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Anglo Pacific Group PLC

CONTENTS

Anglo Pacific Group PLC

DIRECTORS

P.M. BOYCOTT *(Chairman)*

M. CHANARIN

H. MICHAELIS

W.M. RUSHBROOKE

B.M. WIDES *(Finance Director)*

SECRETARY

B.M. WIDES

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AUDITORS

PRICE WATERHOUSE
Albany House, 58 Albany Street, Edinburgh EH1 3QR

BANKERS

THE ROYAL BANK OF SCOTLAND plc
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Dunfermline KY12 7HB

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Edinburgh EH2 1HQ

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Brisbane QLD 4001
Australia

REGISTRARS

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8 Bankhead Crossway North
Edinburgh EH11 0XG

STOCKBROKERS

BELL LAWRIE WHITE & CO
48 St Vincent Street
Glasgow G2 5TS

Anglo Pacific Group PLC

Annual Report 1997

CHAIRMAN'S REVIEW

I am pleased to report substantially better results in almost all areas of activity for the Group compared to last year. 1997 has seen a new, strong management team give the company growth potential by refocusing the company's resources on further expansion whilst administration and office costs have been trimmed. At both Fife and Ledmore, the company has significantly increased its silica sand and marble reserves.

Anglo Pacific Group PLC made a profit before tax of £2,336,000 compared to £466,000 for 1996, an increase of 400%. Turnover has increased 23% from £3,281,000 in 1996 to £4,024,000. These results include two major exceptional items. The gain on foreign exchange of £430,000 arose from translation profits at the year end on our long term borrowings which are in Australian Dollars. There is a further large write back of £1,961,000 (1996—£1,022,000) of the accelerated depreciation charge raised in 1995 due to a further substantial increase in our sand reserves at Fife. The reduced level of tax charge reflects the smaller royalty revenues from Australia due to production stoppages at the Gordonstone mine, something over which the company has no control. Earnings per share for 1997 were 2.44p compared to a loss of 0.04p for 1996.

1997 has seen some significant changes in Anglo Pacific's structure. In May 1997 the £3.5m convertible loan stock held by Mineral and Allied Resources Limited (part of the Anglovaal Group, previously our largest shareholder) was repaid by raising a five year bank loan. In addition the company continues to have a £1.5m working capital banking facility.

Mineral and Allied Resources Limited's 28.44% shareholding in the company was placed with a number of investment institutions and private individuals in June 1997 and I am delighted to welcome the Standard Bank Group as a 13.45% shareholder. As part of the placing, the company took the opportunity in July 1997 to raise a further £800,000 for working capital purposes by issuing four million shares at 20p. Anglo Pacific's directors are now significant shareholders in your company.

In November 1997 an EGM was held as a result of which the company changed its name to Anglo Pacific Group PLC, increased the authorised share capital, obtained further permission to issue 5% of the company's shares for cash and was granted permission to buy back its own shares. A directors' and employees' option scheme was also put in place. Various options were issued to directors in December 1997 and notified to the Stock Exchange at that time. It is the policy of the new Board to incentivise directors by share options rather than market rates of remuneration.

At the operating level, sales at Fife Silica Sands are currently at a record rate and should remain ahead of budget due to efficiencies implemented and plant improvements which are planned to come on stream in the next few months. A valuation of the land and mineral reserves has been carried out by Gerald Eve, Chartered Surveyors, as at 31st December 1997 . The valuation of £6.75 million was carried out on the basis of Open Market Value in accordance with the Appraisal and Valuations Manual prepared by the Royal Institution of Chartered Surveyors. This valuation does not include the operating plant or Fife's working capital. The company's reserves of sand will continue to increase over the coming year. Our glass sand resource is one of the purest in the UK.

At Ledmore Marble we believe there is potential for increase in volumes and a return to profit and we are considering ways of developing the market for its products without committing unrealistic amounts of capital. The operations at Ledmore Marble including the increased reserves have been valued by independent professional valuers at £2.9 million as at 31st December 1997—this valuation is not incorporated into the Balance Sheet.

Anglo Pacific Group PLC

Annual Report 1997

CHAIRMAN'S REVIEW

The Head Office in Edinburgh was closed in October 1997 and the administration and selling efforts of both the sand and marble operations are now carried on at our new office in Tillicoultry close to the sand quarry at Burrowine Moor, Fife. Streamlined software systems are being installed to ensure better financial controls and management information. Operational security over sand movements at the quarry has also been improved.

The royalty income from the two Australian coal mines has been below budget and prior year due to the impact of foreign exchange fluctuations and the production halt at Gordonstone which started in October 1997 and still continues. The owners of the Gordonstone mine, Atlantic Richfield, put the mine up for sale in February 1998 and are currently evaluating several bids for it. It is the Board's hope that production will be restarted in the next few months. Production at the other mine at Crinum, operated by Broken Hill Proprietary has been at record levels and ahead of our expectations. The Australian royalty interests have been valued by independent professional valuers at 31st December 1997 at A$26 million—this valuation is not incorporated into the Balance Sheet at 31st December 1997.

The Shetland Talc deposit which was under option to RTZ is still considered to be a valuable deposit and negotiations are continuing with a view to its disposal or joint development.

Towards the end of 1997 your company acquired a 5% interest in Brancote Holdings plc, an AIM listed mining group which has good geological management skills and an excellent spread of worldwide exploration projects with a number of major mining groups as partners.

It is my sad duty to report the death of Professor David Miltz who passed away tragically on 2nd March 1998 after a long and brave struggle against a serious illness. The Board joins me in paying tribute to his enduring qualities and courage and in particular to his strategic brilliance and positive approach to all business matters. He will be sorely missed by all who had the privilege to know and work with him. Lord Dundonald has stepped down from the main Board due to pressure of work from his other business activities. He will continue to fulfil an executive role within our operating subsidiaries.

I would like to thank my colleagues and all our staff for their unstinting efforts during a difficult year when the company had a complete change of management style and streamlined its head office function. The company has also implemented plans to expand its traditional activities and invest in new mining projects.

We are confident that, in addition to the possibility of a substantial improvement in profitability from existing operations, the opportunities available for the company to make strategic acquisitions at this stage of the commodity cycle make the outlook for further growth encouraging. Any of a number of potential projects currently under consideration would substantially increase our operational size.

P.M. BOYCOTT
Chairman

Anglo Pacific Group PLC

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31st DECEMBER 1997

The directors present their report together with audited consolidated accounts of the Group for the year ended 31st December 1997. The Company changed its name to Anglo Pacific Group PLC (formerly Anglo Pacific Resources PLC) at an EGM in November 1997.

