

Anglo Pacific Group PLC

Report and Accounts

2000

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
Report of the auditors	13
Consolidated profit and loss account	14
Balance sheets	15
Consolidated cash flow statement	16
Notes to the accounts	17
Shareholder statistics	31

Anglo Pacific Group PLC

DIRECTORS

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

SECRETARY

J.D. GOLD

REGISTERED OFFICE

29 ALBEMARLE STREET, LONDON W1S 4JB
Registered in England No. 897608

AUDITORS

HLB KIDSONS
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

BREWIN DOLPHIN SECURITIES LIMITED
48 St Vincent Street
Glasgow G2 5TS

Anglo Pacific Group PLC

Annual Report 2000

CHAIRMAN'S REVIEW

Results

Group profits before tax were £2,653,000 compared to £300,000 for the previous year after excluding mineral asset write down, provision reversals and loss on disposal of subsidiaries. Group turnover, including royalties as well as discontinued operations, was £5,124,000 compared to £5,222,000. The retained loss after tax, interest payable and write down of mineral assets and loss on disposal of subsidiaries for the period was reduced to £1,775,000 (1999: £3,827,000 loss).

There will be no dividend this year due to the Group having insufficient distributable reserves.

Operational Review

In Australia, coal royalty receipts from the Kestrel and Crinum mines, operated by Rio Tinto and BHP respectively, increased by 332% to £3,069,000 (1999: £710,000).

The independent valuation of these interests at the year end was A\$72 million, equivalent to about 31p per share, based on a net present value of the pre-tax cashflow discounted at a rate of 7%. Your Board has resolved to change the Group's basis of accounting to reflect this in the Group's balance sheet. These coal royalty interests are now the main continuing business of the Group. At present the net royalty income is taxed in Australia at a rate of 30%. The excess of this valuation over the previous book value has been credited to revaluation reserve. Valuations will take place at each year end with adjustments being made annually to revaluation reserve.

During the year we realised further profits of £724,000 from our investment in Brancote Holdings PLC. At the year end we had a small residual holding which has since been sold. Profits overall from this investment have been in excess of £1 million.

At Ledmore Marble, efforts continue to find a joint venture partner to expand production and augment our marketing effort.

At Shetland Talc, your Board has recently commissioned a report on the deposit and is now actively looking to either sell or joint venture this project.

Anglo Digital continues to receive an increasing number of quality investment propositions through its relationships with Government Agencies and Universities and via its website.

As previously reported to shareholders we sold Fife Silica Sands in September 2000 in order to eliminate trading losses and the need for any further capital expenditure. This resulted in a write down over and above the provisions made last year and in the interim results to 30th June 2000.

Finally, I wish to thank all our staff and my fellow directors for their continued hard work in a challenging year for the Group.

Outlook

Both coal mines in Australia are performing as expected with coal production and coal prices increasing. For the current year, our independent advisers expect the coal royalties, without disruptions, to be in excess of A\$11 million. The Group, which now has ungeared assets valued at £28 million, has, since the year end, repaid all its borrowings and now has cash on deposit.

Anglo Pacific Group PLC

Annual Report 2000

CHAIRMAN'S REVIEW

Whilst it has not been possible to pay a dividend for the year ended 31st December 2000, shareholders will soon be asked to approve a capital reconstruction so that, *inter alia*, dividends could be resumed.

Your Board continues to look for appropriate strategic acquisitions to exploit the Group's increasing coal revenues as well as exploring ways of further strengthening the Group's management.

P.M. BOYCOTT
Chairman
28th March 2001

Anglo Pacific Group PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31st DECEMBER 2000

The directors present their report together with audited consolidated accounts of the Group for the year ended 31st December 2000.

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 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 increased to 7%.

Fife Silica Sands Limited

The Group disposed of the entire issued share capital of Fife Silica Sands Ltd and Fife Resources Ltd (formerly Anglo Pacific Resources Ltd, a mineral lease holding company) to S.C.R.—Sibelco N.V. for £4.3 million on 22nd September 2000.

