Company Registration No. 2997375

TOWER COLLIERY LIMITED

Report and Financial Statements

30 June 2007

REPORT AND FINANCIAL STATEMENTS 2007

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G N Davies OBE	
T O'Sullivan OBE	(Chairman)
A Shott	
R L Williams	
G Parker	
M J Higgins	(non-executive)
T B Roberts OBE	(non-executive)

SECRETARY

G N Davies OBE

REGISTERED OFFICE

Treherbert Road
Hirwaun
Aberdare
Mid Glamorgan
CF44 9UF

BANKERS

Barclays Bank Plc

National Westminster Bank Plc

SOLICITORS

Morgan Cole

Geldards LLP

AUDITORS

Deloitte LLP
Cardiff

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2007.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

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

The results for the financial year are shown in the profit and loss account on page 6. Coal production continued to be affected by difficult underground conditions during 2007, which affected turnover and, as a result, profitability.

The company's key aim has been to continue mining while it is economically viable, the key measure of effectiveness being production tonnages.

Development work continued during the current period and throughout 2008, as a result of which it is our aim to access further coal reserves on our existing site. With this is mind, we have entered into an agreement to exploit these reserves with a view to coaling continuing into the next decade. Research and development to maximise the potential identified above will continue with a view to future site regeneration. Based on their assessment of future cash flow forecasts relating to this agreement, the directors have a reasonable expectation that the company will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. More information is provided in note 19 of the financial statements.

We have been able to sell all of our production, both during the period under review and through until January 2008. The company has been able to generate cash during the 2007 and 2008 financial years.

The balance sheet on page 7 shows that net assets have decreased compared to 2006, by £151,000; this is with the benefit of the revaluation of land and buildings by £285,000.

During 2007, in line with reduced production, we have steadily decreased costs and redeployed Tower workforce to other mining activities.

The Board expects the company to continue to trade throughout 2008 and 2009, albeit on a reduced scale, by inter alia utilising its railhead and washery facilities. In the longer term, the Board expects the company to generate additional revenue from its future site regeneration opportunities.

The company's cash position has improved further following the period-end with the sale of its surplus plant and equipment post year-end.

FINANCIAL RISKS AND RESPONSES

The company is exposed to price risk. The company does not manage its exposure to price risk due to cost benefit considerations.

The company's principal financial assets are bank balances and cash, and trade and other receivables.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The company has a significant concentration of credit risk, with exposure spread over a small number of counterparties and customers. The company manages this risk through its credit control procedures. The company's credit risk is reduced due to the fact that a significant proportion of sales are inter-company.

Cash flow risk, relating to demands of working capital, are mitigated through the careful management of stock holdings, review of supplier credit terms, and the management of cash on a group-wide basis to meet the company's cash requirements.

The company has limited exposure to variations in interest rates and foreign exchange. The directors do not consider it necessary to hedge exposure to the above factors. The business is monitored for changes in the risk profile of such exposure and will consider using financial instruments and derivatives as appropriate.

DIRECTORS' REPORT (continued)

DIVIDENDS

The directors have not paid a dividend (2006 - £nil).

DIRECTORS

The directors of the company, who served throughout the financial year, are as shown on page 1.

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 the retention of those who become disabled during their employment, and generally through training, career development and promotion.

AUDITORS

In the case of each of the persons who are directors of the company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte LLP have indicated their willingness to continue in office as the company's auditors and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

G N Davies OBE
Director

Date 25 February 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these 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 UK 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 that 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 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 30 June 2007 which comprise the profit and loss account, the statement of total recognised gains and losses, 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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.

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 30 June 2007 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
Cardiff, United Kingdom

Date 25 February 2009.

