

Anglo Pacific Group PLC

Report and Accounts

2001

Anglo Pacific Group PLC

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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

BAKER TILLY
(formerly 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 ST. MICHAELS LIMITED
P.O. Box 30
Cresta House
Alma Street, Luton
Bedfordshire LU1 2PU

STOCKBROKERS

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

Anglo Pacific Group PLC

Annual Report 2001

CHAIRMAN'S REVIEW

Results

Group profits before tax were £3,545,000 compared to a loss of £848,000 for the previous year. Group turnover on continuing businesses increased by 28% to £4,120,000 (2000—£3,215,000). The profit after tax and minority interests was £2,459,000 compared to a loss of £1,775,000.

It was not possible to pay a dividend for the year ended 31st December 2001 due to the relevant Special Resolutions not being passed at the Company's Annual General Meeting in June 2001. At the appropriate time, it is the Board's intention to again ask shareholders to approve a capital reconstruction so that, *inter alia*, dividends can be resumed.

Operational Review

In Australia, coal royalty receipts from the Kestrel and Crinum mines, operated by Rio Tinto and BHP respectively, increased by 28% to £3,942,000 (2000—£3,069,000).

The independent valuation of these interests at the year end was A\$88 million, equivalent to about 36p per share, based on the net present value of the pre-tax cashflow discounted at a rate of 7%. The net royalty income is taxed in Australia at a rate of 30%. Your Board resolved last year to incorporate the revaluation each year in the Group's balance sheet. The excess of this valuation over last year's value has been credited to revaluation reserve.

As reported in our quarterly cashflow reports, the Queensland Government on 1st January 2002 changed the basis of calculation for the coal royalties to 7% on gross sales less port and related charges without deduction of railage. This resulted in a further uplift in the royalty receipts after the increase from 4% to 7% in April 2000, which contributed to the increased valuation.

During the year the Group sold the final tranche of Brancote Holdings PLC shares realising a profit of £92,000.

In November 2001 the Group sold its 50.1% interest in Anglo Digital to management realising a profit on sale of £229,000.

During the year the Group acquired in Canada, at little cost, substantial additional coal interests. Your Company now has a 50% interest in the Groundhog and Peace River coal deposits in British Columbia. The cost of holding these interests is minimal. There has been a change in the political climate in British Columbia due to the recent election of a Liberal Government pledged to re-invigorate the Provincial resource sector. It is the Board's intention to develop these resources by negotiating a carried interest with a major joint venture partner at the appropriate time.

At Ledmore, output is now concentrated on high value products whilst efforts continue to either find a joint venture partner or sell the business.

The Board continues to look to either sell or joint venture the Shetland Talc project.

I want to thank all our staff and my fellow Directors for their continued hard work and support.

Outlook

Coking coal prices are ahead of 2001 levels whilst thermal coal prices are off the higher levels reached in 2001. The Group's two coal mines in Australia are performing as expected with the production ratio of coking to thermal coal being approximately four to one.

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CHAIRMAN'S REVIEW

With currently over £2.5 million in the bank and with no borrowings or long term debt, the Group has a strong balance sheet and continues to enjoy a substantial coal royalty cashflow.

As a focus for the Group's future development, your Board continues to evaluate potential acquisitions in the mining and energy sectors, particularly in Australia and North America.

P.M. BOYCOTT
Chairman
12th April 2002

Anglo Pacific Group PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31st DECEMBER 2001

The directors present their report together with audited consolidated accounts of the Group for the year ended 31st December 2001.

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 2001 remained at 7% of the Free on Rail value of coal sold from each mine. From 1st January 2002, this basis of calculation was amended to the invoiced value of the coal, without deduction for any costs pertaining to rail and road freight, or any other costs incurred in relation to the sale or disposal of the coal other than port and related charges.

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 developed and licensed new technologies from government agencies, the universities and its website. During the year, Anglo Digital raised £200,000 by the issue of additional shares to Mr Jon Moulton (25%) and existing management (25%), reducing the Group's interest to 50.1%. The Group subsequently disposed of its shareholding to management on 2nd November 2001.

Other investments

- (a) The Group owns a substantial talc deposit in Shetland.
- (b) At 31st December 2001 the Group owned 100,000 shares in Hidefield PLC having realised a further profit of £92,000 on the sale of its final tranche of Brancote Holdings PLC shares.
- (c) The Group acquired a 50% interest in the Groundhog and Peace River Coal deposits in British Columbia.