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.

Anglo Digital Limited

Anglo Digital develops and licences new technologies from government agencies, the universities and its website.

Other investments

- (a) The Group owns a substantial talc deposit in Shetland.
- (b) At 31st December 2000 the Group owned 50,000 shares in Brancote Holdings PLC and 100,000 shares in Hidefield PLC.

Group results for the year

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

The loss for the year of £1,775,000 was transferred to the profit and loss account deficit brought forward. This was arrived at after a loss on disposal of subsidiaries of £3,113,000.

Dividends

The directors do not recommend payment of a dividend (1999: 0.05p).

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
B.M. Wides
R.L. Wood-Ward

The directors who are due to retire by rotation at the next Annual General Meeting are B. M. Wides and H. Michaelis who, being eligible, offer themselves for re-election. The biographical details of these two directors are as follows:

Anglo Pacific Group PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31st DECEMBER 2000

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 a 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.

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

The beneficial interests of the directors in office at 31st December 2000 in the share capital of the Company are as follows:—

Director	Number of Ordinary Shares		
	8th March 2001	31st December 2000	31st December 1999
P.M. Boycott	2,412,810	1,929,810	1,929,810
M. Chanarin	733,000	250,000	250,000
H. Michaelis	2,015,000	1,964,000	1,964,000
B.M. Wides	2,923,895	2,440,895	2,440,895
R.L. Wood-Ward	1,000,000	—	—

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 8th March 2001 and the date of this report.

Share Option Scheme

The following directors in office at 31st December 2000 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
	2000	1999		
P.M. Boycott	420,000	420,000	13/10/02–13/10/06	23.5p
	30,000	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	420,000	13/10/02–13/10/06	23.5p
	30,000	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	200,000	13/10/02–13/10/06	23.5p
	200,000	200,000	13/10/04–13/10/06	23.5p

Anglo Pacific Group PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31st DECEMBER 2000

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 2000 was 16½p and the range during the year was 12½p to 25p.

Substantial interests

The Company has been notified of the following interests of 3% or more in the Share Capital of the Company at 8th March 2001:—

	Ordinary Shares of 10p each	Representing
Millenium Trust	8,100,000	9.31%
Standard Bank London Ltd	6,012,000	6.91%
Ransomes Dock Ltd	3,426,000	3.94%
Lattitude Investments Ltd	3,301,598	3.80%

Development activities

During the year the Group developed a new method of mineral processing which it intends to pursue as a joint venture.

Donations

No donations were made to charities during the year (1999—nil).

No political donations were made during the year (1999—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 2000 the Company took an average of 84 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.

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 2000

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 2000. 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 W1S 4JB

By Order of the Board
J.D. Gold
Company secretary
28th March 2001

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. 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 M. Chanarin and H. Michaelis. The committee meets as required, in particular, prior to the release of the Group's annual audited financial statements.

Remuneration Committee

The remuneration committee comprises B.M. Wides, Finance Director, and two non-executive directors M. Chanarin and H. Michaelis. The principal function of the

Anglo Pacific Group PLC

CORPORATE GOVERNANCE STATEMENT

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 management and executive directors meet on a regular basis to evaluate operational and compliance issues and major business risks and confirm they have reviewed the effectiveness of the system of internal financial controls in place during the year. The executive directors also confirm that the Group's internal control procedures comply with those recommended in the Turnbull report except that management and executive director meetings consider internal control matters under each agenda heading rather than as a single agenda item. The executive directors consider this treatment to be more appropriate to a Group of this size.

Anglo Pacific Group PLC

CORPORATE GOVERNANCE STATEMENT

Due to the close involvement of the executive directors in operational, financial and risk management and control, and also in view of the Group's size, 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. The Company operates 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 2000 are disclosed in the directors' report.

