

# **Anglo Pacific Group PLC**

**Report and Accounts**

**2002**

# Anglo Pacific Group PLC

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# Anglo Pacific Group PLC

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## DIRECTORS

P.M. BOYCOTT (*Chairman*)  
H. MICHAELIS  
J.G. WHELLOCK  
B.M. WIDES (*Finance Director*)  
A.H. YADGAROFF

## SECRETARY

J.D. GOLD

## REGISTERED OFFICE

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

## AUDITORS

BAKER TILLY  
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

NORTHERN REGISTRARS LIMITED  
Northern House  
Woodsome Park  
Fenay Bridge, Huddersfield  
Yorkshire HD8 0LA

## STOCKBROKERS

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

# Anglo Pacific Group PLC

## Annual Report 2002

### CHAIRMAN'S REVIEW

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#### Results

Following record royalty receipts from our Australian coal mining interests, Group profits before tax increased by 46% to £5,191,000 compared to £3,545,000 for the previous year. Group turnover on continuing businesses increased by 47% to £5,802,000 (2001—£3,942,000). The profit after tax and minority interests was £3,560,000 (2001—£2,459,000), an increase of 45%.

Following the capital reduction of the Company's shares from 10p to 2p per share on 2nd August 2002, the Company is able to pay dividends on profits arising after 30th June 2002. The Company paid an interim dividend of 1.1p net per share on 14th January 2003. The Board now proposes to pay to shareholders at the close of business on 11th July 2003, for payment on 31st July 2003, a further dividend of 0.65p net per share. This makes a total of 1.75p net per share in respect of the six months period ended 31st December 2002.

In addition to its coal mining interests independently valued at A\$81.4 million the Company now has a number of operational interests and quoted stakes in gold and Platinum Group Metals ("PGM") projects totalling a further £2,910,000 at cost with a mid-market value at 31st December 2002 of £3,037,000. The Group held cash of £3.8 million on deposit at the year-end.

#### Operational review

##### Coal energy interests

These comprise our coal royalty interests in Queensland, Australia and various coal and coal bed methane assets in British Columbia, Canada.

##### Coal royalties

In Australia, coal royalty receipts from the Kestrel and Crinum mines, operated by Rio Tinto and BHP respectively, increased by 47% to £5,802,000 (2001—£3,942,000).

The independent valuation of these interests at the year-end was A\$81.4 million, based on the net present value of the pre-tax cashflow discounted at a rate of 7%. The change in the valuation compared to last year has been adjusted to revaluation reserve.

##### Coal deposits

Your Company continues to evaluate and expand its Canadian coal deposits in British Columbia with its 50% holding in the Groundhog and Peace River projects. The outlook for developing these resources has improved during the year due to increased energy prices and the more positive political climate in British Columbia.

##### Coal bed methane

During the year your Company acquired a 25% interest in Gosfield which owns a substantial share of the Merritt coal and coal bed methane project in British Columbia. Interest in this form of energy has increased sharply in recent months and your Company is actively looking for partners to take this project forward.

##### Gold and platinum group metals

Your Company has invested nearly £3 million in gold and platinum projects in North America and Australia. Press releases relating to some of these projects can be found, together with other information, on the Company's website [www.anglopacifigroup.com](http://www.anglopacifigroup.com)

# Anglo Pacific Group PLC

## Annual Report 2002

### CHAIRMAN'S REVIEW

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The Company's strategy is to acquire projects that expect to yield dividend and royalty cashflow as well as substantial share appreciation in the next two to five years. The Company has made a number of strategic mining acquisitions and has announced two substantial stakes:—

- The Company has a 6.4% stake in Kirkland Lake Gold ("KLG") in Northern Ontario, Canada. KLG has restarted the Macassa mine and also owns the four adjacent former producing mines that together have produced 22 million ounces of gold over a seventy year period. KLG continues to discover gold at grades in excess of 16 grams per ton and expects to produce circa 100,000 ounces of gold in fiscal 2004.
- Your Company has a 10.6% stake in Platinum Australia Ltd ("PLA") which owns the Panton project in the Kimberley region of North West Australia where a mine producing PGMs is expected to start up within the next twelve months. Lonmin is a major shareholder in this project.

#### **Marble**

During the year Ledmore Marble was sold for £275,000 which resulted in a profit of £75,000 before writing off inter company loans of £144,000.

#### **Talc**

Your Board continues to extend and improve its talc interests in Shetland in order to sell or find a joint venture partner for the project.

#### **Board appointments**

On 3rd March 2003 Mr Michael Chanarin resigned to pursue his other business interests. The Board thanks him for all his hard work and efforts on behalf of the Company during his time as a Director. We all wish him well in his future career. I welcome to the Board Dr John Whellock and Mr Anthony Yadgaroff who were appointed non-executive Directors on 3rd March 2003.

I also wish to thank all our staff and my fellow Directors for their continued application and hard work in what has been a busy and very positive year of change for the Group.

#### **Strategy**

The Board intends to continue paying a proportion of the coal royalty as dividends to shareholders. In addition we will pursue an active mining participation strategy using the balance of our cashflow for the gold and PGM sectors in Australia and North America. This will involve:—

- Other royalty and profit sharing cashflows
- Strategic acquisitions in mining operations that have significant discovery or increased production potential
- Development of the Company's Canadian coal deposits and coal bed methane interests by negotiating carried interests at the appropriate time to achieve further royalty cashflows
- Utilisation of circa 40p per share of tax losses available to the Group
- Sale or joint venture of the talc interests

In pursuing these strategies and to strengthen the mining, operational and technical skills available to the Board, the Board has recently appointed an advisory panel to assist it in its analysis of mining projects. Details of the three advisers are set out in the Directors' Report.

# Anglo Pacific Group PLC

## Annual Report 2002

### CHAIRMAN'S REVIEW

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#### **Attributable assets**

In order for shareholders to more clearly appreciate the potential commercial value of your Company's interests, the latest attributable asset position of your Company's acquisitions in key coal, gold and PGM projects around the world is summarised below. The guideline figures are estimated in proportion to the holding that your Company has in each project based on latest published data:—

- Australian Coal Royalty 78 million tons coal
- Canadian Groundhog, Peace River and Merritt 426 million tons coal
- Canadian Coal Bed Methane 4.4 billion cu ft cbm
- Canadian Gold at Kirkland and Oxford Lake 186 K ozs gold
- Australian Platinum at Panton (PLA) 276 K ozs pgms

Shareholders are again referred to the Company's website for further information on this and the Company's other interests.

#### **Outlook**

With the current positive outlook for gold and PGMs and the Company's continuing steady coal royalty cashflows, the Board is optimistic about the prospects for the year ahead.

Finally I wish to thank shareholders for their continued support.

