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RJB Mining PLC Annual Report and Accounts 1999

focusing on efficiency



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RJB Mining PLC is Europe's largest independently owned coal mining company. We employ over 7,000 people at over 50 locations throughout the United Kingdom and almost as many again on contract or in the supply of goods and services.

Over 22 million tonnes of coal was produced in 1999 at the 13 deep mines and 16 surface mine sites operated by the company.

The majority of our sales are to the electricity generating sector, where coal fuelled 33% of electricity generated in 1999.

Significant coal sales are made to the industrial and domestic market where the RJB Lionheart coal brand is strong and highly rated for quality and value.

Other activities include manufacturing fuel, contract coal washing, coal tip operations, restoring and reclaiming existing land and adding value to our property assets.

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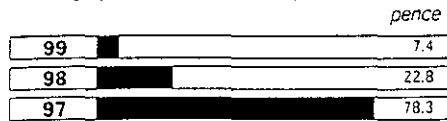
Gascoigne Wood's control room, the nerve centre of Selby's output of over 7 million tonnes per year, has been upgraded to meet the needs of the 21st century.

A **777 dump truck**, capable of carrying a 100 tonne payload, at work on RJB's Arkwright Reclamation scheme, from where over 3 million tonnes of coal have been recovered.

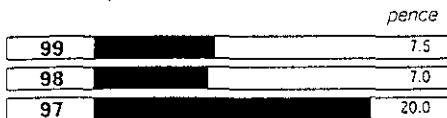
New design miner-bolter cuts up 1,200 tonnes an hour at Kellingley Colliery. The machine is a collaborative venture between RJB and Joy Mining Machinery.

Financial Highlights

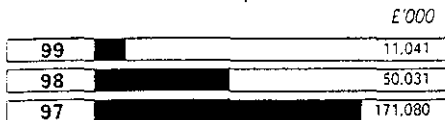
Earnings per Share before exceptional items



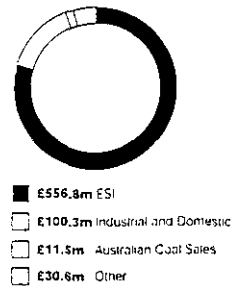
Dividends per Share



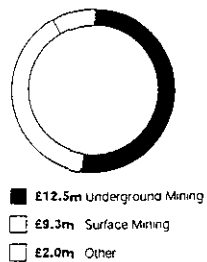
Profit before Tax and exceptional items



Sales

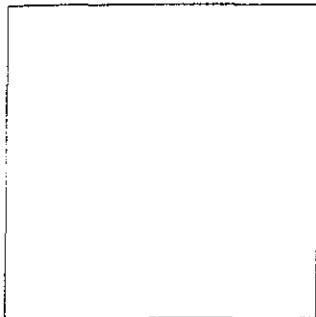


Operating Profit

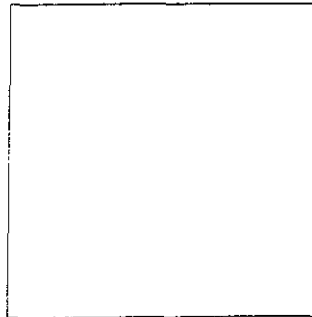


efficiency

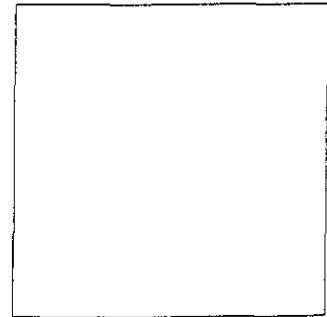
by sound management



Miners at RJB's Riccall Mine in the Selby complex produced a mighty punch from this 'mini' 90 metre long face, with over 24,000 saleable tonnes a week from one of the shortest retreat-mined units.



A new 'super lab' has been set up at Harworth headquarters to help monitor the health of mining machinery, by testing for debris in lubricating and hydraulic oils.



The re-routing of a 1km stretch of the River Rother within the Orgreave surface mine was undertaken as part of the coaling operations to clear decades of pollution from the old chemical and coke works.

The level of cash generation by the business remains robust, with net cash inflow before financing and dividends of £25.2 million.

Results

Profit before tax and exceptional items for 1999 was £11.0 million on turnover of £699 million (1998: £50.0 million, on turnover of £823 million). Earnings per share after taxation and before exceptional items were 7.4 pence per share (1998: 22.8 pence per share, after taxation and before exceptional items).

Current generator contracts are for volumes and prices significantly below those of the previous year. These reductions impacted on the sales volumes and profitability of our business for 1999. The market remains highly competitive with international coal prices starting to show signs of recovery from the 25 year low experienced in 1999 (see fig 1).

Exceptional Items

Following completion in the first half of the year of electricity contract negotiations, the Board reappraised the carrying value of colliery assets, recognising an impairment in value of £131 million. In the second half of the year, the closures of Ellington and Clipstone Collieries were announced leading to a write down of £5 million in the value of fixed assets at those collieries. Exceptional net redundancy costs of £6 million in the first half of the year and £5 million in the second half were incurred.

Strategy

The level of cash generation by the business remains robust, with net cash inflow before financing and dividends of £25.2 million (1998: £38.0 million). The Board policy is to match production to sales, maintain investment in sustainable operations, and focus on returning cash to shareholders.

Dividend

The Board is recommending a final dividend of 4.5 pence per share, giving a total dividend of 7.5 pence per share for the year (1998: 7.0 pence per share).

Trading

The trading climate remains demanding, and, as predicted in the half-year statement, it proved very difficult to secure new sales orders against a

background of record low international spot prices and the continuing strength of sterling. Principally as a result of the long-term generator contracts, coal sales in the year totalled 22.5 million tonnes (1998: 25.9 million tonnes) and we would expect a similar level to be maintained for 2000.

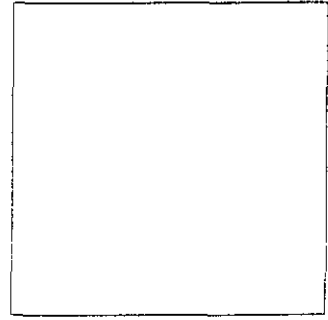
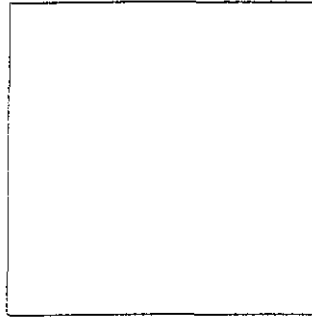
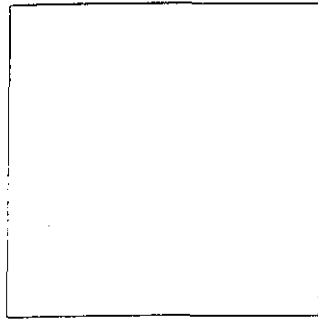
With the lower level of sales compared to prior years, coal production was reduced from both deep and surface mines. The lowered production levels led to sub-optimal working and increased costs for our surface mine activities. In the deep mines, operating difficulties affected Daw Mill Colliery at the end of the year, and the Selby Complex throughout the year, leading to reduced productivity and increased unit costs at these operations.

During the year progress has been made in the development and utilisation of property assets, with income from property rentals of £2.3 million (1998: £2.2 million). The value of electricity generated from CHP plants at Harworth and Monckton was £5.0 million (1998: £3.9 million).

CIM Resources

The offer to shareholders in CIM Resources was declared unconditional on 21 July, and at the end of December our shareholding in CIM had risen to 84.9%. The trading results for CIM have been incorporated into the RJB Group results from 21 July to 31 December 1999.

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Directors

At the interim stage it was announced that Brian Staples had replaced Sir Ross Buckland as a Non-Executive Director of the Company and that George Jarrett had retired as a Director of the Group. In addition to these Board changes, Alan Binder has advised the Company of his intention to retire from the Board at the AGM. Mr. Binder, aged 68, has decided to reduce his business commitments and will not be replaced on the RJB Board.

Outlook

The publication of the 1999 results was delayed in the anticipation that the Government would be in a position to make a decision on transitional state coal aid support for the UK industry. We believe that we have presented a strong case for such support and that this is currently receiving serious consideration. We are disappointed that this decision has not been made by now.

The year ahead is likely to see the introduction of new electricity trading arrangements in the Autumn and a continuation of the reduction in UK generator coal burn as new gas-fired power stations are commissioned. For 2000 we have in place contracts for coal sales with volumes and prices at much the same levels as for 1999, which should enable the Group to continue to generate substantial operating cashflows.

Sales levels in future years will be affected by the take up of optional contract tonnages, international coal prices and the relative strength of sterling.

The new electricity trading arrangements, environmental compliance of coal-fired generation, and the UK transport infrastructure, will also have an impact on future sales. As the results of these issues become clear we will act to maintain the balance of production and demand over the medium term, and manage the business with a focus on cash.

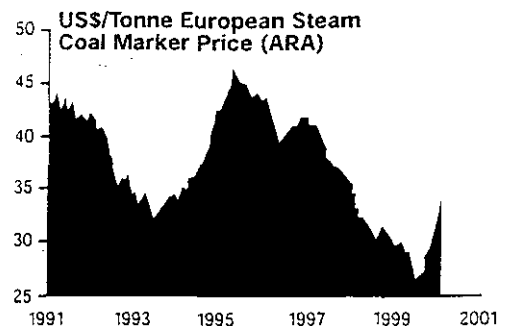
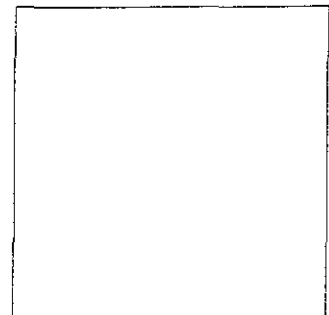


Fig 1. By permission of McCloskey Coal Information Services Ltd.

efficiency

'The Board policy is to match production to sales, maintain investment in sustainable operations and focus on returning cash to shareholders.'



John Robinson, Chairman

Almost £400m has been invested over the past five years to give us the best opportunity to improve efficiency and reduce costs.

The Coal Market in 1999

Total thermal coal use in the UK fell by 17% compared to 1998, to 45 million tonnes. The majority of the reduction in usage was a result of new gas-fired generation facilities coming on stream during the year. Gas-fired electricity generation increased market share to 33% at the expense of coal-fired generation, whilst nuclear stayed largely unchanged at 30%. Coal-fired plant produced 33% of electricity generated in the UK, consuming 41 million tonnes of coal.

Sales

Total coal sales in 1999 were 22.5 million tonnes (1998: 25.9 million tonnes) of which 86% was sold to ESI customers and the electricity supply industry.

Electricity Supply Industry Sales (ESI)

In the second half of 1999 we continued to supply coal under the medium term contracts with our generator customers. As anticipated no new contracts for spot sales were agreed in the period. Our competitive position for marginal sales continued to be difficult as the international coal price sank to new lows before showing some welcome signs of recovery late in the year.

Industrial and Domestic

The industrial market for coal showed levels of decline similar to those in the electricity generation market. Pricing levels in the industrial sector were reduced, forced down by low international prices and strong sterling. Against this background, RJB conceded market share, mainly to imports, with an overall decline of 21% in sales volumes.

The UK domestic coal market was unchanged at 2 million tonnes, but competitive pressures from subsidised Polish producers and low world prices combined, resulting in an 8% reduction to 0.7 million tonnes in our domestic sales.

Underground Mining

In what proved to be a difficult year for our underground mining operations, a total of 17.5 million tonnes was produced (1998: 19.8 million tonnes).

The geological problems at the Selby Complex which affected the first half of the year persisted through the second half whilst action to rationalise the operations continued. At Stillingfleet the number of working areas has been reduced to lessen geological risk and improve efficiency. At Wistow and Daw Mill Collieries, difficult geology hampered operations in the last quarter of 1999 and has affected production in the first quarter of 2000.

The benefits of maintaining a portfolio of underground operations were demonstrated by good performances from other Collieries, mitigating the effects of these lower production levels.

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Richard Budge, Chief Executive

'By a combination of downward pressure on costs and rises in productivity, we can further narrow the gap between the price of British mined coal and the price of that available on the world market. By achieving that goal, we will **maximise sales** and **jobs**, enhancing future security and shareholder value.'

efficiency

Production 1999

	Million Tonnes
Deep Mines	
Calverton	0.2
Cliostone	0.5
Daw Mill	1.4
Ellington	0.8
Harworth	1.6
Kellingley	1.4
Maltby	1.3
Prince of Wales	1.3
Riccall	1.7
Rossington	0.9
Stillingfleet	2.0
Thoresby	1.7
Welbeck	1.2
Wistow	1.5
	17.5
Surface Mines	
14 Mines	5.0
Total	22.5

The coal industry had its first Royal visit for almost 20 years last September, when the **Princess Royal** joined pitmen on the afternoon shift at RJB's Harworth Colliery. She was accompanied underground by Chief Executive Richard Budge and colliery manager, Geoff Mountain as they went on a 3 mile ride and walk journey to 15's retreat face in the Deep Soft Seam.

Commented **Mr. Budge**, 'The Princess was clearly impressed by the way she was received and by what she saw'.

Chief Executive's Review

Average deep mine unit costs in 1999 were at similar levels to those in 1998.

Major investment to improve underground transport systems continued at Daw Mill and Kellingley Collieries. At Daw Mill the circular tunnel drivage was completed, providing a more efficient manriding and materials transport route into the new area of reserves south of the M6 motorway. Capital investment of £32 million was approved to access and develop new areas of coal at the Prince of Wales and Riccall mines.

During the year Calverton Colliery was closed and returned to the Coal Authority. The intention to close two further collieries, Clipstone and Ellington was announced during the second half of the year in accordance with the company's commitment to continue to match production to sales.

Surface Mining

Surface mining production was 5.0 million tonnes (1998: 5.8 million tonnes), from a total of 14 surface mines and 2 coal recovery schemes. Production of surface coal continues to maintain the blending quality requirements with deep mined coal, and reduces average costs of the blended product.

Surface mine production costs, which have remained at a consistent low level up to 1998, increased by 6% in the year. The increase in costs arises from the substantial increases in fuel oil costs, surface contractor inflation index increases well above general inflation and a change in the mix of operational sites. Reclamation spend increased during the year associated with growth in brown field developments and alternative after uses.

Planning Approvals were granted by Mineral Planning Authorities for 3.1 million tonnes from one new mine and extensions to two existing mines. Planning Approvals were refused by the Secretary of State following Public Inquiries for three new mines totalling 4.6 million tonnes.

Planning applications for a further 8 new mines totalling 6.3 million tonnes await determination by the Mineral Planning Authorities and the Secretary of State. At December 1999 the future tonnage with full planning approvals totalled 11.8 million tonnes.

The Company continues to be a leader in the reclamation of derelict and contaminated sites to sustainable and bio-diverse end uses, with significant progress being maintained at Herrington, Orgreave and Arkwright reclamation schemes and Houghton Main, where bio-remediation has been successfully used to treat contaminated soils.

The quality of our restoration work was further demonstrated with the reclamation of Rainton Meadows at the Rye Hill site in County Durham, which won environmental awards for 'an impressive transformation of a largely derelict site into one that managed to strike the right balance between the needs of wildlife and recreational use'.