The emoluments, fees and pensions of the directors are set out in note 4 of the accounts. All such remuneration is 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

28th March 2001

Anglo Pacific Group PLC

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

We have audited the financial statements on pages 14 to 30 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 17 and 18.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including, as described on page 8, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority 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 Financial Services Authority, 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 2000 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
28th March 2001

Anglo Pacific Group PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 2000

	Notes	2000 £000's	1999 £000's
Turnover			
Continuing operations		3,215	766
Discontinued operations		1,909	4,456
	2	<u>5,124</u>	<u>5,222</u>
Cost of sales			
Continuing operations		(236)	(117)
Discontinued operations		(1,875)	(3,948)
		<u>(2,111)</u>	<u>(4,065)</u>
Gross profit		<u>3,013</u>	<u>1,157</u>
Continuing operations			
Administrative expenses		(746)	(704)
Profit on disposal of investments		724	243
Other operating income		123	125
Operating profit from continuing operations		<u>3,080</u>	<u>313</u>
Discontinued operations			
Administrative expenses		(139)	(133)
Operating profit from discontinued operations		<u>(105)</u>	<u>375</u>
Total operating profit		2,975	688
Loss on disposal of subsidiaries		(3,113)	—
Release of provision for fundamental restructuring		—	135
Interest	6	(322)	(388)
Write down of mineral assets		(388)	(4,000)
(Loss) on ordinary activities before tax	2, 3	<u>(848)</u>	<u>(3,565)</u>
Taxation on ordinary activities	7	<u>(927)</u>	<u>(219)</u>
(Loss) for the financial year		<u>(1,775)</u>	<u>(3,784)</u>
Dividends		—	(43)
Retained (loss) for the financial year		<u>(1,775)</u>	<u>(3,827)</u>
(Loss) per ordinary share	8	(2.04)p	(4.39)p
Diluted (loss) per ordinary share	8	(2.04)p	(4.39)p
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES			
		2000 £000's	1999 £000's
(Loss) for the financial year		(1,775)	(3,784)
Unrealised revaluation of Australian royalty interests		24,318	—
Realised on disposal of subsidiary		(244)	—
Other fixed asset revaluations		(562)	—
Movement in revaluation reserve		23,512	—
Currency translation (losses) on foreign currency investments		(6)	(19)
		<u>21,731</u>	<u>(3,803)</u>

Anglo Pacific Group PLC

CONSOLIDATED BALANCE SHEET AND COMPANY BALANCE SHEET AT 31st DECEMBER 2000

	Notes	Group		Company	
		2000 £000's	1999 £000's	2000 £000's	1999 £000's
Fixed assets					
Tangible assets	10	1,141	9,273	850	110
Investment in subsidiary undertakings	11	—	—	27,017	14,906
Investments	11	26,840	2,720	10	208
		<u>27,981</u>	<u>11,993</u>	<u>27,877</u>	<u>15,224</u>
Current assets					
Stocks	12	60	232	—	—
Debtors	13	1,672	1,014	118	107
Investments	11	14	—	14	—
Cash at bank and in hand		196	14	193	69
		<u>1,942</u>	<u>1,260</u>	<u>325</u>	<u>176</u>
Current liabilities					
Creditors—amounts falling due within one year	14	(1,469)	(2,779)	(1,163)	(622)
Net current assets/(liabilities)		<u>473</u>	<u>(1,519)</u>	<u>(838)</u>	<u>(446)</u>
Total assets less current liabilities		<u>28,454</u>	<u>10,474</u>	<u>27,039</u>	<u>14,778</u>
Long term liabilities					
Creditors—amounts falling due after more than one year	15	—	(4,118)	—	(3,283)
Provisions for liabilities and charges	16	(455)	(88)	—	—
		<u>27,999</u>	<u>6,268</u>	<u>27,039</u>	<u>11,495</u>
Capital and reserves					
Called up share capital	17	8,696	8,696	8,696	8,696
Share premium account	17	2,581	2,581	2,581	2,581
Capital redemption reserve	18	122	122	122	122
Revaluation reserve	18	25,118	1,606	25,173	—
Foreign currency translation reserve	18	111	117	83	83
Profit and loss account—(deficit)/surplus	19	(8,629)	(6,854)	(9,616)	13
Equity shareholders' funds	20	<u>27,999</u>	<u>6,268</u>	<u>27,039</u>	<u>11,495</u>

Approved at a Board Meeting held on 28th March 2001.

