw Power Station continued to run well and has been renewed at similar tonnages until September 2005.

Product sales continued to be affected by general market conditions and another mild winter, which has affected the whole trade.

Costs have, where possible, been substantially reduced to take account of mining difficulties experienced during the year.

Due to changes in worldwide demand for coal, prices have improved in the early part of 2004.

Development of V44 was completed in May 2004 and is now in production.

DIVIDENDS

The directors do not recommend the payment of a dividend (2002 - £nil).

DIRECTORS AND THEIR INTERESTS

The present membership of the Board is set out on page 1. G Parker was appointed as a director on 10 March 2004. The other directors served throughout the year. R D Davies and P White have both resigned as directors since the year-end, on 10 March 2004.

The directors had no interests in the shares of the company throughout the year. 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 £17,000 (2002 - £9,472).

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

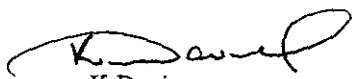
The company supports the employment of disabled persons wherever possible and by retention of those who become disabled during their employment, and generally through training, career development and promotion.

DIRECTORS' REPORT (continued)

AUDITORS

A resolution to reappoint Deloitte & Touche LLP as the company's auditors 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 ²⁹ June 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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; and
- 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TOWER COLLIERY LIMITED

We have audited the financial statements of Tower Colliery Limited for the year ended 31 December 2003 which comprise the profit and loss account, the balance sheet and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, 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 members 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 members 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 United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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

Basis of audit 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 as at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Cardiff

Date 29 June 2004

TOWER COLLIERY LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2003

	Note	2003 £'000	2002 £'000
TURNOVER: continuing operations	2	21,837	24,293
Cost of sales		(23,664)	(26,357)
Gross loss		(1,827)	(2,064)
Administrative expenses		(1,842)	(1,701)
Other operating income	4	2,355	2,628
OPERATING LOSS: continuing operations		(1,314)	(1,137)
Interest receivable and similar income		110	133
Interest payable and similar charges	6	-	(22)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(1,204)	(1,026)
Tax on loss on ordinary activities	7	38	315
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(1,166)	(711)
RETAINED LOSS FOR THE FINANCIAL YEAR	17	(1,166)	(711)

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

TOWER COLLIERY LIMITED

BALANCE SHEET 31 December 2003

	Note	2003 £'000	2002 £'000
FIXED ASSETS			
Tangible assets	8	4,608	5,451
Investments	9	775	686
		<u>5,383</u>	<u>6,137</u>
CURRENT ASSETS			
Stocks	10	2,436	2,751
Debtors due within one year	11	5,106	6,072
Debtors due after more than one year	11	6,150	6,150
Investments	12	1,236	1,741
Cash at bank and in hand		1,724	2,493
		<u>16,652</u>	<u>19,207</u>
CREDITORS: amounts falling due within one year	13	<u>(1,549)</u>	<u>(3,666)</u>
NET CURRENT ASSETS		<u>15,103</u>	<u>15,541</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>20,486</u>	<u>21,678</u>
CREDITORS: amounts falling due after more than one year	14	(1,172)	(1,172)
PROVISIONS FOR LIABILITIES AND CHARGES	15	<u>(4,088)</u>	<u>(4,114)</u>
NET ASSETS		<u>15,226</u>	<u>16,392</u>
CAPITAL AND RESERVES			
Called up share capital	16	-	-
Other reserves	17	9,200	9,200
Profit and loss account	17	6,026	7,192
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>15,226</u>	<u>16,392</u>

These financial statements were approved by the Board of Directors on 29th June 2004.
Signed on behalf of the Board of Directors

G N Davies)


Directors

T O'Sullivan OBE)



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom 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.

Group accounts are not prepared as consolidated accounts are prepared by the parent company, Goitre Tower Anthracite Limited.

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	-	Over the period to 31 December 2006

The directors revised the estimated useful life of development expenditure during the year. Previously, the expenditure was being written off over the period to 31 December 2005 and it is now being written off over the period to 31 December 2006. The effect of this was to reduce the depreciation charge by £31,000.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise 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.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Restoration expenses

Provision is made over the working life of coal production sites to cover the costs of committed progressive and terminal site restoration.

Pension costs

The company operates a defined contribution pension scheme for all qualified employees, the assets of which are held in individually administered funds. Pension costs are charged to the profit and loss account as incurred.

Leases

Assets held under finance lease and hire purchase contracts are capitalised at their fair value on the inception of the lease 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

1. ACCOUNTING POLICIES (continued)

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 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 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.

	2003 £'000	2002 £'000
Turnover comprises		
Sales to external companies	5,732	8,613
Sales to fellow subsidiaries	16,105	15,680
	<u>21,837</u>	<u>24,293</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2003 £'000	2002 £'000
Directors' emoluments		
Other emoluments (excluding employer's national insurance)	296	286
Pension contributions	10	12
	<u>306</u>	<u>298</u>
	No.	No.
Number of directors who are members of a defined contribution pension scheme	6	7
	<u>£'000</u>	<u>£'000</u>
Highest paid director		
Remuneration of highest paid director	59	59

The highest paid director is not a member of the pension scheme.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2003

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	2003	2002
	£'000	£'000
Employee costs (including directors)		
Wages and salaries	8,841	8,708
Social security costs	915	859
Other pension costs	480	539
	<u>10,236</u>	<u>10,106</u>
Average number of persons employed (including directors)	No.	No.
General administration	25	25
Mining	303	306
	<u>328</u>	<u>331</u>

4. OTHER OPERATING INCOME

In respect of the year 2003, the company has credited a subsidy due from the DTI of £900,000 (2002 - £2,628,000) to the profit and loss account. £900,000 (2002 - £1,852,000) of this amount is included in debtors.