PROFIT AND LOSS ACCOUNT
Year ended 30 June 2007

	Note	Year ended 30 June 2007 £'000	18 months ended 30 June 2006 £'000
TURNOVER	2	18,075	35,012
Cost of sales		(17,372)	(33,543)
Gross profit		703	1,469
Administrative expenses		(1,143)	(2,610)
Other operating income	4	-	777
OPERATING LOSS		(440)	(364)
Amounts written off investments		(41)	-
Interest receivable and similar income		45	53
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(436)	(311)
Tax on loss on ordinary activities	6	-	105
LOSS FOR THE FINANCIAL YEAR	16	(436)	(206)

All activities derive from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 30 June 2007

	Year ended 30 June 2007 £'000	18 months ended 30 June 2006 £'000
Loss for the financial year	(436)	(206)
Surplus arising on revaluation of freehold land and buildings	285	680
Total (losses)/gains recognised since last annual report and financial statements	(151)	474

There is no difference between the loss on ordinary activities before taxation and the loss for the current financial year and the prior financial period stated above, and their historical cost equivalents.

BALANCE SHEET
30 June 2007

	Note	£'000	2007 £'000	£'000	2006 £'000
FIXED ASSETS					
Tangible assets	7		2,270		2,527
Investments	8		742		750
			3,012		3,277
CURRENT ASSETS					
Stocks	9	1,272		2,052	
Debtors due within one year	10	1,696		2,699	
Debtors due after more than one year	10	6,329		6,150	
Investments	11	1,590		812	
Cash at bank and in hand		272		35	
		11,159		11,748	
CREDITORS: amounts falling due within one year	12	(1,678)		(1,829)	
NET CURRENT ASSETS			9,481		9,919
TOTAL ASSETS LESS CURRENT LIABILITIES			12,493		13,196
CREDITORS: amounts falling due after more than one year	13		(1,172)		(1,341)
PROVISIONS FOR LIABILITIES	14		(2,352)		(2,735)
NET ASSETS			8,969		9,120
CAPITAL AND RESERVES					
Called up share capital	15		-		-
Other reserves	16		9,200		9,200
Revaluation reserve	16		965		680
Profit and loss account	16		(1,196)		(760)
SHAREHOLDERS' FUNDS	16		8,969		9,120

These financial statements were approved by the Board of Directors on 25 February 2009.
Signed on behalf of the Board of Directors

Director Director

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2007

1. **ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been applied consistently throughout the current financial year and the prior financial period, are described below.

Accounting convention

The financial statements are prepared under the historical cost convention, modified to include the revaluation of certain fixed assets.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment.

Group financial statements

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

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	-	8.33% per annum
Plant and machinery	-	Over the period to 30 June 2007
Development expenditure	-	Over the period to 30 June 2007

Revaluation of land and buildings

Individual land and buildings are revalued every year with the surplus or deficit in book value being transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account.

Stocks

Stocks and work-in-progress are stated at the lower of cost and net realisable value. Cost is the cost of purchase to the company. Net realisable value is based on estimated selling price less all further costs to completion.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2007

1. ACCOUNTING POLICIES (continued)

Restoration expenses

Closure costs relating to shaft treatment, pit-top restoration and subsidence are recognised as a provision at the commissioning stage. Costs are charged to the provision as incurred. Provision for other closure costs is made when there is a demonstrable commitment to the closure.

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.

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 has included a consolidated cash flow statement in the group financial statements.

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 AND REVENUE RECOGNITION

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.

Turnover is recognised upon delivery.

	Year ended 30 June 2007 £'000	18 months ended 30 June 2006 £'000
Turnover comprises		
Sales to external companies	5,249	10,175
Sales to fellow subsidiaries	12,826	24,837
	18,075	35,012

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2007

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year ended 30 June 2007 £'000	18 months ended 30 June 2006 £'000
Directors' emoluments		
Other emoluments (excluding employer's national insurance)	267	399
Pension contributions	1	3
	268	402
	No.	**No.**
Number of directors who are members of a defined contribution pension scheme	4	4
	£'000	**£'000**
Highest paid director		
Remuneration of highest paid director	59	89

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

	£'000	£'000
Employee costs (including directors)		
Wages and salaries	7,475	13,068
Social security costs	782	1,360
Other pension costs	92	171
	8,349	14,599
	No.	**No.**
Average number of persons employed (including directors)		
General administration	21	23
Mining	256	296
	277	319

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2007

4. OTHER OPERATING INCOME

Other income of £nil (2006 - £777,000) represents a subsidy due from the Department of Trade and Industry. £nil (2006 - £777,000) of this subsidy was unpaid at the year-end and is recorded in other debtors.

