

Parkburn Limited

Report and financial statements

For the year ended 30 March 2002

Registered No.: SC133821



SCT S97QZHZD 0048
COMPANIES HOUSE 28/01/03

Parkburn Limited

Report and financial statements for the year ended 30 March 2002

	Page
Directors and advisers	1
Directors' report	2 – 4
Report of the auditors	5 – 6
Consolidated profit and loss account	7
Statement of total recognised gains and losses	8
Balance sheets	9
Consolidated cash flow statement	10
Notes to the financial statements	11 – 35
Directors' interests	36

Directors and advisers

Directors

C. Cornes
N.C. Crabb (resigned 6th Dec 2002)
P.J. Smyth

Secretary and registered office

Mr. P.J. Smyth
The Ca'd'oro
45 Gordon Street
Glasgow.
G1 3PE

Solicitors

Harper Macleod
The Ca'd'oro
45 Gordon Street
Glasgow.
G1 3PE

Registered Number

SC 133821

Registered Auditors

PricewaterhouseCoopers
Erskine House
68-73 Queen Street
Edinburgh.
EH2 4NH

Bankers

Lloyds TSB
95 High Street
Newport
Shropshire.
TF10 7AZ

Directors' report for the year ended 30 March 2002

The directors present their report and the audited financial statements for the year ended 30 March 2002.

Principal activities

The principal activities of the Group are the production and sale of coal. There have been no changes to the principal activities during the year.

Review of business and future developments**Overall position**

The consolidated profit and loss account for the year is set out on page 7.

Continuing operations produced a strong operating profit for the year of £19.0m against £17.5m in the previous year. The closure of the Deep Mine operations and liquidation of The Scottish Coal (Deep Mine) Company Limited resulted in an exceptional credit to the Group of £2.1m arising from a provision made in the previous year, in addition to operating losses from this discontinued activity of £13.2m after receipt of £13.6m of subsidy under the UK Coal Operating Aid Scheme.

Following the implementation of FRS19 "Deferred tax", a deferred tax asset of £11.3m at 30 March 2002 has been recognised. The directors are of the opinion that it is appropriate to recognise this asset, which will be recoverable from future taxable profits.

Opencast operations (Continuing)

Operating profits increased by 8.7% in the year, with sales tonnage volumes showing a 10% increase on previous year. Three new sites were opened in the year at Broken Cross, Glentagart and Rigghead, with production ceasing at Damside and Dalquhandy. Six of the eight coaling sites are now self-operated and two are operated by contractors. In addition, in November 2001, an agreement was made with Crouch Mining Limited to take over the operations at Dalquhandy and settle the final contractors' claim, which was inherited from British Coal at privatisation.

Deep Mine operations (Discontinued)

Operating losses were made in the year of £13.2m compared to £12.1m in the previous year. The Longannet Deep Mine suffered a catastrophic flood and less than a week later on 29 March 2002, the operating company, The Scottish Coal (Deep Mine) Company Limited, was put into liquidation.

The directors are satisfied that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. The financial statements have therefore been prepared on the going concern basis.

Directors' report for the year ended 30 March 2002 (continued)**Employees**

It is the policy of the Group to consult and discuss with employees on matters likely to affect their interests and to improve communications with all employees across the Group. This is being achieved through corporate presentations to both unions and employees. Progress is being reviewed on a regular basis with the intention of enhancing the quality of information.

The Group continues to encourage and develop every employee to realise their full potential with equal opportunity for all.

It is also the policy of the Group to give full consideration to suitable applicants for the employment of disabled persons and for employees who become disabled to continue in their employment by retraining for suitable alternative positions within the Group.

Health and safety

Within the Group, we continue to raise health and safety awareness. The directors believe that the Group has complied with the requirements of the Health and Safety at Work Act 1974, the Mines and Quarries Act 1954, the Quarries Regulations 1999 and MASHAM 1992.

The Group continued to develop the skills base to further enhance a safe and efficient environment within the workplace.

Directors

The names of the present directors appear on page 1.

The directors who served during the year and their interests in the shares of the Company at 30 March 2002, are listed on page 36.