P.M. BOYCOTT

*Chairman*

11th April 2003

# Anglo Pacific Group PLC

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31st DECEMBER 2002

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The directors present their report together with audited consolidated accounts of the Group for the year ended 31st December 2002.

### **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 50% royalty entitlement to the output from the Kestrel and Crinum underground mines in Queensland other than Crown areas. The basis of calculation of the Group royalty changed from 1st January 2002 from 7% of the Free at Rail value of coal sold from each mine to 7% of 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 sold its subsidiary Ledmore Marble Limited on 1st August 2002 for £275,000.

#### *Other interests*

- (a) The Group owns a substantial talc deposit in Shetland.
- (b) At 31st December 2002, the Group owned a number of strategic holdings in quoted and unquoted gold and PGM mining projects at a total cost of £2,910,000.
- (c) The Group owns a 50% interest in the Groundhog and Peace River Coal deposits in British Columbia, Canada.
- (d) The Group acquired a 14% interest in the Merritt coal and coal bed methane project in British Columbia, Canada through its 25% shareholding in Gosfield Associates.

To assist the Board of Directors of APG and outside consultants in evaluating these and other acquisitions, the following three man panel of advisers was appointed during the year:—

#### **Professor M Johnson**

Mike Johnson holds a Personal Professorship (Chair) in Environmental Science at Liverpool University, where he is also Director of the University Botanic Gardens. He was the Operations Manager of the Environmental Advisory Unit (EAU) at Liverpool University. He holds environmental advisory positions with Rio Tinto, Outokumpu, the World Bank and BAT. He is also Chairman of Glebe Mines Ltd, and a Director of Minmet plc and LRM Group Ltd. He is the author of several books and over 150 technical papers on the environmental aspects of mining including land reclamation and environmental monitoring, toxicology and waste management.

#### **Mr J Prochnau**

John Prochnau is a mining engineer and geologist with degrees from the University of Washington, Seattle, U.S.A., and McGill University, Montreal, Canada. He has held management positions with the Selection Trust Group and Billiton International Metals B. V. of the Netherlands. He formed his consulting company in 1984 and subsequently managed a number of private exploration syndicates and publicly listed mineral companies responsible for a number of gold and base metal discoveries and mine developments. He was founder of Brancote Holdings plc of which he was managing director until 1999 and is currently Executive Chairman of Hidefield plc.

# Anglo Pacific Group PLC

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31st DECEMBER 2002

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Mr L Hansen

Lex Hansen, BSc (Geology and Metallurgy), MBA, FAusIMM, FAICD, has more than 35 years experience in senior positions in the mining industry. His career has spanned exploration, mine operations and development, corporate finance, stockbroking, fund management and investment banking. His most recent position was Executive Director of Corporate Finance (Mining) at HSBC Bank Australia with regional responsibility for resources finance, equity investment appraisals and underwriting transactions. He has also been a director of a public listed gold exploration and development company.

### **Group results for the year**

The consolidated profit and loss account is set out on page 17 of the accounts.

The profit after tax was £3,560,000 (2001—£2,459,000). This was arrived at after a profit on disposal of subsidiaries of £75,000 and after writing off inter company loans of £144,000. The retained profit for the year of £2,035,000 was transferred to the profit and loss account where the deficit brought forward was eliminated by the capital reduction referred to below.

### **Share Capital**

The capital reduction of the Company's shares from 10p to 2p was completed on 2nd August 2002, thus eliminating the profit and loss account deficit and enabling the Company to pay dividends from profits arising after 30th June 2002.

### **Dividends**

The directors recommend a final dividend of 0.65p per ordinary share to be paid on 31st July 2003 to shareholders on the register at close of business on 11th July 2003. This would give a total dividend for the year (including the interim dividend paid on 14th January 2003) of 1.75p per ordinary share (2001—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 (resigned 3rd March 2003)

H. Michaelis

B.M. Wides

R.L. Wood-Ward (resigned 22nd May 2002)

The director who is due to retire by rotation at the next Annual General Meeting is H. Michaelis, who, being eligible, offers himself for re-election. The biographical details of Mr Michaelis are as follows:—

Henry Michaelis is a Chartered Accountant (SA) and was appointed as a director on 2nd May 1997. He is resident in Australia running an investment company with interests in transport, property and equities. He has substantial experience in mergers and acquisitions and other corporate finance activities.

J.G. Whellock and A.H. Yadgaroff were appointed directors on 3rd March 2003 and will both stand for election as directors of the Company at the Annual General Meeting. The biographical details of these two directors are as follows:—

John Whellock, a Ph.D. in Chemical Engineering, has 30 years of experience in the development and implementation of extractive metallurgy, mineral and chemical plants

# Anglo Pacific Group PLC

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31st DECEMBER 2002

and projects for major international mining groups. His firm, JW Technologies has been responsible for the implementation of several innovative furnace designs and processes. Applications include alternative power, treatment of various hazardous wastes and cement industry by-products and production of nano-materials.

Anthony Yadgaroff is a former equity analyst and manager of small pension funds. In 1984 he founded Allenbridge Group plc, a FSA regulated company which researches fund managers' performance and provides a rating service of hedge funds for institutional clients. As a result, he has considerable experience with shareholders interests and related compliance issues.

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

The beneficial interests of the directors in the share capital of the Company are as follows:—

Director	Number of Ordinary Shares		
	24th March 2003	31st December 2002	31st December 2001
P.M. Boycott	2,687,810	2,687,810	2,412,810
M. Chanarin (resigned 3rd March 2003)	N/A	983,000	733,000
H. Michaelis	1,570,000	1,570,000	2,015,000
J.G. Whellock (appointed 3rd March 2003)	—	N/A	N/A
B.M. Wides	3,198,895	3,198,895	2,923,895
A.H. Yadgaroff (appointed 3rd March 2003)	114,784	N/A	N/A

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 or directors' interests in shares of the Company and its subsidiaries between the 24th March 2003 and the date of this report.

### Substantial interests

The Company has been notified of the following interests of 3% or more in the Share Capital of the Company at 24th March 2003:—

	Ordinary Shares	Representing
	of 2p each	
Ransomes Dock Ltd	12,388,100	14.16%
Invesco English and International Trust plc	3,000,000	3.43%

### Re-appointment of Auditors

A resolution is to be proposed at the Annual General Meeting for the re-appointment of Messrs Baker Tilly as auditors of the Company and to authorise the directors to fix their remuneration.

### Donations

No donations were made to charities during the year (2001—nil).

No political donations were made during the year (2001—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.

# Anglo Pacific Group PLC

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31st DECEMBER 2002

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During the year to 31st December 2002 the Group took an average of 38 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 an Environmental Policy of collaborating fully with statutory authorities, local communities and special interest groups to minimise the effects of its activities on the natural and human environment associated with its operations, where appropriate.