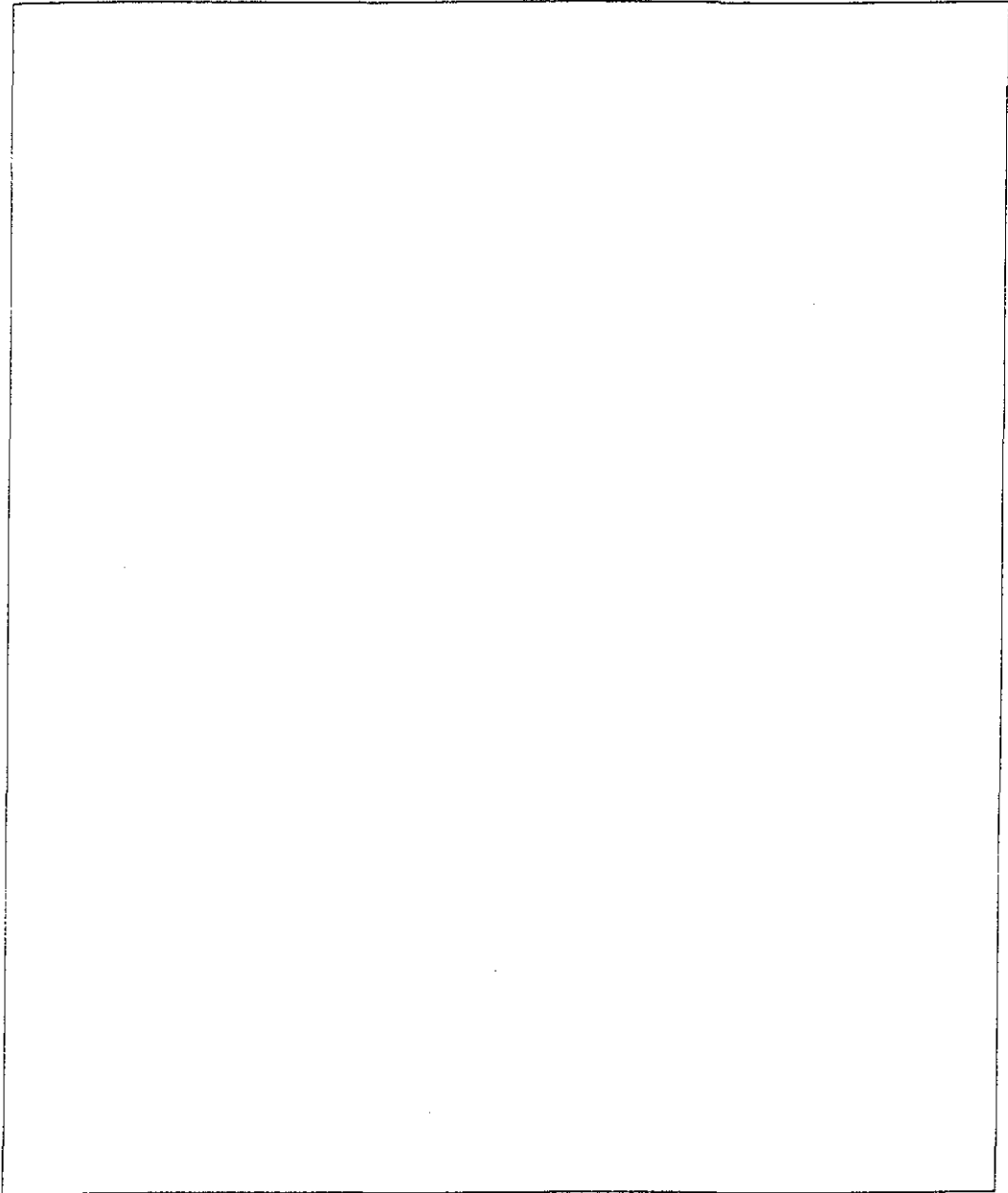
Manufactured Fuel

Prices in the manufactured fuel market have continued to come under pressure, principally due to the availability of cheap, often subsidised imported coals and the continued strength of sterling. Monckton Coke and Chemicals' sales for the year were £16.8 million (1998: £17.7 million) and the Company operated at near break even in the year (1998 profit before tax of £0.7 million). Contracts are now in place for 2000 which will cover production and allow for a modest reduction in stocks. A 5 year contract has been agreed to supply around one-third of Monckton's annual output to Brunner Mond. The coke-oven gas-fired CHP unit is now performing well providing steam and power for the site as well as external sales.

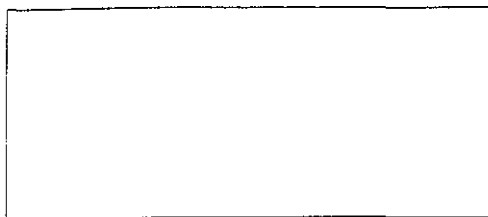
CIM Resources

In 1999, CIM produced 1.7 million tonnes of coal (1998: 1.7 million) from its Stratford opencast site in New South Wales. The RJB Group's share of post acquisition operating profits was £0.1 million. Towards the end of 1999, CIM was successful in obtaining sales contracts with domestic Australian power producers for 1.0 million tonnes per annum for a period of 3 years. The contracts will absorb CIM's thermal coal production over the 3 year period from July 2000, reducing its dependence on the international market.

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A high production coal face at the 500-man Thoresby Colliery, where the Joy 4LS electric coal cutting shearer has proved to be an efficient and reliable workhorse.

Long-term strategic developments at South Yorkshire's Maltby Colliery picked up pace with an influx of experienced heading men from the now closed Calverton colliery.

Measures to improve efficiency and reduce RJB's annual operating costs are being implemented to ensure the continuation of a 'robust and viable mining business' well into the new millennium.

Results for 1999

Sales in the second half of the year showed a small increase (2.6%) over the first half, due to the acquisition of CIM Resources in Australia. The comparative figures for 1998 include profit and sales from the last three months of the former generator contracts which were for greater volumes and at prices 22% higher. The operating profit margin, before exceptional items was 3.4% (1998: 7.1%), which is consistent with results for periods post March 1998. The average income per tonne was £29.30 for the year, (1998: £31.00) The average cost in the year was £28.80/tonne (1998: £28.80/tonne).

Included in interest payable and similar charges are non cash charges for unwinding of discount on provisions of £9.1 million. Prior to 1998 these items would have formed part of operating costs, being a constituent element of the movements on provisions.

The deep mine business produced an operational profit before exceptional items of £12.5 million (1998: £25.7 million) and the surface mines £9.3 million (1998: £30.2 million).

Dividends

Subject to approval at the AGM, the final dividend of 4.5 pence per share will be paid on 23 May 2000 to shareholders on the register at 25 April 2000. The total dividend for the year is 7.5 pence per share. The total cost of dividends is £10.9 million (1998: £10.2 million).

Exceptional Items

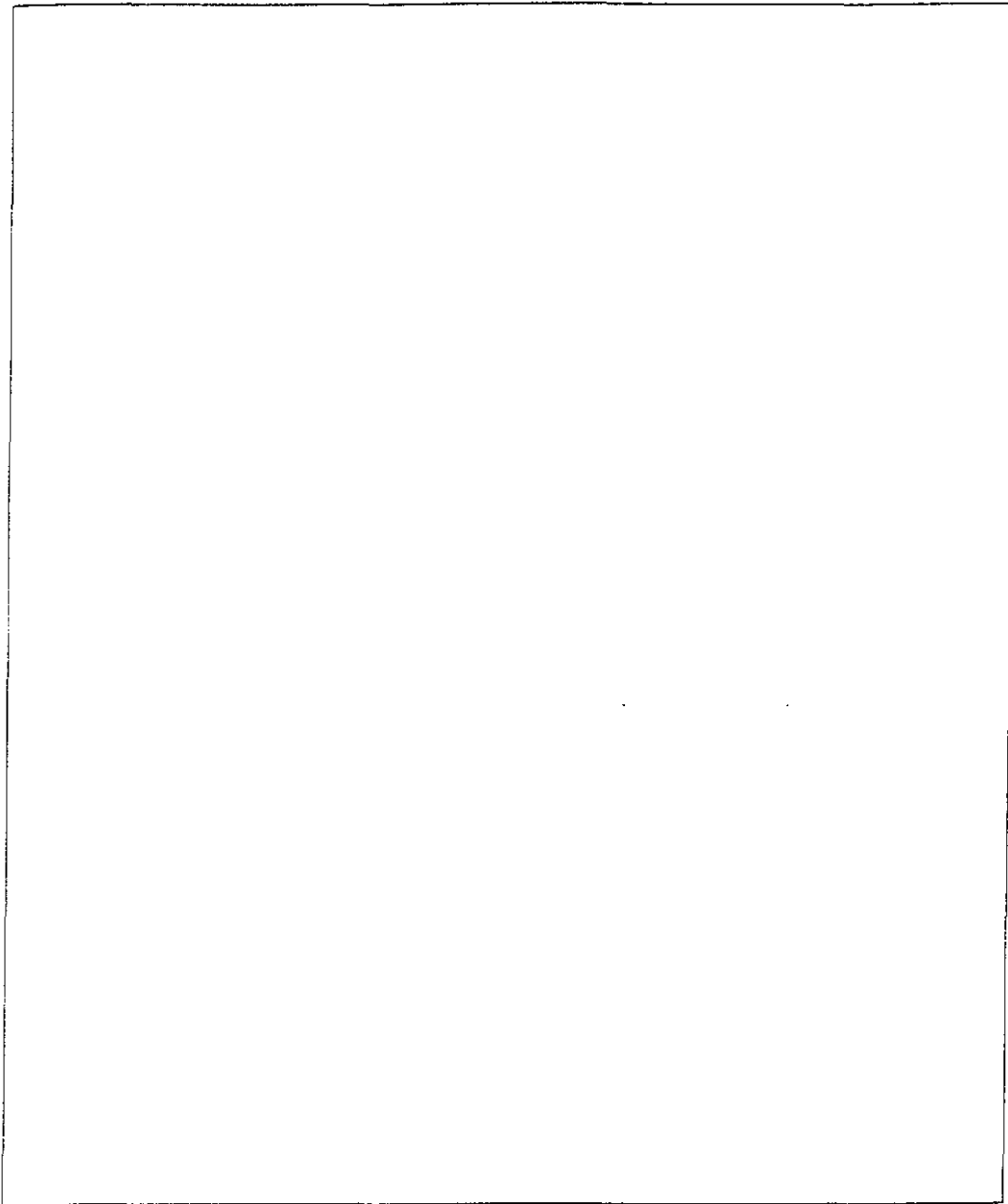
The Group profit and loss account has been displayed in a three column format to clearly identify exceptional items principally arising from an impairment of £131.0 million in the carrying value of colliery assets following the completion of electricity generator contract negotiations in the first half of the year. Exceptional net redundancy costs have been incurred in respect of the closures of Calverton, Ellington and Clipstone collieries, and manpower reductions centrally and across the group amounting to £11.2 million with an associated asset write down of £4.6 million.

It has been agreed that there is no further consideration payable in respect of the Sale and Purchase agreement for English Coal relating to the settlement of tax liabilities. Accordingly the provision of £18.9 million established for such an eventuality has been released through the statement of total recognised gains and losses. The release of the associated interest cost provision of £6.7 million has been treated as an exceptional item.

Balance Sheet

Tangible fixed assets were reduced by £163.1 million in the year mainly through the £135.6 million write down in asset values and the continued restraint on capital expenditure. Fixed asset additions amounted to £32.6 million, of which £29.0 million was on underground equipment and strategic driveage. The largest element of capital spend, £11.3 million was at Daw Mill Colliery, on new roof supports and associated equipment for the South Access reserves. Further equipment purchases are required for this major development and extraction is expected to start mid 2001. Strategic development work at Daw Mill continued into the new blocks of reserves at a cost of £5.9 million in the year. Further strategic development at Prince of Wales and Riccall collieries amounted to £3.3 million. Minimal expenditure was incurred on surface mining plant and equipment.

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'Further equipment purchases are required for a major development at Daw Mill and extraction is expected to start mid 2001'.

The final barrier between Thoresby and Ollerton was removed on the nightshift of 26 October 1999, with an historic thurling through between the two pits.

Thoresby has now trained its sights on sealing areas that are not required and securing those that are, so that ventilation can gradually be pushed forward to claim 7 million tonnes of *Parkgate seam coal*.

Financial Review

Coal stocks at the year end amounted to 3.9 million tonnes (1998: 3.6 million tonnes), a figure which has fallen rapidly in the first months of the year 2000. The year end trade debtor balance, £64.2 million, showed a substantial improvement over the 1998 balance of £117.7 million, which had included balances with extended payment terms.

Bank balances of £35.9 million (1998: £51.2 million) include £32.3 million (1998: £27.9 million) on deposit specifically designated for the Group's insurance arrangements. Bank borrowings were £30.9 million (1998: £35.0 million). Other borrowings are comprised of lease and hire-purchase liabilities of £39.6 million (1998: £65.8 million). Net gearing at 31 December was 10% (1998: 11%).

The new 3 year banking arrangement entered into during the year includes the following covenant conditions:

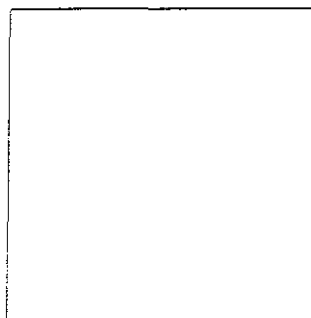
- 1 Gross gearing is to remain below 50%.
- 2 *Shareholders funds should exceed £300 million plus 50% of profits after tax.*
- 1 Acquisitions are restricted to a maximum of £30 million in 3 years and Share Buy Backs are subject to majority bank consent.

CIM Resources

The acquisition of CIM was completed in the second half and the Group accounts include CIM trading from 21 July 1999. The cash cost of acquisition in the year was £4.9 million, with the acquisition of assets to the value of £33.6 million and debt and liabilities of £26.4 million (less minority interests of £1.1 million and existing associate investment of £1.2 million). The majority of CIM sales have been for export to Pacific Rim countries and the Company had entered into forward contracts exchanging future US\$ income for AS. The values and terms of these instruments, £49.8 million, is set out in detail in the notes to the accounts.

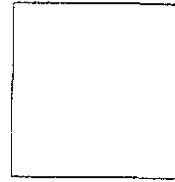
Year 2000

The work on year 2000 computing issues has resulted in the Group business systems and some operational systems being updated from the historic bespoke systems. The new systems which are based on package software, are considerably more cost effective to operate and maintain, resulting in annual operating cost savings of circa £3 million. There have been no significant year 2000 problems in either business or operating systems.



Gordon McPhie, Group Finance Director

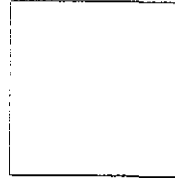
1



Focusing on customers...

Cadbury's has placed an order for 32,000 tonnes of coal from RJB Mining over two years.

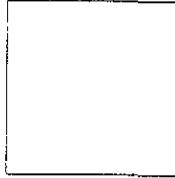
2



Focusing on opportunities...

Hundreds of jobs are being created on the sites of collieries that have closed in recent years.

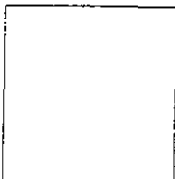
3



Focusing on health and safety...

RJB is committed to improve health and safety in the coal industry at every stage of the mining process.

4



Focusing on the environment...

In this year's Annual Report we include six case studies showing RJB Mining's commitment to **improve** and **focus on efficiency**.

case studies

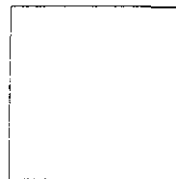
5



Focusing on employees...

Mining has a new buzz word-TPM. It has already triggered improved performances and cost reductions.

6



Focusing on partnerships...

Lionheart Heating Services provides the domestic consumer with solid fuels and appliances for home heating.

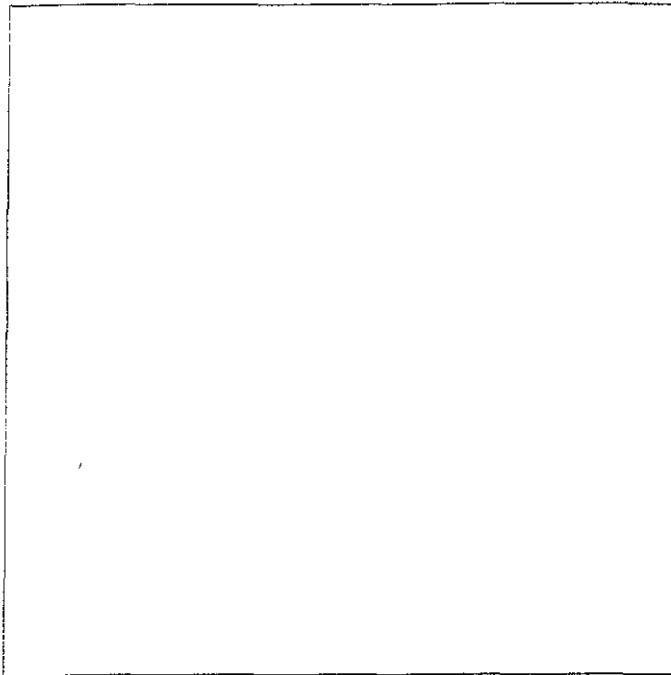
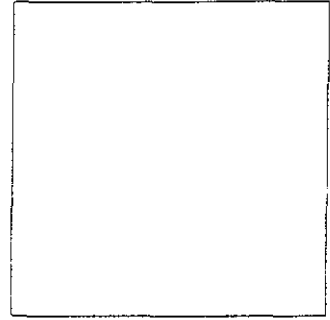
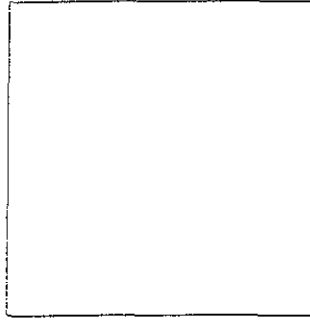
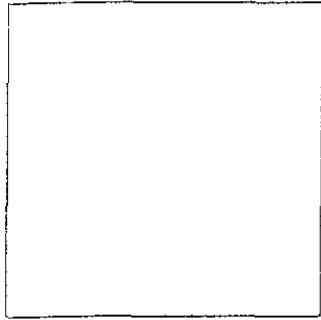
1

Cadbury's, Bournville

The sweet taste of success.