Charitable donations and political contributions

The contributions made by the Group during the year for charitable purposes were £3,591 (31 March 2001: £100,895).

There were no donations to political parties.

Change in accounting policies

Following the introduction of FRS18 "Accounting Policies," assets relating to deferred opencast expenditure created in previous years and shown as debtors have now been reclassified as fixed assets. The comparative figures for 2001 have been restated resulting in a transfer from debtors to fixed assets at 31 March 2001 of £14,560,000. This change has no impact on the profit and loss account for the year or for the previous year.

Director's report for the year ended 30 March 2002 (continued)**Change in accounting policies (continued)**

As previously mentioned, the Accounting Standards Board published FRS 19, 'Deferred tax' on 7 December 2000. FRS 19 introduces a form of full provision for accounting for deferred tax. Deferred tax should be provided on timing differences recognised by the balance sheet date but only when the company has an obligation to pay more or less tax in the future as a result of the reversal of those timing difference.

The directors have adopted early the requirements of this reporting standard. Within the consolidated group accounts the adoption of FRS 19 'Deferred tax' has required the recognition of a deferred tax asset which would not have been recognised under SSAP 15 'Accounting for deferred tax'. A prior period adjustment has therefore been made. The effect on the balance sheet at 31 March 2001 is to increase current assets by £9,641,000 and increase the reserves of the group by the same amount. The group has not adopted a policy of discounting deferred tax assets and liabilities.

Statement of directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year, which 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 year.

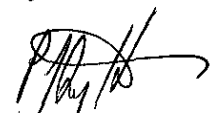
The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30 March 2002. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Auditors

The Auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution to reappoint the Auditors, will be proposed at the Annual General Meeting.

By order of the Board



P.J. Smyth
Company Secretary
13 January 2003

Independent auditors' report to the members of Parkburn Limited

We have audited the financial statements, which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cashflow Statement and related notes, which have been prepared under the historical cost convention and the accounting policies set out on pages 11 to 14.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the company's members in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the directors' report.

Basis of audit opinion

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

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

**Independent auditors' report to the members of Parkburn Limited
(continued)**

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and Group at 30 March 2002 and of the profit and cash flows of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, reading "PricewaterhouseCoopers", written in a cursive style.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Edinburgh
13 January 2003

Consolidated profit and loss account for the year ended 30 March 2002

	Notes	2002 Continuing Operations £'000	2002 Discontinued Operations £'000	2002 Total £'000	2001 Continuing Operations £'000	2001 Discontinued Operations £'000	2001 Restated Total £'000
Turnover	2	133,366	21,589	154,955	115,529	23,273	138,802
Cost of sales		107,080	47,914	154,994	92,875	58,875	151,750
Exceptional cost of sales	3	-	-	-	-	3,500	3,500
Total cost of sales		107,080	47,914	154,994	92,875	62,375	155,250
Gross profit/(loss)		26,286	(26,325)	(39)	22,654	(39,102)	(16,448)
UK coal operating aid scheme		-	13,559	13,559	-	27,617	27,617
Net operating expenses	4	(7,276)	(419)	(7,695)	(3,856)	(664)	(4,520)
Exceptional operating expenses	4	-	-	-	(1,308)	-	(1,308)
Total operating expenses		(7,276)	(419)	(7,695)	(5,164)	(664)	(5,828)
Operating profit/(loss)		19,010	(13,185)	5,825	17,490	(12,149)	5,341
Exceptional credit / (costs) arising from termination of deep mine operations	5	-	2,104	2,104	-	(6,968)	(6,968)
Profit/(loss) on ordinary activities before interest		19,010	(11,081)	7,929	17,490	(19,117)	(1,627)
Interest receivable	8			192			680
Interest payable and similar charges	9			(4,554)			(5,456)
Profit / (loss) on ordinary activities before taxation	10			3,567			(6,403)
Tax credit/(charge) on profit / (loss) on ordinary activities	11			1,624			(3,710)
Profit / (loss) on ordinary activities after taxation				5,191			(10,113)
Minority interest	13			(2,089)			3,474
Retained profit / (loss) for the year	20			3,102			(6,639)

There is no difference between the profit / (loss) on ordinary activities before taxation and the retained profit / (loss) for the year stated above, and their historical cost equivalents.

