

COMPANIES  
HOUSE

**L.A.W. HOLDINGS LIMITED**

**FINANCIAL STATEMENTS**

**31 JULY 1999**

**Registered number: 152450**

**HLB KIDSONS**

**CHARTERED ACCOUNTANTS**

**Glasgow**



**L.A.W. HOLDINGS LIMITED**  
**FINANCIAL STATEMENTS**  
**for the year ended 31 July 1999**

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**L.A.W. HOLDINGS LIMITED****COMPANY INFORMATION****31 July 1999**

NUMBER	152450
DIRECTOR	I Liddell
SECRETARY	D Mason
REGISTERED OFFICE	152 Bath Street Glasgow G2 4TB
SOLICITORS	MacRoberts Solicitors 152 Bath Street Glasgow G2 4TB
AUDITORS	HLB Kidsons Chartered Accountants Breckenridge House 274 Sauchiehall Street Glasgow G2 3EH

**L.A.W. HOLDINGS LIMITED****DIRECTOR'S REPORT****31 July 1999**

*The director presents his report and the audited financial statements for the year ended 31 July 1999.*

**Principal activity**

The principal activities of the group during the year under review were opencast coal and clay mining, marketing and distribution of coal, processing of coal products, prospecting and exploration of minerals and hire of plant.

**Business review**

The consolidated balance sheet as detailed on page 7 shows a satisfactory position, shareholders' funds amounting to £6,839,953.

**Results and dividends**

*The group's results for the year are shown in the profit and loss account on page 5. The director does not propose payment of an ordinary dividend.*

**Valuation of mineral bearing land**

The director considers that the market value of the group's interest in mineral bearing land, landfill sites and options to acquire additional mineral reserves and land is in excess of the amounts at which such assets are being carried in the financial statements. Without an up to date valuation of such interests however the director is unable to quantify the difference.

**Articles of Association**

On 22 February 1999, the company adopted new Articles of Association. The effect of this revision is to sub-divide the existing issued share capital of 24,055 ordinary shares of £1 each into 192,430 A ordinary shares of 10 pence each and 48,120 B ordinary shares of 10 pence each. Both new classes of shares have the same voting and other rights and rank *pari passu* for participation in the profits and assets of the company. Certain restrictions apply to the transferability of the B ordinary shares as set out in the new Articles of Association.

continued .....

**L.A.W. HOLDINGS LIMITED****DIRECTOR'S REPORT**  
(continued)**31 July 1999****Charitable & Political contributions**

During the year donations totalling £4,000 were made to the Labour Party.

**Director**

The director of the company during the year and his interest in the shares of the company as recorded in the register of director's interests were as follows:

	<b>31 July 1999</b> <b>Ordinary</b> <b>shares</b>	<b>1 August 1998</b> <b>Ordinary</b> <b>shares</b>
I Liddell	21,010	21,010

**Auditors**

During the year HLB Kidsons were appointed auditors of the group and have agreed to offer themselves for re-appointment.

On behalf of the director

 *Mason*  
D Mason  
Secretary

152 Bath Street  
Glasgow  
G2 4TB

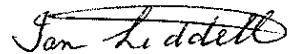
**L.A.W. HOLDINGS LIMITED****STATEMENT OF DIRECTOR'S RESPONSIBILITIES**

Company law requires the director to prepare financial statements for each financial year which 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 those financial statements, the director is 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 director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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.

On behalf of the board



I Liddell  
Director

**L.A.W. HOLDINGS LIMITED****AUDITORS' REPORT****Auditors' report to the members of****L.A.W. Holdings Limited**

We have audited the financial statements on pages 5 to 21 which have been prepared under the historical cost convention and the accounting policies set out on page 10.