When it comes to Cadbury's energy requirements, they rely on a stable price structure matched with an uninterrupted supply to meet their targets of customer service and reliability - two attributes RJB and Cadbury share in common.

Above: Another delivery of RJB mined coal to Cadbury's Bournville site in Birmingham.



Service and reliability are key ingredients in Cadbury's success as Britain's favourite chocolate producer.

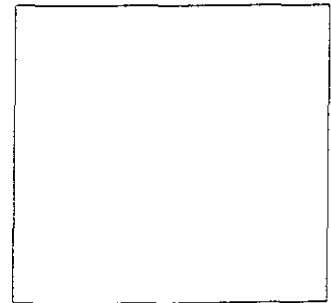
And they were high in the list of priorities when they placed a two-year order for 32,000 tonnes of coal from RJB Mining.

As well as using coal for space heating at Bournville, where 3,500 people are employed, the site also requires about 400 tonnes of coal a week for raising steam to process about 2,000 tonnes of chocolate products.

RJB supply from Daw Mill Colliery, with coal being blown pneumatically from supply vehicles into bunkers which serve four water tube chain grate boilers producing 40,000lbs of steam an hour.

In this most competitive of energy markets, RJB continues to provide secure supplies of **quality assured coals**, at competitive prices, along with the best technical support available in the UK'.

Ken LeGeyt, Director, Industrial and Domestic Sales



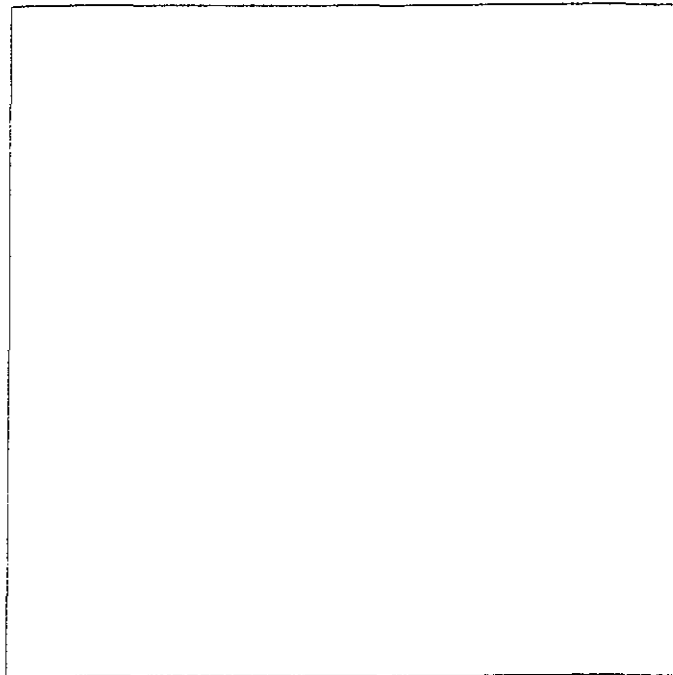
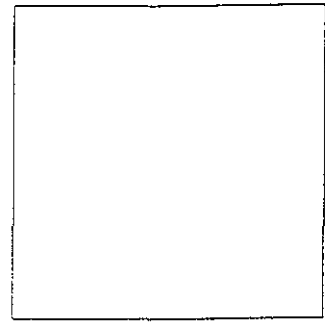
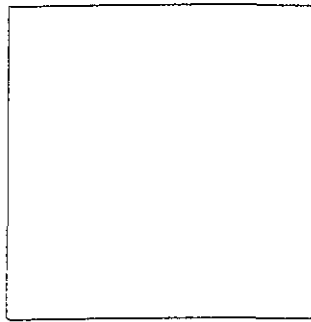
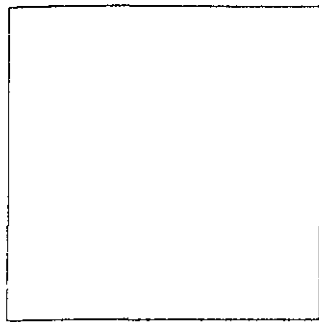
focusing on customers

Britain's top confectioner, **Cadbury** chooses RJB to meet its energy needs.

Breathing new life into former colliery sites.

Hundreds of jobs are being created on the sites of collieries that have closed in recent years. Here we look at some of the latest developments at Asfordby and Whitemoor Business Parks.

Above: S&J European Express, who run a fleet of 20 trucks from Asfordby Business Park, serving Great Britain and continental Europe. The firm has been on site since the autumn of 1999 and employs some 35 people.



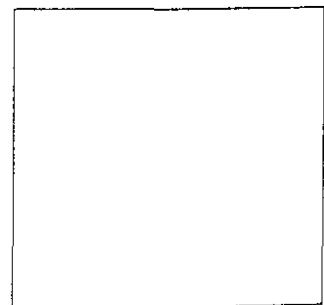
Fourteen firms have set up home on RJB Estates' Asfordby Business Park... and more are on the way.

Negotiations are at an advanced stage with an internationally renowned organisation which involves the potential use of the 70,000 square feet of space in the former clean coal shed. The site already houses firms employing 80 people in businesses providing services ranging from cleaning to catering.

WebDetect (left), a company that has developed a software package that can detect computers that have been "inappropriately obtained", operates from a suite at Whitemoor which houses 4 businesses employing over 20 people.

'We have been very encouraged, not just by the **number of enquiries** but **by their quality**. We hope to complete negotiations with a major company in the near future, and their presence could well attract others.'

Shaun O'Brien, Commercial Development Surveyor, RJB Estates



focusing on opportunities

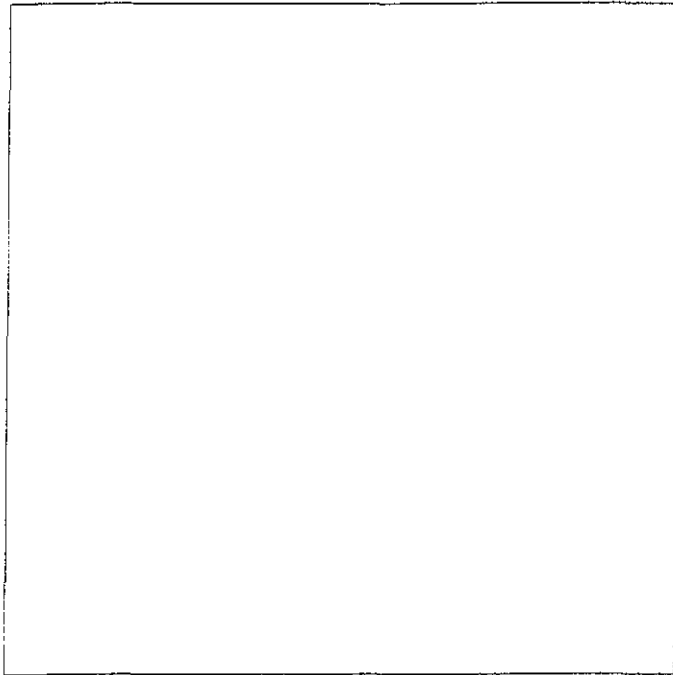
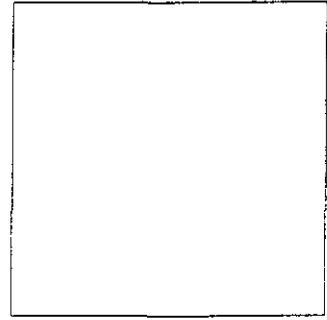
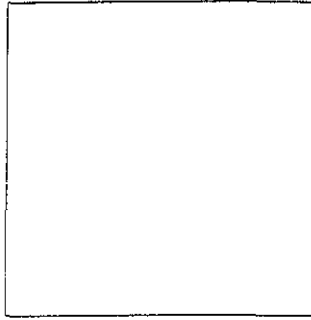
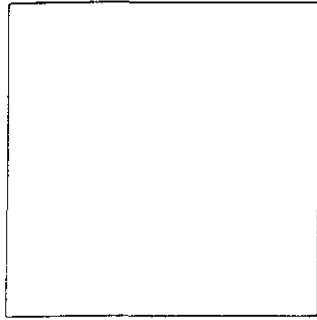
How **RJB Estates** is coming to the aid of job creation on former colliery sites.

3 Ensuring Safety

Putting the emphasis on health and safety.

RJB is committed to improve health and safety in the coal industry at every stage of the mining process. In particular, the message to always wear protective clothing is being hammered home.

Above: Debbie Hikin, an occupational nurse at Welbeck Colliery asks vital questions of a patient to get more information quickly to identify working practices that are potentially hazardous or dangerous.



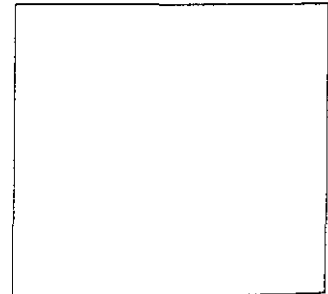
Accidents and accident severity rates continue to be reduced in RJB mines.

There were no fatal accidents in RJB mines in 1999 and a 12% improvement in major injuries and while the number of notifiable accidents also reduced, no one will be satisfied until all these incidents are eliminated.

Pits and surface mines have taken up the challenge, with a target of reducing their accident rates by 15% in the next 12 months. One of the main objectives will be to determine what has to be done to prevent repetitions of accidents.

'RJB has worked hard to achieve **a good safety record** and it is our intention to continue this drive to achieve a total accident-free environment.'

Gerry Huitson, Deep Mine Safety Engineer



focusing on health & safety

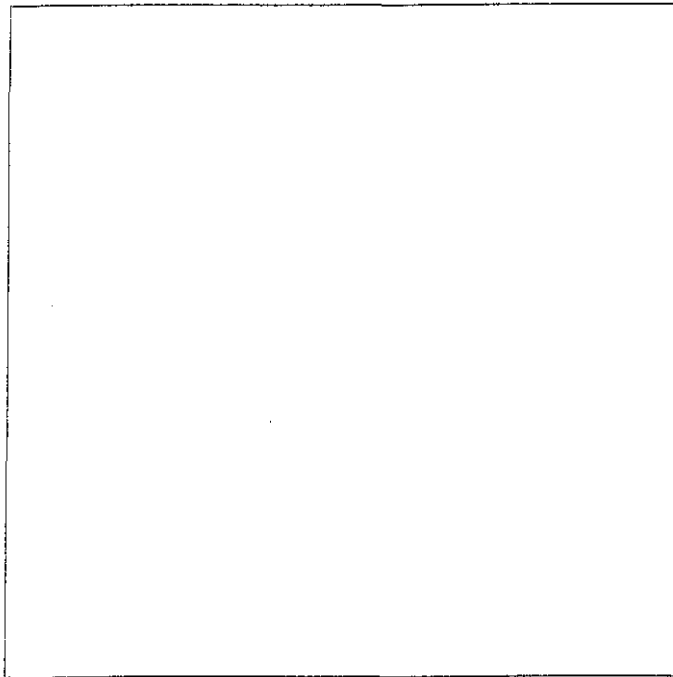
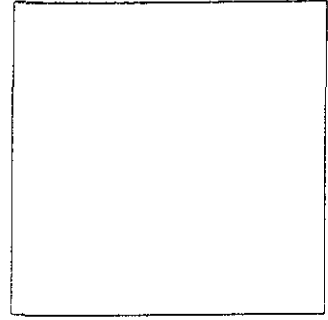
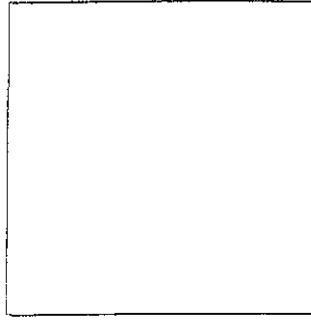
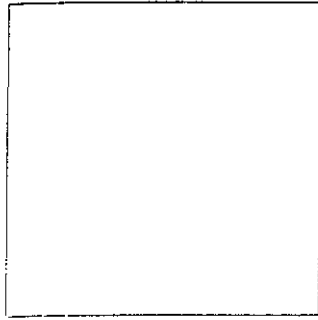
How **RJB** is setting high standards to alleviate accidents in the workplace.

4 Rainton Meadows

Environmental award for new wildlife oasis.

A surface mine from which a million tonnes of high quality coal was harvested over a four year period has been transformed into an award winning sanctuary for birds and animals.

Above: Trevor Hind, RJB's Rehabilitation Manager at a water cascade feeding one of the five lakes on the former Rye Hill site, Rainton Meadows, Co. Durham.



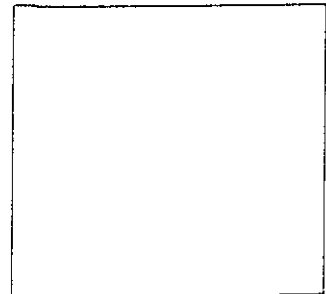
Rye Hill was a former deep mine area, with two old pit tips and the visible scars of an industrial past.

Less than three years into a rehabilitation programme, the productive surface mining operation has been transformed into an enchanting backwater supporting all forms of wildlife, thanks to RJB's commitment to the efficient regeneration of the countryside.

The former site offices have now become the headquarters of the Durham Wildlife Trust which provides facilities on the 120 acre site for the hundreds of visitors who flock to the nature reserve every week.

'Rainton Meadow is yet another example of how surface mining can help **clear up the dereliction of yesteryear** and put in place an amenity which the community will be able to enjoy for generations to come'.

Trevor Hind, Land Rehabilitation Manager



focusing on the environment

How **conservation** is coming to the aid of regenerating derelict sites.

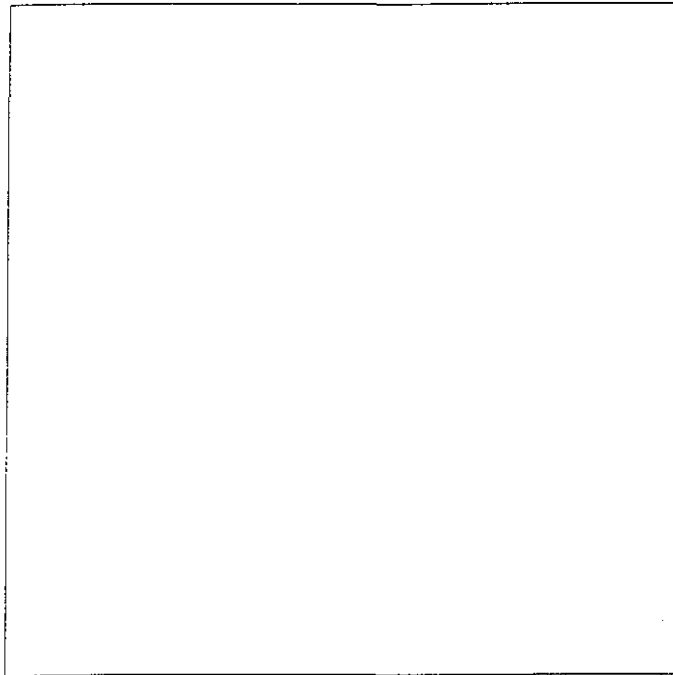
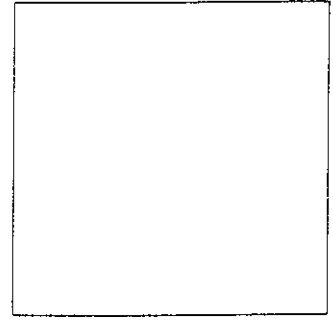
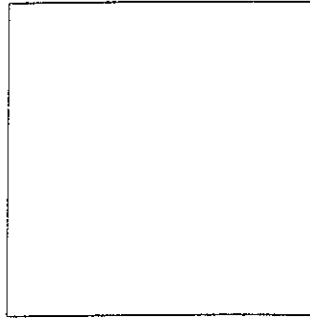
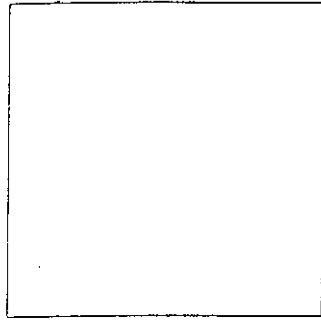
5

Total Productive Mining

Its all about teamwork to improve potential.