Group results for the year

The consolidated profit and loss account is set out on page 13 of the accounts.

The profit for the year of £2,459,000 was transferred to the profit and loss account deficit brought forward. This was arrived at after a profit on disposal of subsidiaries of £229,000.

Dividends

The directors do not recommend payment of a dividend (2000—NIL).

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

Anglo Pacific Group PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31st DECEMBER 2001

The directors who are due to retire by rotation at the next Annual General Meeting are P.M. Boycott and R.L. Wood-Ward who, being eligible, offer themselves for re-election. The biographical details of these two directors are as follows:—

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

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 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 2001 in the share capital of the Company are as follows:—

Director	Number of Ordinary Shares		
	14th March 2002	31st December 2001	31st December 2000
P.M. Boycott	2,412,810	2,412,810	1,929,810
M. Chanarin	733,000	733,000	250,000
H. Michaelis	1,520,000	2,015,000	1,964,000
B.M. Wides	2,923,895	2,923,895	2,440,895
R.L. Wood-Ward	1,000,000	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 14th March 2002 and the date of this report.

Share Option Scheme

The following directors in office at 31st December 2001 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
	2001	2000		
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	10/12/00–10/12/04	18p
	500,000	500,000	10/12/02–10/12/04	18p
H. Michaelis	—	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	10/12/00–10/12/04	18p
	500,000	500,000	10/12/02–10/12/04	18p

Anglo Pacific Group PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31st DECEMBER 2001

	No. of Shares		Exercisable between	Exercise price
	2001	2000		
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

During the year directors options on 1,500,000 Ordinary Shares lapsed.

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 2001 was 25¹/₄p and the range during the year was 16¹/₂p to 25¹/₂p.

Substantial interests

The Company has been notified of the following interests of 3% or more in the share capital of the Company at 14th March 2002:—

	Ordinary Shares of 10p each	Representing
Millenium Trust	8,100,000	9.31%
Ransomes Dock Ltd	3,426,000	3.94%
Lattitude Investments Ltd	3,301,598	3.80%
Gensec Ireland Ltd	3,000,000	3.45%

Donations

No donations were made to charities during the year (2000—nil).

No political donations were made during the year (2000—nil).

Supplier Payment Policy

The Group'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 2001 the Group took an average of 70 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 2001

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 2001. 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
12th April 2002

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 reappointed 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 Board believes 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 committee is to determine the policy on remuneration for its executive directors, senior management and company secretary, including their service contracts, salaries, benefits

Anglo Pacific Group PLC

CORPORATE GOVERNANCE STATEMENT

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 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 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.

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 money purchase 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 2001 are disclosed in the directors' report.

The emoluments, fees and pensions of the directors are set out in note 4 to 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 to the accounts. Details of the directors' share ownership and options are set out in the Directors' Report on pages 6 and 7.

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 Company's Memorandum and Articles of Association, the directors retire by rotation and, being eligible, offer themselves for re-election.

H. Michaelis

Chairman, Remuneration Committee

12th April 2002

Anglo Pacific Group PLC

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF ANGLO PACIFIC GROUP PLC

We have audited the accounts on pages 13 to 30 of Anglo Pacific Group PLC for the year ended 31st December 2001. These accounts have been prepared under the historical cost convention adjusted for revaluation of certain fixed assets and the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and accounts in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, 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 Group is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance or its risks and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited accounts. This other information comprises only the Chairman's Review, the Directors' Report, the Statement on Corporate Governance and the Remuneration Committee Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2001 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Baker Tilly