**Respective responsibilities of director and auditors**

As described on page 3, the company's director is responsible for the preparation of financial statements. 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 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 director 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 error or other irregularity. 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 and the group's affairs as at 31 July 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Glasgow

21 February 2000

HLB Kidsons  
Registered Auditors  
Chartered Accountants

**L.A.W. HOLDINGS LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**for the year ended 31 July 1999**

	Note	1999		1998 as re-stated	
		£	£	£	£
<b>Turnover</b>					
Continuing operations		18,860,556		17,986,810	
Discontinued operations		-		849,638	
		<u>18,860,556</u>		<u>18,836,448</u>	
Cost of sales		(16,541,245)		(15,459,348)	
<b>Gross profit</b>		<u>2,319,311</u>		<u>3,377,100</u>	
<b>Net operating expenses</b>					
Administrative expenses		(1,529,451)		(2,921,341)	
<b>Operating profit</b>	2	<u>789,860</u>		<u>443,696</u>	
Continuing operations		789,860		443,696	
Discontinued operations		-		12,063	
		<u>789,860</u>		<u>455,759</u>	
Profit on termination of discontinued operations	5	-		193,278	
<b>Profit on ordinary activities before interest</b>		<u>789,860</u>		<u>649,037</u>	
Investment income		51,353		-	
Interest payable	4	(472,040)		(418,356)	
<b>Profit on ordinary activities before taxation</b>		<u>369,173</u>		<u>230,681</u>	
Taxation	6	(106)		(9,113)	
<b>Profit on ordinary activities after taxation</b>	20	<u>369,067</u>		<u>221,568</u>	
Minority interest		-		1,928	
<b>Retained profit for the year</b>	20	<u><u>369,067</u></u>		<u><u>223,496</u></u>	

Movements in reserves are shown in the notes to the financial statements.



**L.A.W. HOLDINGS LIMITED****STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES****for the year ended 31 July 1999**

	<b>1999</b>	<b>1998</b>
	<b>£</b>	<b>as restated</b>
		<b>£</b>
<b>Profit for the financial year</b>	369,067	221,568
Prior year adjustments (as explained in note 24)	-	(89,942)
<b>Total gains recognised since last report</b>	<u>369,067</u>	<u>131,626</u>

**L.A.W. HOLDINGS LIMITED**  
**CONSOLIDATED BALANCE SHEET**

at 31 July 1999

	Note	£	1999 £	£	1998 £
<b>Fixed assets</b>					
Tangible assets	7		8,004,097		5,716,236
<b>Current assets</b>					
Stocks	10	8,176,120		6,839,013	
Debtors	11	5,087,320		2,682,890	
		13,263,440		9,521,903	
<b>Creditors: amounts falling due within one year</b>	12	(9,628,152)		(5,467,750)	
<b>Net current assets</b>			3,635,288		4,054,153
<b>Total assets less current liabilities</b>			11,639,385		9,770,389
<b>Creditors: amounts falling due after more than one year</b>	13		(3,597,767)		(2,118,086)
<b>Provision for liabilities and charges</b>	14		(1,175,340)		(1,151,192)
<b>Accruals and deferred income</b>	15		(26,325)		(30,225)
			6,839,953		6,470,886
<b>Capital and reserves</b>					
Called up share capital	18		24,055		24,055
Other reserves	19		6,443,409		6,443,409
Profit and loss account	20		372,489		3,422
<b>Total shareholders' funds</b>	17		6,839,953		6,470,886
<b>Attributable to:</b>					
Equity shareholders			6,839,563		6,470,886
Non-equity shareholders			390		-
			6,839,953		6,470,886

The financial statements on pages 5 to 21 were approved by the director on the 18 February 2000 and signed by:



I. Liddell  
Director

**L.A.W. HOLDINGS LIMITED**  
**COMPANY BALANCE SHEET**  
**at 31 July 1999**

	Note	1999 £	1998 £
<b>Fixed assets</b>			
Investments	9	1,321,009	1,321,009
<b>Creditors : amounts falling due within one year</b>	12	<u>(1,296,954)</u>	<u>(1,296,954)</u>
<b>Net assets</b>		<u>24,055</u>	<u>24,055</u>
<b>Capital and reserves</b>			
Called up share capital	18	<u>24,055</u>	<u>24,055</u>
<b>Total shareholders' funds</b>	17	<u>24,055</u>	<u>24,055</u>

The financial statements were approved by the director on the 18 February 2000 and signed by:



I. Liddell  
Director

**L.A.W. HOLDINGS LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**for the year ended 31 July 1999**

	Note	£	1999 £	£	1998 £
<b>Net cash (outflow)/inflow from operating activities</b>	22		(572,266)		3,377,106
<b>Returns on investments and servicing of finance</b>					
Interest paid		(132,885)		(173,219)	
Interest element of finance lease rental payments		(339,155)		(245,137)	
Other returns		51,353		-	
		<u>          </u>		<u>          </u>	
Net cash outflow from returns on investments and servicing of finance			(420,687)		(418,356)
<b>Taxation</b>					
Advance corporation tax paid			-		(9,000)
<b>Capital expenditure and financial investment</b>					
Payments (excluding HP liabilities) to acquire tangible fixed assets		(745,082)		(134,550)	
Sale of tangible fixed assets		2,047,693		380,037	
		<u>          </u>		<u>          </u>	
Net cash inflow from capital expenditure and financial investment			1,302,611		245,487
<b>Acquisitions and disposals</b>					
Proceeds from disposal of discontinued operations			-		100,000
			<u>          </u>		<u>          </u>
Net cash inflow before financing			309,658		3,295,237
<b>Financing</b>					
Loans repaid		(250,000)		(250,000)	
Loan advances		600,000		-	
Capital element of hire purchase payments		(2,341,590)		(1,195,304)	
		<u>          </u>		<u>          </u>	
Net cash outflow from financing			(1,991,590)		(1,445,304)
<b>(Decrease)/increase in cash</b>			<u>          </u>		<u>          </u>
			(1,681,932)		1,849,933

**L.A.W. HOLDINGS LIMITED****NOTES ON FINANCIAL STATEMENTS****31 July 1999****1 Accounting policies****Basis of accounting**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

**Turnover**

Turnover represents the amount derived from the provision of goods and services falling within the company's activities after deduction of trade discounts and value added tax.

**Tangible fixed assets**

Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

Heritable land	Nil
Heritable property excluding land	2% straight line
Land for mining	over the coaling life of the mine
Leasehold land and buildings	2% or the lease duration, if shorter
Plant, office equipment and motor vehicles	5% - 66% straight line

**Government grants**

*Government grants on capital expenditure are credited to a deferral account and are released to revenue over the expected useful life of the relevant asset by equal annual instalments. Grants of a revenue nature are credited to income in the period to which they relate.*

**Leases and hire purchase contracts**

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

Rentals paid under operating leases are charged to income as incurred.

**Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost, where appropriate, includes attributable overheads.

Work in progress represents costs incurred in acquiring and developing new mining and landfill sites; such costs include the costs of acquiring mineral rights and applying for planning consents and are capitalised where there is a high degree of probability that such mineral rights and planning consents will be obtained. Expenditure deferred in this way for the purpose of matching revenue with expenditure is carried forward and amortised over the coaling life or anticipated useful working life of the sites on a unit of production basis.

**Deferred taxation**

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

**L.A.W. HOLDINGS LIMITED**  
**NOTES ON FINANCIAL STATEMENTS**

**31 July 1999**

**1 Accounting policies (continued)**

**Basis of consolidation**

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings for the year to 31 July 1999. Where subsidiary undertakings are acquired or disposed of during the period, the results of such subsidiary undertakings are included from the date of acquisition or until the date of disposal, as applicable.

The amount by which the fair value of the consideration paid exceeds or falls short of the fair value of net tangible assets of subsidiary undertakings at the date of their acquisition is dealt with through reserves in the year of acquisition. Where appropriate, advantage is taken of the merger relief offered by Section 132 of the Companies Act 1985 in respect of consideration received in excess of the nominal value of the shares issued in connection with acquisitions.

A profit and loss account in respect of the company is not presented as permitted by Section 230 of the Companies Act 1985.

**Investments**

Investments in subsidiary companies are stated at cost less amounts written off where the director considers the value of the investment to be less than cost.

**Pensions**

Pension costs are accounted for on the basis of charging to the profit and loss account the expected cost of providing pensions over the period during which the company benefits from the employee services.

**Remedial provision**

The group is engaged in opencast mining. A condition of the necessary licences and planning permission is that the relevant subsidiary will reinstate the land to a standard suitable for agricultural purposes. Provision is therefore made over the working life of opencast mines and landfill sites to cover costs of site restoration to the extent that such costs are not covered by separately identifiable income.