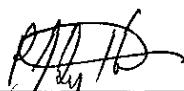
**Statement of total recognised gains and losses for the year ended
30 March 2002**

	Notes	2002 £'000	2001 Restated £'000
Profit / (loss) for the financial year after taxation		3,102	(6,639)
Consideration from amendment to acquisition agreement and the completion statement	20	-	805
Total recognised gains / (losses) for the year		3,102	(5,834)
Prior year adjustment		9,641	
Total gains recognised since last annual report		12,743	

Balance sheets as at 30 March 2002

		Group		Company	
		2002	2001	2002	2001
	Notes	£'000	Restated £'000	£'000	£'000
ASSETS					
Fixed assets					
Intangible assets	14	10,031	10,588	-	-
Tangible assets	15	66,827	54,088	-	-
Investments	16	-	-	3,628	3,628
		<u>76,858</u>	<u>64,676</u>	<u>3,628</u>	<u>3,628</u>
Current assets					
Stocks	17	17,333	2,899	-	-
Debtors: amounts falling due after more than one year	18	27,696	16,630	-	-
Debtors: amounts falling due within one year	18	17,878	17,656	-	-
Cash at bank and in hand		-	-	-	-
		<u>62,907</u>	<u>37,185</u>	<u>-</u>	<u>-</u>
Total assets		<u>139,765</u>	<u>101,861</u>	<u>3,628</u>	<u>3,628</u>
LIABILITIES					
Capital and reserves					
Called up share capital	19	2,500	2,500	2,500	2,500
Profit and loss account	20	6,067	2,965	-	-
Shareholders funds	21	8,567	5,465	2,500	2,500
Minority Interest	22	(653)	(2,742)	-	-
Provisions for liabilities and charges	23	52,885	45,051	-	-
Creditors: amounts falling due after more than one year	24	44,859	27,552	1,077	1,077
Creditors: amounts falling due within one year	25	34,107	26,535	51	51
		<u>131,851</u>	<u>99,138</u>	<u>1,128</u>	<u>1,128</u>
Total funds employed		<u>139,765</u>	<u>101,861</u>	<u>3,628</u>	<u>3,628</u>

The financial statements on pages 7 to 35 were approved by the Board of directors on 13 January 2003 and were signed on its behalf by:


P.J. Smyth
Director

Consolidated cash flow statement for the year ended 30 March 2002

	Notes	2002 £'000	2001 £'000
Net cash outflow from operating activities	26	<u>(1,121)</u>	<u>(20,264)</u>
Returns on investments and servicing of finance			
Interest received		192	680
Interest paid		<u>(3,783)</u>	<u>(1,776)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(3,591)</u>	<u>(1,096)</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(15,179)	(2,428)
Sale of tangible fixed assets		656	43
Acquisitions and disposals			
Cost of business acquired	29	-	(4,936)
Net cash acquired on acquisitions		-	13,196
Consideration from amendment to acquisition agreement	21	-	805
Net cash outflow from capital expenditure and financial investment		<u>(14,523)</u>	<u>6,680</u>
Net cash outflow before financing		<u>(19,235)</u>	<u>(14,680)</u>
Financing			
Issue of shares	19	-	2,500
Advance under coal supply contract	28	-	3,262
Payments under finance leases		(4,668)	(1,804)
Drawdown of term bank loan		<u>17,500</u>	<u>-</u>
Net cash inflow from financing		<u>12,832</u>	<u>3,958</u>
Decrease in cash	28	<u>(6,403)</u>	<u>(10,722)</u>

Notes to the financial statements for the year ended 30 March 2002**1. Principal accounting policies**

The financial statements are prepared in accordance with applicable Accounting Standards in the United Kingdom.

A summary of the principal accounting policies is set out below.

Changes in accounting policies

The accounting policies have been applied consistently except as stated below.