Registered Auditors

Chartered Accountants

Glasgow

12th April 2002

Anglo Pacific Group PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 2001

	Notes	2001 £000's	2000 £000's
Turnover			
Continuing operations		4,120	3,215
Discontinued operations		5	1,909
	2	<u>4,125</u>	<u>5,124</u>
Cost of sales			
Continuing operations		(210)	(236)
Discontinued operations		—	(1,875)
		<u>(210)</u>	<u>(2,111)</u>
Gross profit		<u>3,915</u>	<u>3,013</u>
Continuing operations			
Administrative expenses	3	(612)	(746)
Profit on disposal of investments		92	724
Other operating income	3	100	123
Operating profit from continuing operations		<u>3,490</u>	<u>3,080</u>
Discontinued operations			
Administrative expenses		(118)	(139)
Operating (loss) from discontinued operations		<u>(113)</u>	<u>(105)</u>
Total operating profit		3,377	2,975
Profit/(loss) on disposal of subsidiaries		229	(3,113)
Interest received/(paid)	6	38	(322)
Write down of assets		(99)	(388)
Profit/(loss) on ordinary activities before tax	2, 3	3,545	(848)
Taxation on ordinary activities	7	(1,118)	(927)
Profit/(loss) for the financial year		2,427	(1,775)
Minority Interests		32	—
Retained profit/(loss) for the financial year		<u>2,459</u>	<u>(1,775)</u>
Earnings per share	8	2.83p	(2.04)p
Diluted earnings per share	8	2.76p	(2.04)p
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES		2001	2000
		£000's	£000's
Profit/(loss) for the financial year		2,459	(1,775)
Unrealised revaluation of Australian royalty interests		4,156	24,318
Realised on disposal of subsidiary		—	(244)
Other fixed asset revaluations		—	(562)
Movement in revaluation reserve		4,156	23,512
Currency translation (losses) on foreign currency investments		(54)	(6)
		<u>6,561</u>	<u>21,731</u>

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CONSOLIDATED BALANCE SHEET AND COMPANY BALANCE SHEET AT 31st DECEMBER 2001

	Notes	Group		Company	
		2001 £000's	2000 £000's	2001 £000's	2000 £000's
Fixed assets					
Tangible assets	10	1,009	1,141	834	850
Investment in subsidiary undertakings	11	—	—	30,538	27,017
Investments	11	30,990	26,840	3	10
		<u>31,999</u>	<u>27,981</u>	<u>31,375</u>	<u>27,877</u>
Current assets					
Stocks	12	121	60	—	—
Debtors	13	980	1,672	202	118
Investments		—	14	—	14
Cash at bank and in hand		2,212	196	31	193
		<u>3,313</u>	<u>1,942</u>	<u>233</u>	<u>325</u>
Current liabilities					
Creditors—amounts falling due within one year	14	(535)	(1,469)	(117)	(1,163)
Net current assets/(liabilities)		<u>2,778</u>	<u>473</u>	<u>116</u>	<u>(838)</u>
Total assets less current liabilities		<u>34,777</u>	<u>28,454</u>	<u>31,491</u>	<u>27,039</u>
Long term liabilities					
Provisions for liabilities and charges	15	(217)	(455)	—	—
		<u>34,560</u>	<u>27,999</u>	<u>31,491</u>	<u>27,039</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	29,274	25,118	29,329	25,173
Foreign currency translation reserve	18	57	111	83	83
Profit and loss account (deficit)	19	(6,170)	(8,629)	(9,320)	(9,616)
Equity shareholders' funds	20	<u>34,560</u>	<u>27,999</u>	<u>31,491</u>	<u>27,039</u>

Approved at a Board Meeting held on 12th April 2002.

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

Anglo Pacific Group PLC

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st DECEMBER 2001

	2001		2000	
	£000's	£000's	£000's	£000's
Net cash inflow from operating activities		3,865		1,022
Returns on investments and servicing of finance				
Interest received	49		1	
Interest paid	(10)		(289)	
Interest paid on finance leases	(1)		(56)	
Net cash inflow/(outflow) from returns on investments and servicing of finance		38		(344)
Taxation				
Overseas tax paid	(1,199)		(416)	
UK Income tax	—		—	
		(1,199)		(416)
Capital expenditure and financial investment				
Payments to acquire tangible fixed assets	(32)		(222)	
Receipts from sales of tangible fixed assets	37		3	
Sale of equity investments	106		918	
Purchase of equity investments	(2)		(10)	
Net cash inflow from capital expenditure and financial investment		109		689
Acquisitions and disposals				
Disposal of subsidiaries (net of expenses)		56		3,955
Equity dividend paid		—		(43)
Net cash inflow before management of liquid resources and financing		2,869		4,863
Management of liquid resources		—		—
Financing				
Capital element of finance lease repayments	(2)		(1,002)	
Repayment of borrowings	(850)		(2,900)	
Net cash (outflow) from financing		(852)		(3,902)
Increase in cash		<u>2,017</u>		<u>961</u>