Mining has a new buzz word - TPM. It stands for Total Productive Mining, a practice introduced at Daw Mill Colliery last year. It has already triggered improved performances and cost reductions, building on established practices in key areas ranging from coalface operations and development work to coal preparation systems.

Above: Mark Emmett, command supervisor on the key 204 face at Daw Mill Colliery, where a forward-looking management style has seen face teams adopt improvements in equipment effectiveness avoiding delay times.



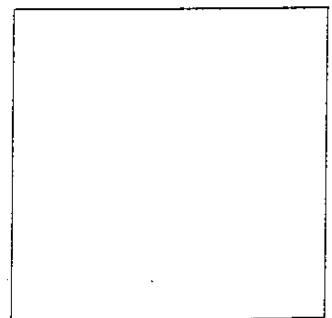
Hand picked teams are now being trained at pits as part of the new TPM (Total Productive Mining) scheme.

Analytical Trouble-Shooting, (ATS), has been introduced to help people identify problems, examine the effects and then look for the root causes in a systematic way.

TPM and ATS techniques are already paying off, and will be extended to further deep and surface mines in the next year.

'If TPM can help break down the barriers which exist, sometimes without people realising they are there, we can make rapid progress in **reducing costs, improving efficiency** and making the work place an even safer place'.

Tim Marples, Group TPM Facilitator



focusing on employees

How **TPM** is improving equipment effectiveness and production processes.

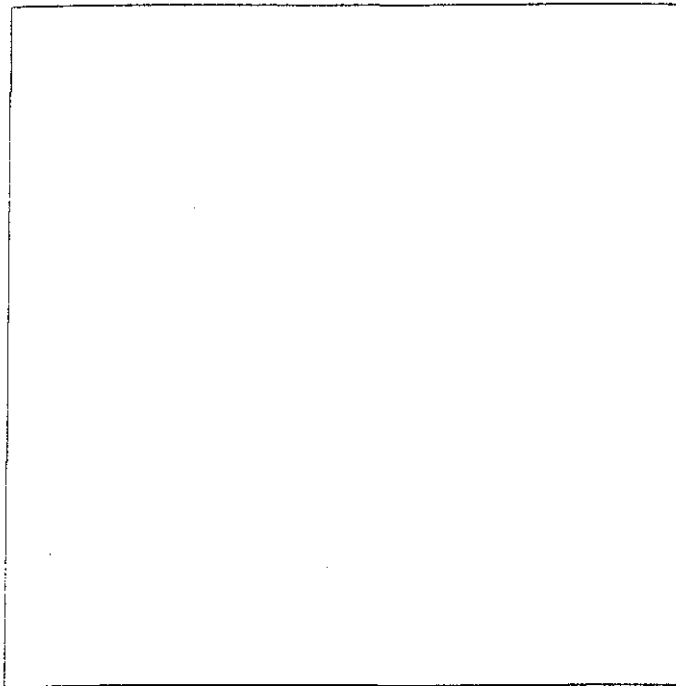
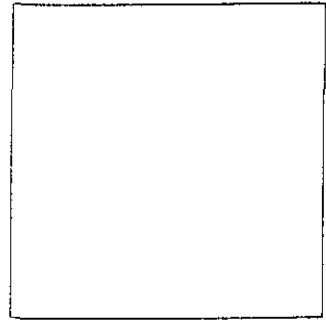
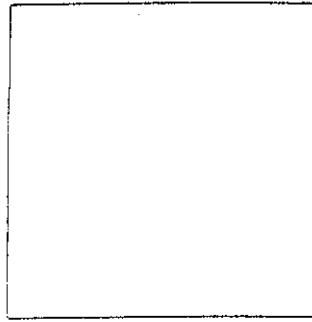
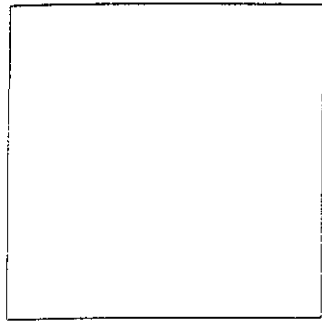
6

Lionheart Heating Services

Consumer care initiatives pay dividends.

Operating from four regional centres, RJB's Lionheart Heating Services provides easily accessible specialist services for the domestic consumer, helping to ensure the continued use of solid fuels for home heating.

Above: The re-lining of this leaking chimney will enable the householders to operate their solid fuel heating efficiently and safely.



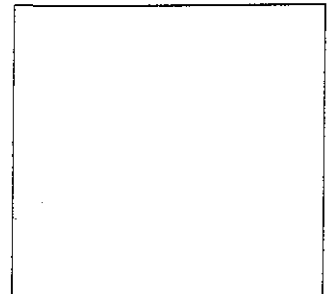
Lionheart Heating Services (LHS) is the largest specialist solid fuel heating installer in the country, providing a wide range of services both for the domestic consumer and Local Authorities.

These include heating installations, replacement appliances, chimney checks and re-lining, the supply of spare parts, service and maintenance schemes and technical fault finding. Widely regarded for its expertise and knowledge, LHS is well placed not only to promote the sale of RJB's fuels, but also to protect the domestic market for solid fuel in general.

Continuous development of the role played by LHS means that diversification into other related sectors will provide added value to RJB's sales and marketing operations.

'Lionheart Heating Services help **promote and complement brand awareness** in this highly competitive market, ensuring that RJB's products and services are at the forefront of consumers minds'

Philip Hodgkinson, General Manager, Lionheart Heating Services



focusing on consumers

How **customer care** protects the market for domestic solid fuel.

Directors and Advisers

Chairman

John Robinson ◆ ■ ● ▲

Chief Executive

Richard Budge ■

Other Directors

Alan Binder, OBE ◆ ■ ● ▲

Melvin Garness

Gordon McPhie

Patrick O'Brien

Robert Shrager ◆ ■ ● ▲

Brian Staples ◆ ■ ● ▲

Secretary and registered office

M Garness

Harworth Park

Blyth Road

Harworth

Doncaster

South Yorkshire

DN11 8DB

Company Registered Number

2649340

Auditors

PricewaterhouseCoopers

Victoria House

76 Milton Street

Nottingham

NG1 3QY

◆ *Audit Committee*

■ *Nomination Committee*

● *Remuneration Committee*

▲ *Non-executive*

Stockbrokers and Financial Advisers

Cazenove & Co.,

12 Tokenhouse Yard,

London

EC2R 7AN

Credit Suisse First Boston

de Zoete & Bevan Limited

One Cabot Square

London

E14 4QJ

Credit Suisse First Boston

(Europe) Limited

One Cabot Square

London

E14 4QJ

Solicitors

Freshfields

65 Fleet Street

London

EC4Y 1HS

Registrars

Lloyds Bank Registrars

54 Pershore Road South

Birmingham

B30 1BR

Bankers

The Bank of Nova Scotia

Scotia House

33 Finsbury Square

London

EC2A 1BB

ING Bank NV

60 London Wall

London

EC2M 5TQ

Lloyds TSB PLC

6-7 Park Row

Leeds

LS1 1NX

Directors

John Robinson, aged 59, is Chairman of the Group, being appointed on 1 October 1997. He was Chairman of Smith and Nephew until 1 January 2000, and is now Chairman of George Wimpey plc and Low and Bonar plc, a Non-Executive Director of Delta plc and an Advisor to Duke Street Capital.

Richard Budge, aged 52, is Chief Executive. He has been on the Board since the company's flotation in 1992.

Alan Binder, OBE, aged 68, joined the Board as a Non-Executive Director in December 1995. He was Chairman of Expro Group PLC and United Communications Ltd until mid 1999. He began working for Shell in 1957, progressing to President of Shell International Trading Company by the time of his retirement from Shell in 1991.

Melvin Garness, aged 54, is Executive Director and Company Secretary. He was promoted to the Board in 1994 and is responsible for the Group's commercial and administrative requirements.

Gordon McPhie, aged 48, is Group Finance Director. He has been on the Board since the company's flotation.

Patrick O'Brien, aged 57, is the Executive Director responsible for surface mine operations, being promoted to the Board in 1995.

Robert Shrager, aged 51, joined the Board as a Non-Executive Director in June 1994. He is Chairman of Tempo Holdings Limited, an electrical retailer, and a non-executive director of Mataian PLC.

Brian Staples, aged 54, joined the Board as a Non-Executive Director in September 1999. He is Chief Executive of Arney PLC.

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 1999. These will be laid before the Annual General Meeting to be held on 16 May 2000. The notice of the Annual General Meeting is enclosed with this report.

Principal Activities

The principal activities of the Group comprise surface and underground coal mining and associated activities. The consolidated profit and loss account for the year is set out on page 34.

Review of business

The Chairman's statement, Chief Executive's review and Financial report give an outline of the Group's business during the year and comment on the current trading position.

Changes in fixed assets

The movements in fixed assets during the year are set out in notes 12 and 13 to the financial statements.

In the opinion of the directors there was no significant difference between market and book value of interests in land and buildings at the balance sheet date.

Directors

The directors who served during the year were Richard Budge, Alan Binder, Sir Ross Buckland, Melvin Garness, George Jarrett, Gordon McPhie, Patrick O'Brien, John Robinson, Robert Shrager and Brian Staples. Retirees were Sir Ross Buckland and George Jarrett. Brian Staples was appointed to the Board on 1 September 1999 and will offer himself for re-appointment at the Annual General Meeting. All directors are subject to re-election every three years. Robert Shrager and Patrick O'Brien will retire by rotation in accordance with the Articles of Association and will offer themselves for re-election at the Annual General Meeting. Alan Binder will not be offering himself for re-election as he will be retiring on the date of the Annual General Meeting.

Charitable donations

The contributions made by the Group during the year for charitable purposes were £124,537 (1998: £212,905). The Company also contributed £800,000 (1998: £800,000) to the Coal Industry's Social and Welfare Organisation (CISWO) in accordance with the agreement with the DTI on privatisation to contribute this amount per annum for five years commencing in March 1995. No political donations were made in 1999 (1998: £ Nil).

Employees

The Group's policy is to consult and discuss with employees on matters likely to affect their interests. A newspaper is produced and distributed free to all employees every two months.

Information on matters of concern to employees is given periodically to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance.

Disabled persons

It is the Group's policy to give full consideration to suitable applications for the employment of disabled persons. Opportunities also exist for employees of the Group who become disabled to continue in their employment or to be trained for other positions within the Group.

Health and Safety at Work Act 1974

The Company has complied with the terms of the above Act.

Corporate Governance

In June 1998 the Committee on Corporate Governance published the Combined Code. The Board supports the highest standards in corporate governance and describes below how the principles set out in the Combined Code have been applied by the Company.

Throughout the year ended 31 December 1999 the Company has been in compliance with the Code provisions set out in section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange with the following two exceptions. Firstly due to the delay in the publication of the results, the company has been unable to give 20 working days notice of the AGM in accordance with Code provision C.2.4, and secondly in respect of Code provision B.1.7 relating to directors' contract periods as detailed in the Remuneration Report.

The Combined Code introduced a requirement that the directors review the effectiveness of the Group's system of internal controls. This extends the existing requirement in respect of internal financial controls to cover all controls including financial, operational, compliance and risk management.

Directors' Report

Guidance for directors 'Internal Control: Guidance for Directors on the Combined Code' (the Turnbull guidance) was published in September 1999. The Board has taken advantage of the London Stock Exchange's transitional rules, and has continued to review and report on internal financial controls in accordance with the guidance for directors on internal control and financial reporting that was issued in December 1994.

The Board confirms that procedures necessary to implement the Turnbull guidance have been established such that the Company will fully comply for the accounting period ending on 31 December 2000.

Directors' responsibilities

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the financial statements on pages 34 to 58 the Company and Group have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and all applicable accounting standards have been followed.

The directors have responsibility for ensuring that the Company and Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and Group and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material mis-statement or loss.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Board and Committee Structure

The Board of RJB Mining PLC is responsible for the Company's objectives, policies and stewardship of the Company's resources. There are four Executive and four Non-Executive Directors. The offices of Chairman and Chief Executive are held separately. The Chairman is a Non-Executive Director. The senior independent Non-Executive Director is Robert Shrager.

The Board usually meets monthly and has adopted a schedule of matters specifically reserved to itself for decision. The Board has delegated specific responsibilities to the Remuneration, Nomination and Audit committees, as described below. Each committee has Terms of Reference that the whole Board has approved. Board and Committee papers are circulated in advance of each meeting so that all directors are fully briefed. Papers are supplemented by reports and presentations to ensure that Board members are supplied in a timely manner with the information they need.

All directors have access to the advice and services of the Company Secretary. The Board has established a procedure under which any director, wishing to do so in furtherance of his duties, may take independent advice at the Company's expense.

The Board considers that the Non-Executive Directors bring strong independent judgement, considerable knowledge and experience to the Board's deliberations.

Nomination Committee

The Nomination Committee comprises the Non-Executive Directors and the Chief Executive. It is chaired by John Robinson. The Committee meets as required to select and propose to the Board suitable candidates for appointment as Executive or Non-Executive Directors.

Audit Committee

The Audit Committee is comprised of the Non-Executive Directors. It is chaired by Robert Shrager. Gordon McPhie, the Group Internal Audit Manager and the external auditors are generally invited to attend meetings. The minutes of meetings are circulated to all directors. The Committee meets at least four times a year to review the Company's accounting and financial reporting practices, the work of the internal and external auditors and compliance with policies, procedures and applicable legislation.

Relations with Shareholders

The Company maintains ongoing dialogue with institutional shareholders through regular presentations and meetings to outline the Company's trading environment and objectives.

Private investors are encouraged to attend the AGM and have the opportunity to question the Board.

Directors' Report

Internal Financial Control

The system of internal financial controls comprises those controls established to provide reasonable assurance of the safeguarding of assets against unauthorised use or disposition, ensure proper accounting records are maintained and that the financial information used in the business is reliable.

Some significant elements of the Group's internal financial control framework are described below:

- a. Full control and direction is maintained by the Board over appropriate strategic, financial, organisational and compliance issues;
- b. An organisational structure with formally defined lines of responsibility and delegation of authority. The Board has delegated to executive management the continuing development and implementation of the systems of internal financial control throughout the Group;
- c. Identifying the risks faced by the Group is the responsibility of management. The executive directors and other members of the senior management team monitor these risks on a day to day basis. Significant risks are discussed at the monthly Board meeting;
- d. A comprehensive internal budgeting system for all operations, with an annual budget approved by the directors;
- e. Monitoring performance against plans on a daily, weekly and monthly basis;
- f. A detailed investment approval process requires Board approval of all major capital projects;
- g. The internal audit department monitors and supports key processes and controls; and
- h. The Audit Committee approves audit plans, receives reports on control issues raised by internal or external audit and monitors planned actions.

The Group's control systems address key business and financial risks. The work of the Internal Audit Department is focussed on areas of greatest risk as identified by risk analysis.

The Internal Audit function reviews internal financial control in all key activities of the Group, typically over a five year cycle. It acts as a service to the business by assisting with the continuous improvement of controls. Actions agreed by management in response to recommendations made are followed up.

The external auditors are engaged to express an opinion on the Financial Statements. They review and test the system of internal financial control and the data contained in those statements to the extent necessary to express their audit opinion. They discuss with management the reporting of operational results and the financial condition of the Group.

The directors, through the Audit Committee, have reviewed the effectiveness of the Group's systems of internal financial control.

Going Concern

Following a thorough review of projections and cashflow forecasts the directors are satisfied that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. The accounts have therefore been prepared on the going concern basis.

Treasury policy and liquidity

Overall group strategy for liquidity is to maintain a secure line of credit sufficient to cover all forecast cash flows for the 12 month rolling forecast.

The principal function of the financial instruments held by the Group is to raise funds and effectively mitigate interest rate and foreign exchange risks. Where either borrowings or trading lead to significant exposure relating to either currency price or interest rate fluctuation, group policy allows forward contracts and interest rate swaps to be entered into to hedge specific underlying transactions.

