

Anglo Pacific Group PLC

Report and Accounts

1999

Anglo Pacific Group PLC

CONTENTS

	<i>Page</i>
Directors and advisers	2
Chairman's review	3
Report of the directors	5
Corporate governance statement	9
Remuneration committee report	12
Reports of the auditors	13
Pro forma consolidated profit and loss account	14
Pro forma balance sheet	14
Consolidated profit and loss account	15
Balance sheets	16
Consolidated cash flow statement	17
Notes to the accounts	19
Shareholder statistics	32

Anglo Pacific Group PLC

DIRECTORS

P.M. BOYCOTT (*Chairman*)
M. CHANARIN
H. MICHAELIS
B.M. WIDES (*Finance Director*)
R.L. WOOD-WARD

SECRETARY

V. SIMMONS

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Registered in England No. 897608

AUDITORS

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Breckenridge House, 274 Sauchiehall Street, Glasgow G2 3EH

BANKERS

BARCLAYS BANK PLC
London Corporate Banking
50 Pall Mall
P.O. Box 15161R
London SW1A 1QA

REGISTRARS

CONNAUGHT
P.O. Box 30
Cresta House
Alna Street, Luton
Bedfordshire LU1 2PU

STOCKBROKERS

BELL LAWRIE WISE SPEKE
48 St Vincent Street
Glasgow G2 5TS

Anglo Pacific Group PLC

Annual Report 1999

CHAIRMAN'S REVIEW

Results

Group profits before tax were £300,000 compared to £895,000 for the previous year after excluding accelerated depreciation, mineral asset write down and provision reversals. Group turnover increased by 3.4% from £4,362,000 to £4,512,000.

We will be paying a dividend on 4th August 2000 of 0.05p net per share to shareholders on the register on 7th July 2000.

The lower results were mainly caused by a substantial drop in coal royalty receipts.

Operational Review

In Australia the Kestrel mine restarted later than expected and, at the Crinum mine, an unusual roof fall held back production.

The extent and quality of the mineral assets at Fife Silica Sands, Ledmore Marble and Shetland Talc have all improved over the year with new planning permissions and the renegotiation of more favourable leases. In the accounts we have written down the book values of these mineral assets by £4 million to more accurately reflect the short-term cashflows.

We have stepped up measures to cut costs in both wet and dry production at Fife Silica Sands in order to lower overall production costs and remain competitive. Interest in our new dried sand products remains positive.

At Ledmore Marble we have launched a number of new products. Recent sales are encouraging.

We propose to sell or jointly develop the Shetland Talc deposit.

Our investment in Brancote Holdings PLC has been particularly successful. We are still a sizeable investor after selling part of our holding at a substantial profit.

I would like to thank our staff and my fellow Directors for their dedication and efforts in what has been a difficult year for the Group. I also welcome Rex Wood-Ward to the Board as a non-executive Director. He brings to the Board a wide range of experience in numerous different businesses both quoted and unquoted. Mike Rushbrooke resigned in December last year for health reasons and I wish to thank him for all his hard work and advice over the years he has been associated with the Group.

Outlook

Both coal mines are now working at full capacity and from 1st April 2000 the royalty rate has increased by 75% to a rate of 7%. Coal prices have generally been lower than last year but volumes are expected to increase this year in line with improving demand in the Asian economy. Indicated receipts from royalties for the first quarter of 2000 are circa A\$1 million. The independent valuation of our coal royalty interests at the year end was A\$68 million or 32p per share.

Your Board has recently formed a new subsidiary called Anglo Digital Limited to which new Directors have been appointed. Henry Hyde-Thomson who is leading the Anglo Digital team is currently Chairman of Speech Machines PLC, the leading speech to text application service provider. He has worked with DERA for the last ten years and has had considerable experience both here and in North America in a number of software, internet and hi-tech businesses.

Anglo Pacific Group PLC

Annual Report 1999

CHAIRMAN'S REVIEW

Anglo Digital's strategy is to develop and licence new technologies in the software, internet, medical and other hi-tech fields from Government Agencies and the Scottish Universities. As soon as market conditions are appropriate, we propose to list Anglo Digital on AIM and offer Anglo Pacific shareholders and Institutions the opportunity to participate directly in this project.

With the expected sharp improvement in our royalty income this year and the addition of the growth opportunities made possible by Anglo Digital, the Board is confident that 2000 will be a successful year for the Group.

P.M. BOYCOTT

Chairman

27th April 2000

Anglo Pacific Group PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31st DECEMBER 1999

The directors present their report together with audited consolidated accounts of the Group for the year ended 31st December 1999.

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 Kestrel (formerly Gordonstone) and Crinum underground mines in Queensland. The Group royalty rate during 1999 was 4% of the Free on Rail value of coal sold from each mine. From 1st April 2000 this rate increases to 7%.