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

Anglo Pacific Group PLC

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st DECEMBER 2000

	2000		1999	
	£000's	£000's	£000's	£000's
Net cash inflow from operating activities		1,022		906
Returns on investments and servicing of finance				
Interest received	1		2	
Interest paid	(289)		(310)	
Interest paid on finance leases	(56)		(84)	
Net cash outflow from returns on investments and servicing of finance		(344)		(392)
Taxation				
Overseas tax paid	(416)		(396)	
UK Income tax	—		—	
		(416)		(396)
Capital expenditure and financial investment				
Payments to acquire tangible fixed assets	(222)		(1,269)	
Receipts from sales of tangible fixed assets	3		16	
Sale of equity investments	918		514	
Purchase of equity investments	(10)		(86)	
Net cash inflow/(outflow) from capital expenditure and financial investment		689		(825)
Acquisitions and disposals				
Disposal of subsidiaries (net of expenses)		3,955		—
Equity dividend paid		(43)		(84)
Net cash inflow/(outflow) before management of liquid resources and financing		4,863		(791)
Management of liquid resources		—		—
Financing				
Receipts from issue of share capital	—		400	
Capital element of finance lease repayments	(1,002)		(363)	
Repayment of borrowings	(2,900)		—	
Net cash (outflow)/inflow from financing		(3,902)		37
Increase/(decrease) in cash		961		(754)

The notes to the Consolidated Cash Flow Statement are in note 22.

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

1. Accounting policies and convention

The accounts have been prepared under the historical cost convention adjusted for revaluations of certain fixed assets 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 royalty income from the Kestrel and Crinum mines and amounts receivable from external customers for goods sold excluding value added tax.

Exploration and development expenditure

Costs of exploring and developing mineral reserves 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 Group's assets and are capitalised as fixed assets and depreciated on a unit of production basis once commercial production commences.

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.

Investments are included at cost or valuation. If an investment is regarded as permanently impaired, it is included at the lower of cost or valuation. The Group's policy for its coal royalty interests is to obtain an independent valuation each financial year end and incorporate this in the accounts. Any valuation movements since the previous year end are taken to the revaluation reserve.

Advances to subsidiary undertakings are included under 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. Deferred taxation is also provided on revaluation surpluses except where these are not expected to be realised in the foreseeable future.

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, (loss)/profit before tax and net operating assets

The directors consider that the Group's main activities with regard to turnover, (loss)/profit or net assets at the current time are the exploration, mining and development of industrial minerals. Accordingly all turnover, (loss)/profit before tax and net assets are attributable to this activity.

Geographical Analysis

	2000		1999	
	Turnover £000's	(Loss)/profit before tax £000's	Turnover £000's	(Loss)/profit before tax £000's
United Kingdom—continuing	146	(499)	56	(487)
—discontinued	1,909	(3,256)	4,456	(3,625)
Australia (royalty income)	3,069	2,907	710	547
	<u>5,124</u>	<u>(848)</u>	<u>5,222</u>	<u>(3,565)</u>
Net assets		2000		1999
		£000's		£000's
United Kingdom—continuing		367		(2,107)
—discontinued		—		5,856
Australia		27,632		2,519
		<u>27,999</u>		<u>6,268</u>

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

3. Loss on ordinary activities	2000	1999
	£000's	£000's
Loss on ordinary activities is stated after charging:—		
Distribution costs	805	2,154
Depreciation of tangible fixed assets (note 10)	343	408
Charges in respect of assets held under finance leases	46	82
Operating leases—property, plant and machinery	22	29
Auditors' remuneration—audit fees (Company—£14,000)	21	25
—non-audit services	43	8
	<u>805</u>	<u>2,696</u>