Supplier payment policy

Individual operating companies within the Group are responsible for establishing appropriate policies for payment of their suppliers. The companies agree terms and conditions under which business transactions with suppliers are conducted. It is Group policy that, provided a supplier is complying with the relevant terms and conditions, including satisfactory supply of goods, services and the prompt and complete submission of all specified documentation, payment will be made according to the agreed terms and conditions. It is Group policy to ensure that suppliers know the terms on which payment will take place when business is agreed.

Directors' Report

The Group had 42 days purchases outstanding at 31 December 1999 (1998: 46 days) based on the average daily amount invoiced by suppliers during the year ended 31 December 1999.

Quality and Integrity of Personnel

It is the Company's policy to employ the highest calibre of management and staff and encourage the highest standards of personal integrity.

Substantial shareholdings

The directors have been notified of the following substantial shareholdings as at 24 March 2000:

	Amount of shares	% of issued share capital
Phillips & Drew Fund Management	20,121,472	13.79%
Fidelity Investments	18,950,600	12.99%
Brinson Partners Inc	12,951,190	8.88%
Legal & General Investment Management	5,856,522	4.02%
R J Budge	5,347,813	3.67%
Phoenix Asset Management	4,495,000	3.08%

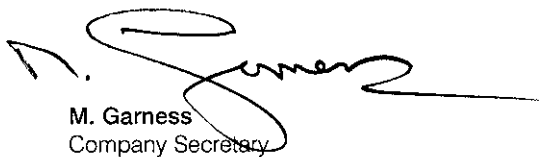
Purchase of own shares

The Directors are authorised to make market purchases of the Company's own shares under an authority granted at the Annual General Meeting held on 17 May 1999. No such purchases were made during the year. The Directors will seek renewal of this authority at the 16 May 2000 Annual General Meeting.

Auditors

A resolution to reappoint the auditors, PricewaterhouseCoopers, will be proposed at the Annual General Meeting.

By order of the Board



M. Garness
Company Secretary

4 April 2000

Remuneration Report

Constitution of the Remuneration Committee

The Remuneration Committee comprises the non-executive directors. It is chaired by Brian Staples. The Committee may request that the Chief Executive attends meetings to discuss executive directors' remuneration but he will not be present for discussion on his own remuneration. The Committee is responsible for determining and keeping under review the remuneration packages of the executive directors and certain other senior executives.

Directors' Remuneration Policy

The fees payable to the non-executive directors are determined by the Board. Neither the Chairman nor the other non-executive directors receive any pension or other benefits from the Company, nor do they participate in any of the bonus or incentive schemes or share option schemes. Non-executive directors are on three year contracts, terminable on three months' notice.

The policy of the Committee is to set the level of remuneration needed to attract and retain executive directors of the high quality required by the Company's interests.

The remuneration of the executive directors is determined by the Remuneration Committee. The executive directors' remuneration is made up of a basic salary, a discretionary performance related bonus plan and share options. In addition, the Company provides car benefits, pension contributions, health insurance and a mobile telephone. The pension schemes for directors are defined contribution schemes. Executive directors' service agreements are terminable on 12 months' prior written notice, other than the service agreement with Richard Budge, which is terminable on 18 months' notice. The Committee consider these notice periods appropriate given the skills and expertise of the directors.

The Committee has taken advice from independent, external consultants and considered remuneration levels in other companies in determining executive remuneration. Increases in salaries and benefits will reflect these comparisons, the performance of the Company, overall pay awards to Company employees and individual directors' performance.

At the end of 1999 each executive director was considered for a discretionary performance related bonus by the Remuneration Committee of up to 60% (70% in respect of the Chief Executive) of his basic annual salary for the year. In assessing the level of bonus, the Remuneration Committee had regard to predetermined profit, cashflow, EPS targets and a number of other measures. Annual bonuses and benefits in kind are not pensionable.

Details of each individual director's remuneration are shown below. Copies of directors' employment contracts and agreements are available to shareholders for inspection at the Company's registered office.

Directors' emoluments

	Fees or Salary 1999 £	Performance related bonus 1999 £	Benefits in kind 1999 £	Total 1999 £	Total 1998 £
J H Robinson	100,000	nil	nil	100,000	100,000
R J Budge	320,558	30,000	11,866	362,424	357,585
A N Binder	20,000	nil	nil	20,000	20,000
R Buckland (until 1/10/99)	15,000	nil	nil	15,000	20,000
M Garness	145,000	10,000	12,478	167,478	171,683
G W Jarrett (until 1/9/99)	88,667	nil	5,788	94,455	171,650
G A McPhie	159,805	20,000	10,497	190,302	193,840
P S O'Brien	133,000	10,000	8,361	151,361	154,299
R N Shrager	20,000	nil	nil	20,000	20,000
B Staples (from 1/9/99)	6,667	nil	nil	6,667	nil
W Rowell	nil	nil	nil	nil	264,675
	1,008,697	70,000	48,990	1,127,687	1,473,732

Mr Jarrett has received £26,030 for consultancy fees since retirement and goods to the value of £6,410 post retirement, as a gratuity.

Mr R J Budge and Mr M Garness received fees of A\$30,000 (£12,000) each from CIM Resources in both 1999 and 1998 which are included in the fees above.

Remuneration Report

Directors' emoluments (continued)

	Pension contributions 1999 £	1998 £
R J Budge	89,784	89,784
M Garness	49,600	56,200
G W Jarrett	22,975	38,700
G A McPhie	45,631	43,900
P S O'Brien	49,600	56,200
W Rowell	–	38,700
	257,590	323,484

No directors waived emoluments in respect of the year ended 31 December 1999.

Salaries of the executive directors were reviewed following the year end and an increase of 2% on base salaries was agreed, effective 1 January 2000, in line with general staff increases.

Directors' interests in ordinary shares

The Directors' interests as defined by the companies Act 1985 in shares of the Company and its subsidiaries are as follows:

	Interest in ordinary shares at 31 December 1999	Non Beneficial	Interest in ordinary shares at 31 December 1998 or date of appointment
R J Budge	5,347,813	Nil	3,597,813
M Garness	48,018	Nil	15,018
G A McPhie	53,960	Nil	20,960
P S O'Brien	76,068	Nil	43,068
J H Robinson	32,500	Nil	Nil
B Staples	20,000	Nil	Nil
R N Shrager	Nil	Nil	Nil
A N Binder	Nil	Nil	Nil

There have been no changes in directors' interests between the end of the year and 4 April 2000.

Directors' interests in share options

	Number held At 31 December 1998	Lapsed during year	Granted during year	Number held at 31 December 1999	Option price pence
R J Budge					
Savings related	5,314 ^(a)	–	–	5,314	254
Executive – discretionary	120,000 ^(b)	–	–	120,000	250
Executive – discretionary	100,000 ^(c)	–	–	100,000	320
M Garness					
Savings related	8,625 ^(d)	8,625	–	–	200
Executive – discretionary	50,000 ^(e)	–	–	50,000	320
Savings related	3,031 ^(e)	–	–	3,031	95
G A McPhie					
Savings related	8,625 ^(d)	8,625	–	–	200
Executive – discretionary	50,000 ^(e)	–	–	50,000	320
Savings related	3,031 ^(e)	–	–	3,031	95
P S O'Brien					
Savings related	8,625 ^(d)	8,625	–	–	200
Executive – discretionary	50,000 ^(e)	–	–	50,000	320
Savings related	3,031 ^(e)	–	–	3,031	95

Remuneration Report

Savings related options are normally exercisable within 6 months of the exercise date. Executive options are exercisable within 10 years of the date of grant.

The market value of the Company's shares during the year ranged from 74p to 28p. The market value on 31 December 1999 was 33p.

- ^(a) Granted 28 February 1995. Exercisable from 28 February 2000
- ^(b) Granted 7 June 1993. Exercisable from 7 June 1996
- ^(c) Granted 31 January 1995. Exercisable from 31 January 1998
- ^(d) Granted 7 June 1993. Exercisable from 1 August 1998
- ^(e) Granted 1 August 1998. Exercisable from 1 August 2001

New Executive Share Plans

The Remuneration Committee has recently undertaken a detailed review of the long term remuneration arrangements of the executive directors and senior executives. This review, which involved independent external consultants, sought to design appropriate incentives in the light of the Company's strategy to maximise the cash generated by the business and to increase the level of cash dividends paid to shareholders. It is recognised that to achieve this strategy it is necessary to retain and motivate senior executives.

The Remuneration Committee is now seeking the approval of shareholders for two new share plans;

- (a) the RJB Mining Long Term Incentive Plan (the *LTIP*): and
- (b) the RJB Mining Bonus Share Matching Plan (the *Bonus Plan*).

A summary of the LTIP and the Bonus Plan is contained in the Notice of Annual General Meeting.

Under the LTIP, executive directors and senior executives may be granted performance related awards entitling them, at the end of a three, four, or five year period, to a number of ordinary shares in the Company determined by reference to corporate performance over that period. To participate in the LTIP an executive director or senior executive will be required to waive, without payment, any options held under the RJB Executive Share Option Scheme. The Remuneration Committee is of the view that it is not appropriate for those options to remain in conjunction with these revised remuneration arrangements.

Under the Bonus Plan, an executive director or senior executive who receives a bonus under the Company's annual bonus scheme will be required to receive his bonus in shares (however, a participant may elect to receive 50 per cent of that bonus in the form of shares and 50 per cent of that bonus in cash). The shares will be required to be held for three years and, provided normally the executive remains in service until the end of that period, he will receive one matching share for every three shares purchased with the bonus.

Auditors' report to the members of RJB Mining PLC

We have audited the financial statements on pages 34 to 58 which have been prepared under the historical cost convention and the accounting policies set out on pages 38 to 40.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 27, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board the Listing Rules of the London Stock Exchange and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. 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 or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on pages 26 and 27 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the London Stock Exchange, 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 to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

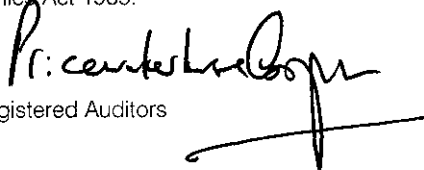
In our opinion the financial statements give a true and fair view of the state of affairs of the Group and the Company at 31 December 1999 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Nottingham

4 April 2000



Consolidated Profit and Loss Account

for the year ended 31 December 1999

	Notes	Before Exceptional Items £'000	Exceptional Items £'000	Group 1999 Total £'000	Group 1998 £'000
Turnover	2				
Continuing operations – existing		687,698	–	687,698	822,543
– acquisitions		11,551	–	11,551	–
		699,249	–	699,249	822,543
Cost of sales		(655,427)	–	(655,427)	(744,134)
Exceptional items					
Redundancy costs		–	(11,221)	(11,221)	–
Impairment in value of colliery assets	12	–	(135,554)	(135,554)	–
Total cost of sales		(655,427)	(146,775)	(802,202)	(744,134)
Gross profit/(loss)		43,822	(146,775)	(102,953)	78,409
Other operating income and expenses	3	(20,022)	–	(20,022)	(19,714)
Operating profit/(loss)					
Continuing operations – existing		23,688	(146,775)	(123,087)	58,695
– acquisitions		112	–	112	–
		23,800	(146,775)	(122,975)	58,695
Share of loss of associate	13	(21)	–	(21)	(4,163)
Interest receivable and similar income	5	3,893	–	3,893	5,772
Profit/(loss) on ordinary activities before interest payable		27,672	(146,775)	(119,103)	60,304
Interest payable and similar charges	6	(16,631)	–	(16,631)	(10,273)
		11,041	(146,775)	(135,734)	50,031
Exceptional interest payable and similar charges	6	–	5,705	5,705	(9,972)
Profit/(loss) on ordinary activities before taxation		11,041	(141,070)	(130,029)	40,059
Taxation on ordinary activities	8	(343)	35,916	35,573	17,733
Profit/(loss) on ordinary activities before taxation		10,698	(105,154)	(94,456)	57,792
Equity minority interest		152	–	152	–
Profit/(loss) for the financial year		10,850	(105,154)	(94,304)	57,792
Dividend	10	(10,938)	–	(10,938)	(10,209)
Loss/(1998 retained profit) for the period		(88)	(105,154)	(105,242)	47,583
Earnings per ordinary share	11	7.4p	(72.1p)	(64.7p)	39.6p

All amounts above relate to continuing operations.

There is no material difference between the profit/(loss) on ordinary activities before taxation and the retained profit/(loss) for the year stated above, and their historical cost equivalents.

Statement of Total Recognised Gains and Losses

for the year ended 31 December

	1999 £'000	1998 £'000
Profit/(loss) for the financial year	(94,304)	57,792
Release of provision for potential additional consideration (note 22)	18,919	–
Exchange adjustments	467	253
Total recognised gains and losses for the financial year	(74,918)	58,045
Prior year adjustment (note 1)	–	(44,831)
Total gains and losses recognised since last annual report	(74,918)	13,214

Balance Sheets

as at 31 December 1999

	Notes	Group		Company	
		1999 £'000	1998 £'000	1999 £'000	1998 £'000
Fixed assets					
Tangible assets	12	484,567	647,663	-	-
Investments – in associates	13	-	1,041	-	-
– in subsidiaries	13	-	-	20,125	23,643
– other	13	79	-	-	-
		484,646	648,704	20,125	23,643
Current assets					
Stocks	14	144,446	142,388	-	-
Debtors: amounts falling due after one year	15	59,047	61,465	594,835	681,380
Debtors: amounts falling due within one year	16	109,921	170,157	371,535	301,660
Cash at bank and in hand	29	35,906	51,197	16,918	37,696
		349,320	425,207	983,288	1,020,736
Total assets		833,966	1,073,911	1,003,413	1,044,379
Liabilities					
Capital and reserves					
Called up share capital	17	1,458	1,458	1,458	1,458
Share premium account	19	290,872	436,731	290,872	436,731
Special reserve account	19	18,919	-	191,847	45,988
Capital redemption reserve	19	257	257	257	257
Profit and loss account	19	42,845	1,761	81,503	150,360
Shareholders' funds, attributable					
to equity interests	20	354,351	440,207	565,937	634,794
Equity minority interest		920	-	-	-
Capital employed		355,271	440,207	565,937	634,794
Provisions for liabilities and charges	22	279,765	345,544	-	23,602
Creditors: amounts falling due after more than one year	23	23,139	45,191	-	-
Creditors: amounts falling due within one year	24	175,791	242,969	437,476	385,983
		478,695	633,704	437,476	409,585
Total funds employed		833,966	1,073,911	1,003,413	1,044,379

The financial statements on pages 34 to 58 were approved by the board of directors on 4 April 2000 and were signed on its behalf by:

R J Budge
Director

G A McPhie
Director




Consolidated Cash Flow Statement

for the year ended 31 December 1999

	Notes	1999 £'000	1998 £'000
Operating activities			
Net cash inflow from continuing operating activities		84,751	96,087
Returns on investments and servicing of finance			
Interest paid		(1,779)	(691)
Interest paid on hire purchase and finance leases		(4,360)	(6,516)
Interest paid on discounted receivables		(1,289)	–
Financing costs		(2,025)	–
Interest received		3,959	5,821
Net cash outflow from returns on investments and servicing of finance		(5,494)	(1,386)
Taxation		(20,118)	(17,549)
Capital expenditure and financial investment			
Development expenditure capitalised		(9,289)	(6,638)
Purchase of fixed assets		(23,262)	(33,249)
Receipts from sale of fixed assets		1,723	1,802
		(30,828)	(38,085)
Acquisitions and disposals			
Purchase of subsidiary undertakings		(5,469)	–
Net cash acquired with subsidiary undertakings		2,361	–
Purchase of shares in associate		–	(368)
Overdraft disposed with sale of Blenkinsopp Collieries		–	183
Sale of Blenkinsopp Collieries		–	(925)
		(3,108)	(1,110)
Equity dividends paid			
Dividends paid		(10,176)	(18,932)
Cash inflow before use of liquid resources and financing		15,027	19,025
Management of liquid resources			
Decrease in short term deposits		–	–
Net cash inflow before financing		15,027	19,025
Financing			
Net repayment on revolving credit facility		(4,080)	35,000
Hire purchase and finance lease capital repaid		(26,238)	(26,517)
Net cash inflow/(outflow) from financing		(30,318)	8,483
Increase/(decrease) in cash	29	(15,291)	27,508

Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

for the year ended 31 December 1999

	1999 £'000	1998 £'000
Continuing Activities		
Operating profit/(loss)	(122,975)	58,695
Depreciation on tangible fixed assets	63,519	83,349
Loss/(gain) on disposal of tangible fixed assets	6,904	(607)
Loss on sale of Blenkinsopp Collieries	-	1,109
(Increase) in stocks	(917)	(9,202)
Decrease/(increase) in debtors	88,354	(2,902)
(Decrease) in creditors	(85,688)	(34,355)
Impairment in colliery values	135,554	-
Net cash inflow from continuing operating activities	84,751	96,087

Reconciliation of Net Cash Flow to Movement in Net Debt

	At 1 January 1999 £'000	Cash flow £'000	Other non cash changes	At 31 December 1999 £'000
Cash at bank	51,197	(15,291)	-	35,906
Revolving credit facility	(34,824)	4,080	1,670 ¹	(29,074)
Hire purchase and finance leases	(65,829)	26,238	-	(39,591)
	(49,456)	15,027	1,670	(32,759)

¹ FRS4 issue costs

Purchase of Subsidiary Undertakings

	£'000
Net assets acquired	
Tangible fixed assets	12,127
Investments	79
Stocks	1,141
Deferred surface mine expenditure	12,927
Debtors	12,748
Cash at bank and in hand	2,361
Trade creditors	(33,676)
Minority shareholders' interests	(1,072)
	6,635
Satisfied by:	
Shareholding in associate undertaking	1,166
Cash	5,469
	6,635

Notes to the Financial Statements

for the year ended 31 December 1999

1 Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom, modified to include the true and fair override in accounting for goodwill arising on acquisition as detailed in note 25.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention. Tangible fixed assets are stated at recoverable amounts. Long-term debtors and long-term provisions have been discounted to reflect their net present value.

Consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the Company, its subsidiary undertakings and its associates made up to 31 December 1999. The results of subsidiaries sold or acquired are included in the consolidated profit and loss account up to, or from, the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

Trading Accounts within the Group are made up to a convenient week ending date around the 31 December each year. For 1999, trading is shown for the 52 week period ended on 25 December 1999. (1998: 52 week period).

Goodwill and intangible assets

Goodwill arising represents the excess of fair value of the consideration given over the fair value of the net assets acquired. Following the implementation of FRS10, the existing balance of the Goodwill Reserve is set against the special reserve. Any future goodwill arising is capitalised in the year of acquisition and amortised on a systematic basis over its useful economic life. The carrying value of goodwill and other intangible assets is reviewed as necessary for impairment and a write-down in carrying value is made where impairment is identified.

Fixed assets and depreciation

Freehold land is not depreciated. Mineral rights are depreciated on a depletion basis related to coal extraction. The cost, less estimated residual value, of other tangible fixed assets is written off by equal instalments over their expected useful lives. Heavy mining and other plant and equipment is depreciated at varying rates depending upon its expected usage. Indicative rates are as follows:

<i>Freehold buildings</i>	– 50 years
<i>Mines and surface works</i>	
Heavy mining equipment	– 8 to 20 years
Mine development	– see policy below
<i>Plant and machinery</i>	
Plant and equipment	– 3 to 15 years
Motor vehicles	– 3 to 5 years

Colliery Valuation

Assets acquired on the privatisation of British Coal in 1994 were valued at the discounted net recoverable amount based on future mining plans in accordance with the accounting guidance existing at that time. Subsequent additions to collieries are accounted for at cost. Depreciation is provided on a straight line basis and accelerated if necessitated by the mining plans. The carrying value of collieries (taking into account related liabilities of the Income Generating Unit) is tested for impairment on a regular basis by comparison with expected relevant future cash flows discounted for cost of capital and taking into account appropriate risk, and provision is made for any impairment identified.

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 on a tonnage extracted basis over the estimated life of the recoverable reserves. Coal extracted prior to the commencement of full production is credited against the cost of mine development.

Investments

Investments are stated at cost less provision for impairment.

Associated undertakings

Associated undertakings are companies in which the group has a participating interest which is held for the long-term and over whose operating and financial policies it exercises a significant influence. The consolidated profit and loss account includes the group's share of profits less losses of associated undertakings. The consolidated balance sheet includes interests in associated undertakings at the value of the Group's share of the net assets of those undertakings, adjusted for any impairment in value identified by the directors.

Notes to the Financial Statements

for the year ended 31 December 1999

Stocks

Stocks have been valued at the lower of cost and net realisable value. Appropriate provisions are made for slow-moving and obsolete stock.

Long-term contracts

Attributable profit on long-term contracts is recognised progressively throughout the contract life.

Turnover on long-term contracts comprises the value of work done.

Deferred surface mine expenditure

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 developed is deferred and is charged to the profit and loss account over the coaling life of the site. Expenditure on sites not expected to be worked within ten years is written off as incurred.

Cash and liquid resources

In the preparation of the Group's cash flow statement, cash is defined as cash held or on deposit and overdraft balances repayable on demand. Liquid resources include short term deposits and other investment instruments used by the Group to manage its overall cash position.

Restoration and closure costs.

Surface mines – The total costs of reinstatement of soil excavation and of surface restoration are recognised as a provision on site commissioning when the obligation arises. The amount provided represents the present value of the expected costs. Costs are charged to the provision as incurred and the unwinding of the discount is included in the interest charge for the year. An asset is created for an amount equivalent to the initial provision. This is charged to the profit and loss account on a unit of production basis over the life of a site.

Deep mines – Closure costs relating to shaft treatment and pit top restoration are recognised as a provision on a discounted basis at colliery commissioning stage or on acquisition. The amount provided represents the present value of the expected costs. Costs are charged to the provision as incurred and the unwinding of the discount is included in the interest charge for the year. An asset is created for an amount equivalent to the initial provision except where the associated collieries are already recorded at their recoverable amount. Costs of restoring spoil heaps, where acquired as part of a colliery portfolio, are provided for on acquisition to the extent that an obligation has been incurred and, thereafter, on a unit of production basis as the additional obligation arises. Provision for other closure costs is made when there is a demonstrable commitment to the colliery closure.

Pumping costs – Pumping costs are mainly provided in respect of the requirement to continue pumping activities at certain mine sites (following closure) and at other pumping facilities for a period into the future in order to protect continuing mining operations at other locations. The provision is based on current experience and present value projections of future costs. Pumping costs on continuing operations are expensed as incurred.

Ground and groundwater contamination – A provision is established for ground and groundwater contamination from the point at which a legal or constructive obligation is identified and can be quantified.

Surface damage

Provision is made for the estimated cost of settlement of surface damage claims based on tonnage of coal extracted. The provision is based on current experience in the submission and settlement of claims together with the historical settlement experience of British Coal in respect of each colliery. The provision made represents the present value of the expenditures required to settle the obligation.

Employer and public liability claims

The Group has established a DTI approved insurance subsidiary (Harworth Insurance Company Limited). Provision is made for the estimated value of both known and incurred but not reported third party claims on an actuarially determined basis. Where these claims are expected to be settled over a longer period of time, the provision made represents the present value of the expenditures expected to be required to settle the obligation.

Concessionary fuel

Provision is made for the estimated liability arising from the obligation to provide concessionary fuel benefits to retired employees. The costs of the concessionary fuel benefits are determined by a qualified actuary on the basis of triennial valuations, and are charged to the profit and loss account so as to spread the cost of the benefits over the employees' working lives with the Company.

Pension provision

Pension provision for the Group's employees is made through a number of pension schemes. The Group contributes, in respect of those employees who transferred direct from British Coal Corporation, to two schemes providing benefits

Notes to the Financial Statements

for the year ended 31 December 1999

based on final pensionable pay; the Industry-wide Staff Superannuation Scheme for non-industrial staff, officials and weekly paid employees and the Industry-wide Mineworkers' Pension Scheme for other industrial employees. The assets of the Schemes are held separately from those of the Group, being funds administered by Trustees to the Schemes. The costs of the Schemes are determined by a qualified actuary on the basis of triennial valuations, and are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the Company.

For the majority of other employees, the Group operates defined contribution schemes with pension costs charged to profit as incurred.

Deferred taxation

Deferred taxation arises when items are recognised for tax purposes in periods that differ from the period in which the items are recognised for accounting purposes. The Group provides for deferred taxation to the extent that there is a reasonable probability that such taxation will become payable in the foreseeable future.

Deferred taxation assets are recognised where there is reasonable probability that such assets will be realised in the foreseeable future.

Hire purchases and leases

Assets held under hire purchase and finance lease arrangements are capitalised and the outstanding capital obligations are included in creditors. Interest is allocated to accounting periods during the hire purchase or lease term to reflect a constant rate of charge on the remaining balance of the obligation. Costs in respect of operating leases are charged to the profit and loss account as incurred.

Turnover

Turnover comprises sales of coal and manufactured fuel, excluding intra-group sales.

Coal washing contracts

No profit or loss is recognised during the set-up phase. Income received is measured against the cost to date of operating the plant with the balance taken to profit.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities are translated at year end exchange rates (or at a contractual rate if applicable) and the resulting exchange rate differences are dealt with in the determination of profit for the financial period.

For consolidation purposes the assets, liabilities and profit and loss account of overseas subsidiaries are translated at the year end exchange rate. Differences arising on translation to sterling of assets and liabilities of subsidiaries denominated in foreign currencies, are taken direct to profit and loss account reserve and reported in the statement of total recognised gains and losses.

Derivatives and other financial instruments

Financial instruments are utilised to support and raise finances for the Group's trading operations. Interest is charged or taken to profit as incurred or earned, except that finance costs, including issue costs, of debt instruments are charged to the profit and loss account over the term of the debt at a constant rate on the carrying amount of debt.

The Group is party to derivative financial instruments ("derivatives") primarily to manage exposure to fluctuations in foreign currency exchange rates and interest rates. Derivatives are designated as hedges and treated as such from the inception of the relevant contracts. Gains or losses on hedging instruments are recognised when the hedged transaction occurs. Gains or losses arising from cancellation of hedging instruments due to the termination of the underlying transaction are taken to the profit and loss account immediately. Amounts payable or receivable in respect of interest rate swap agreements are recognised as adjustments to the interest expense over the period of the contacts.

Prior year adjustment in respect of figures for year ended 31 December 1997

As a result of implementing FRS12 'Provisions, Contingent Liabilities and Contingent Assets', in the year ended 31 December 1998, a prior year adjustment was made in respect of the year ended 31 December 1997 as follows:

Notes to the Financial Statements

for the year ended 31 December 1999

Restatement of figures for year ended 31 December 1997

	Net Assets £'000
As previously reported	455,655
Effect of the change in the timing of recognition of maintenance costs:	1,109
Effect of the change in the timing of restoration and closure costs:	
Collieries	(41,608)
Pumping costs	(12,464)
Ground and groundwater contamination	(9,806)
	(62,769)
Less: current and deferred tax on prior year adjustments	17,938
	(44,831)
As restated	410,824

The prior year adjustment of (£44,831,000) is shown in the statement of total recognised gains and losses for 1998.

2 Segmental and geographical analysis

	1999 £'000	1998 £'000
Turnover		
Continuing operations:		
Coal sales – Deep Mines	521,429	650,297
Coal sales – Surface Mines	138,529	145,310
Surface mines contract mining and associated activities	10,922	9,234
Manufactured fuel and combined heat and power	16,818	17,702
Acquisitions:		
Coal sales – Australia	11,551	–
	699,249	822,543
Geographical Analysis by destination		
United Kingdom	683,010	814,712
European Community Countries	285	841
Rest of Europe	4,403	6,990
South East Asia	11,551	–
	699,249	822,543
(Loss)/profit before taxation		
Continuing operations:		
Coal sales – Deep Mines	12,489	25,690
Coal sales – Surface Mines	9,300	30,210
Surface mines contract mining and associated activities	1,932	2,129
Manufactured fuel and combined heat and power	(33)	666
Acquisitions:		
Coal sales – Australia	112	–
Operating profit before exceptional items	23,800	58,695
Loss on dilution of interest on deemed disposal of investment	–	(644)
Share of loss of associate	(21)	(115)
Impairment in value of investment	–	(3,404)
Net Interest payable	(12,738)	(4,501)
Exceptional items	(141,070)	(9,972)
(Loss)/profit before taxation	(130,029)	40,059

Notes to the Financial Statements

for the year ended 31 December 1999

2 Segmental and geographical analysis (continued)

	1999	1998
	£'000	£'000
Net assets		
Continuing operations:		
Deep Mines	313,794	408,160
Surface Mines	64,753	75,609
Surface mines contract mining and associated activities	25,452	48,974
Manufactured fuel and Combined Heat and Power	6,935	12,552
Australia	19,598	1,399
	430,532	546,694
Unallocated net liabilities:		
Dividend payable	(6,596)	(5,834)
Debt and finance leases	(68,665)	(100,653)
	355,271	440,207

All net assets, other than £16.242 million invested in Australia (1998: £1.399 million) were located in the UK.

	Continuing	Acquisitions	1999	1998
	£'000	£'000	£'000	£'000
Turnover	687,698	11,551	699,249	822,543
Cost of sales	(644,121)	(11,306)	(655,427)	(744,134)
	43,577	245	43,822	78,409
Other operating income and expenses	(19,889)	(133)	(20,022)	(19,714)
Operating profit before exceptional items	23,688	112	23,800	58,695

3 Other operating income and expenses

	1999	1998
	£'000	£'000
Administrative expenses	20,729	22,653
Other operating income	(707)	(2,939)
Other operating income & expenses	20,022	19,714

Due to the nature of the Group's business, distribution expenses are treated as a part of cost of sales.

4 Employee information

The average number of persons (including executive directors) employed by the Group during the period was:

	1999	1998
	number	number
Mining operations	6,147	6,424
Plant operations	586	570
Manufactured fuel	131	110
Administration	858	1,009
	7,722	8,113

Notes to the Financial Statements

for the year ended 31 December 1999

4 Employee information (continued)

Staff costs (including executive directors)

	1999 £'000	1998 £'000
Wages and salaries	203,853	210,550
Social security costs	15,818	16,641
Pension and post retirement benefit costs	15,941	13,898
	235,612	241,089

Directors' remuneration and interests

Detailed information relating to directors' remuneration and their interests in share options is shown on pages 30 to 32 and forms part of these financial statements.

5 Interest receivable and similar income

	1999 £'000	1998 £'000
Interest receivable from short-term deposits	3,893	5,686
Other – discounting of long-term receivables	–	86
	3,893	5,772

6 Interest payable and similar charges

	1999 £'000	1998 £'000
Before exceptional items		
On bank loans, overdrafts and other loans:		
Repayable within 5 years	1,775	689
Amortisation of loan issue costs (FRS4)	355	88
On finance leases and hire purchase, repayable within 5 years	3,118	5,335
On finance leases and hire purchase, repayable after 5 years	903	988
Other – discounting of long term receivables	45	–
– discounting of other receivables	1,289	–
– unwinding of discount on provisions (note 22)	9,146	3,173
	16,631	10,273
Exceptional items		
Interest payable to Inland Revenue	985	3,282
Interest provision for potential additional consideration	(6,690)	6,690
	(5,705)	9,972

Interest payable to Inland Revenue has been estimated on the basis of progress towards agreement of tax liabilities for earlier years.

Notes to the Financial Statements

for the year ended 31 December 1999

7 Profit/(loss) on ordinary activities before taxation

	1999 £'000	1998 £'000
Profit/(loss) on ordinary activities before taxation is stated after crediting:		
Rent receivable	2,300	2,200
(Loss)/profit on disposal of tangible fixed assets		
– plant and equipment	(6,891)	462
– land, buildings and mineral rights	(13)	145
And after charging:		
Depreciation	48,594	63,098
Depreciation for assets held under hire purchase and finance leases	14,925	20,251
Auditors' remuneration (Company £50,000, 1998: £50,000)	301	345

Auditors' Remuneration

It is the Group's practice to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where their expertise and experience with the Group are important, principally tax advice and due diligence reporting on potential acquisitions, or where they are awarded assignments on a competitive basis.

The Audit Committee reviews non-audit assignments annually, and approves all assignments above a set threshold cost.