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 the building and construction industry.

Other investments

(a) Shetland Talc Limited, a Group subsidiary, owns a substantial talc deposit in Shetland.

(b) At 31st December 1999 the Group owned 750,000 shares in Brancote Holdings PLC. On 16th March 1999 Brancote had a one for one rights issue at 10p when the Group increased its shareholding to 1,726,000 shares. Subsequent to this the Group sold 976,000 shares. Brancote's main focus is its Argentinian gold properties.

Group results for the year

The consolidated profit and loss account is set out on page 15 of the accounts.

The loss for the year of £3,827,000 was transferred to the profit and loss account deficit brought forward. This was arrived at after a provision for mineral asset write down of £4,000,000.

Dividends

The directors recommend a dividend of 0.05p (1998: 0.1p) per ordinary share to be paid on 4th August 2000 to shareholders on the register at close of business on 7th July 2000.

Directors and their interests

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

P.M. Boycott

M. Chanarin

H. Michaelis

W.M. Rushbrooke (*resigned 22nd December 1999*)

B.M. Wides

R.L. Wood-Ward (*appointed 22nd December 1999*)

Anglo Pacific Group PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31st DECEMBER 1999

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

R.L. Wood-Ward was appointed to the board on 22nd December 1999. His 30 years of business experience encompass general management, mergers and acquisitions and corporate finance. He has served as a director of South African and UK listed companies and is currently a non-executive director of a number of public companies listed on the Australian Stock Exchange.

The beneficial interests of the directors in office at 31st December 1999 in the share capital of the company are as follows:—

Director	Number of Ordinary Shares	
	31st December 1999	31st December 1998
P.M. Boycott	1,929,810	1,679,810
M. Chanarin	250,000	250,000
H. Michaelis	1,964,000	1,884,000
B.M. Wides	2,440,895	2,164,695
R.L. Wood-Ward	—	—

No director had any other 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.

Share Option Scheme

The following directors in office at 31st December 1999 held options to subscribe for Ordinary Shares in the company, under The Anglo Pacific Group PLC Unapproved Executive Share Option Scheme:—

	No. of Shares		Exercisable between	Exercise price
	1999	1998		
P.M. Boycott	420,000	—	13/10/02–13/10/06	23.5p
	30,000	—	13/10/04–13/10/06	23.5p
	500,000	500,000	10/12/00–10/12/04	18p
	500,000	500,000	10/12/02–10/12/04	18p
H. Michaelis	500,000	500,000	10/12/00–10/12/04	18p
	500,000	500,000	10/12/02–10/12/04	18p
B.M. Wides	420,000	—	13/10/02–13/10/06	23.5p
	30,000	—	13/10/04–13/10/06	23.5p
	500,000	500,000	10/12/00–10/12/04	18p
	500,000	500,000	10/12/02–10/12/04	18p
R.L. Wood-Ward	200,000	—	13/10/02–13/10/06	23.5p
	200,000	—	13/10/04–13/10/06	23.5p

Options with an exercise price of 23.5p were granted on 13th October 1999. All other options were granted on 10th December 1997. No options 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 1999 was 22½ p and the range during the year was 12¼ p to 25p.

Anglo Pacific Group PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31st DECEMBER 1999

Issue of Shares

On the 4th May 1999 the Company placed for cash an additional 2,500,000 10p Ordinary Shares, at 16p per share, raising £400,000.

Substantial interests

The Company has been notified of the following interests of 3% or more in the Share Capital of the Company at 6th April 2000:—

	Ordinary Shares of 10p each	Representing
Standard Bank London Ltd	10,012,000	11.51%
Millenium Trust	6,175,000	7.10%
Ransomes Dock Ltd	3,426,000	3.94%
Lattitude Investments Ltd	3,301,598	3.80%

Donations

No donations were made to charities during the year (1998—£1,000).

No political donations were made during the year (1998—nil).

Supplier Payment Policy

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

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

During the year to 31st December 1999 the Company took an average of 86 days to settle its bills with suppliers.

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.

Year 2000

Many computer and digital systems express dates using only the last two digits of the year and may have required modification or replacement to accommodate the year 2000 and beyond.

During 1998 and 1999 the Group reviewed all major production and IT systems and took action, where appropriate, to ensure year 2000 compliance. No significant costs were incurred in modifying or replacing non-compliant equipment or systems. Subsequent to the year end, no problems were encountered with any production or IT systems. The Group continues to be alert to any potential ongoing or future year 2000 issues.

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.

Anglo Pacific Group PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31st DECEMBER 1999

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 1999. 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.