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, work in progress 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 money purchase group 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/(loss) before tax and net operating assets

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

Geographical Analysis

	2001		2000	
	Turnover	Profit/(loss) before tax	Turnover	(Loss)/profit before tax
	£000's	£000's	£000's	£000's
United Kingdom—continuing	178	(272)	146	(499)
—discontinued	5	116	1,909	(3,256)
Australia (royalty income)	3,942	3,701	3,069	2,907
	<u>4,125</u>	<u>3,545</u>	<u>5,124</u>	<u>(848)</u>

Net assets

	2001	2000
	£000's	£000's
United Kingdom	1,279	367
Australia	33,281	27,632
	<u>34,560</u>	<u>27,999</u>

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

3. Profit/(loss) on ordinary activities	2001	2000
	£000's	£000's
Profit/(loss) on ordinary activities is stated after charging:—		
Distribution costs	63	805
Depreciation of tangible fixed assets (note 10)	37	343
Charges in respect of assets held under finance leases	2	46
Operating leases—property, plant and machinery	15	22
Auditors' remuneration—audit fees (Company—£15,000)	18	21
—non-audit services	13	43
	<u>13</u>	<u>43</u>

Operating income and administrative expenses include £96,000 (2000—£113,000) which is a recharge of rent paid.

4. Directors' remuneration

The emoluments of directors who held office during the years ended 31st December 2001 and 2000 were:—

	Salary	Fees	Pension	2001	2000
	£	£	£	Total	Total
	£	£	£	£	£
P.M. Boycott	28,000	—	1,400	29,400	30,800
M. Chanarin	—	9,300	—	9,300	1,000
H. Michaelis	13,079	—	844	13,923	8,319
B.M. Wides	28,000	—	1,400	29,400	30,800
R.L. Wood-Ward	12,733	—	990	13,723	13,322
Total directors' remuneration	<u>81,812</u>	<u>9,300</u>	<u>4,634</u>	<u>95,746</u>	<u>84,241</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

	2001	2000
	£000's	£000's
Wages and salaries	238	657
Social security costs	21	59
Other pension costs	9	23
	<u>268</u>	<u>739</u>

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

	2001	2000
	Number	Number
Production	2	21
Marketing	1	1
Technical	—	4
Administration	7	9
	<u>10</u>	<u>35</u>

At the year end the total number of employees in the Group was 7.

Pensions

The Group contributes to a money purchase group 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 2001 of £5,223.

6. Interest

	2001	2000
	£000's	£000's
On bank overdrafts and other loans	10	277
Hire purchase interest	1	46
	<u>11</u>	<u>323</u>
Payable	(49)	(1)
Receivable	—	—
Net interest (receivable)/ payable	<u>(38)</u>	<u>322</u>

7. Taxation on profit/(loss) on ordinary activities

	2001	2000
	£000's	£000's
Overseas corporation tax for the year	1,356	560
Overseas deferred taxation (note 15)	(238)	367
	<u>1,118</u>	<u>927</u>

No mainstream corporation tax was payable in the United Kingdom in 2001 and 2000 due to losses incurred in prior years.

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

8. Earnings per share

Earnings per share is calculated on the Group's profit after tax of £2,459,000 (2000—loss of £1,775,000) and the weighted average number of shares in issue during the year of 86,962,955 (2000—86,962,955).

The diluted earnings per share is calculated on a profit after tax of £2,496,000 and 90,455,973 shares. The numbers used in calculating basic and diluted earnings per share are restated below:—

Net profit attributable to shareholders	2001
	£000's
Earnings—basic	2,459
Interest receivable if option exercised	37
	<hr/>
Earnings—diluted	2,496
	<hr/> <hr/>
Weighted average number of shares in issue	Number
Ordinary shares in issue	86,962,955
Executive Share Option Scheme	3,169,047
Company Share Option Plan	323,971
	<hr/>
	90,455,973
	<hr/> <hr/>

9. Results of Anglo Pacific Group PLC

Included in the consolidated profit attributable to the shareholders of Anglo Pacific Group PLC is a profit of £295,168 (2000—loss of £9,629,223), 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.