4. Directors' remuneration

The emoluments of directors who held office during the years ended 31st December 2000 and 1999 were:—

	Salary	Fees	Pension	2000	1999
	£	£	£	Total	Total
				£	£
<i>Present Directors</i>					
P.M. Boycott	28,000	—	2,800	30,800	46,899
M. Chanarin	—	1,000	—	1,000	3,120
H. Michaelis	7,721	—	598	8,319	14,311
B.M. Wides	28,000	—	2,800	30,800	46,899
R.L. Wood-Ward	12,698	—	624	13,322	—
	<u>76,419</u>	<u>1,000</u>	<u>6,822</u>	<u>84,241</u>	<u>111,229</u>
<i>Past Directors</i>					
W.M. Rushbrooke	—	—	—	—	2,650
	—	—	—	—	2,650
Total directors' remuneration	<u>76,419</u>	<u>1,000</u>	<u>6,822</u>	<u>84,241</u>	<u>113,879</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

	2000	1999
	£000's	£000's
Wages and salaries	657	929
Social security costs	59	95
Other pension costs	23	34
	<u>739</u>	<u>1,058</u>

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

	2000	1999
	Number	Number
Production	21	27
Marketing	1	4
Technical	4	6
Administration	9	7
	<u>35</u>	<u>44</u>

At the year end the total number of employees in the Group was 13.

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 2000 of £7,983.

6. Interest

	2000	1999
	£000's	£000's
On bank overdrafts and other loans	277	308
Hire purchase interest	46	82
	<u>323</u>	<u>390</u>
Payable	1	2
Receivable	<u>322</u>	<u>388</u>

7. Taxation on loss on ordinary activities

	2000	1999
	£000's	£000's
Overseas corporation tax for the year	560	242
Overseas deferred taxation (note 16)	367	(23)
	<u>927</u>	<u>219</u>

No mainstream corporation tax was payable in the United Kingdom in 2000 and 1999 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 £1,775,000 (1999—loss of £3,784,000) and the weighted average number of shares in issue during the year of 86,962,955 (1999—86,129,622).

The loss attributable to ordinary shareholders and weighted average number of ordinary shares for the purpose of calculating the diluted loss per ordinary share are the same as those used for basic loss per ordinary share. This is because the exercise of share options would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of FRS 14.

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 £9,629,223 (1999—loss of £3,368,695), 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 2000	15,479	169	6,198	21,846
Additions	21	3	211	235
Disposals	(5,792)	(110)	(5,546)	(11,448)
Revaluation	800	—	—	800
Write down	(1,750)	—	(50)	(1,800)
At 31st December 2000	<u>8,758</u>	<u>62</u>	<u>813</u>	<u>9,633</u>
Depreciation:				
At 1st January 2000	9,628	149	2,796	12,573
Charge for the year	2	14	327	343
Eliminated on disposals	(1,807)	(109)	(2,508)	(4,424)
At 31st December 2000	<u>7,823</u>	<u>54</u>	<u>615</u>	<u>8,492</u>
Net book value:				
At 31st December 2000	<u>935</u>	<u>8</u>	<u>198</u>	<u>1,141</u>
At 31st December 1999	<u>5,851</u>	<u>20</u>	<u>3,402</u>	<u>9,273</u>

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

10. Tangible assets (continued)

The historical cost of producing assets was £8,357,000 (1999—£14,165,000) and accumulated depreciation based thereon would have amounted to £7,827,000 (1999—£11,041,000).

The net book value of plant and machinery includes an amount of £1,840 (1999—£1,294,338) in respect of assets held under finance leases. Depreciation charged in the year on assets held under finance leases included in the charge for the year was £143,642 (1999—£150,423).

The Group's tangible fixed assets are carried at cost less depreciation with the exception of the producing assets at Ledmore Marble Limited and the leases relating to the talc deposit on Shetland held by the parent company. The producing asset at Ledmore Marble Limited is included at Directors valuation of £0.2 million (1999—£1.9 million). The producing asset on Shetland is included at a Directors valuation of £0.8 million (1999—nil) which in 1999 was included in investment in subsidiaries at the same value.