Registered Office:
29 Albemarle Street,
London W1X 3FA

By Order of the Board
V. Simmons
Company secretary
27th April 2000

Anglo Pacific Group PLC

CORPORATE GOVERNANCE STATEMENT

Compliance

The Board confirms that the company complies with the Combined Code published by the Committee on Corporate Governance other than in respect of the areas disclosed in the following report:

The Board of Directors

The Board currently comprises an executive Chairman and Finance Director. In addition there are three non-executive directors. New director appointments are considered formally by the Board. All directors are subject to election by shareholders at the first opportunity after their appointment. The directors do not consider that a separate nomination committee would be beneficial in a group of this size. Directors are able to take both independent professional advice and appropriate training in furtherance of their duties at the company's expense. Individual directors, in conjunction with other Board members, may take training tailored to their own requirements. At this stage due to the size of the Group the Board does not pursue a detailed schedule of areas for training its directors.

The current non-executive directors do not have specific terms of appointment. The Board regularly considers whether these terms should be put in place and may introduce them in the future. 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.

The day to day management of the Group is delegated to the executive directors including the Chairman, save for certain matters reserved for consideration by the Board. There is no specific list of matters for the Board's consideration but the executive directors report and refer to the Board at regular intervals on all matters relating to the running of the Company. All of the non-executive directors are considered by the Board to be independent. Given the size of the Group it is not considered necessary to appoint a separate Chief Executive Officer or senior independent non-executive director.

The Board meets at least six times a year on a planned basis. Each Board member receives monthly trading results. Prior to each meeting, directors are sent an agenda and backup papers on individual agenda items. Directors may request additional Board papers on any topic.

Audit Committee

The company has one executive director and two non-executive directors constituting the audit committee as opposed to the recommended three non-executive directors. Whilst this does not comply with recommended practice 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 under the Combined Code.

The audit committee comprises P.M. Boycott, executive Chairman and two non-executive directors. For the period to 22nd December 1999 the non-executive directors on this committee were W.M. Rushbrooke and M. Chanarin. W.M. Rushbrooke retired on 22nd December 1999 and was replaced by H. Michaelis, also a non-executive director. 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

Anglo Pacific Group PLC

CORPORATE GOVERNANCE STATEMENT

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

The remuneration committee comprises B.M. Wides, Finance Director, and two non-executive directors. For the period to 22nd December 1999 the non-executive directors on this committee were W.M. Rushbrooke and M. Chanarin. Following W.M. Rushbrooke's retirement on 22nd December 1999 H. Michaelis, also a non-executive director, joined this committee. 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.

The remuneration 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.

Relations with Shareholders

The Annual General Meeting (AGM) is used as a forum to communicate with private investors and the Board encourages their participation. Shareholders may ask questions on resolutions proposed at the meeting and about the business in general. The Chairmen of the audit and remuneration committees are available to answer questions. Where appropriate, the Board maintains ongoing contact with institutional shareholders including regular meetings.

Internal Control

The directors are responsible for ensuring that the Group maintains a system of internal controls, including suitable monitoring procedures. Any system of internal control can only provide reasonable, but not absolute assurance, against misstatement or loss.

The internal financial control system is designed to ensure the maintenance of proper accounting records and the reliability of financial information used internally and externally. 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 of 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.

The Group directors and management continually evaluate operational and compliance issues and major business risks. Following the Turnbull working party's guidance, the Board has decided to further enhance its procedures to ensure full compliance with this guidance for the year ending 31st December 2000. The Board therefore adopts the transitional approach permitted by the London Stock Exchange for the year ended 31st December 1999

Anglo Pacific Group PLC

CORPORATE GOVERNANCE STATEMENT

For the year ending 31st December 2000, the Board is implementing a timetable for compliance with the Turnbull guidance. This will include formal identification, evaluation and plans for the management of significant risks. The Board will undertake an assessment of its system of internal control in 2000 and annually thereafter and report on its effectiveness.

Due to the Groups size and the close involvement of its executive directors in operational, financial and risk management and control, there is no formal internal audit function. The Board, however, periodically considers whether such a function should be established.

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.

Anglo Pacific Group PLC

REMUNERATION COMMITTEE REPORT

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 and performance related bonus awards for individuals at the discretion of the committee. During the year, the company started a Group Personal Pension Scheme which all employees and executive directors are eligible to join. Pension scheme assets are held by Scottish Widows and Standard Life.

The Anglo Pacific Group PLC Unapproved Executive Share Option Scheme, was set up during 1997 and continues the Company's policy to incentivise directors by share options rather than market rates of remuneration. Directors' share options at 31st December 1999 are disclosed in the directors' report.

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

The committee confirms that it complies with Section 1 of the Combined Code in determining the company's policy on remuneration of its executive directors, including service contracts and compensation. 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 6.

Service Contracts and Notice Periods

The Chairman and all other executive directors do not have service contracts as they are major investors in the Group. In accordance with the articles of association, the directors retire by rotation and, being eligible, offer themselves for re-election.