Summary of activities

The activities of the Group, conducted mainly through its subsidiary undertakings, are summarised below:—

Gordon Resources Limited

The Group via its Australian subsidiary Gordon Resources Limited owns a royalty entitlement to the output from the Gordonstone and Crinum underground mines in Queensland. The Group royalty is at a rate of 2% on the Free on Rail value of coal sold from each mine.

Fife Silica Sands Limited

The Group's subsidiary Fife Silica Sands Limited owns a sand quarry at Burrowine Moor Quarry in Fife, Scotland. Output from the quarry is sold mostly to glass bottle manufacturers with a limited amount of high value sand being sold for specialist uses such as to water companies for filtration. Sand is also sold locally for use in the cement and asphalt industries.

Ledmore Marble Limited

The Group via its subsidiary Ledmore Marble Limited owns a marble quarry at Ledmore Junction in Sutherland, Scotland. Output from the quarry has been sold for road construction, for use as harling, to garden centres as decorative stone and in marble blocks to the building and construction industry.

Other investments

(a) Shetland Talc Limited, a Group subsidiary, owns a talc deposit in Shetland.
(b) The Group owns 863,000 shares in Brancote Holdings PLC (approx 5% of that company's issued share capital) with an option to buy a further 10% on or before 13th May 1999 at a price of 55p. Brancote has a 40% interest in an operating copper mine in Northern Queensland and further interests in some 60 mining exploration properties mostly joint ventured with major international mining groups.
(c) Anglo Pacific Brancote Limited is jointly owned by Anglo Pacific Group PLC and Brancote Holdings PLC. There is a joint venture agreement between the companies for Anglo Pacific Brancote Limited to be used for joint mining projects, although no activities have yet commenced or funds advanced.

Group results for the year

The consolidated profit and loss account is set out on page 14 of the accounts.

The profit after tax for the year of £2,042,000 was transferred to the profit and loss account and served to reduce the accumulated deficit brought forward.

Dividends

The directors recommend that no dividend be proposed this year.

Directors and their interests

The names of the directors who held office during the year under review are shown below:—

W.M. Rushbrooke
P.M. Boycott *(Chairman—appointed—2nd May 1997)*
H. Michaelis *(appointed—2nd May 1997)*
B.M. Wides *(appointed—13th June 1997)*

Anglo Pacific Group PLC

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31st DECEMBER 1997

Professor D. Miltz *(deceased—2nd March 1998)*
The Earl of Dundonald *(resigned—16th March 1998)*
O.L. Griffiths *(resigned—7th April 1997)*
G.J. Robbertze *(resigned—21st May 1997)*
R.A.D. Wilson *(resigned—21st May 1997)*
G.N. Kennedy *(former Chairman—resigned—13th June 1997)*
D.D. De Beer *(resigned—23rd July 1997)*

M. Chanarin was appointed to the board of directors on 17th March 1998 as a non-executive director.

The Group maintains insurance for its directors and officers against certain liabilities in relation to the Group.

P.M. Boycott (Chairman) is a Chartered Accountant and was appointed to the board on 2nd May 1997. He became executive Chairman on 13th June 1997. During his career he has been involved as Finance Director and substantial shareholder in a number of private investment and property groups including engineering and manufacturing companies supplying furnace systems to the major mining Groups worldwide. He has been a Director of several public quoted Companies in Australia and Canada.

B.M. Wides (Finance Director) is a Chartered Accountant (SA) and was appointed to the board on 13th June 1997. He became Finance Director on 5th September 1997. His specialist experience includes corporate finance, management consultancy and creating shareholder value for a large spectrum of private and public companies in the UK, Australia and Canada.

H. Michaelis is a Chartered Accountant (SA) and was appointed as an executive director on 2nd May 1997. He is a non-broking member of The Johannesburg Stock Exchange having been a member since 1975. He is now resident in Australia running a family investment company that has involvement in the transport and wholesaling industry as well as stock market investments.

M. Chanarin has degrees in Science, Arts and a Master of Business Administration (MBA). He has had extensive business experience in the UK in the fields of local and international finance, as well as manufacturing, distribution and service industries.

W.M. Rushbrooke was appointed to the board in September, 1995 as a non-executive director. He is the managing director of Rushbrooke Investissements S.A. Neuchatel, Switzerland.

The beneficial interests of the directors in office at 31st December 1997 in the share capital of the company are as follows:—

	Number of Ordinary Shares	
Director	**31st December 1997**	**31st December 1996**
P.M. Boycott	1,579,810	—
Earl of Dundonald	40,000	—
H. Michaelis	1,788,000	—
Professor D. Miltz	500,000	—
B.M. Wides	2,064,695	—

No other director had any interest in the issued share capital of the company at the end of the year. No director was interested in any shares of subsidiary companies at any time during the year. There have been no changes in directors' interests in shares of the company and its subsidiaries between the end of the year and the date of this report.

Anglo Pacific Group PLC

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31st DECEMBER 1997

Share Option Schemes

North Sea and General Oil Approved Option Scheme

The following director held options to subscribe for Ordinary Shares in the company, under the NS & GO Approved Option Scheme:—

	No. of Shares 1997	No. of Shares 1996	Exercisable	Exercise price
O.L. Griffiths	—	125,000	8/4/97–7/4/2004	32p

North Sea and General Oil plc ('NS&GO') was the name of the company when the scheme was set up.

The North Sea and General Oil plc ('NS&GO') Approved Option Scheme has been discontinued and replaced by the Anglo Pacific Group PLC Unapproved Executive Share Option Scheme. The 125,000 share options available to O.L. Griffiths lapsed during the year.

Anglo Pacific Group Unapproved Executive Share Option Scheme

The following directors in office at 31st December 1997 held options to subscribe for Ordinary Shares in the company, under The Anglo Pacific Group PLC Unapproved Executive Share Option Scheme:—

	No. of Shares 1997	No. of Shares 1996	Exercisable between	Exercise price
P.M. Boycott	500,000	—	10/12/00–10/12/04	18p
	500,000	—	10/12/02–10/12/04	18p
The Earl of Dundonald	500,000	—	10/12/00–10/12/04	18p
	500,000	—	10/12/02–10/12/04	18p
H. Michaelis	500,000	—	10/12/00–10/12/04	18p
	500,000	—	10/12/02–10/12/04	18p
Professor D. Miltz	250,000	—	10/12/00–10/12/04	18p
	250,000	—	10/12/02–10/12/04	18p
B.M. Wides	500,000	—	10/12/00–10/12/04	18p
	500,000	—	10/12/02–10/12/04	18p

All options were granted on 10th December 1997 but none have been exercised by directors during the year or up to the date of this report.

There was no difference in the market price and the exercise price on the date the share options were granted.