Company	Producing assets £000's	Fixtures and fittings £000's	Plant and machinery £000's	Total £000's
Cost:				
At 1st January 2000	—	161	243	404
Additions	—	1	5	6
Revaluation	800	—	—	800
Disposals	—	(103)	(173)	(276)
At 31st December 2000	<u>800</u>	<u>59</u>	<u>75</u>	<u>934</u>
Depreciation:				
At 1st January 2000	—	141	153	294
Charge for the year	—	15	22	37
Eliminated on disposals	—	(103)	(144)	(247)
At 31st December 2000	<u>—</u>	<u>53</u>	<u>31</u>	<u>84</u>
Net book value:				
At 31st December 2000	<u>800</u>	<u>6</u>	<u>44</u>	<u>850</u>
At 31st December 1999	<u>—</u>	<u>20</u>	<u>90</u>	<u>110</u>

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

11. Fixed asset investments

Investments	Group	Company
	£000's	£000's
At 1st January 2000	2,720	208
Revaluation	24,318	—
Additions	10	10
Disposals	(194)	(194)
Transfer to current asset investments	(14)	(14)
	<u>26,840</u>	<u>10</u>
At 31st December 2000	<u>26,840</u>	<u>10</u>

The Group's fixed asset investments comprise the Kestrel and Crinum coal royalties and an equity holding in Hidefield PLC, a company listed on the London AIM market. The Group's remaining interest in Brancote Holdings PLC has been transferred to current asset investments.

The coal royalty was valued during December 2000 at £26.8 million (A\$ 71.8 million) by Barlow Jonker PTY Limited, mineral advisers, on a net present value of the pre-tax cash flow discounted at a rate of 7%. The net royalty income from this investment is currently taxed in Australia at a rate of 30%. This valuation is incorporated in the accounts and the above revaluation amount represents the difference between the opening carrying value and the external valuation. Were the coal royalty to be realised at the revalued amount there are £11.4 million (A\$ 30.4 million) of capital losses potentially available to offset against taxable gains.

The holding in Hidefield PLC is included at 31st December 2000 at a cost of £10,000. Market value at 31st December 2000 was £12,000.

Investment in subsidiary undertakings

	Shares in subsidiary undertakings	Net advances to subsidiary undertakings	Total
	£000's	£000's	£000's
Cost:			
At 1st January 2000	18,414	10,340	28,754
Revaluation	24,373	—	24,373
Write-off	(1,317)	(6,370)	(7,687)
Repayments	—	(590)	(590)
Advances	—	3,717	3,717
Balance capitalised	6,061	(6,061)	—
Disposal	(6,061)	—	(6,061)
	<u>41,470</u>	<u>1,036</u>	<u>42,506</u>
At 31st December 2000	<u>41,470</u>	<u>1,036</u>	<u>42,506</u>
Provisions:			
At 1st January 2000	10,496	3,352	13,848
Write-off	—	(3,352)	(3,352)
Provisions made during the year	4,193	800	4,993
Disposal	—	—	—
	<u>14,689</u>	<u>800</u>	<u>15,489</u>
At 31st December 2000	<u>14,689</u>	<u>800</u>	<u>15,489</u>
Net book value:			
At 31st December 2000	<u>26,781</u>	<u>236</u>	<u>27,017</u>
At 31st December 1999	<u>7,918</u>	<u>6,988</u>	<u>14,906</u>

During the year, the Company disposed of two subsidiaries, Fife Silica Sands Ltd and Fife Resources Ltd (formerly Anglo Pacific Resources Ltd) for a total consideration of £4.3 million.

