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Bisichi Mining PLC



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Financial Highlights

- Group profits up despite short term problem with South African coal mine
- Pegasus Coal Reserve to be acquired from BHP Billiton for ZAR 51.5 million
- Continuous miner back in operation and producing at near optimum levels
- New order mining rights granted to Black Wattle Colliery.
- High average selling price achieved for both domestic and export coal
- Strong performance from UK property portfolio underpins Group profits

Chairman's statement

I am pleased to be able to inform shareholders that, despite a short term problem at our South African mine, 2005 has been a satisfactory year for Bisichi Mining PLC, with group profit on ordinary activities before taxation increasing by 4.9 percent to £4,206,000 (2004: £4,011,000).

2005 was a year which clearly demonstrated both the promise and challenges inherent in our South African mining operations. In April 2005, Bisichi Mining PLC, together with our local partner Endulwini Resources, successfully negotiated the terms for the ZAR 51.5 million purchase of the Pegasus Coal Reserve from Ingwe Collieries Limited, a wholly-owned subsidiary of BHP Billiton. The approximately 12 million in situ tonne reserve, located close to our operations at the Black Wattle Colliery, contains both export grade and low phosphorous coal and is suitable for mining by the open cast method.

Subject to the conversion of the prospecting and mining rights under South Africa's new Mineral and Petroleum Resources Development Act, we anticipate commencing operations in 2007. We are confident that we will be mining this high-yielding, low cost deposit well into the next decade. Our growth strategy in South Africa will continue to focus on acquiring and developing high quality reserves like Pegasus.

But 2005 was also a year of challenges. In December 2005, we informed shareholders that there was a temporary cessation of operations in the continuous miner section, the same section where a fatality had recently occurred. This fatality, the first of a Black Wattle employee to occur in underground mining in the mine's history, has led to a comprehensive review of Black Wattle's safety and operational procedures to ensure that such an incident will not be repeated. Prior to the suspension of the continuous miner section, we were achieving record tonnage at the mine, although, as part of our mining plan, this was in areas of declining yield.

The net effect of the suspension of the continuous miner section combined with the lower yields has had a negative impact on Black Wattle's contribution to overall net earnings in 4th Quarter of 2005 and will continue to have a negative effect on earnings in the first half of 2006, albeit on a reducing basis. 2005's results have also been impacted by the writing off of expenses of £288,000 incurred during a corporate fundraising exercise which was suspended due to the fatality and the suspension of the continuous miner section. Faced with these challenges, the mine management took steps to restore the profitability of mining operations at Black Wattle Colliery, the details of which are provided in the Mining Review. Nonetheless, I am particularly pleased to report to shareholders that the continuous miner is back in operation and performing at near optimum levels.

"2005 was a year which clearly demonstrated both the promise and challenges inherent in our South African mining operations." Michael Heller, *Chairman*

Chairman's statement

The first six months of 2006 will be impacted by the performance of Black Wattle Colliery. However, the prompt action taken by your company's management, coupled with the high average selling price for domestic and export products that we have achieved, give me the confidence to state that the second half of 2006 should see an improvement in profitability.

Perhaps more than in any year in our recent history, Bisichi Mining PLC's UK retail property portfolio, managed by London & Associated Properties PLC, has proved the merit of our long term strategy of supporting our overseas

mining investments with a significant investment in UK property. The sale of the Kippax site in Leeds and the compulsory purchase of the Ritz site in Bradford, as part of that City's redevelopment, have contributed substantially to this year's profits and have offset some of the impact of the short term problems at Black Wattle Colliery. This portfolio was valued at 31 December 2005 by independent chartered surveyors at £15.6 million, an increase of 18.1%. Shareholder funds now stand at £16.4 million compared to £13.0 million a year ago, an increase of 26.3%

To underline our confidence in the future of Bisichi Mining, your directors are recommending a dividend of 2.25p, compared to 2.0p per share in the previous year, an increase of 12.5%. This will be paid on 14 August 2006 to shareholders on the register as of 21 July 2006.

In closing, I would like to thank the staff of Bisichi Mining, its subsidiaries in both the United Kingdom and South Africa and our associates and partners in South Africa for their contribution and continued commitment to your company. With a proven management team and a solid and well-tested business model in place, I am confident that 2006 will be another year of opportunity for your company.

Michael Heller

Michael Heller
Chairman
27 April 2006



Mining review

As the Chairman has stated, 2005 was a mixed year for our coal mining operations in South Africa.

On the plus side, the agreement to acquire the Pegasus Coal Reserve from BHP Billiton represents an important investment in the future for Bisichi and its partner, Endulwini Resources. This good quality, excellent-yielding deposit has highly favourable geological conditions which will allow the entire reserve to be mined using the opencast method. We intend to begin the development and mining of the Pegasus Coal Reserve in 2007. This project very much represents the future for Bisichi in South Africa.

However, at our principal direct mining operation, the Black Wattle Colliery, the combination of the decisions taken in the short term to mine lower yielding sections throughout the year and a fatal accident in the 4th Quarter severely affected the productivity of our operations. Although we have taken decisive actions to rectify the situation, the mine has taken time to recover. Nonetheless, during this difficult period we have taken steps to ensure that Black Wattle has maintained a high average selling price for both its export and domestic products.

Pegasus Coal Reserve

In April 2005, Bisichi Mining and its partner, Endulwini Resources, successfully negotiated the terms of acquisition for the Pegasus Coal Reserve from Ingwe Collieries Limited, a wholly-owned subsidiary of BHP Billiton. The reserve, located approximately 40 km from our existing operations at the Black Wattle Colliery, contains approximately 12 million in situ tonnes of export grade and low phosphorous coal. The average depth of the coal is approximately 17 meters

(compared to 40 meters at the Black Wattle Colliery). The strip ratio (i.e. the ratio of overburden to coal) of the reserve averages about 2.2 to 1, making it ideal for mining using the opencast method.

In June 2005, we agreed the terms of an offtake arrangement with BHP Billiton, whereby a fixed amount of the coal mined from the reserve would be purchased by that company for the life of the reserve. Given the prevalence of low phosphorous coal in the reserve and its proximity to Ferrobank, we believe the reserve is ideally suited to serve the ferrochrome market, which has had and continues to have a strong demand for low phosphorous reductants.

We are currently in the process of applying for conversion of the mining rights under South Africa's new Mineral and Petroleum Resources Development Act and we intend to begin opencast operations at the site in 2007. In the meantime, we are carrying out the necessary feasibility, environment and engineering studies.

Production: Black Wattle Colliery

As we stated in last year's Report & Accounts, mining of a lower yielding section of the reserve was planned in order to take advantage of our strong long term contract prices, thereby enabling us to extract coal that would have otherwise been sterilised. Provided production levels could offset the decline in yield, this was a prudent decision which allowed us to mine more efficiently using the continuous miner and to extend the life of mine. For the bulk of the year we managed to achieve this, primarily from the continuous miner section, and we set new levels of production. For much of 2005, production at the Black Wattle Colliery averaged above 110,000 metric tonnes per month and during the second half up until December, averaged 118,000 metric tonnes per month. However, the fatal accident during the 4th Quarter, which was the first underground fatality in Black Wattle's history, had an immediate and dramatic effect on production and profitability; all the more so since the accident occurred in the key production section where our continuous miner was operating. The decision to suspend

operations of the continuous miner, coupled with continued mining of the lower yielding sections by the less-productive traditional drill-and-blast sections, created a situation with high fixed costs and depressed production – a negative position from which we are only just beginning to emerge.

During the period in which the continuous mining section was suspended, we took the opportunity to overhaul the machine and to lower it by 300mm. This modification now means that the continuous miner can operate in sections of lower seam height, thus allowing us to access more areas of the mine formerly restricted to the drill and blast sections. The overhaul took approximately one month and I am pleased to report that the continuous miner is now back in operation on a three-shift basis. As with any major reconfiguration of machinery, however, there is a built-in start up period over which the continuous miner will gradually attain the production levels expected of it. We anticipate that the continuous miner will be working to optimum production capacity during the 2nd Quarter of 2006. As well as carrying out the technical improvements

on the continuous miner, we conducted the feasibility work required to access the underground coal reserves north of the current mining area. The extensive borehole data available has revealed that these reserves have better yields and more favourable mining heights and we anticipate entering this area by the second half of 2006.

As shareholders have previously been advised, Black Wattle also has reserves that can be mined by opencast methods. As reported in last year's accounts, we have received permission from the Middelburg Town Council (the owners of the surface rights) to mine these reserves by opencast methods. We are now in the final process of completing the necessary consultative and environmental work required for approval by the Department of Minerals and Energy (DME) and we are hopeful of receiving approval during the course of 2006. As soon as we receive permission to opencast mine we will do so, as this is a substantially cheaper production method than underground mining and will enable us to increase overall production at higher margins.

New Order Mining Rights:

Black Wattle Colliery

I am pleased to report that the DME has granted the Black Wattle Colliery new order mining rights in accordance with the Mineral and Petroleum Resources Development Act of 2002. The Black Wattle Colliery is one of the first coal mines in South Africa to be granted new order mining rights under the new legislation. This is an important milestone which signifies that we are fully compliant with all the prevailing mining, social, labour, and black economic empowerment legislation in South Africa.

Marketing: Black Wattle Colliery

One of the key drivers of Black Wattle's earnings has been the strength of our contracted sales into our two main markets: a US\$-based income from long-term thermal coal export sales via the Richards Bay Coal Terminal ("RBCT") and a ZAR-based income resulting from long-term contracts to supply low phosphorous coal to the South African ferrochrome market.

Given the volatility of the export coal price we have witnessed over the period from June 2004 to the present, our US\$ fixed price FOB export contract has proven both prudent and profitable. Our experience in exporting coal has put us in a strong position now that RBCT has agreed to expand from its existing capacity of 72 million metric tonnes to 92 million metric tonnes starting in 2008. We welcome the expansion of RBCT and expect to play an active role in the export markets in the years to come.

In the South African market, in July 2005 we received a 19 percent increase in the price of our coal supply contract to the ferrochrome industry. The premium price we receive for this product plays an important role in determining the mine's overall level of profitability. During the period that operations were suspended in the continuous miner section, our production of low phosphorous coal ceased as well. Accordingly, during the period from December 2005 through February 2006, low phosphorous production was minimal. I am pleased to say that we are now back in the low phosphorous market and are returning to our budgeted level of monthly production.

The domestic South African market has also proven to be quite robust. On 1 April 2006 we received an almost 15 percent increase in the price we receive for domestic steam coal. Today, the domestic market now rivals the export market in terms of margin per tonne and demand remains very strong.

Health and Safety

The health and safety of our employees is of utmost importance. Black Wattle Colliery constantly monitors its full compliance with all prevailing South African mine health and safety legislation. In addition to the requisite personnel appointments and assignment of direct health and safety responsibilities on the mine, a system of Hazard Identification and Risk Assessments has been designed, implemented and maintained at Black Wattle Colliery. Furthermore, a system of health and safety training, information and instruction is conducted on an ongoing basis. Finally, inspection and enforcement is provided through counselling, retraining, corrective counselling, and where appropriate, discipline. Immediately following the fatality at Black Wattle Colliery our mine management launched a comprehensive review of the mine's safety standards, operational procedures and codes of practices to ensure that everything possible was being done to ensure the health and safety of Black Wattle employees.