The market price of the shares at 31st December 1997 was 21p and the range during the year was 16p to 22p.

Corporate Governance

The Board confirms that the company complies with the Cadbury Code of Best Practice other than in the following aspects:

—The current non-executive directors do not have specific terms of appointment but, under the terms of the company's Memorandum and Articles of Association, all directors retire by rotation on the basis of one-third of their number each year, and require to be re-appointed by the shareholders at an Annual General Meeting.

—Throughout the year the company had two executive directors and one non-executive director constituting the audit committee as opposed to the three recommended. Subsequent to the year end the committee will comprise of two non-executive directors and one executive director. Whilst this does not comply with recommendation the directors believe it is neither practicable nor desirable for the audit committee to include more than two non-executive directors given the size of the Group. The audit committee's terms of reference are consistent with those recommended by the Cadbury Committee.

The Board of Directors

The Board currently comprises an executive Chairman, Finance Director and Corporate Development Director. In addition there are two non-executive directors. The Board meets at least three times a year on a planned basis. Directors are able to take independent professional advice in furtherance of their duties at the company's expense.

Audit Committee

Following the recent death of Professor D. Miltz the committee's membership comprises P.M. Boycott and B.M. Wides. B.M. Wides is to stand down from the committee and the two non-executive directors, M. Chanarin and W.M. Rushbrooke, are to be appointed. The committee meets as required, in particular, prior to the release of the Group's annual audited financial statements to review the scope of the audit and audit procedures, the format and content of the audited financial statements and their notes, and the accounting principles applied in preparing the audited financial statements. The committee will also review any proposed changes in accounting policies, any recommendations from the Group's auditors regarding improving internal financial controls, as well as the adequacy of resources within the Group's finance function.

Remuneration Committee

Throughout the year the committee comprised of B.M. Wides, executive director, and Professor D. Miltz and W.M. Rushbrooke, both non-executive directors. It is intended that M. Chanarin is appointed to replace Professor D. Miltz. The main responsibilities of the committee are to approve the overall remuneration and benefits of executive directors.

Reporting

The directors explain their responsibility for preparing the accounts on page 12. The Auditors' Report on Corporate Governance matters is also on page 12.

Internal Financial Controls

The directors are responsible for ensuring that the Group maintains a system of internal financial controls, including suitable monitoring procedures. The system is designed to ensure the maintenance of proper accounting records and the reliability of financial information used internally and externally. Any system of internal control can only provide reasonable, but not absolute assurance, against misstatement or loss. During the year the Group's internal financial control and monitoring procedures included:

—clear responsibilities on the part of operating and financial management for the maintenance of financial controls and the production of accurate and timely financial information;

—the control of key financial risks through clear authorisation levels and proper segregation of duties and

—detailed monthly budgeting and reporting results, balance sheets and cash flows, with regular review by management of variances from budgets.

The directors confirm that they have reviewed the effectiveness of the system of internal financial control in place during the year.

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Convertible Debt

On the 21st May 1997 the Company completed the redemption of the £3,500,000 Unsecured Convertible Loan Stock 1996 held by the Mineral and Allied Investments Limited, a subsidiary of the Anglovaal Group. This was replaced on the same day by a five year £3,500,000 loan facility provided by the HongKong Bank of Australia to Gordon Resources Limited, a subsidiary company. The borrowings were drawn in Australian Dollars which gave rise to an exchange gain of £526,000 on translation as at 31st December 1997.

Issue of Shares

On the 1st July 1997 the Company placed for cash an additional 4,000,000 ordinary shares of 10p each, at 20p per share, resulting in an £800,000 capital injection.

Substantial interests

The company has been notified of the following interests of 3% or more in the Share Capital of the company at 11th March 1998:—

	Ordinary Shares of 10p each	Representing
Standard Bank London Ltd	11,552,000	13.48%
IKEA Finance S.A.	6,158,000	7.19%
Ransomes Dock Ltd	4,198,100	4.90%
Lattitude Investments Ltd	3,301,598	3.85%

Donations

No donations were made to charities during the year (1996—£500).

No political donations were made during the year (1996—£nil).

Supplier Payment Policy

The Company's policy with regard to the payment of suppliers is to:—

—agree the terms of payment at the start of business with that supplier;
—ensure that the suppliers are made aware of the terms of payment;
—pay in accordance with its contractual and legal obligations.

During the year to 31st December 1997 the Company took an average of 84 days to settle its bills with suppliers.

Anglo Pacific Group PLC

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31st DECEMBER 1997

Income and Corporation Taxes Act 1988

So far as the directors are aware, the company is not, and was not at the end of the financial year, a close company in terms of the Income and Corporation Taxes Act 1988.

The Environment

The Group remains committed to its Environmental Policy and collaborates fully with statutory authorities, local communities and special interest groups to minimise effects of its activities on the natural and human environment associated with its operations.

Registered Office:
29 Albemarle Street,
London W1X 3FA

By Order of the Board
B.M. Wides
Company secretary
27th March 1998

Anglo Pacific Group PLC

REMUNERATION COMMITTEE REPORT

The committee confirms that in its constitution and operation it complies with Section A of the best practice provisions of the Stock Exchange Listing Rules. Other than in the following aspect:—

—the committee does not consist exclusively of non-executive directors with no personal financial interest and no day-to-day involvement in running the business. Given the fact that the majority of the committee is made up of non-executives, the committee do not believe there are any conflicts of interest.

The committee also confirms that full consideration has been given to Section B of the best practice provisions of the Stock Exchange Listing Rules in determining the company's policy on remuneration of its executive directors, including service contracts and compensation. The auditors have confirmed that the company has complied with paragraph 12.43(x)(iii) and (iv) of the Listing Rules concerning the disclosures for individual director's remuneration and share options. Details of each director's remuneration are set out in note 4 of the accounts. Details of the directors' share ownership and options are set out in the Directors' Report on page 7.

Remuneration Committee—Composition and Responsibilities

Throughout the year the remuneration committee consisted of B.M. Wides, W.M. Rushbrooke and Professor D. Miltz. The principal function of the committee is to determine the policy on remuneration for its executive directors, senior management and company secretary, including their service contracts, salaries, benefits in kind, performance related awards and compensation or termination payments. In exercising its responsibilities, the committee has access to professional advice.

Remuneration Policy

The committee's policy is to attract, retain and motivate quality senior management with a competitive salary package. The principal components of the package are salary, certain benefits in kind and performance related bonus awards for individuals at the discretion of the committee. The company does not currently provide pension benefits to its senior employees and management, however this matter is currently under review.

The granting of options under the former NS&GO share option scheme has been discontinued.