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 2000
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%
Anglo Digital Ltd	England	Investment company	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

	2000 £000's	1999 £000's
Raw materials and consumables	13	112
Work in progress	8	—
Finished goods	39	120
	<u>60</u>	<u>232</u>

13. Debtors

	2000		1999	
	Group £000's	Company £000's	Group £000's	Company £000's
Trade debtors	39	19	637	22
Other debtors (including royalty debtors)	1,609	79	283	45
Prepayments	24	20	94	40
	<u>1,672</u>	<u>118</u>	<u>1,014</u>	<u>107</u>

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

14. Creditors—amounts falling due within one year

	2000		1999	
	Group £000's	Company £000's	Group £000's	Company £000's
Bank overdraft	1	—	780	—
Leasing and hire purchase	2	2	293	6
Trade creditors	170	156	819	28
Other taxation and social security payable	267	2	142	3
Other creditors	20	12	50	11
Proposed dividend	—	—	43	43
Accruals and deferred income	159	141	183	62
Borrowings	850	850	469	469
	<u>1,469</u>	<u>1,163</u>	<u>2,779</u>	<u>622</u>

Group and Company borrowings

The Group's bank borrowings were restructured following the sale of Fife Silica Sands Ltd.

The principal terms of the Group's current borrowings are as follows:

- (1) The facility is provided by Barclays Bank and the balance outstanding at the year end is due for repayment within one year.
- (2) Interest is charged at 2.2% above Barclays Bank base rate.
- (3) At 31st December 2000 a cross guarantee and debenture structure was in place between Anglo Pacific Group PLC, Starmont Holdings Pty, Ledmore Marble Ltd and Shetland Talc Ltd.

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

	2000		1999	
	Group £000's	Company £000's	Group £000's	Company £000's
Borrowings	—	—	3,281	3,281
Other creditors	—	—	140	—
Leasing and hire purchase	—	—	697	2
	<u>—</u>	<u>—</u>	<u>4,118</u>	<u>3,283</u>

16. Provision for liabilities and charges

Deferred taxation

	Group £000's
At 1st January 2000	88
Transferred from the profit and loss account (note 7)	367
At 31st December 2000	<u>455</u>

This provision represents the Group's full potential liability to deferred taxation with the exception of any potential liability arising from the revaluation of the Australian coal royalty 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 £5.6 million available for carry forward and offset against future taxable profits. The Group also has UK capital tax losses in the region of £12.4 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

	2000	1999
	£000's	£000's
Authorised share capital		
500,000,000 (1999—500,000,000) ordinary shares of 10p each	50,000	50,000
	<u>50,000</u>	<u>50,000</u>
Allotted, called up and fully paid share capital		
86,962,955 (1999—86,962,955) ordinary shares of 10p each	8,696	8,696
	<u>8,696</u>	<u>8,696</u>
	2000	1999
	£000's	£000's
Share premium		
At 1st January 2000	2,581	2,431
Movement during the year	—	150
	<u>2,581</u>	<u>2,581</u>
At 31st December 2000	<u>2,581</u>	<u>2,581</u>

Share option schemes

Shares under option to directors in office at 31st December 2000 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	Date of grant	Number of shares subject to option	Exercise price per share
2000–2004	10/12/97	500,000	18p
2002–2004	10/12/97	500,000	18p
2005–2007	24/02/00	400,000	25p

The Group 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. 465,132 shares were under option at 31st December 2000.

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

18. Reserves

Capital redemption reserve

	Group £000's	Company £000's
At 1st January 2000 and 31st December 2000	<u>122</u>	<u>122</u>

Revaluation reserve

	Group £000's	Company £000's
At 1st January 2000	1,606	—
Unrealised revaluation of Australian royalty interests	24,318	24,373
Realised on disposal of subsidiary	(244)	—
Other fixed asset revaluations	(562)	800
At 31st December 2000	<u>25,118</u>	<u>25,173</u>

Foreign currency translation reserve

	Group £000's	Company £000's
At 1st January 2000	117	83
Arising from retranslation of opening investment in foreign subsidiaries	(6)	—
At 31st December 2000	<u>111</u>	<u>83</u>