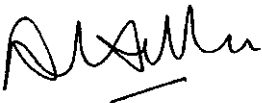
"We intend to begin the development and mining of the Pegasus Coal Reserve in 2007. This project very much represents the future for Bisichi in South Africa."

Andrew Heller, Managing Director

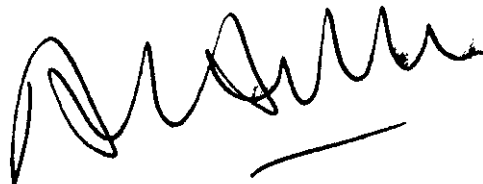
Prospects

Although the net effect of the suspension of the continuous miner section and the lower yields has had a negative impact on Black Wattle's contribution to overall net earnings in 4th Quarter of 2005 and will have a negative effect on earnings in the first six months of 2006, the second six months of 2006 should see an improvement in profitability.

2005 has been a year that has tested our teams in London and South Africa. However, we have been particularly well served by our strong management team at Black Wattle, led by Mr. Robert Grobler. As evidenced by the Pegasus acquisition, the scale of the opportunities open to us in South Africa are just beginning to be realised. I am confident that the decisions made by your company's management team during this challenging period will have a positive effect on the business in the years to come.



Andrew Heller
Managing Director
27 April 2006



Directors' report

The directors submit their report together with the audited financial statements for the year ended 31 December 2005.

Activities and review of business

The company continues its mining and property investment activities. Income for the year was derived from a coal mine and property rental income.

The company maintained its 62.5% holding in Black Wattle Colliery (pty) Limited throughout the year. The results for the year and state of affairs of the group and the company at 31 December 2005 are shown on pages 23 to 47.

Further information on the review of the business and future developments is given in the chairman's statement and the mining review. Details on financial risks and policies of the group are set out in note 19 in the financial statements.

Dividend

The directors recommend the payment of a dividend of 2.25p per share on the ordinary share capital for the year under review. The dividend will be payable on Monday 14 August 2006 to shareholders registered at the close of business on 21 July 2006.

Investment properties

The investment property portfolio is stated at its open market value of £15,625,000 at 31 December 2005, as valued by professional external valuers.

Directors

The directors of the company for the whole year were M A Heller, A R Heller, C A Joll, T M Kearney and J A Sibbald.

The directors retiring by rotation are M A Heller and J A Sibbald who offer themselves for re-election.

Michael Heller has been a director since 1972 and Chairman since 1981. He is a Chartered Accountant and has a contract of employment determinable at six months notice.

John Sibbald has been a director since 1988. He is a retired chartered accountant. Most of his career was in stockbroking in the City of London specialising in mining and international investment. He has a contract of service determinable at three months notice.

No director had any material interest in any contract or arrangement with the company during the year other than as shown in this report.

Substantial interests

The following have advised that they have an interest in 3 per cent or more of the issued share capital of the company as at 27 April 2006:

London & Associated Properties PLC - 4,355,752 shares representing 41.68 per cent of the issued capital.

M A Heller is a director and shareholder of London & Associated Properties PLC.

M A Heller - 328,000 shares representing 3.14 per cent of the issued capital.

A R Heller - 772,000 share representing 7.39 per cent of the issued capital.

Neil Kirton - 382,000 shares representing 3.65 per cent of the issued capital.

Corporate governance

The company has adopted the Guidance for Smaller Quoted Companies published by the Quoted Companies Alliance (QCA) in 2004. The QCA provides guidance to companies outside the FTSE 350 index, referred to generally as SQCs. The QCA's guidance covers the implementation of the Revised Combined Code on Corporate Governance for SQCs and the paragraphs below set out how the company has applied this guidance during the year. The company has complied with the QCA's guidance throughout the year.

Directors' shareholdings

The interests of the directors in the shares of the company, including family and trustee holdings where appropriate, were as follows:

	Beneficial		Non Beneficial	
	31.12.2005	01.01.2005	31.12.2005	01.01.2005
M A Heller	146,666	146,666	181,334	181,334
A R Heller	772,000	772,000	-	-
C A Joll	5,000	5,000	-	-
T M Kearney	35,000	35,000	-	-
J A Sibbald	-	-	-	-

There have been no changes in the above shareholdings since 31 December 2005.

Details of the options to subscribe for new ordinary shares of the company granted to the directors are contained under "Share option schemes" in the remuneration report on page 19

Principles of corporate governance

The group's board appreciates the value of good corporate governance not only in the areas of accountability and risk management but also as a positive contribution to business prosperity. It believes that corporate governance involves more than a simple "box ticking" approach to establish whether a company has met the requirements of a number of specific rules and regulations. Rather, the issue is one of applying corporate governance principles in a sensible and pragmatic fashion having regard to the individual circumstances of the group's business. The key objective is to enhance and protect shareholder value.

Board structure

During the year the board comprised the executive chairman, the managing director, one other executive director, and two non-executive directors. Their details appear on page 16.

The board is responsible to shareholders for the proper management of the group. A statement of directors' responsibilities in respect of the accounts is set out on page 21. The non-executive directors have a particular responsibility to ensure that the strategies proposed by the executive directors are fully considered. To enable the board to discharge its duties, all directors have full and timely access to all relevant information and there is a procedure for all directors, in furtherance of their duties, to take independent professional advice, if necessary, at the expense of the group. The board has a formal schedule of matters reserved to it and meets bi-monthly. It is responsible for overall group strategy, approval of major capital expenditure projects and consideration of significant financing matters.

The following committees, which have written terms of reference, deal with specific aspects of the group's affairs.

- The nomination committee is chaired by C A Joll and comprises the non-executive directors and the executive chairman. The committee is responsible for proposing candidates for appointment to the board, having regard to the balance and structure of the Board. In appropriate cases recruitment consultants are used to assist the process. All Directors are subject to re-election at least every three years.
- The remuneration committee is responsible for making recommendations to the board on the company's framework of executive remuneration and its cost. The committee determines the contract terms, remuneration and other benefits for each of the executive directors, including performance related bonus schemes, pension rights and compensation payments. The board itself determines the remuneration of the non-executive directors. The committee comprises the non-executive directors. It is chaired by C A Joll. The report on directors' remuneration is set out on pages 18 and 19.

“We exported over 325,000 tonnes of Black Wattle coal from Richards Bay Coal Terminal in 2005, a new record. With the expansion of RBCT, we look forward to increasing our presence in the international export market.”

Tom Kearney, Commercial Director

- The audit committee comprises the two non-executive directors and is chaired by C A Joll. Its prime tasks are to review the scope of external audit, to receive regular reports from PKF(UK) LLP and to review the half-yearly and annual accounts before they are presented to the board, focusing in particular on accounting policies and areas of management judgment and estimation. The committee is responsible for monitoring the controls which are in force to ensure the integrity of the information reported to the shareholders. The committee acts as a forum for discussion of internal control issues and contributes to the board's review of the effectiveness of the group's internal control and risk management systems and processes. The committee also considers the need for an internal audit function. It advises the board on the appointment of external auditors and on their remuneration for both audit and non-audit work, and discusses the nature and scope of the audit with the external auditors. The committee, which meets formally at least once a year, provides a forum for reporting by the group's external auditors. Meetings are also attended, by invitation, by the managing director and group finance director.

The audit committee also undertakes a formal assessment of the auditors' independence each year which includes:

- a review of non-audit services provided to the group and related fees;
- discussion with the auditors of a written report detailing all relationships with the company and any other parties that could affect independence or the perception of independence;
- a review of the auditors' own procedures for ensuring the independence of the audit firm and partners and staff involved in the audit, including the regular rotation of the audit partner; and
- obtaining written confirmation from the auditors that, in their professional judgement, they are independent.

The audit committee Report is set out on page 20.

An analysis of the fees payable to the external audit firm in respect of both audit and non-audit services during the year is set out in note 4 to the financial statements.

Assessment of directors' performance

The performance of the non-executive directors is assessed by the chairman and the managing director and is discussed with the senior independent director. Their recommendations are discussed at the nomination committee prior to proposals for re-election being recommended to the board.

The performance of executive directors is discussed and assessed by the remuneration committee.

The directors will take outside advice in reviewing performance when they consider this necessary.

Independent Directors

The senior independent non-executive director is Christopher Joll. The other independent non-executive director is John Sibbald.

MJ2 Limited is a company in which Christopher Joll is a minority shareholder and director. MJ2 provides financial public relations services to the company on an ad hoc basis in relation to specific transactions. John Sibbald has been a director for over nine years. For these reasons the criteria for independence set out in the Revised Combined Code are not entirely met. Despite this, the board considers that Mr Joll and Mr Sibbald are both independent.

The independent directors regularly meet prior to board meetings to discuss corporate governance issues.

Internal control

The directors are responsible for the group's system of internal control and reviewing its effectiveness.

The board has designed the group's system of internal control in order to provide the directors with reasonable assurance that its assets are safeguarded, that transactions are authorised and properly recorded and that material errors and irregularities are either prevented or would be detected within a timely period. However, no system of internal control can eliminate the risk of failure to achieve business objectives or provide absolute assurance against material misstatement or loss.

The key elements of the control system in operation are:

- The board meets regularly with a formal schedule of matters reserved to it for decision and has put in place an organisational structure with clear lines of responsibility defined and with appropriate delegation of authority;
- There are established procedures for planning, approval and monitoring of capital expenditure and information systems for monitoring the group's financial performance against approved budgets and forecasts;
- The departmental heads are required annually to undertake a full assessment process to identify and quantify the risks that face their businesses and functions, and assess the adequacy of the prevention, monitoring and modification practices in place for those risks. In addition, regular reports about significant risks and associated control and monitoring procedures are made to the executive directors. The process adopted by the group accords with the guidance contained in the document "Internal Control Guidance for Directors on the Combined Code" issued by the ICAEW.

The audit committee receives reports from external auditors on a regular basis and from executive directors of the group. During the period, the audit committee has reviewed the effectiveness of the system of internal control as described above. The board receives periodic reports from all committees.

There are no significant issues disclosed in the report and financial statements for the year ended 31 December 2005 and up to the date of approval of the report and financial statements that have required the board to deal with any related material internal control issues. The directors confirm that the board has reviewed the effectiveness of the system of internal control as described during the period.

Communication with shareholders

Communication with shareholders is given a high priority. Extensive information about the group and its activities is given in the Annual Report and Accounts, and the Interim Report, which are sent to shareholders. Further information is available on the company's website, www.bisichi.co.uk. There is a regular dialogue with institutional investors. Enquiries from individuals on matters relating to their shareholdings and the business of the group are dealt with informatively and promptly.