H. Michaelis

Chairman, Remuneration Committee

27th April 2000

Anglo Pacific Group PLC

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

We have audited the financial statements on pages 15 to 31 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 19 and 20.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 8 of the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and by 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 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 with the company is not disclosed.

We review whether the statement on pages 9, 10 and 11 reflects the company's compliance with those provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the company's corporate governance procedures or its internal controls.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 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 presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's and the group's affairs as at 31st December 1999 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

HLB Kidsons

Registered Auditors

Chartered Accountants

Glasgow

27th April 2000

Anglo Pacific Group PLC

PRO FORMA CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 1999

Excluding accelerated depreciation credit, mineral asset write down and release of the restructuring provision.

	1999	1998
	£000's	£000's
Operating profit	688	1,226
Profit on ordinary activities before tax	300	895

The above pro forma is presented to assist comparisons with prior year figures.

PRO FORMA CONSOLIDATED BALANCE SHEET AT 31st DECEMBER 1999 INCORPORATING VALUATIONS

Incorporating an external valuation of the Australian royalty interests into the financial statements as at 31st December 1999 gives the position set out below:—

	Statutory accounts	Pro forma adjustments	Total pro forma
	£000's	£000's	£000's
Fixed assets			
Tangible assets	9,273	—	9,273
Investments	2,720	24,918	27,638
	11,993	24,918	36,911
Net current liabilities	(1,519)	—	(1,519)
Total assets less current liabilities	10,474	24,918	35,392
Long term liabilities	(4,206)	—	(4,206)
Net assets	6,268	24,918	31,186
Capital and reserves			
Called up share capital	8,696	—	8,696
Share premium account	2,581	—	2,581
Capital redemption reserve	122	—	122
Revaluation reserve	1,606	24,918	26,524
Foreign currency translation reserve	117	—	117
Profit and loss account—deficit	(6,854)	—	(6,854)
Equity shareholders' funds	6,268	24,918	31,186

Explanation of pro forma consolidated balance sheet adjustments

The £24.9 million adjustment to investments represents the difference between the carrying value of the Kestrel and Crinum coal royalty and an external valuation undertaken by independent professional valuers during December 1999.

Equity shareholders' funds of £31,186,000 represents a value of 35.9p per share.

The pro forma consolidated profit and loss account and balance sheet do not constitute part of the statutory accounts as at 31st December 1999 and are therefore unaudited.

Anglo Pacific Group PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 1999

	Notes	1999 £000's	1998 £000's
Turnover	2	4,512	4,362
Cost of sales		(4,065)	(3,840)
Gross profit		447	522
Administrative expenses		(837)	(696)
Profit on disposal of investments		243	—
Accelerated depreciation credit	10	—	1,029
Royalty income from fixed asset investment		710	1,350
Other operating income		125	50
Operating profit	3	688	2,255
Release of provision for fundamental restructuring	15	135	405
Interest	6	(388)	(372)
Gain on foreign exchange		—	41
Write down of mineral assets	10	(4,000)	—
(Loss)/Profit on ordinary activities before tax	2	(3,565)	2,329
Taxation on (loss)/profit on ordinary activities	7	(219)	(444)
(Loss)/Profit for the financial year		(3,784)	1,885
Dividends		(43)	(84)
Retained (Loss)/Profit for the financial year		(3,827)	1,801
(Loss)/Earnings per ordinary share	8	(4.39)p	2.21p
Diluted (Loss)/Earnings per ordinary share	8	(4.13)p	2.14p
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES		1999	1998
		£000's	£000's
(Loss)/Profit for the financial year		(3,784)	1,885
Increase in revaluation reserve	18	—	1,606
Currency translation (losses) on foreign currency investments	18	(19)	(25)
Total recognised gains and losses relating to the year		(3,803)	3,466