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

	2000		1999	
	Group £000's	Company £000's	Group £000's	Company £000's
At 1st January 2000	(6,854)	13	(3,027)	3,382
Retained (loss) for the financial year	<u>(1,775)</u>	<u>(9,629)</u>	<u>(3,827)</u>	<u>(3,369)</u>
At 31st December 2000	<u>(8,629)</u>	<u>(9,616)</u>	<u>(6,854)</u>	<u>13</u>

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

20. Reconciliation of movements in equity shareholders' funds

	2000	1999
	£000's	£000's
(Loss) for the financial year	(1,775)	(3,784)
Dividends	—	(43)
Movement in foreign exchange reserve	(6)	(19)
Increase in share capital	—	250
Increase in share premium	—	150
Increase in revaluation reserve	23,512	—
Net increase/(decrease) in shareholders' funds	21,731	(3,446)
At 1st January	6,268	9,714
At 31st December	<u>27,999</u>	<u>6,268</u>

21. Financial commitments

Obligations for capital repayments under finance leases comprise:—

	2000	1999
	£000's	£000's
In one year or less	2	293
Between one and five years	—	697
	<u>2</u>	<u>990</u>

Obligations for repayments under operating leases comprise:—

	2000
	£000's
Annual commitments in respect of leases which expire:	
In one year or less	5
Between one and five years	12
	<u>17</u>

Subsidiary undertakings have commitments as detailed below:—

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

NOTES TO THE ACCOUNTS

22. Cash flow notes

(i) Reconciliation of operating profit to net cash inflow from operating activities

	2000 £000's	1999 £000's
Operating profit	2,975	688
Depreciation (note 10)	343	408
(Gain) on sale of tangible fixed assets	(660)	(271)
(Decrease)/increase in stocks	(180)	35
(Increase)/decrease in debtors	(1,134)	315
(Decrease) in creditors	(322)	(269)
Net cash inflow from operating activities	<u>1,022</u>	<u>906</u>

(ii) Reconciliation of net cash flow to movement in net debt

	2000 £000's	1999 £000's
Increase/(decrease) in cash in the period	961	(754)
Cash outflow from change in debt and lease financing	3,888	54
Change in net debt resulting from cash flows	4,849	(700)
Translation difference, net	—	—
Movement in net debt in the period	4,849	(700)
Net debt at 1st January	(5,506)	(4,806)
Net debt at 31st December	<u>(657)</u>	<u>(5,506)</u>

(iii) Analysis of net debt

	At 1st January 2000 £000's	Finance lease advances £000's	Transfers £000's	Cash Flows £000's	At 31st December 2000 £000's
Cash in hand, at bank	14	—	—	182	196
Overdraft	(780)	—	—	779	(1)
Leasing and hire purchase within one year	(293)	(3)	(2)	296	(2)
Leasing and hire purchase after one year	(697)	(11)	2	706	—
Borrowings	(3,750)	—	—	2,90	(850)
	<u>(5,506)</u>	<u>(14)</u>	<u>—</u>	<u>4,863</u>	<u>(657)</u>

Since the year end, borrowings have been repaid.

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

22. Cash flow notes (continued)

(iv) Effect of disposal of subsidiaries

	2000
	£000's
Fixed assets	6,997
Working capital	304
Cash and cash equivalents	—
Provisions	(78)
Revaluation reserve	(244)
Disposal expenses not paid yet	89
(Loss) on disposal	<u>(3,113)</u>
Net disposal consideration:—	
Cash	<u>3,955</u>

Cash sale proceeds of £4,298,000 less disposal expenses paid of £343,000 give net disposal consideration of £3,955,000.

Anglo Pacific Group PLC

SHAREHOLDER STATISTICS

a) Size of Holding (at 26th February 2001)

Category	Number of Shareholders	%	Number of Shares	%
1– 1,000	666	41.0	425,492	0.5
1,001– 5,000	570	35.1	1,401,527	1.6
5,001–10,000	111	6.8	940,202	1.1
10,001–and over	278	17.1	84,195,734	96.8
	<u>1,625</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 26th February 2001 was 72.8%.