A new scheme, the Anglo Pacific Group PLC Unapproved Executive Share Option Scheme, was set up in the year and continues the Company's policy to incentivise directors by share options rather than market rates of remuneration.

The emoluments and fees of the executive directors are set out in note 4 of the accounts. All such fees are agreed by the full board with no individual director determining or approving his own remuneration.

Service Contracts and Notice Periods

The Chairman and all company directors do not have service contracts. In accordance with the articles of association, the directors retire by rotation and, being eligible, offer themselves for re-election.

Mr Griffiths left the company in 1997 and received one year's salary as compensation.

W.M. Rushbrooke
Chairman, Remuneration Committee
27th March 1998

Anglo Pacific Group PLC

REPORT OF THE AUDITORS TO THE DIRECTORS OF ANGLO PACIFIC GROUP PLC ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the accounts we have reviewed your statements on pages 8 and 9 concerning the Group's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and the adoption of the going concern basis in preparing the accounts. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43(v), if not otherwise disclosed.

Basis of opinion
We carried out our review having regard to guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or corporate governance procedures nor on the ability of the Group to continue in operational existence.

Opinion
In our opinion, your statements on internal financial controls and on going concern on page 9, have provided the disclosures required by the Listing Rules referred to above and are consistent with the information which came to our attention as a result of our audit work on the accounts.

In our opinion, based on enquiry of certain directors and officers of the company and examination of relevant documents, your statement on page 9 appropriately reflects the Group's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43(j).

Price Waterhouse
Chartered Accountants
Edinburgh
27th March 1998

DIRECTORS' RESPONSIBILITIES

Statement of directors' responsibilities
The directors are required by UK company law to prepare accounts for each financial year that give a true and fair view of the state of affairs of the company and the Group as at the end of the financial year and of the profit or loss of the Group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the accounts for the year ended 31st December 1997. The directors also confirm that applicable accounting standards have been followed and the accounts have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

B.M. Wides
Company secretary
27th March 1998

Anglo Pacific Group PLC

REPORT OF THE AUDITORS TO THE MEMBERS OF ANGLO PACIFIC GROUP PLC

We have audited the accounts on pages 14, 15 and 17 to 32 which have been prepared under the historical cost convention and the accounting policies set out on pages 20 and 21. We have also examined the share option information specified for our review on page 7.

Respective responsibilities of directors and auditors

As described on page 12 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and the Group at 31st December 1997 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse
Chartered Accountants and
Registered Auditors
Edinburgh
27th March 1998

Anglo Pacific Group PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st DECEMBER 1997

	Notes	1997	1996
		£000's	£000's
Turnover	2	4,024	3,281
Cost of sales		(3,828)	(3,664)
Gross profit/(loss)		196	(383)
Administrative expenses		(885)	(1,062)
Exploration and development costs		(125)	(95)
Accelerated depreciation credit	10	1,961	1,022
Royalty income from fixed asset investment		1,018	1,366
Other operating income		66	42
Operating profit	3	2,231	890
Release of provision for fundamental restructuring	15	78	—
Interest receivable		6	9
Interest payable	6	(409)	(433)
Gain on foreign exchange	15	430	—
Profit on ordinary activities before tax	2	2,336	466
Taxation on profit on ordinary activities	7	(294)	(498)
Profit/(loss) for the financial year		2,042	(32)
Profit/(loss) per ordinary share	8	2.44p	(0.04)p

STATEMENT OF CONSOLIDATED RETAINED PROFITS	1997	1996
	£000's	£000's
At 1st January	(6,702)	(6,670)
Profit/(loss) for the financial year	2,042	(32)
Accumulated retained deficit at 31st December	(4,660)	(6,702)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES		1997	1996
		£000's	£000's
Profit/(loss) for the financial year		2,042	(32)
Currency translation gains on foreign currency investments	19	51	38
Total recognised gains and losses relating to the year		2,093	6

All turnover relates to continuing operations and there were no discontinued operations or acquisitions during the year.

The notes on pages 20 to 32 form an integral part of these accounts.

Anglo Pacific Group PLC

CONSOLIDATED BALANCE SHEET
AT 31st DECEMBER 1997

	Notes	1997 £000's	1997 £000's	1996 £000's	1996 £000's
Fixed assets					
Tangible assets	10		8,182		5,901
Investments	11		2,905		2,512
			11,087		8,413
Current assets					
Stocks	12	148		170	
Debtors	13	2,070		1,498	
Cash at bank and in hand		22		38	
		2,240		1,706	
Current liabilities					
Creditors—amounts falling due within one year	14	(3,117)		(2,242)	
Net current liabilities			(877)		(536)
Total assets less current liabilities			10,210		7,877
Long term liabilities					
Creditors—amounts falling due after more than one year	15		(3,590)		(685)
Convertible debt	16		—		(3,500)
Provisions for liabilities and charges	17		(120)		(86)
			6,500		3,606
Capital and reserves					
Called up share capital	18		8,568		8,168
Share premium account	18		2,431		2,030
Foreign currency translation reserve	19		161		110
Profit and loss account—deficit	20		(4,660)		(6,702)
Equity shareholders' funds	21		6,500		3,606

A PRO FORMA CONSOLIDATED BALANCE SHEET IS PRESENTED ON PAGE 16.

The notes on pages 20 to 32 form an integral part of these accounts.

Anglo Pacific Group PLC

PRO FORMA CONSOLIDATED BALANCE SHEET
AT 31st DECEMBER 1997
INCORPORATING VALUATIONS

Incorporating the external valuations of the Ledmore Quarry and the Australian Royalty mentioned in the Chairman's Statement, into the financial statements as at 31st December 1997 gives the position set out below:—

	Statutory accounts £000's	Pro forma adjustments £000's	Total pro forma £000's
Fixed assets			
Tangible assets	8,182	2,900	11,082
Investments	2,905	7,955	10,860
	11,087	10,855	21,942
Net current liabilities	(877)	—	(877)
Total assets less current liabilities	10,210	10,855	21,065
Long term liabilities	(3,710)	—	(3,710)
Net assets	6,500	10,855	17,355
Capital and reserves			
Called up share capital	8,568	—	8,568
Share premium account	2,431	—	2,431
Foreign currency translation reserve	161	—	161
Profit and loss account—deficit	(4,660)	523	(4,137)
Revaluation reserve	—	10,332	10,332
Equity shareholders' funds	6,500	10,855	17,355

The pro forma consolidated balance sheet does not constitute part of the statutory accounts as at 31st December 1997 and is therefore unaudited.

Explanation of pro forma adjustments

—The £2.9 million adjustment to tangible assets represents an increase on the external valuation of the Ledmore Quarry. The profit and loss account deficit is reduced by £523,000 relating to an accelerated depreciation charge in respect of Ledmore recognised in the consolidated financial statements for the year ended 31st December 1995 and the remainder of the increase is included in the revaluation reserve.