5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2003	2002
	£'000	£'000
The loss on ordinary activities before taxation is after charging		
Auditors' remuneration		
- Audit fees	14	14
- Other services	9	9
Depreciation - owned assets	1,320	1,303
- leased assets	-	13
	<u></u>	<u></u>
And after crediting		
Subsidy income	900	2,628
Exceptional income	1,455	-
	<u></u>	<u></u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2003

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2003 £'000	2002 £'000
Finance lease and hire purchase contracts	-	22
	<u> </u>	<u> </u>

7. TAX ON LOSS ON ORDINARY ACTIVITIES

	2003 £'000	2002 £'000
Current taxation		
United Kingdom corporation tax:		
Current tax on income for the year at 30% (2002 - 30%)	-	353
	<u> </u>	<u> </u>
Deferred tax	38	(38)
	<u> </u>	<u> </u>
	38	315
	<u> </u>	<u> </u>

The difference between current taxation shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	£'000	£'000
Loss on ordinary activities before tax	(1,204)	(1,026)
	<u> </u>	<u> </u>
Tax on loss on ordinary activities at 30%	361	308
	<u> </u>	<u> </u>
Factors affecting charge for the year		
Expenses not deductible for tax purposes	(15)	(15)
Depreciation in excess of capital allowances	(29)	60
Trade losses not utilised	(50)	-
Group relief surrendered	(267)	-
	<u> </u>	<u> </u>
Current tax charge for year	-	353
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2003

8. TANGIBLE FIXED ASSETS

	Long-term development £'000	Land and buildings £'000	Plant and Machinery £'000	Total £'000
Cost				
At 1 January 2003	4,562	788	13,303	18,653
Additions	368	81	28	477
At 31 December 2003	4,930	869	13,331	19,130
Accumulated depreciation				
At 1 January 2003	3,073	414	9,715	13,202
Charge for the year	472	69	779	1,320
At 31 December 2003	3,545	483	10,494	14,522
Net book value				
At 31 December 2003	1,385	386	2,837	4,608
At 31 December 2002	1,489	374	3,588	5,451

9. INVESTMENTS

	Shares in group under- takings £'000	Shares in subsidiaries £'000	Loan to subsidiary £'000	Shares in joint ventures £'000	Total £'000
Cost and net book value					
At 1 January 2003	411	225	25	25	686
Additions	89	-	-	-	89
At 31 December 2003	500	225	25	25	775

10. STOCKS

	2003 £'000	2002 £'000
Raw materials and consumables	1,115	1,174
Finished goods held for re-sale	1,321	1,577
	2,436	2,751

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2003

11. DEBTORS

	2003	2002
	£'000	£'000
Due within one year		
Trade debtors	1,007	1,432
Amounts owed from related parties	2,941	1,886
Other debtors	1,027	2,598
Prepayments and accrued income	131	156
	<u>5,106</u>	<u>6,072</u>
Due after more than one year		
Amount due from parent company	<u>6,150</u>	<u>6,150</u>

Included within other debtors is £nil (2002 - £5,570) of loans made to employees during the year to enable them to purchase shares in the company.

12. CURRENT ASSET INVESTMENTS

	2003	2002
	£'000	£'000
Cash held on 7-day deposit	<u>1,236</u>	<u>1,741</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003	2002
	£'000	£'000
Trade creditors	749	1,646
Other creditors including taxation and social security	406	1,059
Accruals and deferred income	394	961
	<u>1,549</u>	<u>3,666</u>
Other creditors including taxation and social security includes		
Taxation and social security	<u>313</u>	<u>905</u>

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

	2003	2002
	£'000	£'000
Amounts due to parent company	<u>1,172</u>	<u>1,172</u>

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2003

15. PROVISIONS FOR LIABILITIES AND CHARGES

	At 1 January 2003 £'000	Charged/ (credited) to profit and loss account £'000	At 31 December 2003 £'000
Restoration and subsidence provision	3,176	12	3,188
Medical claims	900	-	900
Deferred tax	38	(38)	-
	<u>4,114</u>	<u>(26)</u>	<u>4,088</u>

Restoration and subsidence provisions will be utilised should mining cease or subsidence occur.

The amounts of deferred taxation provided in the accounts are as follows:

	2003 £'000	2002 £'000
Capital allowances in excess of depreciation	<u>-</u>	<u>38</u>

16. CALLED UP SHARE CAPITAL

	2003 £'000	2002 £'000
Authorised		
100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Called up, allotted and fully paid		
1 ordinary share of £1	<u>-</u>	<u>-</u>

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

	Other reserves £'000	Profit and loss account £'000	Total 2003 £'000	Total 2002 £'000
At beginning of year	9,200	7,192	16,392	17,103
Loss attributable to members of the company	-	(1,166)	(1,166)	(711)
At end of year	<u>9,200</u>	<u>6,026</u>	<u>15,226</u>	<u>16,392</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

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 year was £480,000 (2002 - £539,000).

19. CONTINGENT LIABILITY

The subsidy income referred to in note 4 is in certain circumstances subject to reclaim.

20. 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.