5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 30 June 2007 £'000	18 months ended 30 June 2006 £'000
The loss on ordinary activities before taxation is after charging		
Auditors' remuneration		
- audit fees	20	37
- other services	-	23
Depreciation		
- owned assets	542	1,623
And after crediting		
Subsidy income (see note 4)	-	777
Profit on disposal of fixed assets	-	100

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2007

6. TAX ON LOSS ON ORDINARY ACTIVITIES

	Year ended 30 June 2007 £'000	18 months ended 30 June 2006 £'000
Current taxation		
United Kingdom corporation tax:		
Current tax on income for the financial period at 30% (2006 - 30%)	-	-
Adjustment in respect of prior years	-	105
Total current tax	-	105

The difference between the total current tax 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	(436)	(311)
Tax on loss on ordinary activities before tax at 30% (2006 - 30%)	131	93
Factors affecting charge for the financial period		
Expenses not deductible for tax purposes	(6)	(10)
Depreciation in excess of capital allowances	(88)	(102)
Trade losses utilised	-	19
Group relief surrendered	(32)	-
Increase in tax losses	(5)	-
Adjustment in respect of prior years	-	105
Current tax credit for the financial period	-	105

A deferred tax asset has not been recognised in respect of timing differences relating to trading losses as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is approximately £1.7 million (2006 - £1.7 million). The asset would be recovered if sufficient trading profits were generated against which these losses could be utilised.

The reduction in the corporation tax rate to 28% is not anticipated to materially affect the future tax charge.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2007

7. TANGIBLE FIXED ASSETS

	Long-term development £'000	Land and buildings £'000	Plant and machinery £'000	Total £'000
Cost or valuation				
At 1 July 2006	4,930	880	13,446	19,256
Revaluation	-	285	-	285
At 30 June 2007	4,930	1,165	13,446	19,541
Accumulated depreciation				
At 1 July 2006	4,546	-	12,183	16,729
Charge for the year	266	-	276	542
At 30 June 2007	4,812	-	12,459	17,271
Net book value				
At 30 June 2007	118	1,165	987	2,270
At 30 June 2006	384	880	1,263	2,527

The company's freehold land and building was valued on 30 June 2007 by an independent professionally qualified valuer (King Sturge), on an open market existing use basis.

If the freehold land and building had been included in the financial statements at cost less depreciation, the carrying value would have been £200,000 (2006 - £200,000).

8. INVESTMENTS

	Loan to share trust £'000	Shares in subsidiaries £'000	Shares in joint ventures £'000	Total £'000
Cost and net book value				
At 1 July 2006	500	225	25	750
Additions	8	-	25	33
Transfer	-	50	(50)	-
Impairment	-	(41)	-	(41)
At 30 June 2007	508	234	-	742

The loan relates to monies owed by the Goitre Tower Anthracite Trust which holds shares in the company's parent company, Goitre Tower Anthracite Limited.

During the year, Tower Colliery Limited purchased all of the joint venture partners' shares in Principality Fuel Company Limited for £25,000. At the year-end, they are a wholly owned subsidiary. The company has been liquidated post year-end and Tower Colliery Limited was reimbursed its investment.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2007

8. INVESTMENTS (continued)

The company has the following wholly owned subsidiaries:

Name	Country of incorporation/ registration and operation	Activity
Goitre Insurance Services Limited	Guernsey	Insurance
Tower Energy Resources Limited	England and Wales	Coal supplier
Principality Fuel Company Limited	England and Wales	Fuel merchants

The above investments are unlisted.