### **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 2002. 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.

### **Annual General Meeting**

The notice of the Annual General Meeting contains some special business.

### **Authority to Allot Shares and Partial Disapplication of Pre-emption Rights**

**Resolution 8** seeks a new authority, to replace the present authority and be effective until the earlier of 3rd July 2008 and the conclusion of the annual general meeting held in 2008, to authorise the Directors to allot relevant securities up to a maximum nominal amount of £583,086 representing about 33.33% of the issued ordinary share capital at the date of this report. The Directors have no present intention of exercising this authority.

**Resolution 9** seeks a waiver of the pre-emption rights of existing shareholders, but only for new securities up to a maximum aggregate nominal value of £87,462 (5% of the issued share capital at the date of this report) or, if less, 5% of the Company's issued share capital from time to time. The Directors also seek authority to make appropriate exclusions from any rights issue, because it may not be possible to issue new shares to some shareholders (for example, those resident in foreign jurisdictions where regulatory difficulties might arise). The Directors will be able to use this authority, if granted, to allot new securities without further reference to shareholders. However, the Directors have no plans at present to make such an allotment and the proposed authority, if granted will expire at the earlier of the next annual general meeting of the Company and fifteen months from the date of this year's Annual General Meeting.

### **Authority to purchase own shares**

**Resolution 10** gives authority for the Company to purchase its own shares and specifies the maximum number of shares which may be acquired (8,746,295, approximately 10% of

# Anglo Pacific Group PLC

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31st DECEMBER 2002

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the Company's issued ordinary share capital as at the date of this report) and the maximum (105% of the 5 day average middle market price) and minimum (the nominal value) prices at which shares may be bought. The Directors intend to exercise this power only if, in the light of market conditions prevailing at the time, they believe that the effect of such purchases will be to increase earnings per share. They will also have regard to whether, at the time, this represents the best use of the Company's resources and is in the best interests of the shareholders generally. Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account in reaching such a decision. Any shares purchased in this way will be cancelled and the number of shares in issue will be reduced accordingly. In total there are options outstanding over 2,400,000 ordinary shares; they represent 2.74% of the current issued share capital and would represent 3.05% of the issued share capital if the full buy back authority was used.

*Registered Office:*  
29 Albemarle Street,  
London W1S 4JB

By Order of the Board  
J.D. Gold  
*Company Secretary*  
11th April 2003

# Anglo Pacific Group PLC

## CORPORATE GOVERNANCE STATEMENT

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### **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 are required 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 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 comprised 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. M. Chanarin resigned as a director on 3rd March 2003 and A.H. Yadgaroff was appointed to the audit committee on 5th March 2003.

#### *Remuneration Committee*

The remuneration committee comprised B.M. Wides, Finance Director, and two non-executive directors M. Chanarin and H. Michaelis. M. Chanarin resigned as a director on 3rd March 2003 and J.G. Whellock was appointed to the committee on 5th March 2003. The principal function of the committee is to determine the policy on

# Anglo Pacific Group PLC

## CORPORATE GOVERNANCE STATEMENT

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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 Board does 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 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

## DIRECTORS' REMUNERATION REPORT

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### **The remuneration committee comprised:**

H. Michaelis (Chairman)  
M. Chanarin  
B.M. Wides

H. Michaelis is the senior non-executive director of the company. M. Chanarin, non-executive director and B.M. Wides, finance director, were the other members of the committee. M. Chanarin resigned as a director on 3rd March 2003 and J.G. Whellock was appointed to the committee on 5th March 2003.

### **The Policy and Objectives**

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 annually at the discretion of the committee.

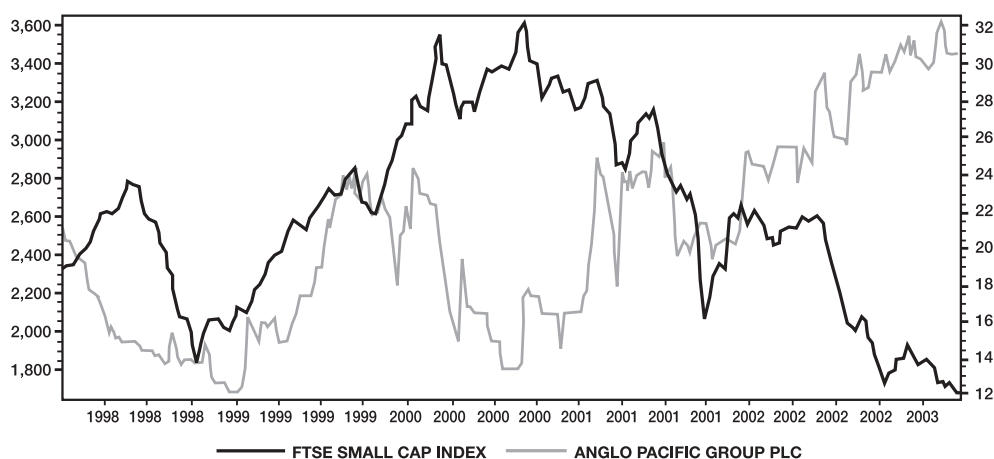
The committee confirms that it complies with section 1 of the Combined Code in determining the Company's policy on remuneration of its executive directors, including service contracts and compensation.

### **Executive directors' remuneration**

- (i) **Basic salary and benefits**  
Basic salaries and benefits in kind are reviewed within the policy on an annual basis.
- (ii) **Share schemes**  
The Executive Share Option Scheme is an unapproved scheme and in accordance with its terms senior employees including executive directors, have received options at current market value to be exercised, in normal circumstances, between three and ten years after grant.
- (iii) **Elements of remuneration**  
The components of remuneration are:—  
Salary—Fixed sum paid monthly. The committee reviews salaries annually in line with directors of comparable companies.  
Pension—Executive directors are eligible to participate in the Executive Pension Scheme, described below.  
Bonus—Annually at the discretion of the committee.  
Share schemes—Executive directors are eligible to participate in all executive share schemes.
- (iv) **Pension rights**  
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 Standard Life.
- (v) **Service contracts**  
Service contracts came into force during the year for P.M. Boycott, H. Michaelis and B.M. Wides. They provide for a period of notice of twelve months. The Board considers that this provision is appropriate in a competitive market place. Directors are required to give three months notice of termination.
- (vi) **Share Price Performance**  
The following graph plots the price movement for the ordinary share capital of Anglo Pacific Group PLC against the FTSE Small-Cap Index. This has been selected as a comparable index because it is the nearest relevant index appropriate to the Company.