—The £7.9 million adjustment to investments represents the difference between the carrying value of the Gordonstone and Crinum coal royalty and the external valuation as at 31st December 1997.

Anglo Pacific Group PLC

BALANCE SHEET
AT 31st DECEMBER 1997

	Notes	1997 £000's	1997 £000's	1996 £000's	1996 £000's
Fixed assets					
Tangible assets	10		117		121
Investment in subsidiary undertakings	11		6,784		6,505
Investments	11		393		—
			7,294		6,626
Current assets					
Debtors	13	72		94	
Current liabilities					
Creditors—amounts falling due within one year	14	(1,592)		(971)	
Net current liabilities			(1,520)		(877)
Total assets less current liabilities			5,774		5,749
Long term liabilities					
Creditors—amounts falling due after more than one year	15		(3,128)		(404)
Convertible debt	16		—		(3,500)
			2,646		1,845
Capital and reserves					
Called up share capital	18		8,568		8,168
Share premium account	18		2,431		2,030
Foreign currency translation reserve			82		67
Profit and loss account—deficit	20		(8,435)		(8,420)
Equity shareholders' funds			2,646		1,845

Approved at a Board Meeting held on 27th March 1998

B.M. Wides Director
P.M. Boycott Director

The notes on pages 20 to 32 form an integral part of these accounts.

Anglo Pacific Group PLC

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31st DECEMBER 1997

	Notes	1997 £000's	1997 £000's	1996 £000's	1996 £000's
Net cash inflow from operating activities			475		503
Returns on investments and servicing of finance					
Interest received		6		9	
Interest paid		(395)		(428)	
Interest paid on finance leases		(14)		(5)	
Net cash outflow from return on investments and servicing of finance			(403)		(424)
Taxation					
Overseas tax paid			(547)		(531)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets	10	(210)		(76)	
Receipts from sales of tangible fixed assets		23		13	
Cash receipts from sale of property and mining interests		53		120	
Purchase of equity investments	11	(393)		—	
Net cash (outflow)/inflow from capital expenditure and financial investment			(527)		57
Net cash outflow before management of liquid resources and financing			(1,002)		(395)
Management of liquid resources			—		—
Financing					
Receipts from issue of share capital	18	800		777	
Capital element of finance lease repayments		(167)		(41)	
Proceeds from borrowings	15	3,500		—	
Repayment of convertible debt	16	(3,500)		—	
Net cash inflow from financing			633		736
(Decrease)/increase in cash			(369)		341

The notes to the Consolidated Cash Flow Statement are on page 19.

The notes on pages 20 to 32 form an integral part of these accounts.

Anglo Pacific Group PLC

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st DECEMBER 1997

1. Reconciliation of operating profit to net cash inflow from operating activities

	1997 £000's	1996 £000's
Operating profit	2,231	890
Depreciation (note 10)	510	795
Accelerated depreciation credit (note 10)	(1,961)	(1,022)
Loss/(gain) on sale of tangible fixed assets	12	(4)
Gain on sale of current asset investments and mining interests	—	(18)
Decrease/(increase) in stocks	22	(49)
(Increase)/decrease in debtors	(572)	318
Increase/(decrease) in creditors	233	(407)
Net cash inflow from operating activities	475	503

2. Reconciliation of net cash flow to movement in net debt

	1997		1996	
	£000's	£000's	£000's	£000's
(Decrease)/increase in cash in the period	(369)		341	
Cash (outflow)/inflow from change in debt and lease financing	(376)		41	
Change in net debt resulting from cash flows		(745)		382
Translation difference, net		430		—
Movement in net debt in the period		(315)		382
Net debt at 1st January		(4,184)		(4,566)
Net debt at 31st December		(4,499)		(4,184)

3. Analysis of net debt

	At 1st January 1997 £000's	Finance lease advances £000's	Cash Flows £000's	Exchange Movement £000's	At 31st December 1997 £000's
Cash in hand, at bank	38	—	(16)	—	22
Overdraft	(717)	—	(353)	—	(1,070)
Leasing and hire purchase within one year	(3)	(299)	168	—	(134)
Leasing and hire purchase after one year	(2)	(247)	2	—	(247)
Borrowings (note 16)	(3,500)	—	—	430	(3,070)
	(4,184)	(546)	(199)	430	(4,499)

The convertible debt at 1st January 1997 was repaid during the year and replaced by other borrowings (note 16).

NOTES TO THE ACCOUNTS

1. **Accounting policies and convention**

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom. A summary of significant accounting policies is set out below. Compliance with SSAP 20 'Foreign Currency Translation' requires the inclusion of unrealised exchange gains on long term monetary items in the profit and loss account, which is a departure from the requirements of the Companies Act 1985. An explanation of the departure is given on page 21.

Turnover

The turnover of the Group comprises the amounts receivable from external customers for goods sold excluding value added tax.

Exploration and development expenditure

Costs of exploration and development are expensed to the profit and loss account up to the stage where a project has received planning and other consents and is considered viable. Costs incurred subsequent to this stage in the development of producing assets are capitalised as tangible fixed assets and depreciated on a unit of production basis.

Fixed asset investments

Investments disclosed as fixed assets in the consolidated balance sheet of the Group comprise interests in producing assets held by a subsidiary company and an equity investment in a mining exploration company.

Investments in subsidiary companies are classified as fixed assets and included in the balance sheet of the Company.

All categories of investment are included at cost unless they are regarded as permanently impaired, where they are included at the lower of cost or valuation.

Advances to subsidiary undertakings are added to fixed asset investments in the Company's accounts.

Tangible fixed assets

Tangible fixed assets are included at cost except that producing assets are included at valuation where this is lower than cost. Assets are depreciated over their estimated useful economic lives. Depreciation rates and methods are set out below:

Producing assets, including land	Unit of production
Fixtures and fittings	4 to 10 years straight line
Plant and machinery	4 to 10 years straight line

Stocks

Stocks of raw materials, consumables and finished goods are valued at the lower of cost and net realisable value. Cost includes direct materials, overheads and labour costs.

NOTES TO THE ACCOUNTS

1. **Accounting policies and convention** (continued)

Taxation

The tax charge is based on the profit for the year adjusted for disallowable items and timing differences to the extent that they are unlikely to result in an actual tax liability in the foreseeable future. Timing differences arise from the recognition for tax purposes of certain items of income and expenditure in a different accounting period from that in which they are recognised in the accounts. The corporation tax effect of timing differences as reduced by the tax benefit of any accumulated losses is treated as a deferred tax liability.