The company's investment in Principality Fuel Company Limited has not been incorporated under the gross equity method as it is immaterial to the group.

At 30 June 2007, its capital and reserves amounted to £54,929 (2006 - £58,053) and its loss for the year then ended was £4,086 (2006 - £2,183). It is held at cost in the consolidated balance sheet of Goitre Tower Anthracite Limited.

The shares in group undertakings relate to shares held in the ultimate parent undertaking, Goitre Tower Anthracite Limited.

9. STOCKS

	2007 £'000	2006 £'000
Raw materials and consumables	570	200
Finished goods held for resale	702	1,852
	1,272	2,052

10. DEBTORS

	2007 £'000	2006 £'000
Due within one year		
Trade debtors	495	482
Amounts owed by subsidiary companies	899	916
Other debtors	153	1,094
Prepayments and accrued income	149	207
	1,696	2,699
Due after more than one year		
Amount owed by parent company	6,329	6,150

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2007

11. CURRENT ASSET INVESTMENTS

	2007 £'000	2006 £'000
Cash held on deposit	1,590	812

The current asset investments relate to amounts held on deposit to fund future provision liabilities, and access is restricted to these funds for this purpose only.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £'000	2006 £'000
Trade creditors	528	1,101
Amounts owed to group undertakings	612	-
Corporation tax	-	105
Taxation and social security	325	281
Other creditors	-	80
Accruals and deferred income	213	262
	1,678	1,829

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

	2007 £'000	2006 £'000
Amounts owed to parent company	1,172	1,341

Amounts owed 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 30 June 2007

14. PROVISIONS FOR LIABILITIES

	At 1 July 2006 £'000	Charged/ (credited) to profit and loss account £'000	At 30 June 2007 £'000
Restoration and subsidence provisions	1,166	(353)	813
Medical claims	1,569	(30)	1,539
	2,735	(383)	2,352

Restoration and subsidence provisions will be utilised should mining cease or subsidence occur, and the company will become liable for these costs upon the date of mining cessation or subsidence.

The medical claims relate to current claims against the company and they will become payable in the instance that such claims are found against the company.

The bank holds a bond in favour of Brit Insurance Limited for £850,000 in relation to medical claims.

15. CALLED UP SHARE CAPITAL

	2007 £'000	2006 £'000
Authorised		
100,000 ordinary shares of £1 each	100	100
Called up, allotted and fully paid		
1 ordinary share of £1	-	-

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

	Other reserves £'000	Revaluation reserve £'000	Profit and loss account £'000	Total 2007 £'000	Total 2006 £'000
At beginning of the financial year	9,200	680	(760)	9,120	8,646
Revaluation in the financial year (note 7)	-	285	-	285	680
Loss for the financial year	-	-	(436)	(436)	(206)
At end of the financial year	9,200	965	(1,196)	8,969	9,120

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 financial year was £92,000 (2006 - £171,000).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2007

18. CONTINGENT LIABILITIES

The company has guaranteed the overdraft facilities of Tower Energy Resources Limited. The maximum liability under the guarantee is limited to £500,000 (2006 - £500,000). At 30 June 2007, the potential liability was £nil (2006 - £nil).

19. POST BALANCE SHEET EVENT

In January 2009, Tower Colliery Limited signed an exclusivity agreement with a view to developing the site at Hirwaun for future coal development. Additional coal reserves have been identified which are suitable for industrial sales in the future. Tower Colliery Limited is planning to develop these resources which will provide a long-term opportunity for the company.

20. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The company's ultimate parent company is Goitre Tower Anthracite Limited, a company registered in England and Wales. The directors do not believe there to be an ultimate controlling party. Goitre Tower Anthracite Limited is the parent of the smallest and largest group of which the company is a member and for which group financial statements are drawn up. Copies of the financial statements of Goitre Tower Anthracite Limited are available from Companies House, Crown Way, Maindy, Cardiff.