**Investment properties**

No depreciation is provided on investment properties. It is the director's opinion that the current market value of the properties is consistent with the cost, and that the net realisable value of the properties will continue to be at similar levels, as such the depreciation charge should be immaterial.

**Going concern**

The financial statements have been prepared under the going concern basis which assumes the continued support of the company's bankers.

**L.A.W. HOLDINGS LIMITED**  
**NOTES ON FINANCIAL STATEMENTS**

31 July 1999

**2 Operating profit**

	1999 £	1998 £
Operating profit is stated after crediting:		
Profit on sale of assets	670,292	109,844
and after charging:		
Staff costs (note 3)	3,310,690	3,659,168
Auditors' remuneration	24,600	37,600
Auditors' remuneration - non-audit work	5,000	7,000
Operating leases:		
Hire of plant and machinery	502,661	237,326
Depreciation of tangible fixed assets (note 7):		
Owned assets	421,970	388,263
Leased assets	943,336	718,725
	1,365,306	1,106,988
The total amount charged against profits in respect of finance leases and hire purchase contracts is:	1,282,491	963,862
(of which part is shown as depreciation and the balance is shown as interest payable in note 4)		

**3 Directors and employees**

	1999 £	1998 £
Staff costs including directors emoluments		
Wages and salaries	2,982,826	3,272,272
Social security costs	287,055	315,061
Pension costs	40,809	40,835
Compensation for loss of office	-	31,000
	3,310,690	3,659,168
Average monthly number employed including executive directors:	Number	Number
Operatives	111	105
Staff	15	29
	126	134

**L.A.W. HOLDINGS LIMITED**  
**NOTES ON FINANCIAL STATEMENTS**

31 July 1999

<b>3</b>	<b>Directors and employees (continued)</b>		
		<b>1999</b>	<b>1998</b>
	<b>Directors</b>	<b>£</b>	<b>£</b>
	Emoluments	56,546	40,032
		<u>          </u>	<u>          </u>
<b>4</b>	<b>Interest payable</b>		
		<b>1999</b>	<b>1998</b>
		<b>£</b>	<b>£</b>
	Bank interest	132,885	173,219
	Hire purchase interest	339,155	245,137
		<u>          </u>	<u>          </u>
		472,040	418,356
		<u>          </u>	<u>          </u>
<b>5</b>	<b>Exceptional items</b>		
		<b>1999</b>	<b>1998</b>
		<b>£</b>	<b>£</b>
	<b>Included in profit on termination of discontinued operation:</b>		
	Discontinued operations	-	(193,278)
		<u>          </u>	<u>          </u>
<b>6</b>	<b>Taxation</b>		
		<b>1999</b>	<b>1998</b>
		<b>£</b>	<b>£</b>
	Corporation tax on profit on ordinary activities at 30% (1998 31%)	106	-
	ACT written off	-	16,000
	Deferred taxation	-	(6,887)
		<u>          </u>	<u>          </u>
		106	9,113
		<u>          </u>	<u>          </u>



**L.A.W. HOLDINGS LIMITED**  
**NOTES ON FINANCIAL STATEMENTS**

**31 July 1999**

**7 Tangible fixed assets**

	<b>Plant and Machinery £</b>	<b>Land and Buildings £</b>	<b>Total £</b>
<b>Cost</b>			
1 August 1998	8,578,402	3,041,754	11,620,156
Additions	4,400,528	630,040	5,030,568
Disposals	(4,178,404)	(889,316)	(5,067,720)
	<u>8,800,526</u>	<u>2,782,478</u>	<u>11,583,004</u>
<b>Depreciation</b>			
1 August 1998	4,628,427	1,275,493	5,903,920
Charge for the year	1,151,601	213,705	1,365,306
Disposals	(2,904,541)	(785,778)	(3,690,319)
	<u>2,875,487</u>	<u>703,420</u>	<u>3,578,907</u>
<b>Net book amount</b>			
31 July 1999	<u>5,925,039</u>	<u>2,079,058</u>	<u>8,004,097</u>
1 August 1998	<u>3,949,975</u>	<u>1,766,261</u>	<u>5,716,236</u>

The net book amount of fixed assets includes £5,699,979 (1998 £3,524,919) in respect of assets held under finance leases and hire purchase contracts, the depreciation of which is shown in note 2.