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

**A PRO FORMA CONSOLIDATED PROFIT AND LOSS ACCOUNT
IS PRESENTED ON PAGE 14.**

Anglo Pacific Group PLC

CONSOLIDATED BALANCE SHEET AND COMPANY BALANCE SHEET AT 31st DECEMBER 1999

	Notes	Group		Company	
		1999	1998	1999	1998
		£000's	£000's	£000's	£000's
Fixed assets					
Tangible assets	10	9,273	12,110	110	146
Investment in subsidiary undertakings	11	—	—	14,906	17,957
Investments	11	2,720	2,905	208	393
		<u>11,993</u>	<u>15,015</u>	<u>15,224</u>	<u>18,496</u>
Current assets					
Stocks	12	232	267	—	—
Debtors	13	1,014	1,329	107	58
Cash at bank and in hand		14	19	69	11
		<u>1,260</u>	<u>1,615</u>	<u>176</u>	<u>69</u>
Current liabilities					
Creditors—amounts falling due within one year	14	(2,779)	(2,129)	(622)	(318)
Net current liabilities		<u>(1,519)</u>	<u>(514)</u>	<u>(446)</u>	<u>(249)</u>
Total assets less current liabilities		<u>10,474</u>	<u>14,501</u>	<u>14,778</u>	<u>18,247</u>
Long term liabilities					
Creditors—amounts falling due after more than one year	15	(4,118)	(4,676)	(3,283)	(3,783)
Provisions for liabilities and charges	16	(88)	(111)	—	—
		<u>6,268</u>	<u>9,714</u>	<u>11,495</u>	<u>14,464</u>
Capital and reserves					
Called up share capital	17	8,696	8,446	8,696	8,446
Share premium account	17	2,581	2,431	2,581	2,431
Capital redemption reserve	18	122	122	122	122
Revaluation reserve	18	1,606	1,606	—	—
Foreign currency translation reserve	18	117	136	83	83
Profit and loss account—(deficit)/surplus	19	(6,854)	(3,027)	13	3,382
Equity shareholders' funds	20	<u>6,268</u>	<u>9,714</u>	<u>11,495</u>	<u>14,464</u>

Approved at a Board Meeting held on 27th April 2000.

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

**A PRO FORMA CONSOLIDATED BALANCE SHEET IS PRESENTED
ON PAGE 14.**

Anglo Pacific Group PLC

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st DECEMBER 1999

	Notes	1999		1998	
		£000's	£000's	£000's	£000's
Net cash inflow from operating activities	1		906		2,063
Returns on investments and servicing of finance					
Interest received		2		2	
Interest paid		(310)		(311)	
Interest paid on finance leases		(84)		(34)	
Net cash outflow from return on investments and servicing of finance					
			(392)		(343)
Taxation					
Overseas tax paid		(396)		(260)	
UK Advance corporation tax		—		(11)	
UK Income tax		—		(66)	
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(1,269)		(877)	
Receipts from sales of tangible fixed assets		16		207	
Sale of equity investments		514		—	
Purchase of equity investments		(86)		—	
Net cash outflow from capital expenditure and financial investment					
			(825)		(670)
Equity dividend paid			(84)		—
Net cash (outflow)/inflow before management of liquid resources and financing					
			(791)		713
Management of liquid resources					
			—		—
Financing					
Receipts from issue of share capital		400		—	
Payments to acquire own shares		—		(168)	
Capital element of finance lease repayments		(363)		(230)	
Proceeds from borrowings		—		3,750	
Repayment of borrowings		—		(3,029)	
Net cash inflow from financing					
			37		323
(Decrease)/increase in cash	2		(754)		1,036

The notes to the Consolidated Cash Flow Statement are on page 18.

Anglo Pacific Group PLC

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st DECEMBER 1999

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

	1999	1998
	£000's	£000's
Operating profit	688	2,255
Depreciation (note 10)	408	301
Accelerated depreciation credit (note 10)	—	(1,029)
(Gain)/loss on sale of tangible fixed assets	(271)	43
Decrease/(increase) in stocks	35	(119)
Decrease in debtors	315	717
(Decrease) in creditors	(269)	(105)
Net cash inflow from operating activities	<u>906</u>	<u>2,063</u>

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

	1999	1998
	£000's	£000's
(Decrease)/increase in cash in the period	(754)	1,036
Cash inflow/(outflow) from change in debt and lease financing	54	(1,384)
Change in net debt resulting from cash flows	(700)	(348)
Translation difference, net	—	41
Movement in net debt in the period	(700)	(307)
Net debt at 1st January	(4,806)	(4,499)
Net debt at 31st December	<u>(5,506)</u>	<u>(4,806)</u>

3. Analysis of net debt

	At 1st	Finance		Cash	Exchange	At 31st
	January	lease	Transfers	Flows	Movement	December
	1999	advances	£000's	£000's	£000's	1999
	£000's	£000's				£000's
Cash in hand,						
at bank	19	—	—	(5)	—	14
Overdraft	(31)	—	—	(749)	—	(780)
Leasing and hire purchase within one year	(319)	(67)	(270)	363	—	(293)
Leasing and hire purchase after one year	(725)	(242)	270	—	—	(697)
Borrowings	(3,750)	—	—	—	—	(3,750)
	<u>(4,806)</u>	<u>(309)</u>	<u>—</u>	<u>(391)</u>	<u>—</u>	<u>(5,506)</u>

Anglo Pacific Group PLC

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.

Basis of consolidation

The Group profit and loss account and balance sheet combine the accounts of the company and its subsidiaries.

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 except where a project is ongoing and is considered viable. These costs are considered part of the development of the producing assets and 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. 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.

Anglo Pacific Group PLC

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.