Following the introduction of FRS18 "Accounting Policies", assets relating to deferred opencast expenditure created in previous years and shown as debtors have now been reclassified as fixed assets. The comparative figures for 2001 have been restated, resulting in a transfer from debtors to fixed assets at 31 March 2001 of £14,560,000. This change has no impact on the profit and loss account for the year or for the previous year.

The Accounting Standards Board published FRS19 "Deferred tax" on 7 December 2000. FRS19 introduces a form of full provision for accounting for deferred tax. Deferred tax should be provided on timing differences recognised by the balance sheet date but only where the company has an obligation to pay more or less tax in the future as a result of the reversal of those timing differences.

Within the consolidated group accounts, the adoption of FRS19 "Deferred tax" has required the recognition of a deferred tax asset that would not have been recognised under SSAP15 "Accounting for deferred tax". A prior period adjustment has therefore been made. The effect on the balance sheet at 31 March 2001 is to increase current assets by £9,641,000 and increase the reserves of the group by the same amount. The group has not adopted a policy of discounting deferred tax assets and liabilities.

No other changes to accounting policies have been required.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention. Long-term debtors, creditors and long-term provisions have been discounted to reflect their net present value.

The directors consider that the going concern basis of preparation continues to be appropriate based on cash flow forecasts and available facilities.

**Notes to the financial statements for the year ended 30 March 2002
(continued)****1. Principal accounting policies (continued)****Basis of consolidation**

The consolidated profit and loss account, the statement of total recognised gains and losses, balance sheet and cash flow statement include the financial statements of the Company and its subsidiary undertakings made up to 30 March 2002. The results of subsidiaries acquired during the year are included in the consolidated profit and loss account from the date control passes. Intra-Group sales and profit are eliminated fully on consolidation.

The results of The Scottish Coal (Deep Mine) Company Limited have been consolidated until the date of liquidation on 29 March 2002. Following the appointment of the liquidator, the assets and liabilities of The Scottish Coal (Deep Mine) Company Limited have been deconsolidated from the group balance sheet.

Goodwill and intangible assets

Goodwill arising represents the excess of fair value of the net assets acquired. In accordance with FRS10, the existing balance of the goodwill reserve is set against the consolidated profit and loss account reserve. Any future goodwill arising will be capitalised in the year of acquisition and amortised on a systematic basis over its useful economic life. The carrying value of goodwill and other intangible assets will be reviewed as necessary for impairment and a write-down in carrying value is made where impairment is identified.

Tangible fixed assets and depreciation

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition. Freehold land is not depreciated. The cost, less estimated residual value, of other tangible fixed assets is written off by equal instalments over their expected useful lives as indicated below:

	Years
Freehold buildings	50
Mines and surface works	Up to 20
Plant, machinery and equipment	8 to 12
Motor vehicles	3 to 5

Leasehold land and buildings are amortised over 50 years or, if shorter, the period of the lease.

Depreciation on major projects to access new seams is not charged until full production commences. Coal extracted prior to the commencement of production is credited against the cost of the project.

**Notes to the financial statements for the year ended 30 March 2002
(continued)****1. Principal accounting policies (continued)****Deferred opencast expenditure**

Other than recoverable land purchase costs, opencast expenditure incurred prior to the commencement of working opencast sites is capitalised and charged to the profit and loss account over the coaling life of the site on a coal extraction basis.

Investments

Investments are stated at cost less any provisions for impairment.

Leases and hire purchase contracts

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a constant periodic rate of charge on the remaining balance of the obligation for each accounting period. Rentals paid under operating leases are charged against income as incurred.

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Appropriate provisions are made for obsolescence and redundant stores.

Work in progress represents the cost of transferring both sub-soil and muck to the tip above ground. These costs are expensed over the life of the site on a coal extraction basis.

Restoration and closure costs

The total costs of reinstatement of soil excavation and of surface restoration are recognised as a provision at site commissioning when the obligation arises. The amount provided represents the present value of the expected costs. Costs are charged to the provision as incurred and the unwinding of the discount is included in the interest charge for the year. An asset is created for an amount equivalent to the initial provision.