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

10. Tangible assets Group

	Producing assets £000's	Fixtures and fittings £000's	Plant and machinery £000's	Total £000's
Cost or Valuation:				
At 1st January 2001	8,758	62	813	9,633
Additions	—	—	12	12
Disposals	(7,793)	(3)	(62)	(7,858)
Revaluation	(65)	—	(631)	(696)
	<u>900</u>	<u>59</u>	<u>132</u>	<u>1,091</u>
Depreciation:				
At 1st January 2001	7,823	54	615	8,492
Charge for the year	3	6	28	37
Eliminated on disposals	(7,816)	(1)	(27)	(7,844)
Eliminated on revaluation	(10)	—	(593)	(603)
	<u>—</u>	<u>59</u>	<u>23</u>	<u>82</u>
Net book value:				
At 31st December 2001	<u>900</u>	<u>—</u>	<u>109</u>	<u>1,009</u>
At 31st December 2000	<u>935</u>	<u>8</u>	<u>198</u>	<u>1,141</u>

The historical cost of producing assets was £564,000 (2000—£8,357,000) and accumulated depreciation based thereon would have amounted to £302,000 (2000—£7,827,000).

The net book value of plant and machinery includes an amount of £Nil (2000—£1,840) 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 £Nil (2000—£143,642).

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 £0.1 million (2000—£0.15 million). The producing asset on Shetland is included at a directors' valuation of £0.8 million (2000—£0.8 million).

Capital Commitments

At the year end, the Group had capital commitments amounting to £33,000.

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

10. Tangible assets (continued)

Company	Producing assets £000's	Fixtures and fittings £000's	Plant and machinery £000's	Total £000's
Cost or Valuation:				
At 1st January 2001	800	59	75	934
Disposals	—	—	(18)	(18)
	<u>800</u>	<u>59</u>	<u>57</u>	<u>916</u>
At 31st December 2001	800	59	57	916
Depreciation:				
At 1st January 2001	—	53	31	84
Charge for the year	—	6	5	11
Eliminated on disposals	—	—	(13)	(13)
	<u>—</u>	<u>59</u>	<u>23</u>	<u>82</u>
At 31st December 2001	—	59	23	82
Net book value:				
At 31st December 2001	<u>800</u>	<u>—</u>	<u>34</u>	<u>834</u>
At 31st December 2000	<u>800</u>	<u>6</u>	<u>44</u>	<u>850</u>

11. Fixed asset investments

Investments	Group £000's	Company £000's
At 1st January 2001	26,840	10
Revaluation	4,150	(7)
	<u>30,990</u>	<u>3</u>
At 31st December 2001	<u>30,990</u>	<u>3</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 coal royalty was valued during December 2001 at £31.0 million (A\$88.1 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 £10.7 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 2001 at market value of £3,500.

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

11. Fixed asset investments (continued)

Investment in subsidiary undertakings	Shares in subsidiary undertakings	Net advances to subsidiary undertakings	Total
	£000's	£000's	£000's
Cost or Valuation:			
At 1st January 2001	41,470	1,036	42,506
Additions	152	—	152
Revaluation	4,156	—	4,156
Repayments	—	(631)	(631)
Advances	—	187	187
Disposals	(14,641)	(76)	(14,717)
At 31st December 2001	<u>31,137</u>	<u>516</u>	<u>31,653</u>
Provisions:			
At 1st January 2001	14,689	800	15,489
Net provisions made during the year	520	(405)	115
Disposals	(14,489)	—	(14,489)
At 31st December 2001	<u>720</u>	<u>395</u>	<u>1,115</u>
Net book value:			
At 31st December 2001	<u>30,417</u>	<u>121</u>	<u>30,538</u>
At 31st December 2000	<u>26,781</u>	<u>236</u>	<u>27,017</u>

During the year, the Company disposed of its subsidiary, Anglo Digital Limited for a total consideration of £60,000 realising a profit of £229,000. In addition, Anglo European Minerals Limited ceased to trade and is in the process of being wound up.

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 2001
Starmont Holdings Pty Ltd	Australia	Intermediate holding co	100%
Gordon Resources Ltd	Australia	Owner of coal royalty	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.