Payment of suppliers

The company agrees terms of contracts when orders are placed. It is company policy that payments to suppliers are made in accordance with those terms, provided that suppliers also comply with all relevant terms and conditions. Trade creditors outstanding at the year end represented 5.31 days trade purchases (2004 - 22.6 days).

Section 80 Directors' authority to allot shares

Section 80 Companies Act 1985 provides that the directors of the company shall not exercise any power of the company to allot relevant securities (as defined therein) unless they are authorised to do so by this section.

The directors are requesting the authority of the members at the Annual General Meeting for a section 80 authority as set out in Resolution 8. The proposed section 80 authority gives the directors authority to allot shares up to an aggregate amount of up to an aggregate value of £254,849 which represents the unissued ordinary share capital of the company. The proposed section 80 authority will lapse on 28 June 2011.

"I am confident that the decisions made by your company's management team during this challenging period will have a positive effect on the business in the years to come."

Andrew Heller, Managing Director

Disapplication of pre-emption rights

Shares allotted for cash must normally first be offered to shareholders in proportion to their existing shareholdings. The directors will, at the forthcoming Annual General Meeting of the company (Resolution 9), seek power to allot shares as if the pre-emption rights contained in Section 89(1) of the Companies Act 1985 did not apply up to a maximum of 10% of the company's issued share capital. The authority will expire at the earlier of the conclusion of the company's next annual general meeting and 15 months from the passing of Resolution 9.

Going concern

The directors confirm that they have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in the preparation of the financial statements.

Other matters

The company is not a close company as defined by the Income and Corporation Taxes Act 1988.

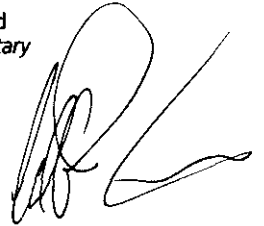
On 23 May 2005, PKF transferred their business to PKF (UK) LLP, a limited liability partnership. Under Section 26(5) of the Companies Act 1989, the company consented to extend the audit appointment to PKF (UK) LLP from 23 May 2005.

Accordingly the audit report has been signed in the name of PKF (UK) LLP.

PKF (UK) LLP have expressed their willingness to continue in office as auditors. A proposal will be made at the annual general meeting for their re-appointment, and for their remuneration to be determined by the directors.

By order of the board
M C Stevens, Secretary

30-35 Pall Mall
London SW1Y 5LP
27 April 2006



Management team

Michael Heller
Chairman
Bisichi Mining PLC

Andrew Heller
Managing Director
Bisichi Mining PLC
and Black Wattle Colliery

Robert Corry Chairman
Black Wattle Colliery

Tom Kearney
Commercial Director
Bisichi Mining PLC,
Director Black Wattle Colliery

Christopher A Joll
Senior independent Director
Chairman, Audit and
Remuneration Committees

Sipho Dube
Director
Black Wattle Colliery

Duku Mogoai
Director
Black Wattle Colliery

Robert Grobler
General Manager
Black Wattle Colliery

Directors and advisers

Directors

- **Michael A Heller** MA, FCA (*Chairman*)

Andrew R Heller MA, ACA
(*Managing Director*)

- † * **Christopher A Joll** MA (*Non-executive*)

Christopher Joll was appointed a Director on 1 February 2001. He holds a number of non-executive directorships of un-quoted companies including Butler Kelly Ltd and The Room Ltd. He is also chairman of MJZ Ltd., a financial public relations consultancy.

Thomas M Kearney MA
(*Commercial Director*)

- * **John A Sibbald** BL (*Non-executive*)

John Sibbald has been a Director since 1988. After qualifying as a Chartered Accountant he spent over 20 years in stockbroking, specialising in mining and international investment.

- Member of the nomination committee
- † Senior independent director
- * Member of the nomination, remuneration and audit committees

Secretary

Michael C Stevens FCA

Registered office

30-35 Pall Mall
London SW1Y 5LP

Black Wattle Colliery

Directors

Robert Corry (*Chairman*)
Andrew Heller (*Managing Director*)

Sipho Dube
Duku Mogoai
Tom Kearney

General mine manager

Robert Grobler

Director of property

Mike J Dignan FRICS

Auditors

PKF (UK) LLP

Principal bankers

UK
National Westminster Bank PLC

South Africa
ABSA Bank (SA)
First National Bank (SA)
Standard Bank (SA)

Corporate solicitors

UK

Olswang, London
South Africa
Routledge Modise Moss Morris,
Johannesburg
Tugendhaft Wapnick Banchetti
and Partners, Johannesburg

Stockbrokers

Numis Securities

Registrars and transfer office

Capita Registrars
The Registry
34 Beckenham Road
Beckenham, Kent BR3 4TU
Telephone: 0870 162 3100
E-mail: ssd@capitaregistrars.com
Website: www.capitaregistrars.com

Company registration number

**112155 (Incorporated in England and
Wales)**

Web site

www.bisichi.co.uk

E-mail

admin@bisichi.co.uk

Five year financial summary

	2005 £000	2004 £000	2003† £000	2002† £000	2001† £000
Consolidated income statement					
Turnover	13,485	11,548	8,781	5,310	4,060
Operating profit	4,664	4,385	1,885	785	349
Profit before tax	4,206	4,011	1,475	628	220
Consolidated balance sheet					
Goodwill	-	-	47	132	216
Investment properties	15,625	14,990	13,060	11,360	8,080
Other non-current asset investments	2,943	1,860	1,744	1,408	1,109
	18,568	16,850	14,851	12,900	9,405
Current asset held for trading investments	629	403	419	490	474
	19,197	17,253	15,270	13,390	9,879
Other assets less liabilities	(2,784)	(4,254)	(4,103)	(5,194)	(2,936)
Consolidated shareholders funds per balance sheet	16,413	12,999	11,167	8,196	6,943
Adjustment of current asset investments to market value	-	123	99	41	150
Consolidated shareholders funds*	16,413	13,122	11,266	8,237	7,093
Net assets per ordinary share*	157.0 p	125.6 p	107.8 p	78.8 p	67.9 p
Dividend per share	2.25 p	2.00 p	1.80 p	1.50 p	1.00 p

* Based on net assets including the investment portfolio at market value.

† Based on UK GAAP figures.

Financial calendar

29 June 2006	Annual General Meeting
14 August 2006	Payment of final dividend for 2005 (if approved)
October 2006	Announcement of interim results to 30 June 2006
Late March 2007	Announcement of results for the year ending 31 December 2006

Remuneration report

The remuneration committee is pleased to present its report for the year ended 31 December 2005.

The remuneration committee is a formally constituted committee and is comprised exclusively of non-executive directors. The members of the committee are Christopher Joll (chairman) and John Sibbald.

Remuneration policy for executive directors and non-executive directors

The principal function of the remuneration committee is to determine, on behalf of the board, the remuneration and other benefits of the executive directors and senior executives, including pensions, share options and service contracts. The company's policy is to ensure that the executive directors are rewarded competitively in relation to other companies in order to retain and motivate them. The emoluments of each executive director comprise basic salary, a bonus at the discretion of the remuneration committee, provision of a car, premiums paid in respect of individual defined contribution pension arrangements, health insurance premium and share options.

The remuneration of non-executive directors is determined by the board, and takes into account additional remuneration for services outside the scope of the ordinary duties of non-executive directors. No pension costs are incurred on behalf of non-executive directors and they do not participate in the share option schemes.

Service and employment contracts

All executive directors have full time contracts of employment with the company. Non-executive directors have contracts of service. No director has a contract of employment or contract of service with the company, its joint venture or associated companies with a fixed term which exceeds twelve months. All directors' contracts, as amended from time to time, have run from the date of appointment. Details of the directors standing for re-election are given under 'Directors' in the directors' report.

The policy is not to grant employment contracts or contracts of service in excess of six months and there are no provisions for termination payments. A summary of terms of service and employment is as follows:

	Start date of contract	Unexpired term	Notice period
Executive directors			
M A Heller	November 1972	Continuous	6 months
A R Heller	January 1994	Continuous	3 months
T M Kearney	November 2003	Continuous	3 months
Non-executive directors			
C A Joll	February 2001	Continuous	3 months
J A Sibbald	October 1988	Continuous	3 months

The following information has been audited:

Directors' remuneration

	Salaries and fees £000	Bonus £000	Pensions £000	Benefits £000	2005 Total £000	2004 Total £000
Executive directors						
M A Heller (Chairman)	75	-	-	-	75	2
A R Heller	300	65	20	28	413	290
T M Kearney	150	20	15	7	192	185
	525	85	35	35	680	477
Non-executive directors						
C A Joll	20	-	-	-	20	20
J A Sibbald	2	-	-	2	4	4
	22	-	-	2	24	24
Total remuneration for directors' services during the year					704	501

Remuneration report continued

Pension schemes and incentives

Two (2004 - two) directors have benefits under money purchase pension schemes. Contributions in 2005 were £35,000 (2004-£26,000), see table above. Directors are not entitled to benefits under any bonus or incentive schemes apart from the share option schemes details of which are set out below. Bonuses are awarded by the remuneration committee when merited. Performance bonuses were awarded by the remuneration committee to two executive directors during 2005.

Share option schemes

The company has two "Unapproved" Share Option Schemes which are not subject to HM Revenue and Customs approval. The "First Scheme" was approved by shareholders on 15 June 1999. The "Second Scheme" was approved by shareholders on 23 June 2005, options having been provisionally granted under it on 23 September 2004.

	Option price*	Number of share options		Exercisable		
		1 January 2005	Granted in 2005	31 December 2005	from	to
First Scheme						
A R Heller	34p	233,000	-	233,000	30/9/2005	29/9/2012
Employee	34p	80,000	-	80,000	30/9/2005	29/9/2012
Second Scheme						
A R Heller	149p	80,000	-	80,000	23/9/2007	22/9/2014
T M Kearney	149p	120,000	-	120,000	23/9/2007	22/9/2014

*Middle market price at date of issue.

The exercise of options under the Unapproved Share Option Schemes is subject to the satisfaction of objective performance conditions specified by the remuneration committee, which will conform to institutional shareholder guidelines and best practice provisions in force from time to time. The remuneration committee has not yet set these guidelines for the first scheme. The performance conditions for the second scheme, agreed by members on 23 June 2005, requires growth in net assets over a three year period to exceed the growth of the retail prices index by a scale of percentages.

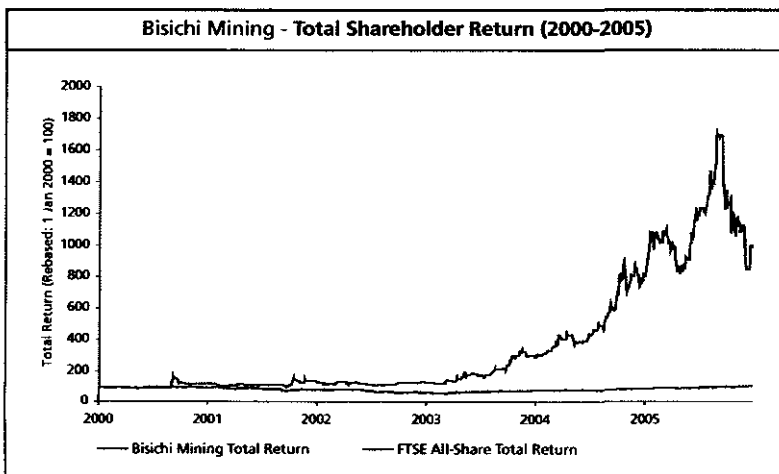
The middle market price of Bisichi Mining PLC ordinary shares at 31 December 2005 was 247.5p (2004 - 208.5p).