# Anglo Pacific Group PLC

## DIRECTORS' REMUNERATION REPORT



### (vii) Directors' emoluments and compensation

	2002	2001
	£	£
Remuneration		
Salaries and benefits	125,131	81,812
Bonus in respect of 2000 and 2001	100,000	—
Pension contributions	4,001	4,634
Fees	12,000	9,300
Termination payment	22,500	—
	<u>263,632</u>	<u>95,746</u>

The remuneration of the directors was as follows:—

	P.M. Boycott	M. Chanarin	H. Michaelis	B.M. Wides	R.L. Wood- Ward
	£	£	£	£	£
Salary	48,000	—	23,336	48,700	5,095
Bonus in respect of 2000 and 2001	40,000	5,000	15,000	40,000	—
Pension contributions	1,400	—	989	700	912
Fees	—	12,000	—	—	—
Termination payment	—	—	—	—	22,500
<b>12 months to 31st December 2002</b>	<u><b>89,400</b></u>	<u><b>17,000</b></u>	<u><b>39,325</b></u>	<u><b>89,400</b></u>	<u><b>28,507</b></u>
<i>12 months to 31st December 2001</i>	<u><i>29,400</i></u>	<u><i>9,300</i></u>	<u><i>13,923</i></u>	<u><i>29,400</i></u>	<u><i>13,723</i></u>

# Anglo Pacific Group PLC

## DIRECTORS' REMUNERATION REPORT

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(viii) Share Option Scheme

The options of the executive directors at 31st December 2002 over the ordinary share capital of the company were as undernoted for which nil has been paid.

	No. of Shares		Exercisable between	Exercise price
	2002	2001		
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	10/12/02-10/12/04	18p
H. Michaelis	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	10/12/02-10/12/04	18p

During the year directors' options on 400,000 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 2002 was 30.25p and the range during the year was 20.6p to 33p.

(ix) Non-executive directors' remuneration

The remuneration of non-executive directors is determined by the board as a whole having regard to the commitment of time required and the level of remuneration in similar companies.

Under Part 3 of Schedule 7A of the Companies Act 1985 items (ii), (iv), (vii) and (viii) of the executive directors' remuneration section are subject to audit.

On behalf of the Board,

J.D. Gold

*Company Secretary*

11th April 2003

# Anglo Pacific Group PLC

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ANGLO PACIFIC GROUP PLC

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We have audited the financial statements which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses, and the related notes. We have also audited the information in the Directors' Remuneration Report that is described as being subject to audit.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements 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 financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been 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 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 regarding directors' remuneration and transactions with the Company and other members of 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 of the Financial Services Authority, 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 procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Directors, the unaudited part of the Directors' Remuneration Report, the Chairman's Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. 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 financial statements and the part of the Directors' Remuneration Report to be audited. 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 and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31st December 2002 and of the Group profit for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

**Baker Tilly**  
**Registered Auditor**  
**Chartered Accountants**  
274 Sauchiehall Street  
Glasgow G2 3EH  
11th April 2003

# Anglo Pacific Group PLC

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 2002

	Notes	2002 £000's	2001 £000's
<b>Turnover</b>			
Continuing operations		5,802	3,942
Discontinued operations		142	183
	2	<u>5,944</u>	<u>4,125</u>
<b>Cost of sales</b>			
Continuing operations		—	—
Discontinued operations		(169)	(210)
		<u>(169)</u>	<u>(210)</u>
<b>Gross profit</b>		<u>5,775</u>	<u>3,915</u>
<b>Continuing operations</b>			
Administrative expenses	3	(733)	(574)
Profit on disposal of investments		7	92
Other operating income	3	120	100
Operating profit from continuing operations		<u>5,196</u>	<u>3,560</u>
<b>Discontinued operations</b>			
Administrative expenses		(57)	(156)
Operating (loss) from discontinued operations		<u>(84)</u>	<u>(183)</u>
<b>Total operating profit</b>		5,112	3,377
Profit on disposal of subsidiaries		75	229
Interest received	5	148	38
Write down of assets		(144)	(99)
<b>Profit on ordinary activities before tax</b>	2, 3	5,191	3,545
Taxation on ordinary activities	6	(1,631)	(1,118)
<b>Profit for the financial year</b>		3,560	2,427
Minority Interests		—	32
Dividends: Interim		(957)	—
Final		(568)	—
<b>Retained profit for the financial year</b>		<u>2,035</u>	<u>2,459</u>
Earnings per ordinary share	7	4.09p	2.83p
Diluted earnings per ordinary share	7	4.03p	2.76p
<b>STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES</b>			
Retained profit for the financial year		2,035	2,459
Unrealised revaluation of Australian royalty interests		(2,274)	4,156
Currency translation surplus/(loss) on foreign currency investments		24	(54)
		<u>(215)</u>	<u>6,561</u>

# Anglo Pacific Group PLC

## CONSOLIDATED BALANCE SHEET AND COMPANY BALANCE SHEET AT 31st DECEMBER 2002

	Notes	Group		Company	
		2002 £000's	2001 £000's	2002 £000's	2001 £000's
<b>Fixed assets</b>					
Tangible assets	9	839	1,009	839	834
Investment in subsidiary undertakings	10	—	—	27,993	30,538
Investments	10	31,623	30,990	2,278	3
		<u>32,462</u>	<u>31,999</u>	<u>31,110</u>	<u>31,375</u>
<b>Current assets</b>					
Stocks	11	—	121	—	—
Debtors	12	1,091	980	273	202
Cash at bank and in hand		3,766	2,212	1,042	31
		<u>4,857</u>	<u>3,313</u>	<u>1,315</u>	<u>233</u>
<b>Current liabilities</b>					
Creditors—amounts falling due within one year	13	(2,473)	(535)	(1,635)	(117)
<b>Net current assets/(liabilities)</b>		<u>2,384</u>	<u>2,778</u>	<u>(320)</u>	<u>116</u>
<b>Total assets less current liabilities</b>		<u>34,846</u>	<u>34,777</u>	<u>30,790</u>	<u>31,491</u>
<b>Long term liabilities</b>					
Provisions for liabilities and charges	14	(411)	(217)	—	—
		<u>34,435</u>	<u>34,560</u>	<u>30,790</u>	<u>31,491</u>
<b>Capital and reserves</b>					
Called up share capital	16	1,749	8,696	1,749	8,696
Share premium account	16	420	2,581	420	2,581
Capital redemption reserve	17	—	122	—	122
Revaluation reserve	17	27,000	29,274	27,055	29,329
Foreign currency translation reserve	17	81	57	82	83
Special reserve	18	632	—	632	—
Profit and loss account surplus/(deficit)	19	4,553	(6,170)	852	(9,320)
<b>Equity shareholders' funds</b>	20	<u>34,435</u>	<u>34,560</u>	<u>30,790</u>	<u>31,491</u>

Approved at a Board Meeting held on 11th April 2003.