Of the cost of heritable property at 31 July 1999, £508,485 (1998: £233,960) is attributable to land which is not depreciated.

The market value of the investment property at 31 July 1999 is considered to be above cost but the excess is not considered to be material in the context of the overall financial position of the group.

**8 Land and buildings**

	<b>1999 £</b>	<b>1998 £</b>
Investment property	344,000	274,000
Heritable property	1,130,473	1,295,092
Short leasehold land	604,585	197,169
	<u>2,079,058</u>	<u>1,766,261</u>

**L.A.W. HOLDINGS LIMITED**  
**NOTES ON FINANCIAL STATEMENTS**

**31 July 1999**

<b>9 Investments</b>	<b>1999</b>	<b>1998</b>
	<b>£</b>	<b>£</b>
Investment in subsidiaries, at cost	<u>1,321,009</u>	<u>1,321,009</u>

At 31 July 1999 the company owned directly through LAW Mining Group Limited, shares in subsidiary undertakings, registered in Scotland as follows:

	Proportion held	Activity
LAW Mining Group Limited	(100%)	- intermediate holding company
LAW Mining Limited	(100%)	- opencast mining and landfill
Greystone Heating Marketing Limited	(100%)	- marketing of coal and processing of cost products
Mineral Prospects Limited	(100%)	- exploration
SB Minerals Limited	(100%)	- agent to fellow subsidiary
Trio Plant Limited	(100%)	- plant hire

All shares owned are ordinary shares of £1 each.

<b>10 Stocks</b>	<b>Group</b>	<b>Group</b>
	<b>1999</b>	<b>1998</b>
	<b>£</b>	<b>£</b>
Work in progress	3,141,248	2,315,101
Raw materials	116,434	103,798
Finished goods	4,918,438	4,420,114
	<u>8,176,120</u>	<u>6,839,013</u>

Included within the above figures are finished goods amounting to £1,124,101 (1998: £933,598) which may not be sold within one year. In addition, deferred expenditure on mining and landfill sites includes £755,594 (1998: £427,866) which is not expected to be recovered within one year.

<b>11 Debtors</b>	<b>Group</b>	<b>Group</b>
	<b>1999</b>	<b>1998</b>
	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year</b>		
Trade debtors	4,099,682	2,396,979
Other debtors	96,043	103,450
Prepayments and accrued income	139,595	182,461
	<u>4,335,320</u>	<u>2,682,890</u>
<b>Amounts falling due after more than one year</b>		
Other debtors	752,000	-
	<u>5,087,320</u>	<u>2,682,890</u>

Amounts falling due after more than one year represents a loan which was provided to the Employee Share Ownership Trust.

Other debtors includes £53,559 (1997 - £Nil) in respect of a balance due from the director. This was the highest balance outstanding in the year. There are no fixed terms of repayment or interest charged thereon.

**L.A.W. HOLDINGS LIMITED**  
**NOTES ON FINANCIAL STATEMENTS**

**31 July 1999**

**12 Creditors: amounts falling due within one year**

	<b>Group</b>		<b>Company</b>	
	<b>1998</b>	<b>1999</b>	<b>1998</b>	<b>1999</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loans and overdrafts	2,840,456	758,324	-	-
Trade creditors	4,132,572	2,238,538	-	-
Corporation tax	106	-	-	-
Due to subsidiary undertaking	-	-	1,296,954	1,296,954
Other taxation and social security	303,454	548,640	-	-
Other creditors	4,976	97,880	-	-
Accruals and deferred income	895,977	787,772	-	-
Obligations under finance leases and hire purchase contracts - note 13	1,450,611	1,036,596	-	-
	<u>9,628,152</u>	<u>5,467,750</u>	<u>1,296,954</u>	<u>1,296,954</u>

**13 Creditors: amounts falling due after more than one year**

	<b>Group 1999</b>	<b>Group 1998</b>
	<b>£</b>	<b>£</b>
<b>Other liabilities</b>		
Bank loans	387,300	437,500
Obligations under finance leases and hire purchase contracts	3,210,467	1,680,586
	<u>3,597,767</u>	<u>2,118,086</u>
<b>Maturity of debt</b>		
In one year or less, or on demand - see note 12	650,200	250,000
In more than one year but not more than two years	387,300	437,500
	<u>1,037,500</u>	<u>687,500</u>

The bank term loan bears interest at 1.5% over base rate and is repayable in equal quarterly instalments. Bank loans and overdrafts are secured by fixed and floating charges over all assets of the group.