During the year the share price ranged between 203.5p and 437.5p.

The following information is unaudited:

The board's policy is to grant options to executive directors, managers and staff at appropriate times to provide them with an interest in the longer term development of the group.

The following graph illustrates the company's performance compared with a broad equity market index over a five year period. Performance is measured by total shareholder return. The directors have chosen the FTSE All Share - Total Return Index as a suitable index for this comparison as it gives an indication of performance against a large spread of quoted companies.



Audit committee report

The committee's terms of reference have been approved by the board and follow published guidelines.

The audit committee comprises the two non-executive directors and is chaired by Christopher Joll, an experienced financial PR executive, and John Sibbald, a retired chartered accountant.

The Audit Committee's prime tasks are to :

- Review the scope of external audit, to receive regular reports from PKF (UK) LLP and to review the half-yearly and annual accounts before they are presented to the board, focusing in particular on accounting policies and areas of management judgement and estimation;
- Monitor the controls which are in force to ensure the integrity of the information reported to the shareholders ;
- Act as a forum for discussion of internal control issues and contribute to the board's review of the effectiveness of the group's internal control and risk management systems and processes;
- Consider annually the need for an internal audit function;
- Advise the board on the appointment of external auditors and rotation of the audit partner every five years, and on their remuneration for both audit and non-audit work, and discuss the nature and scope of their audit work;
- Undertake a formal assessment of the auditors' independence each year which includes:
 - a review of non-audit services provided to the group and related fees;
 - discussion with the auditors of a written report detailing all relationships with the company and any other parties that could affect independence or the perception of independence;
 - a review of the auditors' own procedures for ensuring the independence of the audit firm and partners and staff involved in the audit, including the regular rotation of the audit partner; and
 - obtaining written confirmation from the auditors that, in their professional judgement, they are independent.

Meetings

The committee meets annually following the external audit and prior to the publication of the annual results. This meeting is attended by the external audit partner, managing director, group finance director and company secretary. Prior to bi-monthly board meetings the members of the committee meet on an informal basis to discuss any relevant matters which may have arisen. Additional formal meetings are held as necessary.

During the past year the committee:

- Met with the external auditors, and discussed their report to the Audit Committee.
- Approved the publication of annual and interim financial results;
- Considered and approved the annual review of internal controls;
- Decided that there was no current need for an internal audit function and agreed that the Internal Control Systems were appropriate to the size and complexity of the group;
- Agreed the independence of the auditors and approved their fees for both audit and non-audit services as set out in note 4 to the financial statements.

External Auditors

PKF held office throughout the year. In the United Kingdom the company is provided with extensive administration and accounting services by London & Associated Properties plc which has its own audit committee and employs a separate firm of external auditors, Baker Tilly. In South Africa PKF Johannesburg is the external auditor to the South African companies, and the work of that firm is reviewed by PKF(UK) LLP.

C A Joll

Chairman - audit committee

30-35 Pall Mall
London SW1Y 5LP
27 April 2006

Directors' responsibility statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and for preparing the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Services Authority.

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 and the group and of the profit or loss of the group 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 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 that disclose with reasonable accuracy at any time the financial position of the company and the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Valuers' certificates

To the directors of Bisichi Mining PLC

In accordance with your instructions we have carried out a valuation of the freehold property interests held as at 31 December 2005 by the company as detailed in our Valuation Report dated 21 March 2006.

Having regard to the foregoing, we are of the opinion that the open market value as at 31 December 2005 of the interests owned by the Company was £12,125,000, being made up as follows:

	£000
Freehold	12,125
	12,125
London 21 March 2006	Allsop & Co Chartered Surveyors

To the directors of Bisichi Mining PLC

In accordance with your instructions we have carried out a valuation of the leasehold property interests held as at 31 December 2005 by the company as detailed in our Valuation Report dated 6 February 2006.

Having regard to the foregoing, we are of the opinion that the open market value as at 31 December 2005 of the interests owned by the Company was £3,500,000, being made up as follows:

	£000
Leasehold	3,500
	3,500
Leeds 6 February 2006	Towlers Chartered Surveyors

Independent Auditors' report

to the members of Bisichi Mining PLC

We have audited the group and parent company financial statements ('the financial statements') of Bisichi Mining PLC for the year ended 31 December 2005 which comprise the consolidated income statement, the consolidated and company balance sheets, the consolidated statement of changes in shareholders' equity, the consolidated cash flow statement, and the related notes. The financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited.

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 annual report and the financial statements in accordance with applicable law and for preparing the group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and the parent company financial statements in accordance with 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 and the part of the directors' remuneration report to be audited 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 whether the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and whether, in addition, the group financial statements have been properly prepared in accordance with article 4 of the IAS Regulation. 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 other transactions is not disclosed.

We review whether the corporate governance statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the directors' report, the unaudited part of the directors' remuneration report, the chairman's statement, the mining review, the audit committee report and the valuers' certificates. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the directors' remuneration report to be audited 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 and the part of the directors' remuneration report to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2005 and of its profit for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and article 4 of the IAS Regulation;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2005; and
- the parent company financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.

PKF (UK) LLP
Registered auditors
London, UK

19 May 2006

Consolidated income statement

for the year ended 31 December 2005

	Notes	2005 £000	2004 £000
Group revenue	1	13,485	11,548
Operating costs		(12,037)	(9,123)
Operating profit before adjustments	1	1,448	2,425
Increase in value of investment properties	2	2,393	1,868
Gains on held for trading investments		177	-
Exceptional items	3	124	-
Share of profit in joint ventures		522	92
Operating profit	1	4,664	4,385
Interest receivable		76	25
Interest payable	6	(534)	(399)
Profit before taxation	4	4,206	4,011
Income tax expense	7	(687)	(788)
Profit for the year		3,519	3,223
Attributable to:			
Equity holders of the company		3,256	2,786
Minority interest		263	437
Profit for the year		3,519	3,223
Earnings per share - basic	9	31.15 p	26.66 p
Earnings per share - diluted	9	30.19 p	25.96 p

Consolidated balance sheet

for the year ended 31 December 2005

	Notes	2005 £000	2004 £000
Assets			
Non-current-assets			
Value of investment properties attributable to the group	10	15,625	14,990
Fair value of head leases		153	343
Property		15,778	15,333
Reserves, plant and equipment	11	5,604	5,046
Investments in joint ventures	12	2,519	1,476
Other investments	12	424	384
Deferred tax assets	20	241	243
Total non-current assets		24,566	22,482
Current assets			
Inventories		124	36
Trade and other receivables	15	4,578	2,533
Held for trading investments	16	629	403
Interest derivative		36	-
Cash and cash equivalents		488	950
Total current assets		5,855	3,922
Total assets		30,421	26,404
Liabilities			
Current liabilities			
Borrowings	18	(2,382)	(1,490)
Trade and other payables	17	(4,432)	(3,629)
Current tax liabilities		(91)	(315)
Total current liabilities		(6,905)	(5,434)
Non-current liabilities			
Borrowings	18	(4,368)	(5,580)
Finance lease liabilities		(153)	(343)
Deferred tax liabilities	20	(2,582)	(2,048)
Total non-current liabilities		(7,103)	(7,971)
Total liabilities		(14,008)	(13,405)
Net assets		16,413	12,999
Equity			
Share capital	21	1,045	1,045
Other reserves		170	232
Retained earnings		14,606	11,388
Total equity attributable to equity shareholders		15,821	12,665
Minority interest in equity	22	592	334
Total equity		16,413	12,999

These financial statements were approved and authorised for issue by the board of directors on 27 April 2006 and signed on its behalf by:

M A Heller A R Heller Directors

Consolidated statement of changes in Shareholders' Equity

for the year ended 31 December 2005

	Share capital £000	Translation reserve £000	Other reserves £000	Retained earnings £000	Total £000	Minority interest £000	Total Equity £000
Balance at 1 January 2004	1,045	(137)	86	8,790	9,784	(116)	9,668
Revaluation of investment property	-	-	-	1,868	1,868	-	1,868
Other income statement movements	-	-	-	918	918	437	1,355
Profit for the year	-	-	-	2,786	2,786	437	3,223
Exchange adjustment	-	278	-	-	278	13	291
Total recognised income and expense for the year	-	278	-	2,786	3,064	450	3,514
Dividend	-	-	-	(188)	(188)	-	(188)
Equity share options	-	-	5	-	5	-	5
Balance at 31 December 2004	1,045	141	91	11,388	12,665	334	12,999
Movement on fair value of derivatives	-	-	-	82	82	-	82
Revaluation of current assets held for trading	-	-	-	89	89	-	89
Balance at 1 January 2005	1,045	141	91	11,559	12,836	334	13,170
Revaluation of investment property	-	-	-	2,393	2,393	-	2,393
Movement on fair value of derivatives	-	-	-	(58)	(58)	-	(58)
Other income statement movements	-	-	-	921	921	263	1,184
Profit for the year	-	-	-	3,256	3,256	263	3,519
Exchange adjustment	-	(85)	-	-	(85)	(5)	(90)
Total recognised income and expense for the year	-	(85)	-	3,256	3,171	258	3,429
Dividend	-	-	-	(209)	(209)	-	(209)
Equity share options	-	-	23	-	23	-	23
Balance at 31 December 2005	1,045	56	114	14,606	15,821	592	16,413

Consolidated cash flow statement

for the year ended 31 December 2005

	<i>Notes</i>	2005 £000	2004 £000
Cash flows from operating activities			
Operating profit		4,664	4,385
Adjustments for:			
Depreciation charges		807	644
Share based payment expense		23	5
Unrealised gain on investment held for trading		(177)	(89)
Unrealised gain on investment properties		(2,393)	(1,868)
Share of profit of joint ventures		(522)	(92)
Hedging		82	-
Cash flow before working capital		2,484	2,985
Change in inventories		(89)	9
Change in trade and other receivables		(753)	(1,004)
Change in trade and other payables		750	1,598
Change in provisions		(136)	6
Acquisitions of held for trading investments		(24)	(49)
Proceeds from held from trading investments		99	148
Cash generated from operations		2,331	3,693
Interest received		76	25
Interest paid		(534)	(399)
Income tax paid		(331)	(466)
Cash flows from operating activities		1,542	2,853
Cash flows from investing activities			
Acquisition of reserves, plant and equipment		(1,348)	(2,211)
Proceeds from sale of investment properties, reserves, plant and equipment		482	-
Acquisition of investments		(41)	(49)
Cash flows from investing activities		(907)	(2,260)
Cash flows from financing activities			
Borrowings drawn		23	1,541
Borrowings repaid		(1,927)	(291)
Equity dividends paid		(209)	(188)
Cash flows from financing activities		(2,113)	1,062
Net (decrease) increase in cash and cash equivalents		(1,478)	1,655
Cash and cash equivalents at 1 January		507	(1,179)
Exchange adjustment		2	31
Cash and cash equivalents at 31 December		(969)	507

Group accounting policies

for the year ended 31 December 2005

Basis of Accounting

The results for the year ended 31 December 2005 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, for the first time. The reported comparative period results have been restated on this basis. The financial statements have been prepared under the historical cost convention, except for the revaluation of certain properties and financial instruments. The principal accounting policies are described below.