This is charged to the profit and loss account on a coal extraction basis over the life of a site.

Concessionary fuel

Provision was made over the service lives of employees for the estimated liability arising from the obligation to provide concessionary fuel benefits to retired employees and their dependants.

Notes to the financial statements for the year ended 30 March 2002 (continued)

1. Principal accounting policies (continued)

Pension costs

The Group contributes, in respect of those employees transferred direct from The British Coal Corporation, to two pension schemes providing benefits based on final pensionable pay; the Industry Wide Staff Superannuation Scheme for non-industrial staff, officials and weekly paid staff and the Industry Wide Mineworkers' Pension Scheme for other industrial employees. The assets of the schemes are held separately from those of the Group, being funds administered by Trustees to the schemes. The costs of the schemes are determined by a qualified actuary on the basis of triennial valuations, and are charged to the profit and loss account so as to spread the cost of pensions over the employees' service lives with the Group.

The Group operates a defined contribution scheme for the majority of staff not transferred from The British Coal Corporation. Pension contributions to this scheme are expensed as incurred.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

Deferred taxation

Deferred taxation is provided in respect of all timing differences that have originated but not reversed by the balance sheet date, where there is an obligation to pay more or less in the future as a result of the reversal of those timing differences. Previously deferred tax was only provided to the extent that it was probable that such a liability would become payable.

2. Segmental and geographical analysis

The directors consider that all operations arise from coal mining. All net assets are located in the United Kingdom. A geographical analysis of turnover is as follows:-

	2002 Continuing Operations £'000	2002 Discontinued Operations £'000	2002 Total £'000	2001 Continuing Operations £'000	2001 Discontinued Operations £'000	2001 Total £'000
United Kingdom	133,366	21,589	154,955	115,529	23,273	138,802

3. Exceptional cost of sales

	2002 £'000	2001 £'000
Write down in carrying value of fixed assets	-	3,500

Notes to the financial statements for the year ended 30 March 2002 (continued)

3. Exceptional cost of sales (continued)

The write down in fixed assets represents the reduction in the recoverability of The Scottish Coal (Deep Mine) Company Limited assets following the decision to restructure operations on a single retreat face production base.

4. Net operating expenses

	2002 Continuing Operations £'000	2002 Discontinued Operations £'000	2002 Total £'000	2001 Continuing Operations £'000	2001 Discontinued Operations £'000	2001 Total £'000
Administrative expenses	(8,001)	(419)	(8,420)	(4,336)	(676)	(5,012)
Amortisation of Goodwill	(557)	-	(557)	(557)	-	(557)
Less: other operating income	1,282	-	1,282	1,037	12	1,049
Net operating expenses	(7,276)	(419)	(7,695)	(3,856)	(664)	(4,520)
Exceptional administrative expenses	-	-	-	(1,308)	-	(1,308)
Total operating expenses	(7,276)	(419)	(7,695)	(5,164)	(664)	(5,828)

The exceptional item relates to the write off the Group's investments in Scottish Coal Contracts Limited as a result of the sale of its principal contract.

5. Exceptional credit / (costs) arising from termination of deep mine operations

	2002 £'000	2001 £'000
Credit arising from write down of all assets and liabilities in The Scottish Coal (Deep Mine) Company Limited (SCDM)	15,761	19,766
Cost of SCDM employee termination costs	(1,178)	-
Provision of inter company loans held by other Group companies in SCDM	(10,718)	(16,020)
SCDM liabilities retained by other Group companies	(1,388)	(10,714)
Provision for reorganisation costs principally employee termination costs	(373)	-
	<u>2,104</u>	<u>(6,968)</u>

Notes to the financial statements for the year ended 30 March 2002 (continued)

6. Employee information

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

	2002 Continuing Operations Number	2002 Discontinued Operations Number	2002 Total Number	2001 Continuing Operations Number	2001 Discontinued Operations Number	2001 Total Number
Mining operations	593	346	939	244	369	613
Administrative staff	33	41	74	20	38	58
	626	387	1,013	264	407	671