Leased assets

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

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

Pension costs

The Group operates a personal pension scheme. Under this scheme the Group makes contributions to personal pension plans of individual employees. The pension cost charge represents contributions payable by the Group to the fund in respect of the year.

2. Turnover, profit 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 profit before taxation are attributable to this activity.

Geographical Analysis	1999		1998	
	Turnover	(Loss)/Profit before tax	Turnover	Profit before tax
	£000's	£000's	£000's	£000's
United Kingdom	4,512	(4,112)	4,362	1,161
Australia	—	547	—	1,168
	<u>4,512</u>	<u>(3,565)</u>	<u>4,362</u>	<u>2,329</u>
Net assets		1999		1998
		£000's		£000's
United Kingdom		3,749		7,302
Australia		2,519		2,412
		<u>6,268</u>		<u>9,714</u>

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

3. Operating profit	1999	1998
	£000's	£000's
Operating profit is stated after charging/(crediting):—		
Distribution costs	2,154	2,082
Depreciation of tangible fixed assets (note 10)	408	301
Accelerated depreciation credit (note 10)	—	(1,029)
Charges in respect of assets held under finance leases	82	47
Operating leases—plant and machinery	29	22
Auditors' remuneration—audit fees (Company—£14,000)	25	29
—non-audit services	8	16
	<u> </u>	<u> </u>

4. Directors' remuneration

The emoluments of directors who held office during the years ended 31st December 1999 and 1998 were:—

	Salary	Fees	Benefits	1999 Total	1998 Total
	£	£	£	£	£
<i>Present Directors</i>					
P.M. Boycott	44,666	—	2,233	46,899	27,917
M. Chanarin	—	3,120	—	3,120	—
H. Michaelis	13,355	—	956	14,311	18,320
B.M. Wides	44,666	—	2,233	46,899	27,917
R.L. Woodward	—	—	—	—	—
	<u>102,687</u>	<u>3,120</u>	<u>5,422</u>	<u>111,229</u>	<u>74,154</u>
<i>Past Directors</i>					
W.M. Rushbrooke	—	2,650	—	2,650	—
Earl of Dundonald	—	—	—	—	5,833
Professor D. Miltz	—	—	—	—	3,125
	<u>—</u>	<u>2,650</u>	<u>—</u>	<u>2,650</u>	<u>8,958</u>
Total directors' remuneration	<u>102,687</u>	<u>5,770</u>	<u>5,422</u>	<u>113,879</u>	<u>83,112</u>

The directors' interests in shares of the company are set out in the directors' report on page 6. The Company did not make performance related awards to any director.

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

5. Staff

	1999	1998
	£000's	£000's
Wages and salaries	929	822
Social security costs	95	78
Other pension costs	34	—
	<u>1,058</u>	<u>900</u>

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

	1999	1998
	Number	Number
Production	27	23
Marketing	4	3
Technical	6	6
Administration	7	6
	<u>44</u>	<u>38</u>

Pensions

The Group contributes to a personal pension scheme for UK-based employees of the Group. The assets of each personal pension plan are held separately from those of the company in independently administered funds. The Group had accrued pension contributions at 31st December 1999 of £13,800.

6. Interest

	1999	1998
	£000's	£000's
On bank overdrafts and other loans	308	327
Hire purchase interest	82	47
	<u>390</u>	<u>374</u>
Payable	2	2
Receivable	<u>—</u>	<u>—</u>
Net interest payable	<u>388</u>	<u>372</u>

7. Taxation on loss on ordinary activities

	1999	1998
	£000's	£000's
Overseas corporation tax for the year	242	442
Overseas deferred taxation (note 16)	(23)	(9)
UK irrecoverable advance corporation tax	—	11
	<u>219</u>	<u>444</u>

No mainstream corporation tax was payable in the United Kingdom in 1999 and 1998 due to losses incurred in prior years.

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

8. Loss per ordinary share

The loss per ordinary share is calculated on the Group's loss after tax of £3,784,000 (1998—profit of £1,885,000) and the weighted average number of shares in issue during the year of 86,129,622 (1998—85,279,622).

Diluted loss per ordinary share is calculated on a Group loss after tax of £3,741,000 (1998—profit of £1,921,000) and a weighted average number of shares of 90,585,004 (1998—89,813,372).