Foreign currency

Assets and liabilities expressed in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions during the year are translated at exchange rates ruling at the date of transaction. Exchange movements arising from the retranslation of the opening net investment in foreign subsidiaries at the year end rate are taken directly to the foreign currency translation reserve.

In accordance with SSAP 20, unrealised exchange gains on the translation of long-term monetary items are credited to the profit and loss account. This is a departure from the requirement of the Companies Act 1985 which only allows profits realised at the balance sheet date to be included in the profit and loss account. Such exchange gains would, therefore, under the Act have to be taken to reserves as they are unrealised. In the opinion of the directors this departure is necessary for the accounts to show a true and fair view in accordance with applicable accounting standards. If this departure from the Act had not been made, the profit for the financial year would have been reduced by £526,000 (1996—£nil).

Leased assets

Fixed assets acquired under finance leases are capitalised and the relating leasing obligations included in creditors.

Rentals under operating leases are charged against income on a straight-line basis over the term of the lease.

Related party transactions

Advantage has been taken of the exemption in Financial Reporting Standard 8 which allows parent companies not to disclose transactions with its wholly owned subsidiary undertakings. Transactions with Anglovaal Group, a former significant shareholder through its subsidiary Mineral & Allied Resources Limited, are set out in notes 4 and 16.

2. **Turnover, profit/(loss) before tax and net operating assets**

The directors consider that the Group's only activity is the exploration, mining and development of industrial minerals. Accordingly all the turnover and the loss before taxation are attributable to this activity.

NOTES TO THE ACCOUNTS

Geographical Analysis

	1997 Turnover £000's	1997 Profit before tax £000's	1996 Turnover £000's	1996 Profit/(loss) before tax £000's
United Kingdom	4,024	1,516	3,281	(904)
Australia	—	820	—	1,370
	4,024	2,336	3,281	466

Net assets

	1997 £000's	1996 £000's
United Kingdom	3,253	1,283
Australia	3,247	2,323
	6,500	3,606

3. **Operating profit**

The operating profit is stated after charging/(crediting):—

	1997 £000's	1996 £000's
Distribution costs	1,629	1,410
Depreciation of tangible fixed assets (note 10)	510	795
Accelerated depreciation credit (note 10)	(1,961)	(1,022)
Charges in respect of assets held under finance leases	14	5
Operating leases—property	36	83
Auditors' remuneration—audit fees (Company—£12,000)	38	32
—non-audit services	69	94

4. **Directors' remuneration**

The emoluments of directors who held office during the years ended 31 December 1997 and 1996:—

	Salary £	Fees £	Benefits £	1997 Total £	1996 Total £
Present Directors					
P.M. Boycott	2,083	31,250	—	33,333	—
H. Michaelis	2,083	31,250	—	33,333	—
W.M. Rushbrooke	—	—	—	—	—
B.M. Wides	2,083	31,250	—	33,333	—
	6,249	93,750	—	99,999	—
Past Directors					
G.N. Kennedy	—	3,000	—	3,000	6,000
O.L. Griffiths	65,000	—	1,979	66,979	69,977
D.D. de Beer	—	2,254	—	2,254	2,333
Earl of Dundonald	18,800	30,250	—	49,050	9,500
Professor D. Miltz	1,041	10,000	—	11,041	2,334
G.J. Robbertze	—	1,560	—	1,560	4,000
R.A.D. Wilson	—	1,560	—	1,560	4,000
P.B. Mackenzie Ross	—	—	—	—	2,925
	84,841	48,624	1,979	135,444	101,069
Total directors' remuneration	91,090	142,374	1,979	235,443	101,069

4. **Directors' remuneration** (continued)

The £65,000 salary paid to O.L. Griffiths was in respect of compensation for loss of office.

The fees in respect of Messrs Robbertze, Wilson and de Beer were payable to the Anglovaal Group, a former significant shareholder.

The directors' interests in shares of the company are set out in the directors' report on page 7. The company did not make either pension contributions on behalf of or performance related awards to any director.

5. **Staff**

	1997 £000's	1996 £000's
Wages and salaries	776	803
Social security costs	67	70
	843	873

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

	1997 Number	1996 Number
Production	18	15
Marketing	3	3
Technical	4	5
Administration	7	10
	32	33

Pensions

The Group operates a defined contribution pension scheme for certain UK-based employees of the Group. The assets of the scheme are held separately from those of the company in an independently administered fund. The Group does not make any pension contributions to the scheme.

6. **Interest payable**

	1997 £000's	1996 £000's
Interest on convertible debt (note 16)	128	368
On bank overdrafts and other loans	267	60
Hire purchase interest	14	5
	409	433

7. **Taxation on profit on ordinary activities**

	1997 £000's	1996 £000's
Overseas corporation tax for the year	260	590
Overseas deferred taxation (note 17)	34	(92)
	294	498

No tax was payable in the United Kingdom in 1997 and 1996 due to losses incurred in the current and prior years.

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

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8. **Profit/(loss) per ordinary share**

The profit per ordinary share is calculated on the Group's profit after tax of £2,042,000 (1996—loss, £32,000) and the weighted average number of shares in issue during the year of 83,686,705 (1996—79,738,063). The exercise of the options would not have a material effect on the earnings per share calculation.

9. **Results of Anglo Pacific Group PLC**

Included in the consolidated profit attributable to the shareholders of Anglo Pacific Group PLC is a loss of £15,000 (1996—£1,822,000), which has been dealt with in the accounts of the holding company. Anglo Pacific Group PLC has taken advantage of the Companies Act dispensation allowing it not to publish a separate profit and loss account.

10. **Tangible assets**

Group

	Producing assets £000's	**Fixtures and fittings** £000's	**Plant and machinery** £000's	**Total** £000's
Cost:				
At 1st January 1997	20,244	114	462	20,820
Transfer	(2,587)	–	2,587	—
Additions	30	36	799	865
Disposals	—	—	(155)	(155)
At 31st December 1997	17,687	150	3,693	21,530
Depreciation:				
At 1st January 1997	14,464	106	349	14,919
Charge for the year	247	13	250	510
Transfer	(1,813)	—	1,813	—
Eliminated on disposals	—	—	(120)	(120)
Reversal of accelerated depreciation	(1,961)	—	—	(1,961)
At 31st December 1997	10,937	119	2,292	13,348
Net book value:				
At 31st December 1997	6,750	31	1,401	8,182
At 31st December 1996	5,780	8	113	5,901

NOTES TO THE ACCOUNTS

10. **Tangible assets** (continued)

Producing assets includes land and buildings with a cost of £2,210,000 and accumulated depreciation of £1,286,658.