	2002 Continuing Operations £'000	2002 Discontinued Operations £'000	2002 Total £'000	2001 Continuing Operations £'000	2001 Discontinued Operations £'000	2001 Total £'000
Staff costs						
Wages and salaries	17,417	12,944	30,361	7,406	13,908	21,314
Social security costs	1,642	1,039	2,681	704	1,129	1,833
Pensions (note 32)	676	1,411	2,087	524	1,517	2,041
Other post retirement benefits (note 33)	-	228	228	-	29	29
	19,735	15,622	35,357	8,634	16,583	25,217

7. Directors' emoluments

The Directors did not receive any remuneration from the Company or any of its subsidiaries in 2002 and 2001.

8. Interest receivable

	2002 £'000	2001 £'000
From short-term deposits	192	680

Notes to the financial statements for year ended 30 March 2002 (continued)

9. Interest payable and similar charges

	2002 £'000	2001 £'000
On unwinding of discount on provisions (note 23)	771	3,680
On bank loans and overdrafts	2,220	1,167
On DTI deferred consideration	356	372
On DTI additional consideration	-	237
On hire purchase contracts	1,207	-
	4,554	5,456

10. Profit / (loss) on ordinary activities before taxation

	2002 Continuing Operations £'000	2002 Discontinued Operations £'000	2002 Total £'000	2001 Continuing Operations £'000	2001 Discontinued Operations £'000	2001 Total £'000
Profit / (loss) on ordinary activities before taxation is stated after charging:						
Depreciation						
Tangible owned fixed assets	8,714	2,298	11,012	2,500	7,049	9,549
Leasehold land	-	2	2	-	2	2
Amortisation of goodwill	557	-	557	557	-	557
Auditors remuneration for:						
Audit	91	-	91	69	33	102
Other services	16	-	16	30	4	34
Hire of plant and machinery	4,299	1,012	5,311	2,537	1,658	4,195
Operating lease charges	1,680	785	2,465	1,415	-	1,415

11. Tax on profit / (loss) on ordinary activities

	2002 £'000	Restated 2001 £'000
United Kingdom corporation at 30%	-	473
Deferred tax credit / (charge)	1,624	(4,183)
	1,624	(3,710)

Notes to the financial statements for the year ended 30 March 2002 (continued)

11. Tax on profit / (loss) on ordinary activities (continued)

The difference between the tax credit on ordinary activities for the year, reported in the profit and loss account, and the tax credit that would result from applying a relevant standard rate of tax to the loss on ordinary activities before tax, is explained as follows:-

	2002 £'000	Restated 2001 £'000
Profit / (loss) on ordinary activities before tax	3,567	(6,403)
Standard rate of corporation tax at 30% (2001: 30%)	(1,070)	1,921
Adjustments:		
(a) Prior year adjustments in respect of under / (over) provisions	(604)	391
(b) Expenses not deductible for tax purposes	2,003	(955)
(c) Losses for which no relief currently available	(4,685)	(2,211)
(d) Other	2,732	(2,856)
Tax credit/(charge) for year	<u>1,624</u>	<u>(3,710)</u>

12. Profit for the year

As permitted by Section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The profit of Parkburn Limited for the period was nil (2001: Nil).

13. Minority interests

	2002 £'000	Restated 2001 £'000
Profit / (loss) on ordinary activities after taxation	5,191	(10,113)
Add back goodwill amortisation	<u>557</u>	<u>557</u>
	5,748	(9,556)
Minority interest is 36.35%	<u>(2,089)</u>	<u>3,474</u>

14. Intangible assets

	2002 £'000	2001 £'000
Opening Balance	10,588	-
Goodwill arising on the acquisition of shares in Mining (Scotland) Limited (see note 29)	-	11,145
Amortisation in the period	<u>(557)</u>	<u>(557)</u>
Closing Balance	<u>10,031</u>	<u>10,588</u>

Notes to the financial statements for year to 31 March 2002 (continued)