9. Results of Anglo Pacific Group PLC

Included in the consolidated loss attributable to the shareholders of Anglo Pacific Group PLC is a loss of £3,368,695 (1998—profit of £11,985,000), 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	Fixtures and fittings	Plant and machinery	Total
	£000's	£000's	£000's	£000's
Cost:				
At 1st January 1999	19,265	164	4,946	24,375
Additions	214	5	1,354	1,573
Disposals	—	—	(102)	(102)
Write down	(4,000)	—	—	(4,000)
At 31st December 1999	<u>15,479</u>	<u>169</u>	<u>6,198</u>	<u>21,846</u>
Depreciation:				
At 1st January 1999	9,618	134	2,513	12,265
Charge for the year	10	15	383	408
Eliminated on disposals	—	—	(100)	(100)
At 31st December 1999	<u>9,628</u>	<u>149</u>	<u>2,796</u>	<u>12,573</u>
Net book value:				
At 31st December 1999	<u>5,851</u>	<u>20</u>	<u>3,402</u>	<u>9,273</u>
At 31st December 1998	<u>9,647</u>	<u>30</u>	<u>2,433</u>	<u>12,110</u>

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

11. Fixed asset investments

Investments	Group £000's	Company £000's
Cost:		
At 1st January 1999	2,905	393
Additions	86	86
Disposals	(271)	(271)
At 31st December 1999	<u>2,720</u>	<u>208</u>

The Group's fixed asset investments comprise the Kestrel and Crinum coal royalties and an equity holding in Brancote Holdings PLC ("Brancote"), a company listed on the London AIM market. All fixed asset investments are stated at cost to the Group.

The Company commissioned a valuation of the coal royalty in December 1999 on a discounted cash flow basis which produced a valuation of £27.4 million (A\$67.9 million), a surplus of £24.9 million over the book amount. Were the coal royalty to be realised at the revalued amount there are £12.3 million (A\$30.4 million) of capital losses potentially available to offset against taxable gains.

This valuation is not incorporated in the statutory accounts but is reflected in the unaudited pro forma balance sheet on page 14.

The holding in Brancote is included at 31st December 1999 at a cost of £208,000. Market value at 31st December 1999 was £581,000.

Investment in subsidiary undertakings

	Shares in subsidiary undertakings £000's	Net advances to subsidiary undertakings £000's	Total £000's
Cost:			
At 1st January 1999	18,414	9,391	27,805
Repayments	—	(18)	(18)
Advances	—	967	967
At 31st December 1999	<u>18,414</u>	<u>10,340</u>	<u>28,754</u>
Provisions:			
At 1st January 1999	6,496	3,352	9,848
Provisions made during the year	4,000	—	4,000
At 31st December 1999	<u>10,496</u>	<u>3,352</u>	<u>13,848</u>
Net book value:			
At 31st December 1999	<u>7,918</u>	<u>6,988</u>	<u>14,906</u>
At 31st December 1998	<u>11,918</u>	<u>6,039</u>	<u>17,957</u>

Anglo Pacific Group PLC

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 1999
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.

12. Stocks

Group

	1999 £000's	1998 £000's
Raw materials and consumables	112	121
Finished goods	120	146
	<u>232</u>	<u>267</u>

13. Debtors

	1999		1998	
	Group £000's	Company £000's	Group £000's	Company £000's
Trade debtors	637	22	888	23
Other debtors	283	45	402	21
Prepayments	94	40	39	14
	<u>1,014</u>	<u>107</u>	<u>1,329</u>	<u>58</u>

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

14. Creditors—amounts falling due within one year

	1999		1998	
	Group £000's	Company £000's	Group £000's	Company £000's
Bank overdraft	780	—	31	—
Leasing and hire purchase	293	6	319	6
Trade creditors	819	28	1,064	30
Other taxation and social security payable	142	3	305	3
Other creditors	50	11	28	12
Proposed dividend	43	43	84	84
Accruals and deferred income	183	62	189	74
Provision for fundamental restructuring (note 15)	—	—	15	15
Borrowings (note 15)	469	469	94	94
Amounts due to subsidiary undertakings	—	—	—	—
	<u>2,779</u>	<u>622</u>	<u>2,129</u>	<u>318</u>

The security for the bank overdraft is the same as for the Group's borrowings which are disclosed in note 15.

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

	1999		1998	
	Group £000's	Company £000's	Group £000's	Company £000's
Borrowings	3,281	3,281	3,656	3,656
Amounts due to subsidiary undertakings	—	—	—	—
Other creditors	140	—	175	—
Leasing and hire purchase	697	2	725	7
Provision for fundamental restructuring	—	—	120	120
	<u>4,118</u>	<u>3,283</u>	<u>4,676</u>	<u>3,783</u>

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

Group and Company borrowings

The Group's bank borrowings were taken out on the 21st August 1998. The principal terms of the Group's borrowings are as follows:

- 1) The facility is provided by Barclays Bank and is repayable over 5 years.
- 2) Interest is payable at a rate of 2.15% above Barclays Bank base rate.
- 3) A fixed and floating charge exists over the assets of Anglo Pacific Group PLC, and two subsidiary undertakings—Fife Silica Sands Limited and Ledmore Marble Limited.
- 4) A cross guarantee structure is in place between Fife Silica Sands Limited, Ledmore Marble Limited, Starmont Holdings Pty and Anglo Pacific Group PLC.