During the year PricewaterhouseCoopers earned the following fees:

	1999 £'000	1998 £'000
Statutory audit	301	345
Due diligence and other audit-related work	15	109
Tax advice and compliance services	232	255
Profit related pay scheme advice	8	76
Management consultancy services	–	18
Total fees	556	803

8 Tax on ordinary activities

	Before Exceptional Items £'000	Exceptional Items £'000	1999 Total £'000	1998 £'000
United Kingdom corporation tax at 30.25%(1998: 31%)				
Current	427	(4,445)	(4,018)	9,882
Deferred	3,151	(31,471)	(28,320)	4,861
Overseas taxation	61	–	61	–
Under/(over) provision in respect of prior years:				
Current	(3,296)	–	(3,296)	(35,948)
Deferred	–	–	–	3,472
	343	(35,916)	(35,573)	(17,733)

Current and deferred tax provisions have been adjusted in light of progress towards agreement of tax liabilities for earlier years.

Notes to the Financial Statements

for the year ended 31 December 1999

8 Tax on ordinary activities (continued)

Deferred taxation

	31 December 1999		31 December 1998	
	Amount included (note 22) £'000	Total potential asset/(liability) £'000	Amount included £'000	Total potential asset/(liability) £'000
Group				
Fixed asset timing differences	(47,443)	(46,576)	(83,955)	(83,949)
Other timing differences	43,015	45,616	52,079	53,224
Trading losses	871	2,126	–	–
Deferred tax liability	(3,557)	1,166	(31,876)	(30,725)
Company				
Deferred tax asset	–	–	2,007	2,007
	–	–	2,007	2,007

There has been no effect on the Group deferred taxation charge in respect of any change in the UK corporation tax rate. (1998: £1,349,000 reduction).

9 Loss for the financial year

As permitted by Section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included separately in these financial statements. The loss for the financial year was £57,919,000 (1998: loss £137,428,000).

10 Dividends

	1999 per share	1999 £'000	1998 per share	1998 £'000
Interim	3.0p	4,375	3.0p	4,375
Final	4.5p	6,563	4.0p	5,834
	7.5p	10,938	7.0p	10,209

The number of shares in issue at 31 December 1999 was 145,847,273 (1998: 145,847,273)

11 Earnings per share

Earnings per share have been based on the weighted average number of shares in issue and ranking for dividend, being 145,847,273 (1998: 145,847,273) and on the profit/(loss) after taxation.

There is no difference between basic and diluted earnings per share.

12 Tangible fixed assets

	Freehold land and buildings £'000	Mines and surface works £'000	Plant and machinery £'000	Total £'000
Group				
Cost or valuation				
At 1 January 1999	82,592	752,281	124,651	959,524
Acquired with CIM	5,899	–	12,429	18,328
Additions	1,262	29,046	2,243	32,551
Disposals	(574)	(13,816)	(5,104)	(19,494)
At 31 December 1999	89,179	767,511	134,219	990,909
Depreciation				
At 1 January 1999	2,086	250,644	59,131	311,861
Acquired with CIM	1,613	–	4,588	6,201
Charge for year	746	50,618	12,155	63,519
Exceptional impairment provision	–	135,554	–	135,554
Disposals	(3)	(6,520)	(4,270)	(10,793)
At 31 December 1999	4,442	430,296	71,604	506,342
Net book value				
At 31 December 1999	84,737	337,215	62,615	484,567
At 31 December 1998	80,506	501,637	65,520	647,663

Notes to the Financial Statements

for the year ended 31 December 1999

12 Tangible fixed assets (continued)

Exceptional impairment provision

Following completion during the period of electricity generator contract negotiations, the Board has reappraised the carrying value of colliery assets. An impairment in value of £131.0 million was recognised as an exceptional item in the first half, including £7.0 million in respect of the closure of Calverton colliery. In the second half of the year the closure of Ellington and Clipstone collieries was announced with a consequent asset write off of a further £4.6 million. The impairment has reduced the amortisation charge by approximately £10.4 million within the period and will reduce the ongoing amortisation charge in a full year by approximately £13.7 million. In calculating the value in use of the colliery assets, a risk adjusted pre-tax discount rate of 15% was applied to the expected relevant future cash flows.

At 1 January 1999 minerals rights (cost £1,900,000 and depreciation £9,000) have been reclassified within freehold land and buildings.

Included in Mines and Surface Works are assets in course of construction at 31 December 1999 amounting to £32.0 million (1998: £22.1 million). Additions to Plant and Machinery include £0.3 million (1998: £3.7 million) in respect of the Combined Heat and Power (CHP) plant at Monckton.

The net book value of tangible fixed assets includes £6.5 million (1998: £8.0 million) in respect of assets held under hire purchase contracts and £45.7 million (1998: £55.3 million) in respect of assets held under finance leases.

13 Fixed asset investments

	1999 £'000
Group	
At 1 January 1999 – Investment in associated undertaking	1,041
Share of loss of associate to 21 July 1999	(21)
Exchange movements	146
	1,166
Carrying value on becoming a subsidiary company	(1,166)
	–

The Group increased its shareholding in CIM Resources to 84.9% on 21 July 1999 and has accounted for CIM Resources as a subsidiary with effect from that date (Note 25)

	£'000
Group	
Other investments acquired with CIM Resources Limited on 21 July 1999	79

Interests in
Group
undertakings
£'000

Company	
Cost or valuation	
At 1 January 1999	23,643
Additional shares acquired in RJB Australia Pty Limited	15,401
Release of potential additional consideration (note 22)	(18,919)
At 31 December 1999	20,125

Notes to the Financial Statements

for the year ended 31 December 1999

13 Fixed asset investments (continued)

Interests in Group undertakings:

Name of undertaking	Activity	Description of shares held	Proportion of nominal value of issued share capital held by	
			Group %	Company %
R J Budge (Mining) Limited	Surface mining	Ordinary	100	–
R J Budge Limited	Surface mining	Ordinary	100	–
R J B Mining Services Limited	Surface mining and plant operations	Ordinary	100	–
R J Budge (Plant & Equipment) Limited	Surface mining and plant operations	Ordinary	100	–
RJB (Deep Mines) Limited	Underground Mining	Ordinary	100	–
The Monckton Coke & Chemical Company Limited	Manufactured fuel and power generation	Ordinary	100	–
RJB Mining (UK) Limited	Underground and surface mining	Ordinary	100	–
Harworth Insurance Company Limited	Insurance	Ordinary	100	100
Coal Supplies (UK) Limited	Coal supply	Ordinary	100	–
RJB Australia Pty Limited	Investment	Ordinary	100	100
Harworth Power Limited	Power Generation	Ordinary	100	100
CIM Resources Limited	Surface mining	Ordinary	85	–

With the exception of RJB Australia Pty Limited and CIM Resources Limited, which are incorporated and registered in Australia, all of the above companies are incorporated in Great Britain and registered in England and Wales. All companies operated principally in their country of incorporation and all are included in the consolidation. The companies listed above include all those which materially affect the amount of profit and the assets of the Group. A full list of subsidiaries will be annexed to the Company's next annual return.

14 Stocks

	Group	
	1999 £'000	1998 £'000
Coal stocks	103,892	96,691
Spares and consumables	40,554	45,697
	144,446	142,388

15 Debtors: amounts falling due after one year

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Amounts owed by subsidiary undertakings	–	–	594,835	681,380
Deferred surface mine expenditure	41,075	37,322	–	–
Surface mine restoration asset	15,521	19,732	–	–
Amounts receivable under long-term contracts	1,653	1,501	–	–
Other debtors	798	2,910	–	–
	59,047	61,465	594,835	681,380

Notes to the Financial Statements

for the year ended 31 December 1999

16 Debtors: amounts falling due within one year

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Deferred surface mine expenditure	9,636	12,906	-	-
Surface mine restoration asset	5,935	7,524	-	-
Amounts receivable under long-term contracts	13,977	14,400	-	-
Trade debtors	64,235	117,713	-	-
Other debtors	2,643	9,979	4,339	504
Prepayments and accrued income	13,495	7,635	-	33
Amounts owed by subsidiary undertakings	-	-	367,196	301,123
	109,921	170,157	371,535	301,660

17 Share capital

	1999		1998	
	No. of shares	£'000	No. of shares	£'000
Authorised share capital				
At 1 January ordinary shares of 1p each	250,000,000	2,500	250,000,000	2,500
At 31 December ordinary shares of 1p each	250,000,000	2,500	250,000,000	2,500
Issued and fully paid				
As at 1 January ordinary shares of 1p each	145,847,273	1,458	145,847,273	1,458
	145,847,273	1,458	145,847,273	1,458

18 Share options over shares in RJB Mining PLC

At 31 December 1999 up to 4,040,023 (1998: 5,410,107) ordinary shares were reserved against the exercise of options by certain directors and employees under share option schemes as below. Options are normally exercisable within 6 months of the initial exercise date for sharesave options, and within 10 years of the issue date for executive options.

	Exercise price per share £	No. of ordinary shares	
		1999	1998
Exercisable from 1996	2.50	120,000	182,750
Exercisable from 1998	3.20	250,000	350,000
Exercisable from 1999	2.00-4.08	192,000	418,720
Exercisable from 1999	3.08-4.34	9,000	154,464
Exercisable from 2000	2.54	1,307,303	1,465,452
Exercisable from 2001	0.95	1,230,601	1,678,074
Exercisable from 2003	0.95	931,119	1,160,647

No share options were granted or exercised during the year. 1,370,084 share options lapsed during the year.

Notes to the Financial Statements

for the year ended 31 December 1999

19 Share premium and reserves

	Share premium account	Capital redemption reserve	Special reserve account	Profit and loss account
	1999	1999	1999	1999
	£'000	£'000	£'000	£'000
Group				
At 1 January 1999	436,731	257	–	1,761
Transfer to special reserve	(145,859)	–	145,859	–
Goodwill set off to special reserve (Previously set off to profit & loss reserve)	–	–	(145,859)	145,859
Loss for the year	–	–	–	(105,242)
Exchange differences	–	–	–	467
Release of provision for potential additional consideration (note 22)	–	–	18,919	–
	290,872	257	18,919	42,845
Company				
At 1 January 1999	436,731	257	45,988	150,360
Loss for the year	–	–	–	(68,857)
Transfer to special reserve	(145,859)	–	145,859	–
	290,872	257	191,847	81,503

High Court approval was obtained on 14 June 1999 to effect a transfer of £145,859,000 from the Company's share premium account to the special reserve. Accumulated goodwill is now offset against this special reserve on consolidation, rather than against the distributable profit and loss reserves which occurred at 31 December 1998.

20 Reconciliation of movements in shareholders' funds

	Group		Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
(Loss)/profit for the financial year	(94,304)	57,792	(57,919)	(137,428)
Dividends (note 10)	(10,938)	(10,209)	(10,938)	(10,209)
Goodwill written off (note 21)	–	(18,453)	–	–
Exchange differences	467	253	–	–
Release of provision for potential additional consideration (note 22)	18,919	–	–	–
Movement in shareholders' funds	(85,856)	29,383	(68,857)	(147,637)
Opening shareholders' funds	440,207	410,824	634,794	782,431
Closing shareholders' funds	354,351	440,207	565,937	634,794

21 Goodwill written off

	Group	
	1999	1998
	£'000	£'000
As at 1 January 1999	191,847	173,394
Written off in year – potential additional consideration (note 22)	–	18,919
Write-back of goodwill on deemed disposal of associate	–	(466)
Write-back of potential additional consideration (note 22)	(18,919)	–
Cumulative goodwill written off	172,928	191,847
Set-off to special reserve	(172,928)	(45,988)
	–	145,859
Offset against profit and loss reserve in 1997	–	(127,406)
Offset against profit and loss reserve in 1998	–	(18,453)

Notes to the Financial Statements

for the year ended 31 December 1999

22 Provisions for liabilities and charges

Group	As at 1 January 1999 £'000	Created in year £'000	Released in year £'000	Utilised in year £'000	Unwinding of discount £'000	At 31 December 1999 £'000
Employer and public liabilities	23,720	8,458	–	(6,415)	1,214	26,977
Surface damage	53,654	5,285	(6,900)	(8,838)	1,609	44,810
Concessionary fuel	29,057	62	(833)	(985)	1,873	29,174
Claims	12,808	3,446	–	(8,191)	–	8,063
Restoration & closure costs						
– surface mines	96,767	1,931	(818)	(11,265)	2,910	89,525
Restoration & closure costs deep mines						
– shaft treatment and pit top	37,723	2,019	(2,954)	(1,232)	892	36,448
spoil heaps	11,497	–	–	–	345	11,842
pumping costs	12,464	2,391	–	–	–	14,855
redundancy	–	3,882	–	–	–	3,882
Ground/groundwater contamination	10,100	–	–	–	303	10,403
Gas plant decommissioning	269	–	–	(40)	–	229
Provision for potential additional consideration and interest	25,609	–	(25,609)	–	–	–
	313,668	27,474	(37,114)	(36,966)	9,146	276,208
Deferred taxation (note 8)	31,876	3,152	(31,471)	–	–	3,557
	345,544	30,626	(68,585)	(36,966)	9,146	279,765

Company

	As at 1 January 1999 £'000	Created in year £'000	Released in year £'000	Utilised in year £'000	Unwinding of discount £'000	At 31 December 1999 £'000
Provision for potential additional consideration and interest	25,609	–	(25,609)	–	–	–
Deferred taxation	(2,007)	–	2,007	–	–	–
	23,602	–	(23,602)	–	–	–

In accordance with FRS12 a brief description of the nature of the group's obligations, the expected timing of resulting outflows of economic benefit and an indication of the uncertainties surrounding each of the above provisions is provided below:

Employer and public liabilities relate respectively to existing claims by employees and the general public incurred during the course of mining operations. All amounts are expected to be paid in full on settlement of the claim, usually within a twelve month period. The amounts remain subject to settlement with the individual claimants and are estimated based on historical experience.

Surface damage provision relates to the Group's liability to repair all subsidence damage arising from past mining operations. Surface damage claims can be lodged by the public up to six years after mining and payment will occur once a claim is settled. The volume and size of claims varies according to the nature of surface development (eg farmland or residential area). Costs are estimated based on historical claims experience following a detailed assessment of the nature of damage foreseen.

Concessionary fuel provides for retirement benefits payable to employees in the form of heating coal provided by external coal retailers. The amounts payable are defined in employee terms and conditions and are subject to a qualifying period of service. The costs of the concessionary fuel benefits are determined by a qualified actuary on the basis of triennial valuations. Benefits are payable as an annuity. Further details are set out in note 26.

Notes to the Financial Statements

for the year ended 31 December 1999

22 Provisions for liabilities and charges (continued)

Claims provisions relate to surface mine operations where sites owned by RJB are mined by external contractors. Where mining conditions vary from those specified in the contract, the external contractors are entitled to claim further costs incurred. The provision relates to existing claims, and to estimates based on known mining conditions which have been encountered for which a claim is expected. Claims are settled with individual contractors, generally at the completion of a surface mine site. All claims provisions are based on historical experience and contract rates but remain subject to negotiation between the Group and the contractor.

Restoration and closure costs – Surface mines relate to the total costs of reinstatement of soil excavation and of surface restoration such as top soil replacement and landscaping. Restoration costs will be payable when individual sites are completed and payments against aftercare liabilities will extend through the life of each contract, usually six years.

Restoration and closure costs – Deep mines

Shaft treatment and pit top provisions are made to meet the Group's liability to fill and cap all mine shafts and return pit top areas to a condition consistent with the required planning permission. No transfer of economic benefits will arise until decommissioning of each individual colliery. The current pit top provision reflects existing planning permissions that require pit areas to be restored to former use, usually agricultural. The Group will, where possible, seek planning permission for development use which, if successful, may reduce the expected cost.

Spoil heaps provisions relate to the costs payable to bring spoil heaps to a condition consistent with required planning permission and to complete approved restoration schemes. An element of spoil heap restoration is ongoing, although the majority of costs will be incurred on decommissioning of a colliery. The existing planning permission of spoil heaps could not be achieved without large quantities of fill material and soils being imported. These provisions assume that, following the closure of a mine, a revised restoration scheme would be agreed with the Mineral Planning Authority.

Pumping costs are provided in respect of a constructive obligation to continue pumping activities at closed sites and other sites on closure for a significant period into the future to prevent any environmental damage. Amounts payable will be dependent on future mining plans and on future environmental legislation.

Redundancy provisions relate to the employee costs arising from the announced closure of Clipstone and Ellington collieries, and other manpower reductions centrally and across the Group.

Ground/groundwater contamination provisions relate to the Group's legal or constructive obligation to address ground and groundwater pollutants at its operating sites. The provision is based on estimates of volumes of contaminated soil and the historical contract costs of ground contamination treatment. These costs will usually be incurred on the decommissioning of a site.