Basis of Consolidation

The group accounts incorporate the accounts of Bisichi Mining Plc and all of its subsidiary undertakings, together with the group's share of the results of its joint ventures.

In preparing these financial statements, advantage has been taken of the exemptions allowed by IFRS1, first-time adoption of IFRS as follows:

Financial Instruments: Recognition and Measurement (IAS 39)

The comparative periods have not been restated for IAS39, particularly in respect of financial instruments. Where appropriate, the fair value of these instruments at the start of 2005 was passed through reserves, and the subsequent movement in 2005 is reported in the group income statement. The group has not applied the hedge accounting treatment that would allow movements on hedges to be deferred in equity.

Business Combinations that occurred before the opening IFRS balance sheet date (IFRS 3 "Business Combinations")

Bisichi has elected not to apply IFRS 3 retrospectively to business combinations that took place before the transition date of 1 January 2004. As a result, all prior business combination accounting has been frozen at the transition date. This includes any goodwill that was previously recognised as a deduction from equity.

Share-based Payments (IFRS 2 "Share-based Payment")

Bisichi has elected only to apply IFRS 2 to all share option schemes where options have been granted since 7 November 2002 and were not fully vested at 1 January 2005.

Turnover

Turnover comprises sales of coal and property rental income. Turnover is recognised when delivery of the product or service has been made and when the customer has a legally binding obligation to settle under the terms of the contract and has assumed all significant risks and rewards of ownership.

Turnover is only recognised on individual sales when all of the significant risks and rewards of ownership have been transferred to a third party. In most instances turnover is recognised when the product is delivered to the location specified by the customer, which is typically when loaded into transport, where the customer pays the transportation costs.

Rental income is recognised in the group income statement on a straight-line basis over the term of the lease.

Investment properties

Investment properties comprise freehold and long leasehold land and buildings. Investment properties are carried at fair value in accordance with IAS 40 'Investment Properties'. Properties are recognised as investment properties when held for long-term rental yields, and after consideration has been given to a number of factors including length of lease, quality of tenant and covenant, value of lease, management intention for future use of property, planning consents and percentage of property leased. Investment properties are revalued annually by professional external surveyors and included in the balance sheet at their fair value. Gains or losses arising from changes in the fair values of assets are recognised in the consolidated income statement in the period to which they relate. In accordance with IAS 40, investment properties are not depreciated. The difference between the book value of the investment property and the first valuation on recognition as an investment property is taken to reserves in accordance with IAS 40. Properties held for use in the business or in the course of restoration, renovation or held for development or sale, are not recognised as investment properties and are held at depreciated historical cost.

Property, plant and equipment

The cost of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in accordance with agreed specifications. Freehold land is not depreciated. Other property, plant and equipment is stated at historical cost less accumulated depreciation.

Mine development

The purpose of mine development is to establish secure working conditions and infrastructure to allow the safe and efficient extraction of recoverable reserves. Depreciation on mine development is not charged until full production commences or the assets are put to use. On commencement of full production, depreciation is charged over the life of the mine on a straight-line basis.

Surface mine development

Expenditure incurred prior to the commencement of working surface mine sites, net of any residual value and taking into account the likelihood of the site being mined, is capitalised within property, plant and equipment and charged to the income statement over the life of the recoverable reserves of the scheme.

Group accounting policies continued

for the year ended 31 December 2005

Other assets

The cost, less estimated residual value, of other property, plant and equipment is written off on a straight-line basis over the asset's expected useful life. Residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Changes to the estimated residual values or useful lives are accounted for prospectively. Heavy surface mining and other plant and equipment is depreciated at varying rates depending upon its expected usage.

The depreciation rates generally applied are:

Mining equipment	The shorter of its useful life or the life of the mine
Mining reserves	Over the expected life of the reserves
Motor vehicles	25-33 per cent
Office equipment	10-33 per cent

Employee Benefits

Share based remuneration

The company operates a long-term incentive plan and share option scheme. The fair value of the conditional awards of shares granted under the long-term incentive plan and the options granted under the share option scheme are determined at the date of grant. This fair value is then expensed on a straight-line basis over the vesting period, based on an estimate of the number of shares that will eventually vest. At each reporting date, the fair value of the non-market based performance criteria of the long-term incentive plan is recalculated and the expense is revised. In respect of the share option scheme, the fair value of options granted is calculated using a binomial model. Details of the share options in issue are disclosed in the Directors Remuneration Report.

Pensions

The company operates a defined contribution pension scheme. The contributions payable to the scheme are expensed in the period to which they relate.

Foreign currencies

Monetary assets and liabilities are translated at year end exchange rates and the resulting exchange rate differences are included in the consolidated income statement within the results of operating activities if arising from trading activities and within finance cost/income if arising from financing.

For consolidation purposes, income and expense items are included in the consolidated income statement at average rates, and assets and liabilities are translated at year end exchange rates. Translation differences arising on consolidation are taken directly to reserves. Where foreign operations are disposed of, the cumulative exchange differences of that foreign operation are recognised in the consolidated income statement when the gain or loss on disposal is recognised.

Financial Instruments

Bank loans and overdrafts

Bank loans and overdrafts are included as financial liabilities on the group balance sheet at the amounts drawn on the particular facilities. Interest payable on those facilities is expensed as a finance cost in the period to which it relates.

Finance lease liabilities

Finance lease liabilities arise for those investment properties held under a leasehold interest and accounted for as investment property. The liability is initially calculated as the present value of the minimum lease payments, reducing in subsequent reporting periods by the apportionment of payments to the lessor.

Interest rate derivatives

The group uses derivative financial instruments to manage the interest rate risk associated with the financing of the group's business. No trading in such financial instruments is undertaken.

At each reporting date, these interest rate derivatives are recognised at fair value, being the estimated amount that the group would receive or pay to terminate the agreement at the balance sheet date, taking into account current interest rates and the current credit rating of the counterparties. The gain or loss at each fair value remeasurement is recognised immediately in the income statement.

Held for trading investments

Financial assets/liabilities held for trading or short-term gain are measured at fair value and movements in fair value are charged/credited to the income statement in the period.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated recoverable amounts.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Joint ventures

Investments in joint ventures, being those entities over whose activities the group has joint control, as established by contractual agreement, are included at cost together with the group's share of post acquisition reserves, on an equity basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and overheads relevant to the stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the tax computations, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. In respect of the deferred tax on the revaluation surplus, this is calculated on the basis of the chargeable gains that would crystallise on the sale of the investment portfolio as at the reporting date. The calculation takes account of indexation on the historical cost of the properties and any available capital losses.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the group income statement, except when it relates to items charged or credited directly to equity, in which case it is also dealt with in equity.

Dividends

Dividends payable on the ordinary share capital are recognised as a liability in the period in which they are approved.

Cash and cash equivalents

Cash comprises cash in hand and on-demand deposits. Cash equivalents comprises short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Notes to the financial statements continued

for the year ended 31 December 2005

1. Segmental Reporting *continued*

	2004			Total £000
	Mining £000	Property £000	Other £000	
Depreciation	627	-	17	644
Capital expenditure	2,148	62	1	2,211

Geographic analysis (secondary segment)	United Kingdom	South Africa	Other	Unallocated	Total
Segment revenue	1,231	10,317	-	-	11,548
Operating profit and segment result	2,601	1,784	-	-	4,385
Segment net assets	8,638	3,532	75	754	12,999
Capital expenditure	63	2,148	-	-	2,211

2. Gains on revaluation and sale of investment properties

The reconciliation of the investment surplus to the gain on revaluation of investment properties in the income statement is set out below:

	2005 £000	2004 £000
Income statement gain on revaluation and sale of investment properties		
Gain on sale of investment properties - realised	412	-
Gains on revaluation of investment properties - unrealised	2,393	1,868
Valuation movement in respect of head lease payments	5	-
Sale of properties with headlease payments	(195)	-
Investment surplus	2,615	1,868

3. Exceptional items

	2005 £000	2004 £000
Gain on sale of investment properties	412	-
Costs in relation to suspended fund raising	(288)	-
	124	-

4. Profit on ordinary activities before taxation

	2005 £000	2004 £000
Profit on ordinary activities is arrived at after charging:		
Staff costs (see note 25)	3,272	2,664
Depreciation	807	644
Remuneration of auditors for audit services		
- UK	29	29
- South Africa	12	11
Remuneration of auditors for non-audit services		
- UK	47	1
- South Africa	1	-

Charges for non-audit services provided by the auditors in the UK in relation to the company's interim financial statements were £1,000 (2004: £1,000) and in relation to the suspended fund raising were £46,000 (2004: £Nil). Charges for non-audit services provided by the auditors in South Africa all relate to tax compliance. The directors consider the auditors were best placed to provide these services. The audit committee reviews the nature and extent of non-audit services to ensure that independence is maintained.

Notes to the financial statements continued

for the year ended 31 December 2005

5. Directors' emoluments

The emoluments of the directors are shown in the Directors' Remuneration Report.

6. Interest payable

	2005 £000	2004 £000
On bank overdrafts and bank loans	511	286
On other loans	14	113
Other interest payable	9	-
Interest payable	534	399

7. Taxation

	2005 £000	2004 £000
(a) Based on the results for the year:		
Corporation tax at 30% (2004 : 30%)	152	272
Adjustment in respect of prior years - UK	(1)	26
Current tax	151	298
Deferred tax	536	490
Total tax in income statement	687	788

The effective rate of corporation tax is based on taxable profits of Bisichi Mining PLC and Mineral Products Limited only.

(b) Factors affecting tax charge for the year

The corporation tax assessed for the year is different from that at the standard rate of corporation tax in the United Kingdom of 30% (2004: 30%). The differences are explained below:

Profit on ordinary activities before taxation	4,206	4,011
Tax on profit on ordinary activities at 30%	1,262	1,203
Effects of:		
Expenses not deductible for tax purposes	9	20
Capital allowances for the year in excess of depreciation	(2)	(14)
Capital gains in excess of profit on disposal	(294)	(123)
Other differences	(17)	15
Loss relief	(237)	(331)
Adjustment to smaller companies rates	(12)	(8)
Adjustment in respect of prior years	(22)	26
Total tax	687	788

Factors that may affect future tax charges:

Based on current capital expenditure plans, the group expects to continue to be able to claim capital allowances in excess of depreciation in future years.