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

# Anglo Pacific Group PLC

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st DECEMBER 2002

	2002		2001	
	£000's	£000's	£000's	£000's
<b>Net cash inflow from operating activities</b>		5,029		3,865
<b>Returns on investments and servicing of finance</b>				
Interest received	148		49	
Interest paid	—		(10)	
Interest paid on finance leases	—		(1)	
<b>Net cash inflow from returns on investments and servicing of finance</b>		148		38
<b>Taxation</b>				
Overseas tax paid	(995)		(1,199)	
UK Income tax	—		—	
		(995)		(1,199)
<b>Capital expenditure and financial investment</b>				
Payments to acquire tangible fixed assets	(85)		(32)	
Receipts from sales of tangible fixed assets	—		37	
Sale of equity investments	76		106	
Purchase of equity investments	(2,977)		(2)	
<b>Net cash (outflow)/inflow from capital expenditure and financial investment</b>		(2,986)		109
<b>Acquisitions and disposals</b>				
Disposal of subsidiaries (net of expenses)		268		56
<b>Net cash inflow before financing</b>		1,464		2,869
<b>Financing</b>				
Issue of ordinary share capital	90		—	
Capital element of finance lease repayments	—		(2)	
Repayment of borrowings	—		(850)	
<b>Net cash inflow/(outflow) from financing</b>		90		(852)
<b>Increase in cash</b>		<u>1,554</u>		<u>2,017</u>

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

# Anglo Pacific Group PLC

## NOTES TO THE ACCOUNTS

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### 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 equity, debt and direct investments in a number of mining companies.

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

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### 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**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements.

Deferred tax is recognised in the Statement of Total Recognised Gains and Losses on revaluations where at the balance sheet date there is an agreement to sell the asset.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

#### **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 receivable under operating leases are charged against income on a straight-line basis over the term of the lease and are recognised in the profit and loss account as and when they fall due.

Rentals payable under operating leases where substantially all of the benefit and risks of ownership remain with the lessor are charged against profits on a straight line basis over the terms 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.

# Anglo Pacific Group PLC

## NOTES TO THE ACCOUNTS

### 2. Turnover, profit before tax and net operating assets

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

#### Geographical Analysis

	2002		2001	
	Turnover £000's	Profit before tax £000's	Turnover £000's	Profit before tax £000's
United Kingdom—continuing	—	(118)	—	27
—discontinued	142	(84)	183	(183)
Australia (royalty income)	5,802	5,393	3,942	3,701
	<u>5,944</u>	<u>5,191</u>	<u>4,125</u>	<u>3,545</u>

#### Net assets

	2002 £000's	2001 £000's
United Kingdom	606	1,279
N. America	1,412	—
Australia	32,417	33,281
	<u>34,435</u>	<u>34,560</u>

### 3. Profit on ordinary activities

	2002 £000's	2001 £000's
Profit on ordinary activities is stated after charging:—		
Distribution costs	51	63
Depreciation of tangible fixed assets (note 9)	30	37
Charges in respect of assets held under finance leases	—	2
Operating leases—property, plant and machinery	1	15
Auditors' remuneration—audit fees (Company—£16,000)	19	18
—non-audit services	31	13
	<u>162</u>	<u>248</u>

Other operating income and administrative expenses include £91,000 (2001—£96,000) which is a recharge of rent paid.

### 4. Staff

	2002 £000's	2001 £000's
Wages and salaries	313	238
Social security costs	10	21
Other pension costs	6	9
	<u>329</u>	<u>268</u>

# Anglo Pacific Group PLC

## NOTES TO THE ACCOUNTS

### 4. Staff (continued)

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

	<b>2002</b>	<b>2001</b>
	Number	Number
Production	3	2
Marketing	1	1
Administration	4	7
	<u>8</u>	<u>10</u>

At the year end the total number of employees in the Group was 4.

### 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 no accrued pension contributions at 31st December 2002 (2001—£5,223).

### 5. Interest

	<b>2002</b>	<b>2001</b>
	£000's	£000's
On bank overdrafts and other loans	—	10
Hire purchase interest	—	1
	<u>—</u>	<u>11</u>
Payable	—	11
Receivable	(148)	(49)
	<u>(148)</u>	<u>(38)</u>

### 6. Taxation on profit on ordinary activities

	<b>2002</b>	<b>2001</b>
	£000's	£000's
Overseas corporation tax for the year	1,437	1,356
Overseas deferred taxation (note 14)	194	(238)
	<u>1,631</u>	<u>1,118</u>

No mainstream corporation tax was payable in the United Kingdom in 2002 and 2001 due to losses incurred in prior years.

# Anglo Pacific Group PLC

## NOTES TO THE ACCOUNTS

### 7. Earnings per share

Earnings per ordinary share is calculated on the Group's profit after tax of £3,560,000 (2001—£2,459,000) and the weighted average number of shares in issue during the year of 86,997,202 (2001—86,962,955).

The diluted earnings per ordinary share is calculated on a profit after tax of £3,584,000 and 88,923,202 shares. The numbers used in calculating basic and diluted earnings per share are restated below:—

<b>Net profit attributable to shareholders</b>	<b>2002</b>
	£000's
Earnings—basic	3,560
Interest receivable if option exercised	24
	<hr/>
Earnings—diluted	3,584
	<hr/> <hr/>
<b>Weighted average number of shares in issue</b>	Number
Ordinary shares in issue	86,997,202
Executive Share Option Scheme	1,926,000
	<hr/>
	88,923,202
	<hr/> <hr/>

### 8. Results of Anglo Pacific Group PLC

Included in the consolidated profit attributable to the shareholders of Anglo Pacific Group PLC is a profit of £851,296 (2001—loss of £295,168), 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

### 9. Tangible assets

<b>Group</b>	<b>Producing assets £000's</b>	<b>Fixtures and fittings £000's</b>	<b>Plant and machinery £000's</b>	<b>Total £000's</b>
Cost or Valuation:				
At 1st January 2002	900	59	132	1,091
Additions	1	2	82	85
Disposals	(100)	—	(148)	(248)
At 31st December 2002	<u>801</u>	<u>61</u>	<u>66</u>	<u>928</u>
Depreciation:				
At 1st January 2002	—	59	23	82
Charge for the year	2	1	27	30
Eliminated on disposals	(2)	—	(21)	(23)
At 31st December 2002	<u>—</u>	<u>60</u>	<u>29</u>	<u>89</u>
Net book value:				
At 31st December 2002	<u>801</u>	<u>1</u>	<u>37</u>	<u>839</u>
At 31st December 2001	<u>900</u>	<u>—</u>	<u>109</u>	<u>1,009</u>

### Capital Commitments

At the year end, the Group had no capital commitments.