**Obligations under finance leases and hire purchase contracts**

These are repayable over varying periods by monthly instalments as follows:

In the next year - see note 12	1,450,611	1,036,596
In the second to fifth years	3,210,467	1,680,586
	<u>4,661,078</u>	<u>2,717,182</u>

**L.A.W. HOLDINGS LIMITED**  
**NOTES ON FINANCIAL STATEMENTS**

31 July 1999

**14 Provision for liabilities and charges**

	Other provisions £
1 August 1998	1,151,192
Amounts used	24,148
	<hr/>
31 July 1999	1,175,340
	<hr/>

**15 Accruals and deferred income**

	1999 £	1998 £
Government grants		
1 August 1998	30,225	34,125
Credited to profit and loss account	(3,900)	(3,900)
	<hr/>	<hr/>
31 July 1999	26,325	30,225
	<hr/>	<hr/>

**16 Deferred taxation**

The potential liability in respect of deferred taxation is as below:

	1999 £	1998 £
Attributable to timing differences between capital allowances granted for taxation purposes and depreciation written off in the accounts	457,082	116,857
Other timing differences	(214,140)	116
	<hr/>	<hr/>
	242,942	116,973
	<hr/>	<hr/>

**17 Reconciliation of movements in shareholders' funds**

	1999 £	Group 1998 as restated £	Company 1999 £	1998 £
Profit for the financial year	369,067	221,568	-	-
Dividends	-	1,928	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	369,067	223,496	-	-
Prior year adjustments	-	(89,942)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net addition to shareholders' funds	369,067	133,554	-	-
Opening shareholders' funds	6,470,886	6,337,332	24,055	24,055
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	6,839,953	6,470,886	24,055	24,055
	<hr/>	<hr/>	<hr/>	<hr/>

**L.A.W. HOLDINGS LIMITED**  
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**18 Called up share capital**

	<b>1999</b>		<b>1998</b>	
	<b>Number of shares</b>	<b>£</b>	<b>Number of shares</b>	<b>£</b>
<b>Authorised</b>				
<b>Equity shares</b>				
Ordinary share capital of £1	25,945	25,945	50,000	50,000
A Ordinary share capital of 10p each	192,430	19,243	-	-
B Ordinary share capital of 10p each	48,120	4,812	-	-
	240,550	24,055	-	-
<b>Allotted, called up and fully paid</b>				
<b>Equity shares</b>				
Ordinary share capital of £1	-	-	24,055	24,055
A Ordinary share capital of 10p each	192,430	19,243	-	-
B Ordinary share capital of 10p each	48,120	4,812	-	-
	240,550	24,055	-	-

After the share capital reorganisation during the year, 24,055 B Ordinary shares were transferred to an Employee Share Ownership Trust. The shares are held in trust until such time as they may be transferred to employees in accordance with the terms of the scheme.

**19 Merger reserve**

	<b>1999 £</b>
Arising on the acquisition of LAW Mining Group Limited	6,443,409

**20 Profit and loss account**

	<b>1999 £</b>
1 August 1998	93,364
Prior year adjustment	(89,942)
	3,422
Retained profit for the year	369,067
31 July 1999	372,489

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**21 Guarantees and other financial commitments**

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the year to 31 July 2000:

	1999 Plant & Other £	1998 Plant & Other £
Expiring		
Within one year	32,206	8,600
Within two to five years	602,261	226,396
	<u>634,467</u>	<u>234,996</u>