The net book value of plant and machinery includes an amount of £457,459 (1996—£Nil) in respect of assets held under finance leases.

The Group's tangible fixed assets are carried at cost less depreciation with the exception of the producing assets at Fife Silica Sands Limited. The producing asset at Fife Silica Sands Limited were valued by Gerald Eve, Property Advisers, as at 31st December 1997 on an open market existing use basis at £6.75 million, excluding producing plant and equipment and net current assets related to the property. The 1997 valuation has been incorporated into the accounts, after transferring the historical cost and accumulated depreciation of the producing plant and equipment from "producing assets" to "plant and machinery". The incorporation of valuations at 31st December has resulted in the partial reversal of the 1995 accelerated depreciation charges as follows:

	1997 £000's	**1996** £000's
Depreciation charge for the year	247	731
Accelerated depreciation—valuation	1,714	150
—working capital effect, net of additions	—	141
	1,961	1,022

As at 31st December 1997, £1,029,000 of the 1995 accelerated depreciation charge remains available for potential reversal through the profit and loss account, if further valuations increase the carrying value of the properties, as follows:

	£000's
Fife Silica Sands	506
Ledmore Marble	523
	1,029

Company	**Fixtures and fittings** £000's	**Plant and equipment** £000's	**Total** £000's
Cost:			
At 1st January 1997	107	258	365
Additions	36	13	49
Disposals	—	(67)	(67)
At 31st December 1997	143	204	347
Depreciation:			
At 1st January 1997	99	145	244
Charge for the year	13	28	41
Eliminated on disposals	—	(55)	(55)
At 31st December 1997	112	118	230
Net book value:			
At 31st December 1997	31	86	117
At 31st December 1996	8	113	121

11. Fixed asset investments

	Group £000's	Company £000's
Cost:		
At 1st January 1997	2,512	—
Additions	393	393
At 31st December 1997	2,905	393

The Group's fixed asset investment at 1st January 1997 comprises the Gordonstone and Crinum coal royalty, stated at cost to the Group. The additions comprise a 5% equity holding in Brancote Holdings PLC ("Brancote") which was acquired for £393,000 on 9th September 1997.

The Company commissioned a valuation of the coal royalty in December 1997 on a discounted cash flow basis which produced a valuation of £10.7 million (A$26 million), a surplus of £8.2 million over its book amount. Were the coal royalty to be realised at the revalued amount there are £12.1 million (A$30.4 million) of capital losses potentially available to offset against taxable gains.

The valuation is not incorporated in the statutory accounts but is reflected in the unaudited pro forma balance sheet on page 16.

Subsequent to the purchase of the holding in Brancote, the market value of the shares has diminished. The directors have not recognised this impairment in the financial statements as they do not consider the decline in the market value of the shares to be permanent. The market value of the shares on 13th March 1998 (the date of the preliminary announcement) was £228,695.

Parent company investment in subsidiary undertakings

	Shares in subsidiary undertakings £000's	Net advances to subsidiary undertakings £000's	Total £000's
Cost:			
At 1st January 1997	21,055	5,179	26,234
Repayment of loan	—	(1,029)	(1,029)
Loans made during the year	—	1,313	1,313
At 31st December 1997	21,055	5,463	26,518
Provisions:			
At 1st January 1997	16,382	3,347	19,729
Provisions made during the year	—	5	5
At 31st December 1997	16,382	3,352	19,734
Net book value:			
At 31st December 1997	4,673	2,111	6,784
At 31st December 1996	4,673	1,832	6,505

NOTES TO THE ACCOUNTS

11. **Fixed asset investments** (continued)

The subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the operations of the Group are shown below. All shareholdings are ordinary shares.

	(a) Country of registration and (b) Principal Country of operation	Principal activity	Proportion of shares held at 31st December 1997
Starmont Holdings Pty Ltd	Australia	Intermediate holding co	100%
Gordon Resources Ltd	Australia	Owner of coal royalty	100%*
Anglo European Minerals Ltd	England	Intermediate holding co	100%
Fife Silica Sands Ltd	Scotland	Extraction and processing of high grade silica sand	100%*
Ledmore Marble Ltd	(a) England (b) Scotland	Mineral exploration and development	100%*
Shetland Talc Ltd	Scotland	Mineral exploration	100%†

* Denotes held by subsidiary company.

† The shares are held jointly by parent and subsidiary company.

The majority of Group's interest in Antrim Perlite Limited, a former subsidiary, was sold in December, 1996 at a gain of £20,000, with 9.9% of the equity being retained. Group advances to this former related party totalled £253,000 (company—£52,000) and are fully provided, although the amounts are potentially recoverable if the new owners successfully develop the resource.

12. **Stocks**

Group

	1997 £000's	1996 £000's
Raw materials and consumables	28	54
Finished goods	120	116
	148	170

13. **Debtors**

	1997		1996	
	Group £000's	Company £000's	Group £000's	Company £000's
Trade debtors	1,549	21	931	—
Other debtors	374	20	293	42
Prepayments	147	31	274	52
	2,070	72	1,498	94

Other debtors at 31st December 1996 include a loan of £2,307 to an officer of the company, which was repaid in 1997.

NOTES TO THE ACCOUNTS

14. Creditors—amounts falling due within one year

	1997		1996	
	Group £000's	Company £000's	Group £000's	Company £000's
Bank overdraft	1,070	809	717	441
Leasing and hire purchase	134	2	3	3
Trade creditors	839	113	215	—
Other taxation and social security payable	181	4	449	6
Other creditors	116	96	65	57
Accruals and deferred income	391	284	526	377
Provision for fundamental restructuring (note 15)	174	72	267	87
Borrowings (note 15)	212	—	—	—
Amounts due to subsidiary undertakings (note 15)	—	212	—	—
	3,117	1,592	2,242	971

The bank overdraft is secured by a full Mortgage Debenture over the assets of Anglo Pacific Group PLC, excluding the Brancote investment, and the Australian subsidiaries.

15. Creditors—amounts falling due after more than one year

	1997		1996	
	Group £000's	Company £000's	Group £000's	Company £000's
Borrowings	2,762	—	—	—
Amounts due to subsidiary undertakings	—	2,762	—	—
Other creditors	215	—	281	—
Leasing and hire purchase	247	—	2	2
Provision for fundamental restructuring	366	366	402	402
	3,590	3,128	685	404

The obligations under finance leases and hire purchase contracts shown above are repayable between one and five years.