<b>Company</b>	<b>Producing assets £000's</b>	<b>Fixtures and fittings £000's</b>	<b>Plant and machinery £000's</b>	<b>Total £000's</b>
Cost or Valuation:				
At 1st January 2002	800	59	57	916
Additions	1	2	9	12
At 31st December 2002	<u>801</u>	<u>61</u>	<u>66</u>	<u>928</u>
Depreciation:				
At 1st January 2002	—	59	23	82
Charge for the year	—	1	6	7
At 31st December 2002	<u>—</u>	<u>60</u>	<u>29</u>	<u>89</u>
Net book value:				
At 31st December 2002	<u>801</u>	<u>1</u>	<u>37</u>	<u>839</u>
At 31st December 2001	<u>800</u>	<u>—</u>	<u>34</u>	<u>834</u>

The historical cost of producing assets was £nil (2001—£564,000) and accumulated depreciation based thereon would have amounted to £nil (2001—£302,000).

The Group's tangible fixed assets are carried at cost less depreciation with the exception of leases relating to the talc deposit on Shetland held by the parent company. The producing asset on Shetland is included at a directors' valuation of £0.8 million (2001—£0.8 million).

# Anglo Pacific Group PLC

## NOTES TO THE ACCOUNTS

### 10. Fixed asset investments

<b>(a) Coal Royalty Investment</b>	<b>Group</b>	<b>Company</b>
	£000's	£000's
At 1st January 2002	30,987	—
Revaluation adjustment	(2,274)	—
At 31st December 2002	<u>28,713</u>	<u>—</u>

The Group's coal royalty investments comprise the Kestrel and Crinum coal royalties.

The coal royalty was valued during December 2002 at £28.7 million (A\$81.4 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.

<b>(b) Other investments</b>	<b>Group</b>	<b>Company</b>
	£000's	£000's
At 1st January 2002	3	3
Additions	2,976	2,344
Disposals	(69)	(69)
At 31st December 2002	<u>2,910</u>	<u>2,278</u>
Quoted investments	2,859	2,227
Unquoted investments	51	51
	<u>2,910</u>	<u>2,278</u>

The market value of the quoted investments at 31st December 2002 was Group: £2,986,000 and Company: £2,276,000. The directors' valuation of the unquoted investments was £51,000.

Total royalty and other investments	<u>31,623</u>	<u>2,278</u>
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# Anglo Pacific Group PLC

## NOTES TO THE ACCOUNTS

### 10. Fixed asset investments (continued)

#### (c) Investment in subsidiary undertakings

	Shares in subsidiary undertakings	Net advances with subsidiary undertakings	Total
	£000's	£000's	£000's
Cost or Valuation:			
At 1st January 2002	31,137	516	31,653
Revaluation	(2,274)	—	(2,274)
Advances	—	68	68
Disposals	(150)	(1,053)	(1,203)
	<u>28,713</u>	<u>(469)</u>	<u>28,244</u>
At 31st December 2002			
Provisions:			
At 1st January 2002	720	395	1,115
Net provisions made during the year	—	189	189
Disposals	—	(1,053)	(1,053)
	<u>720</u>	<u>(469)</u>	<u>251</u>
At 31st December 2002			
Net book value:			
At 31st December 2002	<u>27,993</u>	<u>—</u>	<u>27,993</u>
At 31st December 2001	<u>30,417</u>	<u>121</u>	<u>30,538</u>

During the year, the Company disposed of its subsidiary, Ledmore Marble Limited for a total gross consideration of £275,000.

In order to take advantage of issuing dividends from Starmont Holdings Pty Limited, whilst in a deficit profit and loss reserves position, as permitted by Australian Company Law, Starmont has provided for a proposed dividend which has not been incorporated by the company.

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 2002
Starmont Holdings Pty Ltd	Australia	Intermediate holding co	100%
Indian Ocean Resources Ltd	Australia	Investments	100%†
Alkormy Pty Ltd	Australia	Investments	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 sold 1st August 2002.

†Denotes held by a subsidiary company.

# Anglo Pacific Group PLC

## NOTES TO THE ACCOUNTS

### 11. Stocks

<b>Group</b>	<b>2002</b>	<b>2001</b>
	£000's	£000's
Raw materials and consumables	—	9
Work in progress	—	95
Finished goods	—	17
	<u>—</u>	<u>121</u>
	<u>—</u>	<u>121</u>

### 12. Debtors

	<b>2002</b>		<b>2001</b>	
	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	£000's	£000's	£000's	£000's
Trade debtors	1	1	33	5
Other debtors* (including royalty debtors)	989	172	873	140
Prepayments and accrued income	101	100	74	57
	<u>1,091</u>	<u>273</u>	<u>980</u>	<u>202</u>
	<u>1,091</u>	<u>273</u>	<u>980</u>	<u>202</u>

\* Includes £166,000 (2001—£125,000) repayable in over 1 year.

### 13. Creditors—amounts falling due within one year

	<b>2002</b>		<b>2001</b>	
	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	£000's	£000's	£000's	£000's
Trade creditors	8	8	52	38
Other taxation and social security payable	839	16	381	2
Other creditors	34	19	21	10
Accruals and deferred income	67	67	81	67
Dividends payable	1,525	1,525	—	—
	<u>2,473</u>	<u>1,635</u>	<u>535</u>	<u>117</u>
	<u>2,473</u>	<u>1,635</u>	<u>535</u>	<u>117</u>

# Anglo Pacific Group PLC

## NOTES TO THE ACCOUNTS

### 14. Provision for liabilities and charges

<b>Deferred taxation</b>	<b>Group £000's</b>
At 1st January 2002	217
Transferred to the profit and loss account (note 6)	194
	<hr/>
At 31st December 2002	411
	<hr/> <hr/>

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 £1.1 million available for carry forward and offset against future taxable profits. Excess foreign tax suffered directly by deduction at source in the sum of £0.6 million is carried forward and available against future UK corporation tax liabilities. The Group also has UK capital tax losses in the region of £28 million available for offset against capital gains. Australian capital losses are disclosed in note 10.

### 15. 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, expenditure and purchase and sale of assets 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:—

	2002		2001	
	Group £000's	Company £000's	Group £000's	Company £000's
Cash at bank and in hand	3,766	1,042	2,212	31
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

# Anglo Pacific Group PLC

## NOTES TO THE ACCOUNTS

### 16. Called up share capital and share premium

	<b>2002</b>
	£000's
<b>Authorised share capital</b>	
By an Order of the High Court dated 25 July 2002, the ordinary share capital of the company was reduced from 500,000,000 shares of 10p each to 500,000,000 shares of 2p each.	
At 1st January 2002—500,000,000 ordinary shares of 10p	50,000
At 31st December 2002—500,000,000 ordinary shares of 2p	10,000
<b>Allotted, called up and fully paid share capital</b>	
At 1st January 2002: 86,962,955 ordinary shares of 10p each	8,696
Transferred to profit and loss account	(6,957)
Issued—6th December 2002—500,000 ordinary shares of 2p each	10
At 31st December 2002—87,462,955 ordinary shares of 2p each	1,749
<b>Share premium</b>	£000's
At 1st January 2002	2,581
Transferred to profit and loss account	(2,241)
Arising on issue—6th December 2002	80
At 31st December 2002	420

### Share option schemes

Shares under option to directors in office at 31st December 2002 within the Anglo Pacific Group PLC Unapproved Executive Share Option Scheme are disclosed within the directors' report. No other shares were under option within this scheme at the year end.