Gas plant decommissioning provision covers the costs of decommissioning plant and equipment at Monckton Coke & Chemical Company which became obsolete on the commissioning of the Combined Heat and Power Plant in 1998. The provision is based on current cost payable to external contractors.

Potential additional consideration

The Sale and Purchase agreement for English Coal included conditions relating to the settlement of tax liabilities which could give rise to additional consideration payable by the Company. A provision of £18.9 million (adjusted against goodwill) plus associated interest of £6.7 million was established in 1998 against the event that this additional consideration was payable. It has been agreed that there is no further consideration payable in respect of the Sale and Purchase agreement for English Coal relating to the settlement of tax liabilities and therefore the provision has been released during the year.

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for the year ended 31 December 1999

23 Creditors: amounts falling due after more than one year

	Group	
	1999	1998
	£'000	£'000
Hire purchase and finance lease liabilities	17,755	40,557
Retentions	3,489	4,634
Other creditors	1,895	–
	23,139	45,191

24 Creditors: amounts falling due within one year

	Group		Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Contract reserves	–	1,076	–	–
Trade creditors	35,443	63,266	–	–
Other taxation and social security	14,981	24,136	–	1,531
Hire purchase and finance lease liabilities	21,836	25,272	–	–
Revolving credit facility ¹	29,074	34,824	26,129	34,824
Amounts owed to subsidiary undertakings	–	–	402,812	341,533
Dividends payable	6,596	5,834	6,596	5,834
ACT payable	–	1,094	–	1,094
Accruals and deferred income	58,471	51,740	1,841	–
Corporation tax	9,390	35,727	98	1,167
	175,791	242,969	437,476	385,983

¹ Net of FRS4 issue costs of £1.8 million (1998: £0.2 million).

25 Acquisitions

On 21 July 1999, the Group increased its shareholding in CIM Resources Limited (CIM) from 17.8% to approximately 84.9%. CIM became a consolidated subsidiary on this date, having previously been accounted for as an associated company. Cash consideration of £4,860,000 was paid to complete the transaction.

The Companies Act 1985 normally requires goodwill arising on the acquisition of a subsidiary undertaking to be calculated as the difference between the total acquisition cost of the undertaking and the fair value of the group's share of the identifiable assets and liabilities at the date it became a subsidiary undertaking.

FRS 2 recognises that where an investment in an associated undertaking is increased and it becomes a subsidiary undertaking, in order to show a true and fair view, goodwill should be calculated on each purchase as the difference between the cost of that purchase and the fair value of the assets and liabilities acquired at the date of that purchase.

The effect of this departure is to decrease retained earnings by £4,341,000 and to decrease purchased goodwill by £4,169,000.

In connection with the acquisition of CIM, the Group also acquired 100% of the share capital of AAA Wharves Pty Limited (AAA Wharves) on 21 July 1999 for cash consideration of £609,000.

Notes to the Financial Statements

for the year ended 31 December 1999

25 Acquisitions (continued)

The fair value of the assets and liabilities of CIM and AAA Wharves at the date of acquisition were as follows:

	Balance sheet on acquisition CIM Resources	Balance sheet on acquisition AAA Wharves	Fair value adjustments	Fair value
	£'000	£'000	£'000	£'000
Tangible fixed assets	14,453	—	(2,326)	12,127
Development properties	9,816	—	(9,816)	—
Investments	79	—	—	79
Stock	1,141	—	—	1,141
Debtors	4,925	7,823	12,927	25,675
Cash	2,361	—	—	2,361
Creditors	(25,553)	(7,214)	(909)	(33,676)
Provisions	(909)	—	909	—
Assets acquired	6,313	609	785	7,707
Less:				
Minority interest share of assets acquired				(1,072)
Equity investment in CIM				(1,166)
Net assets acquired				5,469
Goodwill				—
Total consideration : satisfied by cash				5,469

The adjustment to book value reflects revaluation of the development properties by £785,000 and their subsequent reclassification to debtors. Certain other assets and liabilities have been reclassified to conform to the Group accounts presentation.

26 Pension Schemes and other retirement benefits

The pension costs charged represent contributions payable by the Group in respect of defined contribution and defined benefit schemes, as follows:

	1999	1998
	£'000	£'000
Defined benefit schemes	13,193	12,857
Defined contribution schemes	2,267	1,717
	15,460	14,574

The majority of those employees within defined benefit schemes are members of industry-wide schemes either the IWS Coal Staff Superannuation Scheme or the IWS Mineworkers' Pension Scheme, both of which commenced on privatisation following the Coal Industry Act 1994.

Although the Schemes are administered and investments made on an industry-wide basis, each scheme comprises separate sections for each participating employer. Each Committee of Management appointed an actuary who determined the initial employer contribution rates of 9.75% and 15% for the IWS Mineworkers' Pension Scheme and the IWS Staff Superannuation Schemes, respectively, with equivalent employee rates of 5.25% and 5% (with the member's contribution rate for the IWS Staff Superannuation Scheme reduced by 1% of pensionable payroll until April 2009). The funding method adopted for the Industry Wide Schemes is the projected unit method.

Employers' contribution rates are reviewed on actuarial valuation when a contribution rate is set that is specific to each employer. It is possible that the employers' contribution rate to both Schemes will increase over time, particularly in light of each Scheme's ageing membership profile. If the actuarial valuation of an employer's part of the Scheme reveals a deficit, the employer may become liable to pay extra deficit contributions.

Actuarial valuations of each scheme were undertaken on 31 December 1997 using the Projected Unit Method. The main assumption underlying both schemes is a long term gross yield on scheme assets of 8.5% which will exceed the annual rate of increase in pensionable salaries and price inflation by 3.75% for three years and by 2.25% and 3.75% respectively thereafter. Pensions are expected to increase in line with price inflation. The aggregate market value of the assets at the valuation date was £28 million for the IWS Coal Staff Superannuation Scheme and £54.9 million for the IWS Mineworkers' Pension Scheme. The aggregate funding level on an ongoing basis was 85% and 101% respectively.

Notes to the Financial Statements

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26 Pension Schemes and other retirement benefits (continued)

Following actuarial valuations undertaken as at 31 December 1997, revised contribution rates were applied from April 1999. For members of the IWS Mineworkers' Pension Scheme, employer and employee contribution rates are 10.9% and 5.25% of earnings respectively and for members of the IWS Staff Superannuation Scheme, employer and employee rates are 17.5% and 6%, with the employer's contribution incorporating a 1.4% deficiency contribution, estimated to be payable for 10 years to eliminate the deficiency.

The majority of employees who are not members of the Industry-wide Schemes are members of defined contribution schemes, where the Group has no liability other than to pay its contributions on a regular basis.

Post retirement benefits other than pensions

The Group has a commitment to provide concessionary fuel benefits to retired ex British Coal employees. At retirement upon attaining the age of 65, and having been employed for a minimum of 15 years, employees become entitled to a retirement fuel allowance. 861 former workers and widows already receive this benefit and there are approximately 5,000 employees who will become members eligible for this allowance.

The actuarial assessment performed as at on 31 December 1999 assumes a discount rate of 6.5%, a retirement age of 50, that 2.5% of employees per annum leave prior to entitlement and a rate of inflation of RPI -1%, assumed to equal 2%. Mortality rates are derived from the national mortality table.

27 Derivatives and other financial instruments

Strategies, Objectives and Policies

The group's overall strategy and policy in respect of treasury and liquidity are set out in the Directors' Report.

The Group's financial instruments include cash and liquid resources, borrowings, derivative financial instruments ('derivatives') and other items such as trade debtors, trade creditors etc. that arise directly from its operations.

The treasury department manages the financial instruments within parameters set and reviewed by the Board. The Board regularly reviews financial instruments. The Group does not trade in these financial instruments. The treasury function is subject to periodic audits, both internal and external. Key risks associated with financial instruments are interest rate risk (risk that borrowings will be subject to unfavourable interest rate movements), foreign currency risk (risk that Australian sales in US dollars will be subject to unfavourable exchange rate fluctuations) and liquidity risk (risk that the Group's cash flow and facilities will be insufficient to meet obligations).

Group policy includes:

The Group's strategy includes maintaining committed facilities which provide adequate cover over peak anticipated borrowing requirements. With a decrease in the scale of the business the proportion of net debt comprising borrowings at fixed rates is planned to reduce. The Financial Report sets out certain of the conditions attaching to the new three year banking arrangements including an optimum gross gearing ratio of 50%. At year end the Group's net gearing ratio was 10% and 52% of gross debt was at fixed rates of interest with a weighted average maturity of 1.8 years.

For the purpose of the disclosures which follow, short term debtors and creditors which arise directly from the Group's operations have been excluded as permitted under FRS13. Consequently these disclosures focus on the financial instruments which play a role in the financial risk profile of the Group on a medium to long term basis.

LIQUIDITY RISK

The maturity profile of the carrying amount of the Group's financial liabilities, other than short-term trade creditors and accruals at 31 December 1999 is set out below.

	Debt	Finance Leases	Letters of Credit	Other Financial Liabilities	Total
	£'000	£'000	£'000	£'000	£'000
Within 1 year, or on demand	8,803	21,836	–	2,088	32,727
Between 1 and 2 years	1,071	9,230	–	66	10,367
Between 2 and 5 years	21,072	5,221	56,050	648	82,991
Over 5 years	–	3,304	–	2,775	6,079
	30,946	39,591	56,050	5,577	132,164

Notes to the Financial Statements

for the year ended 31 December 1999

27 Derivatives and other financial instruments (continued)

The comparative data as at 31 December 1998 is set out below:

	Debt	Finance Leases	Letters of Credit	Other Financial Liabilities	Total
	£'000	£'000	£'000	£'000	£'000
Within 1 year, or on demand	35,000	25,272	–	1,473	61,745
Between 1 and 2 years	–	21,525	–	1,744	23,269
Between 2 and 5 years	–	14,327	60,000	300	74,627
Over 5 years	–	4,705	–	2,590	7,295
	35,000	65,829	60,000	6,107	166,936

The Group does not have material financial assets and therefore, similar disclosures to those above for liabilities have not been included.

INTEREST RATE RISK

The Group's trading operations are financed through a mixture of retained profits, liquid resources, borrowings and deferred payment terms. The interest rate profile of the financial liabilities of the Group after taking account of interest rate swaps at 31 December 1999 is set out below:

	Floating rate financial liabilities	Fixed rate financial liabilities	Financial liabilities on which no interest is paid	Total	Weighted average fixed interest rate	Weighted average period for which no interest is paid	Weighted average period for which rate is fixed
Currency	£'000	£'000	£'000	£'000	%	Months	Months
Sterling	28,000	39,591	5,577	73,168	8.5%	65	22
Aus\$	2,945	–	–	2,945			
	30,945	39,591	5,577	76,113			

Forward exchange contracts in respect of CIM Resources with a carrying value of £7,183,000 have been excluded from the above total. Extensive details are set out below under 'Foreign Currency Risk'.

The floating interest rate for Sterling liabilities is based on LIBOR + 1.5%. For Australian dollar liabilities it is bank bill rate + 1.25%.

At 31 December 1998:

	Floating rate financial liabilities	Fixed Rate financial liabilities	Financial liabilities on which no interest is paid	Total	Weighted average fixed interest rate	Weighted average period for which no interest is paid	Weighted average period for which rate is fixed
Currency	£'000	£'000	£'000	£'000	%	Months	Months
Sterling	35,000	65,829	6,107	106,936	8.5%	73	30
Aus\$	–	–	–	–	–	–	–
	35,000	65,829	6,107	106,936			

FOREIGN CURRENCY RISK

At 31 December 1999, after taking into account the effects of forward foreign exchange contracts the Group had no significant currency exposure generating gains or losses within the profit and loss account.

In respect of its Australian trading operations, the Group hedges a proportion of its future sales for up to 36 months using forward foreign exchange contracts. At year end 65% of anticipated core currency transaction exposures for the next 12 months had been hedged.

Notes to the Financial Statements

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27 Derivatives and other financial instruments (continued)

The estimated current value of the foreign currency contracts entered into to hedge future transactions is set out in the table below and is based on quoted market prices.

Outstanding forward exchange contracts as at 31 December 1999:

Buy Australian Dollars Settlement	Sell United States Dollars	
	31 December 1999 US\$ millions	Average Exchange Rate 31 December 1999
Within 1 year	16.8	0.7610
	7.6	0.7610 Note 1
Between 1 and 2 years	19.0	0.7610 Note 1
	14.0	0.7610
Between 2 and 3 years	23.2	0.7610
Total	80.6	

Notes:

1. These hedges are only operative above US\$ 0.699 and below US\$0.650 (against the Australian dollar) should the currency breach these levels subsequent to 15 November 1999. As the currency has traded below US\$0.65 the hedges are operative.

2. The spot exchange rate Australian dollar to the United States dollar was US\$0.6538 as at 31 December 1999.

The Group had the following undrawn, uncommitted borrowing facilities available on 31 December:

	1999	1998
	£'000	£'000
Expiring within 1 year	2,000	44,800
Expiring between 1 and 2 years	-	-
Expiring in more than 2 years	43,950	-
Total	45,950	44,800

All covenants at 31 December 1999 were met.

FAIR VALUE

A year end comparison of current and book values of the Group's financial instruments by category is set out below. Where available market rates have been used to determine current values. Where market rates are not available current values have been calculated by discounting cash flows at prevailing interest and exchange rates.

	31 December 1999		31 December 1998	
	Book Value	Fair Value	Book Value	Fair Value
	£'000	£'000	£'000	£'000
Cash	35,906	35,906	51,197	51,197
Investments	79	79	-	-
Debt	30,945	30,945	35,000	35,000
Finance leases	39,591	42,714	65,848	65,939
Other financial liabilities	5,577	4,844	6,107	5,317
Foreign exchange forward rate contracts	7,183	6,052	-	-

Debt at 31 December 1999 is before deduction of FRS4 unamortised costs of £1,871,000.

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for the year ended 31 December 1999

27 Derivatives and other financial instruments (continued)

HEDGES

Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged itself is recognised. Unrecognised gains and losses on instruments used for hedging are set out below:

	Gains £'000	Losses £'000	Net Gains/ Losses £'000
Unrecognised gains and losses on hedges			
At 1 January 1999			
Gains/(losses) arising in the previous year included in 1999 profit and loss account	-	-	-
Gains/(losses) arising pre-1/1/99 that were not included in 1999 profit and loss account	-	-	-
Gains/(losses) arising during the year that were not included in the 1999 profit and loss account	970	522	448
At 31 December 1999	970	522	448
Of which:			
Gains and losses expected to be included in profit and loss account in less than 1 year	312	-	312
Gains and losses expected to be included in profit and loss account after 1 year	658	522	136
At 31 December 1999	970	522	448

Unrecognised gains and losses in this table reflect the exchange rate movements between the rates applicable at date of entering the hedge contracts and those ruling at 31 December 1999.

28 Capital commitments

	1999 £'000	1998 £'000
Contracted but not provided	10,831	2,864

29 Cash at bank and in hand

Group	1999 Change in year £'000	1998 Change in year £'000
Cash at bank and in hand	35,906 (15,291)*	51,197 28,086*

* Includes £(nil) (1998: £578,000) of exchange differences.

Of the Group's cash holdings at 31st December 1999, £32.8 million (1998: £27.9 million) was deposited in bank accounts designated to be used specifically in relation to the Group's insurance arrangements.

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30 Contingent liabilities

Guarantees have been given in the normal course of business for performance bonds of £3.8 million (1998: £4.6 million) to cover the performance of work under a number of Group contracts.

Letters of credit have been issued amounting to £56.0 million (1998: £55.2 million) which is available to meet the Group's subsidence and shaft treatment obligations.

At 31 December 1999, the group had the following operating lease commitments:

	1999	1998
	£'000	£'000
Annual commitments		
In one year or less	178	–
Between one and two years	178	–
Between two and five years	175	–

31 Related party transactions

The group provides loan finance to CIM Resources Limited, an 84.9% subsidiary. At 31 December 1999, AAA Wharves Pty Limited provided a term loan of £8.8 million and a hedge loan of £9.9 million and RJB Australia No. 2 Pty Limited provided a working capital loan of £1.2 million. Interest is charged at a margin above bank bill rate. At year end the balance owed by CIM on its current account with AAA Wharves, comprising accrued interest on loans, amounted to £0.4 million.

Richard J Budge and Melvin Garness, directors of RJB Mining PLC, are also directors of CIM Resources Limited.