Notes to the financial statements continued

for the year ended 31 December 2005

8. Dividends paid

	2005		2004	
	Per share	£000	Per share	£000
Prior period final dividend	2.00p	209	1.80p	188

A final dividend in respect of 2005 of 2.25p (2004: 2.00p) per share amounting to a total of £235,000 (2004: £209,000) is proposed by the board. The dividend proposed is not accounted for until it has been approved at the Annual General Meeting. The amount will be accounted for as an appropriation of revenue reserves in the year ending 31 December 2006.

9. Earnings and diluted earnings per share

Both the basic and diluted earnings per share calculations are based on a profit of £3,256,000 (2004: £2,786,000). The basic earnings per share have been calculated on 10,451,506 (2004: 10,451,506) ordinary shares being in issue during the period. The diluted earnings per share have been calculated on the number of shares in issue of 10,451,506 (2004: 10,451,506) plus the dilutive potential ordinary shares arising from share options of 334,746 (2004: 280,664) totalling 10,786,252 (2004: 10,732,170).

10. Investment properties

	Freehold £000	Long leasehold £000	Total £000
Cost or valuation at 1 January 2005	10,840	4,150	14,990
Additions	-	42	42
Disposals	(350)	(1,450)	(1,800)
Revaluation	1,635	758	2,393
Cost or valuation at 31 December 2005	12,125	3,500	15,625
At valuation	12,125	3,500	15,625
At cost	-	-	-
	12,125	3,500	15,625
Historical cost			
At 31 December 2005	4,610	726	5,336
At 31 December 2004	4,673	1,251	5,924

Long leasehold properties are those for which the unexpired term at the balance sheet date is not less than 50 years. All investment properties are held for use in operating leases and all properties generated rental income during the period.

Freehold and Long Leasehold properties were externally professionally valued at 31 December 2005 on an open market basis by:

	£'000
Allsop & Co, Chartered Surveyors	12,125
Towlers, Chartered Surveyors	3,500
	15,625

The valuations were carried out in accordance with the Statements of Asset Valuation and Guidance Notes published by the Royal Institution of Chartered Surveyors.

Notes to the financial statements continued

for the year ended 31 December 2005

11. Reserves, plant and equipment

	Mining reserves	Mining equipment £000	Motor vehicles £000	Office equipment £000	Total £000
Cost at 1 January 2005	2,536	5,113	613	45	8,307
Exchange adjustment	(26)	(53)	(6)	-	(85)
Additions	3	1,270	138	6	1,417
Cost at 31 December 2005	2,513	6,330	745	51	9,639
Accumulated depreciation at 1 January 2005	991	1,932	297	41	3,261
Exchange adjustment	(10)	(20)	(3)	-	(33)
Charge for the year	218	498	89	2	807
Accumulated depreciation at 31 December 2005	1,199	2,410	383	43	4,035
Net book value at 31 December 2005	1,314	3,920	362	8	5,604
Net book value at 31 December 2004	1,545	3,181	316	4	5,046

12. Investments held as non-current assets

	Joint ventures £000	Other £000
At 1 January 2005	1,476	597
Additions	(47)	41
Exchange adjustment	-	(1)
Share of revaluation reserve of joint venture	352	-
Share of retained profit of joint ventures	170	-
Net assets at 31 December 2005	1,951	-
Loan to joint venture	568	-
At 31 December 2005	2,519	637
Provision for diminution in value	-	(213)
As at 1 January and 31 December 2005	-	(213)
Net book value at 31 December 2005	2,519	424
Net book value at 31 December 2004	1,476	384
	2005	2004
	£000	£000
Net book value of investments listed on overseas Stock Exchanges	143	159
Market value of the overseas listed investments	17	17

The directors, having conducted a detailed review of the investments held, do not consider that there has been an impairment in their value.

Notes to the financial statements continued

for the year ended 31 December 2005

13. Joint ventures

The company owns 50% of the issued share capital of Dragon Retail Properties Limited, an unlisted property investment company. The remaining 50% is held by London & Associated Properties PLC.

Dragon Retail Properties Limited is incorporated in Great Britain and operates in England. It has issued share capital of £500,000 (2004: £500,000) ordinary shares of £1 each.

The company owns 49% of the issued share capital of Ezimbokodweni Mining (pty) Limited, an unlisted coal production company. The company is incorporated in South Africa. It has issued share capital of ZAR100 (2004: ZAR Nil) ordinary shares of ZAR1 each.

The company owns 45% of the issued share capital of Ninghi Marketing Limited, an unlisted coal trading company.

The company is incorporated in Great Britain and operates in England. It has issued share capital of £101 (2004: £101) ordinary shares of £1 each.

These figures reflect the Company's share in the joint ventures:

	Ezimbokodweni 49%	Dragon 50% £000	Ninghi 45% £000	Share in the joint ventures 2005 £000	2004 £000
Turnover	-	127	4,303	4,430	3,062
Profit and loss					
Profit before tax	-	587	139	726	99
Taxation	-	(187)	(17)	(204)	(7)
Profit after taxation	-	400	122	522	92
Balance sheet					
Non-current assets	278	2,191	-	2,469	1,620
Current assets	-	1,112	512	1,624	1,327
Current liabilities	(278)	(142)	(456)	(876)	(423)
Non-current liabilities	-	(1,266)	-	(1,266)	(1,048)
Share of net assets at 31 December	-	1,895	56	1,951	1,476

14. Subsidiary companies

The company owns the following ordinary share capital of the principal subsidiaries which are included within the consolidated financial statements:

	Activity	Percentage of share capital	Country of incorporation and principal country of operation
Mineral Products Limited	Share dealing	100.0%	England and Wales
Black Wattle Colliery (Pty) Limited	Coal mining	62.5%	South Africa
Bisichi Coal Mining (Pty) Limited	Coal mining	100.0%	South Africa
Bisichi Mining (Exploration) Limited	Holding company	100.0%	England and Wales

Notes to the financial statements continued

for the year ended 31 December 2005

15. Trade and other receivables	2005	2004
	£000	£000
Amounts falling due within one year:		
Trade receivables	2,037	1,860
Other receivables	2,507	639
Prepayments and accrued income	34	34
	4,578	2,533

16. Held for trading investments	Group	
	2005	2004
	£000	£000
Market value of Listed Investments:		
Listed in Great Britain	580	474
Listed outside Great Britain	49	52
	629	526
Original cost of Listed Investments	433	403
Unrealised surplus of market value over cost	196	123

17. Trade and other payables	2005	2004
	£000	£000
Trade payables	700	507
Joint venture	1,524	991
Other payables	459	393
Accruals and deferred income	1,749	1,738
	4,432	3,629

18. Financial liabilities - borrowings	Current		Non-current	
	2005	2004	2005	2004
	£000	£000	£000	£000
Bank overdraft (secured)	1,457	443	-	-
Bank loan (secured)	925	484	4,368	4,078
Other loan (secured)	-	563	-	1,502
	2,382	1,490	4,368	5,580

Bank and other loan instalments by reference to the balance sheet date:

Within one year	2,382	1,490
From one to two years	304	1,779
From two to five years	4,064	3,801
	6,750	7,070

Bank and other loan analysis by origin:

United Kingdom	4,075	4,803
Southern Africa	2,675	2,267
	6,750	7,070

Notes to the financial statements continued

for the year ended 31 December 2005

19. Financial instruments

Treasury policy

The group enters into derivative transactions such as interest rate swaps and forward exchange contracts in order to help manage the financial risks arising from the group's activities. The main risks arising from the group's financing structure are interest rate risk, liquidity risk and market price risk. The policies for managing each of these risks and the principal effects of these policies on the results are summarized below.

Interest rate risk

Treasury activities take place under procedures and policies approved and monitored by the Board to minimise the financial risk faced by the Group. The bank loans are secured by way of a first charge on certain fixed assets. The rates of interest vary based on LIBOR in the UK and PRIME in South Africa. The other loan is secured on the additional reserves acquired during 2002 and is repayable from Black Wattle Colliery (pty) Limited and interest is payable at PRIME in South Africa.

Liquidity risk

The group's policy is to minimise refinancing risk. Efficient treasury management and strict credit control minimise the costs and risks associated with this policy which ensures that funds are available to meet commitments as they fall due.

Market price risk

The group is exposed to market price risk through interest rate and currency fluctuations.

Credit risk

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Financial assets maturity

On 31 December 2005, cash at bank and in hand amounted to £488,000 (2004: £950,000) which is invested in short term bank deposits maturing within one year bearing interest at the bank's variable rates. Details of other financial assets are shown in notes 12, 15 and 16.

Borrowing facilities

At 31 December 2005 the Group was within its bank borrowing facilities. Overdrafts are renewable annually. Term loan repayments are as set out above. The group had undrawn facilities of £1,279,000 (2004: £1,107,000) which expire within one year. Details of other financial liabilities are shown in notes 17 and 18.

Hedge profile

An interest rate swap has been entered into in line with the £3,860,000 UK loan at a fixed rate of 4.05%. The fair value of this swap is £36,000.

Foreign currency

All trading is undertaken in the local currencies. Funding is also in local currencies other than inter-company investments and loans and it is not the Group's policy to cover these amounts as the date of repayment is uncertain.

There is no material difference between the fair value and carrying value of financial assets and liabilities.

Notes to the financial statements continued

for the year ended 31 December 2005

20. Deferred taxation			2005	2004
			£000	£000
Balance at 1 January			1,805	1,315
Recognised in income			536	490
Net liability			2,341	1,805
Shown in balance sheet as:				
	Non-current assets		Non-current liabilities	
	2005	2004	2005	2004
	£000	£000	£000	£000
The deferred tax balance comprises the following:				
Revaluation of properties	-	-	2,529	1,990
Capital allowances	-	-	35	33
Short-term timing differences	-	-	18	25
Tax losses carried forward	241	243	-	-
	241	243	2,582	2,048

No provision has been recognised in Black Wattle Colliery (pty) Limited for tax losses amounting to £49,000 (2004: £49,000)

21. Share Capital	2005	2004
	£000	£000
Authorised: 13,000,000 ordinary shares of 10p each	1,300	1,300
Allotted and fully paid: 10,451,506 ordinary shares	1,045	1,045

22. Minority interest	2005	2004
	£000	£000
As at 1 January	334	(116)
Exchange adjustments	(5)	13
Share of profit for the year	263	437
	592	334

The minority interest represents the share of the net accumulated profits in Black Wattle Colliery (Pty) Limited attributable to the minority shareholder together with the nominal value of shares held by that shareholder.

Notes to the financial statements continued

for the year ended 31 December 2005

23. Related Party Transactions

	At 31 December 2005		During the year	
	Amounts owed to related party £000	Amounts owed by related party £000	Costs recharged (to) by related party £000	Cash paid to related party £000
Related party:				
London & Associated Properties PLC (note (a))	261	-	255	(189)
Dragon Retail Properties Limited (note (b))	991	-	-	-
Ninghi Marketing Limited (note (c))	542	(972)	9,225	(8,833)
Ezimbokodweni (Pty) Limited (note (d))	-	(568)	-	(568)
As at 31 December 2005	1,794	(1,540)	9,480	(9,590)
As at 31 December 2004	1,186	(38)	(47)	(456)

London & Associated Properties PLC is a substantial shareholder.