As part of a Group reconstruction, during the year, the Group transferred its shareholdings in Ledmore Marble Limited and Shetland Talc Limited from the intermediate holding company, Anglo European Minerals Limited, to the parent company. Anglo European Minerals Limited is in the process of being wound up. No profit or loss arose in respect of these transactions.

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

12. Stocks

Group

	2001	2000
	£000's	£000's
Raw materials and consumables	9	13
Work in progress	95	8
Finished goods	17	39
	<u>121</u>	<u>60</u>

13. Debtors

	2001		2000	
	Group	Company	Group	Company
	£000's	£000's	£000's	£000's
Trade debtors	33	5	39	19
Other debtors* (including royalty debtors)	873	140	1,609	79
Prepayments	74	57	24	20
	<u>980</u>	<u>202</u>	<u>1,672</u>	<u>118</u>

* Includes £125,000 (2000—£Nil) repayable in over 1 year.

14. Creditors—amounts falling due within one year

	2001		2000	
	Group	Company	Group	Company
	£000's	£000's	£000's	£000's
Bank overdraft	—	—	1	—
Leasing and hire purchase	—	—	2	2
Trade creditors	52	38	170	156
Other taxation and social security payable	381	2	267	2
Other creditors	21	10	20	12
Accruals and deferred income	81	67	159	141
Borrowings	—	—	850	850
	<u>535</u>	<u>117</u>	<u>1,469</u>	<u>1,163</u>

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

15. Provision for liabilities and charges

Deferred taxation	Group
	£000's
At 1st January 2001	455
Transferred to the profit and loss account (note 7)	(238)
	<u>217</u>
At 31st December 2001	<u>217</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 £13.8 million available for offset against capital gains. Australian capital losses are disclosed in note 11. Following the winding up of Anglo European Minerals Limited, the Group will have additional capital losses of £10.4 million which will crystallise in May 2002.

16. Financial Instruments

The disclosures detailed below are as required by FRS 13 "Derivatives and Other Financial Instruments: Disclosures". As permitted by FRS 13, short term debtors and creditors have been excluded from the disclosures. The Company's principal treasury objective is to provide sufficient liquidity to meet operational cash flows whilst maximising shareholder value. The Company operates controlled treasury policies which are monitored by the Board to ensure that the needs of the Company are met as they evolve. The impact of the risks required to be discussed in accordance with FRS 13 are detailed below:—

Liquidity and funding risk

The objective of the Company in managing funding risk is to ensure that it can meet its financial obligations as and when they fall due. At the year end there was no debt outstanding. The Company has a strong credit rating and has good access to capital markets, if required.

Foreign Exchange Risk

The Company's transactional foreign exchange exposure arises from income and expenditure denominated in foreign currencies. As each material commitment is made, the risk in relation to currency fluctuations is assessed by the Board and regularly reviewed.

Financial Assets

The Group and Company held the following investments in financial assets:—

	2001		2000	
	Group £000's	Company £000's	Group £000's	Company £000's
Cash at bank and on hand	<u>2,212</u>	<u>31</u>	<u>196</u>	<u>193</u>

Financial Liabilities

The Group and Company's financial liabilities were:

Bank overdraft	—	—	1	—
Borrowings	—	—	850	850
	<u>—</u>	<u>—</u>	<u>851</u>	<u>850</u>

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

17. Called up share capital and share premium

	2001	2000
	£000's	£000's
Authorised share capital		
500,000,000 (2000—500,000,000) ordinary shares of 10p each	<u>50,000</u>	<u>50,000</u>
Allotted, called up and fully paid share capital		
86,962,955 (2000—86,962,955) ordinary shares of 10p each	<u>8,696</u>	<u>8,696</u>
Share premium	2001	2000
	£000's	£000's
At 1st January 2001 and 31st December 2001	<u>2,581</u>	<u>2,581</u>

Share option schemes

Shares under option to directors in office at 31st December 2001 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
Expires 10/12/02	10/12/97	500,000	18p

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. 365,132 shares were under option at 31st December 2001. During the year options on 1,000,000 shares lapsed.