15. Tangible fixed assets

Group	Land and buildings	Mines and surface works	Plant, machinery and motor vehicles	Deferred opencast expenditure	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 31 March 2001	19,444	3,413	23,718	-	46,575
Deferred opencast expenditure (note 1)	-	-	-	14,560	14,560
Restated at 31 March 2001	19,444	3,413	23,718	14,560	61,135
Additions	1,529	-	11,398	9,411	22,338
Disposals	(357)	-	(499)	-	(856)
Written off	(51)	-	(39)	-	(90)
At 30 March 2002	20,565	3,413	34,578	23,971	82,527
Depreciation					
At 31 March 2001	1,288	1,770	3,989	-	7,047
Provided during the year	155	1,117	5,511	4,229	11,012
Disposals	-	-	(200)	-	(200)
Written off	(25)	(825)	(1,309)	-	(2,159)
At 30 March 2002	1,418	2,062	7,991	4,229	15,700
Net book value					
At 30 March 2002	19,147	1,351	26,587	19,742	66,827
At 31 March 2001	18,156	1,643	19,729	14,560	54,088

The fixed assets that were written off in the year relate to those owned by The Scottish Coal (Deep Mine) Company Limited, which entered into provisional liquidation on 29 March 2002.

Land and buildings, both heritable and freehold, acquired from The British Coal Corporation were fair valued in 1994 at open market value by D.M. Hall, an independent firm of chartered surveyors.

In accordance with normal accounting practices, the directors do not include an amount in fixed assets valuing reserves of coal.

Assets held under finance leases and capitalised in Plant and Machinery

	2002 £'000	2001 £'000
Cost	22,806	17,749
Aggregate depreciation	2,822	1,279
	19,984	16,470

The Company has no tangible fixed assets.

Notes to the financial statements for the year ended 30 March 2002 (continued)

16. Fixed assets investments – Group undertakings

Fixed asset investments relate to the Company's investment in Mining (Scotland) Limited.

£'000

At 30 March 2002 and 31 March 2001

3,628

Name of undertaking	Country of incorporation or registration	Description of shares held	Proportion of nominal value of shares held Group and Company %
Mining (Scotland) Limited	Scotland	Ordinary 50p shares	63.65
The following companies are subsidiaries of Mining (Scotland) Limited and the % of shares held by that company.			
The Scottish Coal Company Limited	Scotland	Ordinary £1 shares	100
Castlebridge Plant Limited	Scotland	Ordinary £1 shares	100
Game Fisheries Limited	Scotland	Ordinary 6 ² / ₃ p shares	100
Scottish Coal Contracts Limited	Scotland	Ordinary £1 shares	100
Mining (Scotland) Trustees (UK) Limited	Scotland	"A" Ordinary shares	74
Mining (Scotland) Trustees Jersey Limited	Jersey	"A" Ordinary shares	74

Mining (Scotland) Limited is a holding company.

The Scottish Coal Company Limited operates principally in Scotland. Its principal business activity is the production and sale of coal.

The Scottish Coal (Deep Mine) Company Limited was a subsidiary at 31 March 2001 operating in Scotland. The company was put into liquidation on 29 March 2002.

Castlebridge Plant Limited operates principally in Scotland. Its principal business is plant hire.

Game Fisheries Limited operates in Scotland. Its principal activity is the management of lochs and farming on a small scale.

Scottish Coal Contracts Limited operates principally in England. Its principal business activity is the production of coal.

Notes to the financial statements for the year ended 30 March 2002 (continued)

16. Fixed assets investments – Group undertakings (continued)

Mining (Scotland) Trustees (UK) Limited operates as the trustee of the Mining (Scotland) Limited Profit Sharing Scheme and holds the “free” shares which were allocated to each of the employee participants in the scheme.

Mining (Scotland) Trustees Jersey Limited was constituted as trustee of an option granted by certain shareholders permitting the trustee to acquire shares for employees as directed by such employees.