Group and Company borrowings

The principal terms of the Group's bank borrowings which were taken out on the 21st May 1997 by Gordon Resources Limited, a subsidiary undertaking, are as follows:

1) The debt is repayable over 5 years with repayments commencing 12 months after the facility is drawn down and was provided by the HongKong Bank of Australia.
2) Interest is payable at a rate of 2.5% above the HongKong Bank of Australia Bill Rate.
3) A fixed and floating charge exists over the assets of Gordon Resources Limited, Alkormy Pty Limited and Starmont Holdings Pty Limited, each of which are subsidiary undertakings.
4) Corporate Guarantees have been given by Alkormy Pty Limited, Starmont Holdings Pty Limited and Anglo Pacific Group PLC.

15. **Creditors—amounts falling due after more than one year** (continued)

Also on 21st May 1997, Gordon Resources Limited advanced the Company A$7.5 million (£3.5 million) with the same repayment and interest terms as set out above. This intercompany loan is unsecured.

The Group and Company have recognised an exchange gain of £526,000 on translation as at 31st December, in accordance with SSAP 20 as explained on page 21. In addition, the Group and Company have recognised a loss of £96,000 on a forward foreign currency exchange contract, purchased as a hedge, in place at 31st December 1997, which was realised subsequent to the year end, giving a net exchange gain of £430,000.

	£000's
Amount due in less than one year	212
Loss on hedge	96
	308
Amounts due in more than one year	2,762
	3,070

Provision for fundamental restructuring

In 1995, the directors conducted a fundamental review of the Group's financial and operational structure. As a result of this review, activities at the Ledmore quarry and head office were significantly reduced. Additionally the carrying value of the fixed and current assets of the Ledmore quarry were written down to their estimated realisable values. In 1997, the directors developed plans to increase operating activity at Ledmore quarry and therefore a portion of the provision has been released. The movement on the provision is analysed as follows:

	1997 £000's
At 1st January	669
Released in the year	(78)
Utilised in the year	(51)
At 31st December	540

16. **Convertible debt**

Group and Company

	£000's
Unsecured Convertible Loan Stock, at 31st December 1996	3,500

The loan stock, which was repaid in full on 21st May 1997, bore interest at 9.5% per annum (1996—9.5% per annum).

NOTES TO THE ACCOUNTS

17. Provision for liabilities and charges

Deferred taxation

	Group £000's
At 1st January 1997	86
Transferred from the profit and loss account (note 7)	34
At 31st December 1997	120

This provision represents the Group's full potential liability to deferred taxation and consists principally of timing differences in Australia. The company has no potential liability to deferred tax.

The Group has tax losses in the region of £1.5 million available for carry forward and offset against future taxable profits. The Group also has capital tax losses in the region of £2.6 million available for offset against capital gains.

18. Called up share capital and share premium

	1997 £000's	1996 £000's
Authorised share capital		
500,000,000 (1996—110,000,000) ordinary shares of 10p each	50,000	11,000
Allotted, called up and fully paid share capital		
85,687,955 (1996 81,680,455) ordinary shares of 10p each	8,568	8,168
Share premium	2,431	2,030

Issue of share capital

On 11th November 1997, the authorised share capital of the company was increased by 390,000,000 shares of 10p each to 500,000,000 shares of 10p. On 1st July 1997, 4,000,000 shares were issued by the company for 20p each, the consideration received by the company was £800,000 comprising share capital of £400,000 and share premium of £400,000. The purpose of the issue was to raise funds for its operations and reduce bank borrowings. Of the 4,000,000 shares issued during the year, 1,998,000 were placed with Standard Bank London Limited and the balance with clients of 12 stockbrokers and banks. During the year options on 7,500 shares were exercised at 14p (raising £1,000 which is included in other debtors).

Share option schemes

During the year no options were granted under the terms of the NS&GO Approved Share Option Scheme. The following shares were under option at the year end;

Period of option	Number of shares subject to option 1997	1996	Price per share
1997-2003	—	15,000	14p
1997-2004	122,500	247,500	32p

A further 132,500 share options lapsed during the year.

Shares under option within the Anglo Pacific Group PLC Unapproved Executive Share Option Scheme at the year end are disclosed within the directors' report.

NOTES TO THE ACCOUNTS

19. **Foreign currency translation reserve**

	Group £000's
At 1st January 1997	110
Arising from retranslation of opening investment in foreign subsidiaries	51
At 31st December 1997	161

20. **Profit and loss account—deficit**

	Group £000's	Company £000's
At 1st January 1997	(6,702)	(8,420)
Profit/(loss) for the financial year	2,042	(15)
At 31st December 1997	(4,660)	(8,435)

As explained in Note 1, £526,000 of the profit for the year ended 31st December 1997 arose on the translation of the Group and Company's foreign currency borrowings which, in accordance with SSAP 20, was properly taken to the Group and Company profit and loss account. This amount is not distributable to shareholders as it has not yet been realised.

21. **Reconciliation of movements in equity shareholders' funds**

	1997 £000's	1996 £000's
Profit/(loss) for the financial year	2,042	(32)
Movement in foreign exchange reserve	51	38
Increase in share capital	400	388
Increase in share premium	401	389
Net increase in shareholders' funds	2,894	783
At 1st January	3,606	2,823
At 31st December	6,500	3,606

NOTES TO THE ACCOUNTS

22. **Financial commitments**

Obligations for capital repayments under finance lease comprise:—

	1997 £000's	1996 £000's
In one year or less	136	3
Between one and five years	247	2
	383	5

Subsidiary undertakings have commitments as detailed below:—

Fife Silica Sands Limited

A bond was granted to Dunfermline District Council for £200,000 in August 1988 relating to the extraction of minerals and the restoration to agricultural use of part of Burrowine Moor, Culross, Fife.

A bond was granted to the Forestry commission for £20,000 in December 1990, in respect of re-instating the site at Burrowine Moor Quarry, Bogside Wood, Devilla.

Ledmore Marble Limited

A bond was granted to the Secretary of State for Scotland for £50,000 in May 1988. The bond is in respect of a prospecting and option agreement to explore and search for minerals at Ledmore Forest, Sutherland.

Shetland Talc Limited

A bond was granted to Shetland Islands Council for £100,000 in September 1990 in respect of the installation of a Talc processing plant at Broonies Taing Sandwick, and the extraction of talc magnesite rock at Catpund, Cunningsburgh.

Anglo Pacific Group PLC

SHAREHOLDER STATISTICS

a) Size of Holding (at 11th March 1998)

Category	Number of Shareholders	%	Number of Shares	%
1– 1,000	712	40.76	457,987	0.53
1,001– 5,000	636	36.40	1,575,761	1.84
5,001–10,000	120	6.87	1,017,347	1.19
10,001–and over	279	15.97	82,636,860	96.44
	1,747	100.00	85,687,955	100.00

b). The percentage of total shares held by or on behalf of the twenty largest shareholders as at 11th March 1998 was 66.76%.

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