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. No shares were under option at 31st December 2002. During the year options on 365,132 shares lapsed.

# Anglo Pacific Group PLC

## NOTES TO THE ACCOUNTS

### 17. Reserves

#### Capital redemption reserve

	Group £000's	Company £000's
At 1st January 2002	122	122
Transferred to profit and loss account	(122)	(122)
At 31st December 2002	<u>—</u>	<u>—</u>

#### Revaluation reserve

	Group £000's	Company £000's
At 1st January 2002	29,274	29,329
Unrealised revaluation of Australian royalty interests	(2,274)	(2,274)
At 31st December 2002	<u>27,000</u>	<u>27,055</u>

#### Foreign currency translation reserve

	Group £000's	Company £000's
At 1st January 2002	57	83
Arising from retranslation of opening investment in foreign subsidiaries	24	(1)
At 31st December 2002	<u>81</u>	<u>82</u>

### 18. Special reserve

As part of the capital reduction, a special reserve was created. This reserve represents the level of profit attributable to the Group for the period ended 30th June 2002. At 31st December 2002, this reserve was unavailable for distribution.

	Group £000's	Company £000's
At 1st January 2002	Nil	Nil
Transferred from profit and loss account	632	632
At 31st December 2002	<u>632</u>	<u>632</u>

### 19. Profit and loss account

	2002		2001	
	Group £000's	Company £000's	Group £000's	Company £000's
At 1st January 2002	(6,170)	(9,320)	(8,629)	(9,616)
Capital reconstruction	9,320	9,320	—	—
Retained profit for the financial year	2,035	1,484	2,459	296
Transferred to special reserve	(632)	(632)	—	—
At 31st December 2002	<u>4,553</u>	<u>852</u>	<u>(6,170)</u>	<u>(9,320)</u>

# Anglo Pacific Group PLC

## NOTES TO THE ACCOUNTS

20. Reconciliation of movements in equity shareholders' funds	2002	2001
	£000's	£000's
Profit for the financial year	3,560	2,459
Dividends	(1,525)	—
Movement in foreign exchange reserve	24	(54)
Net (decrease)/increase in revaluation reserve	(2,274)	4,156
Share issue	90	—
	<u>(125)</u>	<u>6,561</u>
Net (decrease)/increase in shareholders' funds		
At 1st January 2002	34,560	27,999
	<u>34,435</u>	<u>34,560</u>
At 31st December 2002	<u>34,435</u>	<u>34,560</u>

## 21. Financial commitments

Obligations for repayments under operating leases comprise:—

	2002	2001
	£000's	£000's
Annual commitments in respect of leases which expire:		
Between one and five years	—	4
Over five years	112	112
	<u>112</u>	<u>116</u>
	<u>112</u>	<u>116</u>

Subsidiary undertakings have commitments as detailed below:—

### 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

	<b>2002</b>	<b>2001</b>
	£000's	£000's
Operating profit	5,112	3,377
Minority interests	—	32
Depreciation (note 3)	30	37
(Gain) on sale of tangible fixed assets	(7)	(92)
Decrease/(increase) in stocks	32	(61)
(Increase)/decrease in debtors	(175)	602
Increase/(decrease) in creditors	37	(30)
<b>Net cash inflow from operating activities</b>	<u>5,029</u>	<u>3,865</u>

#### (ii) Reconciliation of net cash flow to movement in net funds

	<b>2002</b>	<b>2001</b>
	£000's	£000's
Increase in cash in the period	1,554	2,017
Cash outflow from change in debt and lease financing	—	852
Movement in net funds in the period	<u>1,554</u>	<u>2,869</u>
Net cash/(debt) at 1st January 2002	2,212	(657)
<b>Net cash at 31st December 2002</b>	<u>3,766</u>	<u>2,212</u>

#### (iii) Analysis of net funds

	<b>At 1st</b>	<b>Cash</b>	<b>At 31st</b>
	<b>January</b>	<b>Flows</b>	<b>December</b>
	<b>2002</b>	<b>2002</b>	<b>2002</b>
	£000's	£000's	£000's
Cash at bank and in hand	<u>2,212</u>	<u>1,554</u>	<u>3,766</u>

#### (iv) Effect of disposal of subsidiaries

	<b>2002</b>
	£000's
Fixed assets	225
Working capital	(32)
Profit on disposal	75
Net disposal consideration:—	<u>268</u>
Cash	<u>268</u>

Upon the sale of Ledmore Marble Limited, cash sale proceeds of £275,000 less disposal expenses paid of £7,000 gave a net disposal consideration of £268,000.

# Anglo Pacific Group PLC

## SHAREHOLDER STATISTICS

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(a) Size of Holding (at 24th March 2003)

<b>Category UK and Australia</b>	<b>Number of Shareholders</b>	<b>%</b>	<b>Number of Shares</b>	<b>%</b>
1– 1,000	650	41.85	414,385	0.47
1,001– 5,000	523	33.68	1,268,661	1.45
5,001–10,000	105	6.76	881,756	1.01
10,001–and over	275	17.71	84,898,153	97.07
	<u>1,553</u>	<u>100.00</u>	<u>87,462,955</u>	<u>100.00</u>

(b) The percentage of total shares held by or on behalf of the twenty largest shareholders as at 24th March 2003 was 69.95%.

# Anglo Pacific Group PLC

## NOTICE OF MEETING

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NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 12 Suffolk Street, London SW1Y 4HQ on 4th July 2003 at 09.30 am for the following purposes:—

**As ordinary business:—**

1. To receive the Accounts for the year ended 31st December 2002 together with the Directors' and Auditors' Reports thereon.
2. To approve the Directors Remuneration Report for the year ended 31st December 2002.
3. To declare a final dividend of 0.65p per ordinary share of the Company.
4. To re-elect H. Michaelis who retires by rotation in accordance with the Company's Articles of Association.
5. To elect J.G. Whellock as a director of the Company.
6. To elect A.H. Yadgaroff as a director of the Company.
7. To re-appoint Messrs Baker Tilly as auditors of the Company and to authorise the directors to fix their remuneration.