Dragon Retail Properties Limited is a joint venture and is treated as a non-current asset investment.

Ninghi Marketing Limited is a joint venture and is treated as a non-current asset investment.

Ezimbokodweni Mining (pty) Limited is a joint venture and is treated as a non-current asset investment.

(a) London & Associated Properties PLC

Property management, office premises, general management, accounting and administration services are provided for Bisichi Mining PLC and its subsidiaries.

(b) Dragon Retail Properties Limited

Dragon Retail Properties Limited is owned equally by the company and London & Associated Properties PLC.

(c) Ninghi Marketing Limited

Ninghi Marketing Limited is a coal trading company, based in London.

(d) Ezimbokodweni Mining (Pty) Limited

Ezimbokodweni is a coal production company based in South Africa.

Details of key management personnel compensation and interest in share options are shown in the Directors Remuneration Report.

24. Explanation of transition to IFRS as adopted by EU

As stated in the group accounting policies, these are the group's first consolidated financial statements prepared in accordance with Adopted IFRS.

The comparative information for the year ended 31 December 2004, previously prepared under UK GAAP, has been restated under Adopted IFRS.

An explanation of how the transition from previous UK GAAP to Adopted IFRS has affected the group's reported financial performance is shown in the table below.

Impact on the income statement	Notes	2004 £000
Profit for the year under UK GAAP		1,669
IFRS adjustments		
Goodwill amortisation	a	47
Increase in value of investment property	b	1,868
Share option expense	f	(5)
Increase in value of investment property for joint ventures	b	60
Income tax expense	c	(416)
Profit for the year under Adopted IFRS		3,223

Notes to the financial statements continued

for the year ended 31 December 2005

24. Explanation of transition to IFRS as adopted by EU continued

Impact on the balance sheet (as permitted this does not include IAS 32 and IAS 39 adjustments).

A reconciliation between UK GAAP and Adopted IFRSs balance sheets at 1 January 2004 and 31 December 2004 is set out below, together with an explanation of the adopted IFRSs adjustments.

Impact on the cashflow statements:

The move from UK GAAP to Adopted IFRSs does not change any of the cashflows of the group. The Adopted IFRS cashflow format is similar to UK GAAP but presents various cashflows in different categories and in a different order from UK GAAP.

		1 January 2004			31 December 2004		
	Notes	UK GAAP £'000	Effect of transition £'000	IFRS £'000	UK GAAP £'000	Effect of transition £'000	IFRS £'000
Assets							
Non-current assets							
Goodwill	a	47	(47)	-	-	-	-
Value of properties attributable to group		13,060	-	13,060	14,990	-	14,990
Fair value of head lease		-	348	348	-	343	343
Property		13,060	348	13,408	14,990	343	15,333
Reserves, plant and equipment		3,195	-	3,195	5,046	-	5,046
Investments in joint ventures	h	1,408	(47)	1,361	1,536	(60)	1,476
Other investments		336	-	336	384	-	384
Deferred tax assets	c	-	219	219	-	243	243
Total non-current assets		18,046	473	18,519	21,956	526	22,482
Current assets							
Inventories		50	-	50	36	-	36
Trade and other receivables		1,977	(219)	1,758	2,776	(243)	2,533
Held for trading investments	d	419	-	419	403	-	403
Cash and cash equivalents		126	-	126	950	-	950
Total current assets		2,572	(219)	2,353	4,165	(243)	3,922
Total assets		20,618	254	20,872	26,121	283	26,404
Liabilities							
Current liabilities							
Financial liabilities - borrowings		(2,258)	-	(2,258)	(1,490)	-	(1,490)
Trade and other payables	e	(2,312)	188	(2,124)	(3,838)	209	(3,629)
Current tax liabilities		(488)	-	(488)	(315)	-	(315)
Total current liabilities		(5,058)	188	(4,870)	(5,643)	209	(5,434)
Non-current liabilities							
Financial liabilities - borrowings		(4,452)	-	(4,452)	(5,580)	-	(5,580)
Finance lease liabilities		-	(348)	(348)	-	(343)	(343)
Deferred tax	c	(57)	(1,477)	(1,534)	(58)	(1,990)	(2,048)
Total non-current liabilities		(4,509)	(1,825)	(6,334)	(5,638)	(2,333)	(7,971)
Total liabilities		(9,567)	(1,637)	(11,204)	(11,281)	(2,124)	(13,405)
Net assets		11,051	(1,383)	9,668	14,840	(1,841)	12,999

Notes to the financial statements continued

for the year ended 31 December 2005

24. Explanation of transition to IFRS as adopted by EU continued

Notes	1 January 2004			31 December 2004		
	UK GAAP £'000	Effect of transition £'000	IFRS £'000	UK GAAP £'000	Effect of transition £'000	IFRS £'000
Equity						
Share capital	1,045	-	1,045	1,045	-	1,045
Revaluation reserve	b 7,729	(7,729)	-	9,663	(9,663)	-
Share option reserve	f -	-	-	-	5	5
Translation reserve	g -	(137)	(137)	-	141	141
Other reserves	86	-	86	86	-	86
Retained earnings	2,307	6,483	8,790	3,712	7,676	11,388
	11,167	(1,383)	9,784	14,506	(1,841)	12,665
Minority interest	(116)	-	(116)	334	-	334
	11,051	(1,383)	9,668	14,840	(1,841)	12,999

Notes

a Goodwill

On the transition to International Financial Reporting Standards, the company reviewed the carrying value of its goodwill at 1 January 2004 and determined that the unamortized balance should be written down to zero as at that date.

b Revaluation surplus reported in the group income statement

IAS40, Investment Property, requires that the surplus or deficit on the revaluation of investment properties is reported in the group income statement. This includes the revaluation of the group's investment properties, and, for 2004, the group's share of the revaluation surplus on a property held in a joint venture. This change in accounting will not affect distributable reserves. Previously, revaluation surpluses or deficits, to the extent that any deficit was not permanent, were reported as a movement in the revaluation reserve.

c Deferred tax on the revaluation surplus reported as part of the tax charge

IAS12, Income Taxes, requires a provision for the tax that would be payable if the portfolio was sold. This is included within deferred tax and is a reduction in net assets. The movement in this provision in any reporting period is reported as part of the tax charge in the group income statement.

Previously under UK GAAP, FRS19, Deferred Tax, specifically prohibited this provision being made. Deferred tax previously classified as debtors falling due in more than one year are reported as non-current assets.

d Fair value of derivative financial instruments

IAS39, Financial Instruments: Recognition and Measurement, requires the interest rate hedging instruments, which the group uses to manage interest rate risk, to be carried at fair value. Movements in fair value are reported in the group income statement. The hedge accounting treatment that would allow such movements to be deferred has not been applied. Previously, the fair value of these financial instruments was only disclosed in the notes to the financial statements.

Listed investments which were previously held at cost have been revalued under the requirements of IAS 39 to fair value at the balance sheet date. The group has taken advantage of the provisions of IAS 39 which permit prospective application of this standard from 1 January 2005.

e Dividends not declared by the period end

IAS10, Events after the Balance Sheet Date, requires that dividends not declared by the end of the accounting period are excluded from the results. Previously, dividends declared after the end of the accounting period were included as a deduction from profit for the period.

f Share option expense

IFRS2, Share-based Payment, requires an expense to be reported in the group income statement, based on the fair value of the options granted to directors and employees of the group, to be spread over the vesting period of the options. The group has taken advantage of the exemption allowed by IFRS 1 first time adoption of IFRS to apply to options created after 7 November 2002 and which were not fully vested at 1 January 2005.

g Foreign currency translation

IAS 21, The effects of Changes in Foreign Exchange rates, requires net exchange differences arising on the translation of foreign entities to be separately tracked within equity and the cumulative amounts disclosed.

h Joint ventures single line equity accounting

This is a presentational change only. The interest in, and share of results of, joint ventures is shown as a single line in the income statement and on the group balance sheet, including the group's share of the revaluation surplus.

Notes to the financial statements continued

for the year ended 31 December 2005

25. Employees	2005 Number	2004 Number
The average weekly number of employees of the group during the year were as follows:		
Production	214	215
Administration	16	15
	230	230
Staff costs during the year were as follows:		
	£000	£000
Salaries	3,196	2,623
Social security costs	15	15
Pension costs	61	26
	3,272	2,664
26. Capital commitments		
Commitments for capital expenditure approved but not contracted for at the year end	248	106
Commitments for capital expenditure contracted for at the year end	-	27
Share of commitment of capital expenditure in joint venture	2,072	-

Company balance sheet

for the year ended 31 December 2005

	<i>Notes</i>	2005 £000	Restated 2004 £000
Fixed assets			
Tangible assets	28	15,761	15,028
Investment in joint ventures	29	164	164
Other investments	29	1,085	1,277
		17,010	16,469
Current assets			
Debtors	30	3,819	2,430
Bank balances		420	276
		4,239	2,706
Creditors - amounts falling due within one year	31	(2,649)	(2,713)
Net current assets (liabilities)		1,590	(7)
Total assets less current liabilities		18,600	16,462
Creditors - amounts falling due after one year - medium term bank loan	31	(3,810)	(4,040)
Provisions for liabilities and charges	33	(35)	(33)
		14,755	12,389
Capital and reserves			
Called up share capital	21	1,045	1,045
Revaluation reserve	34	9,891	9,066
Retained earnings	34	3,819	2,278
Shareholders' funds		14,755	12,389

The company financial statements were approved and authorised for issue by the board of directors on 27 April 2006 and signed on its behalf by:

M A HELLER
A R HELLER
Directors



Notes to the financial statements continued

for the year ended 31 December 2005

Accounting policies - Company

The following are the main accounting policies of the company and in accordance with appliance UK accounting standards.

Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, and in accordance with applicable UK accounting standards.

Dividends received

Dividends are credited to the profit and loss account when received.

Depreciation

Provision for depreciation on tangible fixed assets is made in equal annual instalments to write each item off over its useful life. The rates generally used are:

Motor vehicles	25 - 33 per cent
Office equipment	10 - 33 per cent

Foreign currencies

Monetary assets and liabilities expressed in foreign currencies have been translated at the rates of exchange ruling at the balance sheet date. All other exchange differences are taken to the profit and loss account.

Investment properties

The investment property portfolio is included in the financial statements at open market valuation. An external professional valuation is carried out at least every five years, but is generally done every year. Surpluses and deficits arising on valuations are taken direct to the revaluation reserve. No depreciation or amortisation is provided in respect of freehold and leasehold investment properties. The directors consider that this accounting policy, which is not in accordance with the Companies Act 1985, results in the accounts giving a true and fair view. Depreciation or amortisation is only one of many factors reflected in the valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Investments

Listed investments of the company are stated in the balance sheet as fixed assets at cost less provisions for impairment.