**22 Notes to the cash flow statement**

**Reconciliation of operating profit  
to operating cash flows**

	1999 £	1998 £
Operating profit	789,860	455,759
Depreciation	1,365,306	1,106,988
Gain on sale of tangible assets	(670,292)	(109,844)
Government grant	(3,900)	(3,900)
Decrease in debtors	(2,404,430)	1,070,263
Increase in stock	(510,960)	(971,139)
Decrease in deferred mining	(826,147)	852,765
Increase in creditors	1,664,149	352,848
Increase in remedial costs	24,148	623,366
	<u>(572,266)</u>	<u>3,377,106</u>

**Net cash (outflow)/inflow  
from operating activities**

**Analysis of changes in net debt**

	At start of year £	Cash flows £	Other changes £	At end of year £
Bank overdrafts	(508,324)	(1,681,932)	-	(2,190,256)
		<u>(1,681,932)</u>		
Debt due within 1 year	(250,000)	250,000	(650,200)	(650,200)
Debt due after 1 year	(437,500)	(600,000)	650,200	(387,300)
Finance leases	(2,717,182)	2,341,590	(4,285,486)	(4,661,078)
		<u>1,991,590</u>		
<b>Total</b>	<u>(3,913,006)</u>	<u>309,658</u>	<u>(4,285,486)</u>	<u>(7,888,834)</u>

## L.A.W. HOLDINGS LIMITED

## NOTES ON FINANCIAL STATEMENTS

31 July 1999

## 22 Notes to the cash flow statement (continued)

## Reconciliation of net cash flow to movement in net debt

	1999 £	1998 £
(Increase)/decrease in cash in the year	(1,681,932)	1,849,933
Cash inflow from increase in debt and lease financing	1,991,590	1,445,304
<b>Change in net debt resulting from cash flows</b>	309,658	3,295,237
New finance leases	(4,285,486)	(1,965,067)
Movement in net debt in the year	(3,975,828)	1,330,170
Net debt at 1 August 1998	(3,913,006)	(5,243,176)
<b>Net debt at 31 July 1999</b>	<b>(7,888,834)</b>	<b>(3,913,006)</b>

## 23 Contingent liabilities

The company and its subsidiaries have granted a floating charge and guarantee to a bank, in security for its advances to the group of their overdrafts. Subsidiary undertakings have indemnified the same bank for performance bonds issued by the bank to a value of £3,416,000 (1998: £3,089,000). These bonds are a requirement of certain licences and planning permissions for which no liability is expected to arise other than is provided for in these financial statements.

## 24 Prior year adjustment

In 1994 and 1995 Mr Liddell provided loans to the company of £740,000 which were interest bearing. However, interest on the loans was not provided in the accounts until 1998. As a result, when the loans were repaid in full this year there remained an interest charge of £89,942 which had not been incorporated into the accounts. Due to the material nature of this charge a prior year adjustment has been made. The result is a decrease in the profit and loss reserve account for 1998 of £89,942.

## 25 Pensions

The group operates a funded insurance scheme of the defined benefits type and the pension costs relating to the scheme are assessed in accordance with the advice of an independent qualified actuary using the Projected Unit method. The charge against the profits for the year to 31 July 1999 was £44,354 (1998: £40,835). The most recent formal actuarial valuation of this scheme was as at 1 September 1996 and the principal assumptions used were: investment returns 9% and salary increases of 7.5% to pension date. At that date the actuarial value of the assets was sufficient to cover 126% of the benefits which had accrued to members.

The receiver of a company which previously participated as an employer to the pension scheme claims that an element of the pension scheme surplus forms part of the assets of the company in receivership. Whilst the company would be responsible for making good any shortfall in funding attributable to its members, on the basis of legal advice received, the director of L.A.W. Holdings Limited believes the receiver's claim is without foundation and that no such liability will arise.

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**26 Related parties**

The company's related party transactions during the year are summarised as follows:

RELATED PARTY	RELATIONSHIP	TRANSACTIONS	AMOUNT £	BALANCE DUE (TO)/ FROM AT 31.07.99 £
S.B. Contracts	Common director	Purchase of house	70,000	
		Expenses paid	17,486	
		Management fee	36,000	
		Short term loan repaid	40,000	36,000
I. Liddell	Director	Purchase of shares in S.B. Contracts	50,000	50,000