**As special business:—**

To consider and, if thought fit, approve the following Resolutions 8, 9 and 10; Resolution 8 is to be proposed as an Ordinary Resolution of the Company and Resolutions 9 and 10 are to be proposed as Special Resolutions of the Company:—

8. THAT the board of directors of the Company ("the Directors") be and they are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985) up to an aggregate nominal amount of £583,086 provided that this authority (unless previously revoked or renewed) shall expire on the earlier of 3rd July 2008 and the conclusion of the annual general meeting of the Company held in 2008, save that the Company may before such expiry or the expiry of any renewal of this authority make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if this authority had not expired, and provided further that the authority shall be in substitution for the authority conferred by a resolution dated 9th July 1998 and shall supersede and revoke any other earlier authorities.
9. THAT the board of directors of the Company ("the Directors") be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 ("the Act") to allot equity securities (as defined in Section 94(2) of the Act) for cash pursuant to the general authority conferred on them for the purposes of Section 80 of the Act as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited:—
  - (a) to the allotment of equity securities in connection with or pursuant to a rights issue or any other offer in favour of the holders of equity securities and other persons entitled to participate therein in proportion (as nearly as may be practicable) to the respective numbers of equity securities then held by them (or, as appropriate, the number of such securities which such other persons are for those purposes deemed to hold), but subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with any fractional entitlements or legal or practical difficulties which may arise under the laws of any overseas territory or the requirements of any regulatory body or any other stock exchange in any territory;

# Anglo Pacific Group PLC

## NOTICE OF MEETING

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- (b) to the allotment (otherwise than pursuant to paragraph (a) above) of equity securities up to an aggregate nominal value of £87,462 or, if less, 5% of the issued share capital from time to time;

and this power shall (unless renewed, varied or revoked by the Company) expire on the date being fifteen months from the passing of this resolution or, if earlier, at the conclusion of the annual general meeting of the Company next following the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if this power had not expired.

10. THAT the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of ordinary shares in the capital of the Company (“Ordinary Shares”) subject to the following restrictions and provisions:—

- (a) the aggregate maximum number of Ordinary Shares hereby authorised to be purchased is 8,746,295;
- (b) the maximum price which may be paid for an Ordinary Share is an amount being not more than 105 per cent of the average of the middle market quotations for an Ordinary Share as derived from The Stock Exchange Daily Official List of the five business days immediately preceding the day on which the Ordinary Share is purchased, and the minimum price which may be paid for any Ordinary Share is its nominal value, (in each case exclusive of any expenses);
- (c) unless previously revoked or varied, this authority shall expire at the conclusion of the annual general meeting of the Company to be held in 2004 or eighteen months from the date of passing of this resolution, whichever shall be earlier; and
- (d) the Company may enter into a contract to purchase Ordinary Shares under this authority before the expiry of such authority, and may make a purchase of Ordinary Shares pursuant to any such contract which purchase would or might be executed wholly or partly after the expiration of such authority.

*Registered Office:*  
29 Albemarle Street  
London  
W1S 4JB

By Order of the Board  
J.D. Gold  
*Company Secretary*  
Dated: 11th April 2003

*Notes:*

A member entitled to attend and vote at the above meeting may appoint one or more persons to attend and, on a poll, vote instead of him. A proxy need not be a member of the company. A form of proxy is enclosed with this Notice. Completion and return of this form of proxy will not prevent a member from attending the meeting and voting if he so wishes. A member personally present shall have one vote on a show of hands and on a poll every member present in person or by proxy shall have one vote for every ordinary share of which he is the holder.

In order to be valid, forms of proxy for the meeting and the power of attorney or other authority (if any) under which it is executed or a notarially certified copy of such power or authority must be received, not later than 48 hours before the time fixed for the meeting, at the office of the Company's Registrars: Northern Registrars Limited, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, Yorkshire HD8 0LA.

The directors' service contracts and register of directors' interests will be available for inspection at 12 Suffolk Street, London SW1Y 4HQ fifteen minutes prior to the meeting and will remain open during the continuance of the meeting.

Pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, the Company specifies that only those shareholders registered in the register of members of the Company or in the Company's overseas branch register as at 9.30 am on 2nd July 2003 shall be entitled to attend or vote at the above meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 9.30 am on 2nd July 2003 shall be disregarded in determining the rights of any person to attend or vote at the Meeting.

**ANGLO PACIFIC GROUP PLC**  
**FORM OF PROXY**

I/We .....

of .....

being (a) member(s) of Anglo Pacific Group PLC hereby appoint the Chairman of the meeting, failing whom,

.....  
as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at 09.30 a.m. on 4th July 2003 at 12 Suffolk Street, London SW1Y 4HQ and any adjournment thereof.

Date ..... Signature(s) .....

Resolution	For	Against
1. Ordinary Resolution to receive the 2002 Accounts.		
2. Ordinary Resolution to approve the Directors' Remuneration Report.		
3. Ordinary Resolution to declare a final dividend of 0.65p per ordinary share.		
4. Ordinary Resolution to re-elect H. Michaelis as a director.		
5. Ordinary Resolution to elect J.G. Whellock as a director.		
6. Ordinary Resolution to elect A.H. Yadgaroff as a director.		
7. Ordinary Resolution to re-appoint Messrs. Baker Tilly as auditors and authorise the directors to fix their remuneration.		
8. Ordinary Resolution that the directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities up to an aggregate nominal amount of £583,086.		
9. Special Resolution that the directors be and are hereby authorised to allot equity securities for cash up to an aggregate nominal amount of £87,462.		
10. Special Resolution that the Company be generally and unconditionally authorised to make one or more market purchases of up to 8,746,295 ordinary shares in the capital of the Company, subject to certain restrictions and provisions, including the maximum and minimum price at which such shares may be purchased.		

**Please indicate with an "X" how you wish your vote to be cast.**

Notes

- To be effective this proxy, duly completed, must be lodged at the Company's Registrars, Northern Registrars Limited, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, Yorkshire HD8 0LA not later than 09.30 a.m. on 2nd July 2003.
- If the appointer is a body corporate this proxy should be executed under its common seal or under the hand of an officer or attorney duly authorised.
- If you do not indicate how you wish your proxy to use your vote, the proxy will exercise his discretion both as to how he votes and whether or not he abstains from voting.
- A proxy need not be a member of the Company but must attend the meeting in person to represent you.
- In the case of joint registered holders, any of those holders may appoint a proxy. If more than one proxy is appointed, then only the proxy of the first named joint holder in the register shall be entitled to vote.
- If it is desired to appoint as proxy any person other than the Chairman of the Meeting, his name and address should be inserted in the relevant place and reference to the Chairman deleted and the alteration initialled.
- Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you subsequently decide to do so.



SECOND FOLD

BUSINESS REPLY SERVICE  
Licence No. HF 106



NORTHERN REGISTRARS LIMITED  
NORTHERN HOUSE  
WOODSOME PARK  
FENAY BRIDGE  
HUDDERSFIELD  
YORKSHIRE  
HD8 0JQ

FIRST FOLD

THIRD FOLD AND TUCK IN