Deferred taxation

As required by FRS 19 "Deferred Tax", full provision is made for deferred tax arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation, except for those timing differences in respect of which the standard specifies that deferred tax should not be recognised.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Leased assets and obligations

All leases are "Operating Leases" and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term. Rent free periods or other incentives received for entering into a lease are accounted for over the period of the lease so as to spread the benefit received over the lease term.

Pensions

The company makes contributions to a money purchase scheme and the costs are charged to the profit and loss account in the period to which they relate.

Cash Flow

The Company has taken advantage of the exemption available within FRS 1 from the requirement to present a cash flow statement, on the grounds that it is included within the consolidated accounts presented in this document.

Notes to the financial statements continued

for the year ended 31 December 2005

27. Dividends	2005 £000	2004 £000
The aggregate amount of dividends comprises		
Final dividends in respect of prior year but not recognised as liabilities in that year	209	188

The aggregate amount of dividends proposed and not recognised as liabilities as at year end is £235,000 (2004: £209,000).

28. Tangible fixed assets

	Investment properties				Total £000
	Freehold £000	Long leasehold £000	Motor vehicles £000	Office equipment £000	
Cost or valuation at 1 January 2005	10,840	4,150	65	22	15,077
Additions	-	42	126	2	170
Disposals	(350)	(1,450)	-	-	(1,800)
Revaluation	1,635	758	-	-	2,393
Cost or valuation at 31 December 2005	12,125	3,500	191	24	15,840
At valuation	12,125	3,500	-	-	15,625
At cost	-	-	191	24	215
	12,125	3,500	191	24	15,840
Accumulated depreciation at 1 January 2005	-	-	32	17	49
Charge for the year	-	-	29	1	30
Accumulated depreciation at 31 December 2005	-	-	61	18	79
Net book value at 31 December 2005	12,125	3,500	130	6	15,761
Net book value at 31 December 2004	10,840	4,150	33	5	15,028

Details of historical cost and valuations of investment properties are shown in note 10.

Notes to the financial statements continued

for the year ended 31 December 2005

29. Investments	Joint ventures shares £000	Total £000	Subsidiaries		Other investments £000
			Shares £000	Loans £000	
Cost at 1 January 2005	164	2,168	1,024	788	356
Repayment	-	(192)	-	(192)	-
Cost at 31 December 2005	164	1,976	1,024	596	356
Provision for impairment					
As at 1 January 2005	-	(891)	(678)	-	(213)
As at 31 December 2005	-	(891)	(678)	-	(213)
Net book value at 31 December 2005	164	1,085	346	596	143
Net book value at 31 December 2004	164	1,277	346	788	143

Other investments comprise £87,000 (2004: £87,000) shares and £56,000 (2004: £56,000) loans.

Investments in subsidiaries are detailed in note 14. In the opinion of the directors the aggregate value of the investment in subsidiaries is not less than the amount shown in these financial statements.

30. Debtors	2005 £000	2004 £000
Amounts due from subsidiary undertakings	2,108	2,000
Other debtors	1,696	400
Prepayments and accrued income	15	30
	3,819	2,430

31. Creditors	2005 £000	2004 £000
Amounts falling due within one year:		
Bank overdraft (secured)	346	443
Bank loan (secured)	388	320
Joint venture	991	991
Corporation tax	67	181
Other taxation and social security	39	38
Other creditors	432	390
Accruals and deferred income	386	350
	2,649	2,713

The bank overdraft of the Company is secured by a charge over a long leasehold property.

Amounts due in more than one year		
Bank loans	3,810	4,040

The bank loans are secured on certain assets of the company and are at variable rates of interest.

Notes to the financial statements continued

for the year ended 31 December 2005

31. Creditors *continued*

	2005 £000	2004 £000
Bank and other loan instalments by reference to the balance sheet date:		
Within one year	388	320
From one to two years	240	240
From two to five years	3,570	3,800
	4,198	4,360

32. Financial instruments

Financial risks and policies are disclosed in note 19. Further details on financial assets and liabilities can be found in notes 29, 30 and 31.

33. Provisions for liabilities and charges

	£000
Deferred Taxation	
Balance at 1 January 2005	33
Transfer to profit and loss account	2
	35

No provision has been made for the approximate taxation liability at 30% (2004: 30%) of £2,511,000 (2004: £1,990,000) which would arise if the investment properties were sold at the stated valuation.

	2005 £000	2004 £000
The deferred tax balance comprises the following:		
Accelerated capital allowances	35	33

Notes to the financial statements continued

for the year ended 31 December 2005

34. Reserves

	Revaluation reserve £000	Retained earnings £000
Balance at 1 January 2005	9,066	2,069
Prior year adjustment	-	209
Balance at 1 January 2005 restated	9,066	2,278
Exchange adjustment	-	(67)
Dividend paid	-	(209)
Revaluation of investment property	2,393	-
Realisation on disposals of investment property	(1,568)	1,441
Retained profit for the year	-	376
Balance at 31 December 2005	9,891	3,819

During the year the company adopted Financial Reporting Statement 21 'Events after the balance sheet date' which superseded SSAP17. Under the new standard, final dividends payable are recognised only in which they are approved at the Annual General Meeting and therefore become a liability in the period in which that are paid, whereas under SSAP 17 dividends were accrued for when proposed. This has resulted in an increase of £209,000 in the retained earnings at 31 December 2004.

A profit and loss account for Bisichi Mining PLC has not been presented as permitted by Section 230(4) of the Companies Act 1985. The profit for the financial year, before dividends, was £376,000.

Details of share capital are set out in note 21 and details of share options are shown in the Directors Remuneration Report.

35. Related party transactions

Details of related party transactions are given in note 23 of the Group financial statements.

Under Financial Reporting Standard 8 Related Party Disclosures, the Company has taken advantage of the exemption from disclosing transactions with other Group companies.

36. Employees

The average number of administrative employees, during the year was 2 (2004: 1).	2005 £000	2004 £000
Staff costs were as follows:		
Salaries	90	7
Social Security costs	1	1
	91	8

Details of directors remuneration can be found in the Directors Remuneration Report.

Notice of Annual General Meeting

NOTICE is hereby given that the ninety-fourth annual general meeting of the company will be held at 30-35 Pall Mall, London SW1Y 5LP on Thursday 29 June 2006 at 11.00 a.m. for the transaction of the following business:

Ordinary business

- | | |
|--|-----------------------|
| 1 To receive and adopt the company's annual accounts for the year ended 31 December 2005 together with the directors' report and the auditors' report on those accounts. | (Resolution 1) |
| 2 To approve the remuneration report for the year ended 31 December 2005. | (Resolution 2) |
| 3 To declare and approve a dividend of 2.25p per share. | (Resolution 3) |
| 4 To re-elect as a director Mr Michael Heller. | (Resolution 4) |
| 5 To re-elect as a director Mr John Sibbald. | (Resolution 5) |
| 6 To reappoint PKF (UK) LLP as auditors, to hold office from the conclusion of this meeting until the conclusion of the next annual general meeting of the company at which accounts are laid. | (Resolution 6) |
| 7 To authorise the directors to determine the remuneration of the auditors. | (Resolution 7) |

Special business

To consider and, if thought fit, to pass the following resolutions of which Resolution 8 will be proposed as an Ordinary Resolution and Resolution 9 will be proposed as a Special Resolution:

- 8** That in substitution for all existing authorities the directors be generally and unconditionally authorised under section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £254,849 for a period commencing on the date of the passing of this resolution and expiring (unless previously renewed, varied or revoked by the company in general meeting) on 28 June 2011 (both dates inclusive) but the company may make an offer or agreement before authority expires which would or might require relevant securities to be allotted after it has expired and notwithstanding such expiry the directors may allot relevant securities in pursuance of that offer or agreement. **(Resolution 8)**
- 9** That :
- 9.1 (subject to the passing of resolution 8) the directors shall have the power under section 95 of the Companies Act 1985 (the "Act") to allot equity securities (within the meaning of section 94 of the Act) for cash under the authority conferred upon them by resolution 8 above as if section 89(1) of the Act did not apply to any such allotment; and
- 9.2 this power shall be limited:
- (a) to the allotment of equity securities in connection with an offer or issue of such securities (whether by way of rights issue, open offer or otherwise) to holders of ordinary shares of 10p each in the company ("Ordinary Shares") on the register on a date fixed by the directors in proportion (or as nearly as may be) to the respective number of Ordinary Shares held by them on that date or in accordance with the rights attached to them provided that the directors may make such arrangements and exclusions to deal with fractional entitlements or any legal or practical problems arising under the laws of any territory or the requirements of any regulatory body or any stock exchange in any territory as they consider appropriate; and
- (b) to the allotment (otherwise than pursuant to paragraph 9.2 (a) of this resolution) of equity securities having, in the case of relevant securities (as defined for the purposes of section 89), a nominal amount or, in the case of other equity securities, giving the right to subscribe for or convert relevant shares having a nominal amount, not exceeding in aggregate cash up to an aggregate £104,515 (representing approximately 10 per cent of the issued share capital of the company) and

Notice of Annual General Meeting continued

9.3 (unless previously renewed, revoked or varied) this power shall expire on the earlier of the conclusion of the next annual general meeting of the company and the date which is 15 months from the passing of this resolution, save that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired; and

9.4 this power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 94 (3A) of the Act as if in paragraph 9.1 the words "under the authority conferred upon them by resolution 8 above" were omitted.

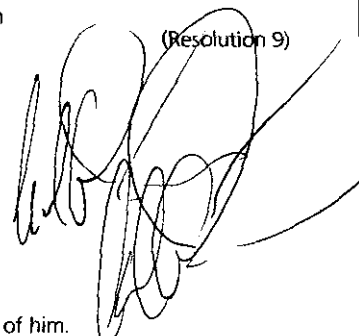
30-35 Pall Mall
London SW1Y 5LP

27 April 2006

Bisichi Mining PLC - Registered in England and Wales - Number 112155

By order of the board
Michael Stevens
Secretary

(Resolution 9)



Notes:

- 1 A member entitled to vote at the meeting may appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the company.
- 2 To be valid, the instrument appointing a proxy, together with the power of attorney or other authority, if any, under which it is signed (or a notorially certified copy of such power of authority) must be deposited at the company's registrars, Capita Registrars, 34 Beckenham Road, Beckenham, Kent BR3 4BR not later than 48 hours before the time fixed for the meeting or if the meeting is adjourned not later than 48 hours before the time fixed for the adjourned meeting.
- 3 Completion of a proxy form will not preclude shareholders from attending and voting at the meeting if they wish. A form of proxy is enclosed for use by shareholders.
- 4 The following documents will be available for inspection at the registered office of the company on any weekday during normal business hours and will also be available from 10.45 am on the day of the meeting until the close of the meeting:
 - A register in which are recorded all the transactions of each director and their family interests in the share capital of the company.
 - A copy, or a memorandum of the terms, of every service contract between the company or any of its subsidiaries and any director of the company.

“With a proven management team and a solid and well-tested business model in place, I am confident that 2006 will be another year of opportunity for your company.”

Michael Heller, *Chairman*