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

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

Group borrowings are repayable by instalments as follows:

	1999
	£000's
Within one year	469
One to two years	375
Two to five years	2,906
	<u>3,750</u>

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. During the current year, the directors further developed plans to improve operating activities and the final portion of the provision was released. The movement on the provision is analysed as follows:

	1999
	£000's
At 1st January	135
Released in the year	(135)
	<u>—</u>
At 31st December	<u>—</u>

16. Provision for liabilities and charges

Deferred taxation

	Group
	£000's
At 1st January 1999	111
Transferred from the profit and loss account (note 7)	(23)
	<u>88</u>
At 31st December 1999	<u>88</u>

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 UK tax losses in the region of £5.3 million available for carry forward and offset against future taxable profits. The Group also has UK capital tax losses in the region of £7.9 million available for offset against capital gains. Australian capital losses are disclosed in note 11.

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

17. Called up share capital and share premium

	1999	1998
	£000's	£000's
Authorised share capital		
500,000,000 (1998—500,000,000) ordinary shares of 10p each	50,000	50,000
Allotted, called up and fully paid share capital		
86,962,955 (1998—84,462,955) ordinary shares of 10p each	8,696	8,446
Share premium	1999	1998
	£000's	£000's
At 1st January 1999	2,431	2,431
Movement during the year	150	—
At 31st December 1999	2,581	2,431

2,500,000 Ordinary Shares having a nominal value of £250,000 were issued during the year at a premium of £150,000 for a total cash consideration of £400,000.

Share option schemes

Shares under option to directors in office at 31st December 1999 within the Anglo Pacific Group PLC Unapproved Executive Share Option Scheme are disclosed within the directors' report. The following shares were also under option within this scheme at the year end:

Period of option	Number of shares subject to option	Price per share
2000–2004	500,000	18p
2002–2004	500,000	18p

These options were granted on 10th December 1997.

The Group now operates a further employee share option scheme, The Anglo Pacific Company Share Option Plan, which is open to all Group employees. Options were first granted under this scheme during 1999. 520,255 shares were under option at 31st December 1999.

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	
	1999	1998
1997-2004	nil	30,000

The remaining 30,000 share options lapsed during the year.

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

18. Reserves

Capital redemption reserve

	Group £000's	Company £000's
At 1st January 1999 and 31st December 1999	122	122

Revaluation reserve

	Group £000's	Company £000's
At 1st January 1999 and 31st December 1999	1,606	—

Foreign currency translation reserve

	Group £000's	Company £000's
At 1st January 1999	136	83
Arising from retranslation of opening investment in foreign subsidiaries	(19)	—
At 31st December 1999	117	83

19. Profit and loss account—(deficit)/surplus

	1999		1998	
	Group £000's	Company £000's	Group £000's	Company £000's
At 1st January 1999	(3,027)	3,382	(4,660)	(8,435)
Retained (loss)/profit for the financial year	(3,827)	(3,369)	1,801	11,985
Ordinary shares redeemed	—	—	(168)	(168)
At 31st December 1999	(6,854)	13	(3,027)	3,382

20. Reconciliation of movements in equity shareholders' funds

	1999 £000's	1998 £000's
(Loss)/Profit for the financial year	(3,784)	1,885
Dividends	(43)	(84)
Movement in foreign exchange reserve	(19)	(25)
Increase in share capital	250	—
Increase in share premium	150	—
Increase in revaluation reserve	—	1,606
Ordinary shares redeemed	—	(168)
Net (decrease)/increase in shareholders' funds	(3,446)	3,214
At 1st January	9,714	6,500
At 31st December	6,268	9,714

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

21. Financial commitments

Obligations for capital repayments under finance leases comprise:—

	1999	1998
	£000's	£000's
In one year or less	293	319
Between one and five years	697	726
	<u>990</u>	<u>1,045</u>

Obligations for repayments under operating leases comprise:—

	1999
	£000's
Annual commitments in respect of leases which expire:	
In one year or less	4
Between one and five years	12
	<u>16</u>

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. The amount under bond was increased by the addition of a further bond for £150,000 in November 1999.

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 £10,000 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 6th April 2000)

Category	Number of Shareholders	%	Number of Shares	%
1– 1,000	678	41.6	431,364	0.5
1,001– 5,000	570	35.0	1,398,945	1.6
5,001–10,000	113	6.9	947,441	1.1
10,001–and over	269	16.5	84,185,205	96.8
	<u>1,630</u>	<u>100</u>	<u>86,962,955</u>	<u>100</u>

b) The percentage of total shares held by or on behalf of the twenty largest shareholders as at 6th April 2000 was 73.3%.