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

18. Reserves

Capital redemption reserve

	Group £000's	Company £000's
At 1st January 2001 and 31st December 2001	<u>122</u>	<u>122</u>

Revaluation reserve

	Group £000's	Company £000's
At 1st January 2001	25,118	25,173
Unrealised revaluation of Australian royalty interests	<u>4,156</u>	<u>4,156</u>
At 31st December 2001	<u>29,274</u>	<u>29,329</u>

Foreign currency translation reserve

	Group £000's	Company £000's
At 1st January 2001	111	83
Arising from retranslation of opening investment in foreign subsidiaries	<u>(54)</u>	<u>—</u>
At 31st December 2001	<u>57</u>	<u>83</u>

19. Profit and loss account

	2001		2000	
	Group £000's	Company £000's	Group £000's	Company £000's
At 1st January 2001	(8,629)	(9,616)	(6,854)	13
Retained profit/(loss) for the financial year	<u>2,459</u>	<u>296</u>	<u>(1,775)</u>	<u>(9,629)</u>
At 31st December 2001	<u>(6,170)</u>	<u>(9,320)</u>	<u>(8,629)</u>	<u>(9,616)</u>

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

20. Reconciliation of movements in equity shareholders' funds

	2001	2000
	£000's	£000's
Profit/(loss) for the financial year	2,459	(1,775)
Movement in foreign exchange reserve	(54)	(6)
Net increase in revaluation reserve	4,156	23,512
	<u>6,561</u>	<u>21,731</u>
Net increase in shareholders' funds	6,561	21,731
At 1st January 2001	27,999	6,268
	<u>34,560</u>	<u>27,999</u>
At 31st December 2001	<u>34,560</u>	<u>27,999</u>

21. Financial commitments

Obligations for capital repayments under finance leases comprise:—

	2001	2000
	£000's	£000's
In one year or less	—	2
	<u>—</u>	<u>2</u>

Obligations for repayments under operating leases comprise:—

	2001	2000
	£000's	£000's
Annual commitments in respect of leases which expire:—		
In one year or less	—	5
Between one and five years	4	12
	<u>4</u>	<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. The directors of the company have entered into an agreement pursuant to Section 75 of the Town and Country Planning (Scotland) Act 1997 to replace the above bond with a new one that provides a restoration bond in the sum of £95,000.

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

	2001 £000's	2000 £000's
Operating profit	3,377	2,975
Minority interests	32	—
Depreciation (note 3)	37	343
(Gain) on sale of tangible fixed assets	(92)	(660)
(Increase) in stocks	(61)	(180)
Decrease/(increase) in debtors	602	(1,134)
(Decrease) in creditors	(30)	(322)
Net cash inflow from operating activities	<u>3,865</u>	<u>1,022</u>

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

	2001 £000's	2000 £000's
Increase in cash in the period	2,017	961
Cash outflow from change in debt and lease financing	852	3,888
Change in net debt resulting from cash flows	2,869	4,849
Translation difference, net	—	—
Movement in net debt in the period	2,869	4,849
Net (debt) at 1st January 2001	(657)	(5,506)
Net cash/(debt) at 31st December 2001	<u>2,212</u>	<u>(657)</u>

(iii) Analysis of net debt

	At 1st January 2001 £000's	Cash Flows £000's	At 31st December 2001 £000's
Cash at bank and in hand	196	2,016	2,212
Overdraft	(1)	1	—
Leasing and hire purchase within one year	(2)	2	—
Borrowings	(850)	850	—
	<u>(657)</u>	<u>2,869</u>	<u>2,212</u>

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

22. Cash flow notes (continued)

(iv) Effect of disposal of subsidiaries

	2001
	£000's
Fixed assets	4
Working capital	(183)
Cash and cash equivalents	6
Profit on disposal	229
	<hr/>
Net disposal consideration:—	
Cash	56
	<hr/> <hr/>

Upon the sale of Anglo Digital Limited, cash sale proceeds of £60,000 less disposal expenses paid of £4,000 gave a net disposal consideration of £56,000. As disclosed in note 11, Anglo European Minerals Limited is in the process of being wound up.

Anglo Pacific Group PLC

SHAREHOLDER STATISTICS

(a) Size of Holding (at 14th March 2002)

Category	Number of Shareholders	%	Number of Shares	%
1– 1,000	651	42.19	414,315	0.48
1,001– 5,000	552	35.77	1,349,441	1.55
5,001–10,000	95	6.16	802,689	0.92
10,001–and over	245	15.88	84,396,510	97.05
	<u>1,543</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 14th March 2002 was 75.8%.