17. Stocks and work in progress

	2002 £'000	2001 £'000
Coal stocks	4,307	1,109
Spares and consumables	743	99
Work in progress	12,283	1,691
	<u>17,333</u>	<u>2,899</u>

18. Debtors

	Group		Company	
	2002	2001	2002	2001
	£'000	Restated £'000	£'000	£'000
Amounts falling due after more than one year				
Restoration and closure asset	16,431	6,989	-	-
Deferred tax asset (see note 23)	11,265	9,641	-	-
	<u>27,696</u>	<u>16,630</u>	<u>-</u>	<u>-</u>
Amounts falling due within one year				
Restoration and closure asset	3,962	2,950	-	-
Trade debtors	11,371	12,780	-	-
Other debtors	80	559	-	-
HM Customs & Excise	1,162	810	-	-
Prepayments and accrued income	1,303	557	-	-
	<u>17,878</u>	<u>17,656</u>	<u>-</u>	<u>-</u>

Notes to the financial statements for the year ended 30 March 2002 (continued)

19. Share capital

	2002 £'000	2001 £'000
Authorised non-equity share capital		
2,501,000 (2001: 2,501,000) Ordinary shares of £1 each	<u>2,500</u>	<u>2,500</u>
Issued, called up and fully paid		
2,500,002 (2001: 2,500,002) Ordinary shares of £1 each	<u>2,500</u>	<u>2,500</u>

20. Share premium and reserves

Group	Profit and loss account Restated £'000
At 30 September 1999	-
Consideration from amendment to acquisition agreement	400
Consideration from completion statement settlement	405
Prior year effect of change in basis of accounting for deferred taxation after minority interest	8,799
Loss for 2001 after minority interest – as restated	<u>(6,639)</u>
At 31 March 2001 as restated	<u>2,965</u>
Profit for the year after minority interest	<u>3,102</u>
At 30 March 2002	<u>6,067</u>
Company	
At 31 March 2001	-
Profit for the period	-
At 30 March 2002	<u>-</u>

Notes to the financial statements for the year ended 30 March 2002 (continued)

21. Reconciliation of movements in shareholders' funds

Group	2002	2001 Restated £'000
Profit / (Loss) for period after minority interest	3,102	(6,639)
Consideration from completion statement settlement	-	405
Consideration from amendment to acquisition agreement	-	400
Issue of shares	-	2,500
Movement in shareholders' funds /(deficit)	3,102	(3,334)
Opening shareholders' funds	5,465	-
Prior year adjustment (see note 20)	-	8,799
Closing shareholders' funds	8,567	5,465

22. Minority interest

	2002 £'000	2001 Restated £'000
Minority interest arising on acquisition of Mining (Scotland) Limited shares	-	4,293
(Profit) / Loss for year apportioned to minority interest (see note 13)	(2,089)	3,474
Deferred taxation prior year adjustment apportioned to minority interest	-	(5,025)
Movement in Minority interest	(2,089)	2,742
Opening Minority interest	2,742	-
Closing Minority interest	653	2,742

23. Provisions for liabilities and charges

Group	As at 31 March 2001 £'000	Created in year £'000	Released in year £'000	Utilised in year £'000	Unwinding Of discount £'000	As at 30 March 2002 £'000
Restoration, closure and claims costs						
- Opencast	43,815	14,586	(637)	(6,595)	771	51,940
Opencast dragline decommissioning	291	-	(291)	-	-	-
Deep Mine						
- surface damage	945	-	-	-	-	945
TOTAL	45,051	14,586	(928)	(6,595)	771	52,885

**Notes to the financial statements for the year ended 30 March 2002
(continued)****23. Provisions for liabilities and charges (continued)**

In accordance with FRS12 a brief description of the nature of the Group's obligations, the expected timing of resulting outflows of economic benefit and an indication of the uncertainties surrounding each of the above provisions is provided below:

Concessionary fuel provided for retirement benefits payable to employees in the form of heating coal provided by external coal retailers. The amounts payable were defined in employee terms and conditions and were subject to a qualifying period of service. The costs of the concessionary fuel benefits were determined by a qualified actuary on the basis of triennial valuations. Benefits were payable as an annuity. Further details are set out in note 33.

Restoration, closure and claims costs

Opencast relate to the total costs of reinstatement of soil excavation and of surface restoration such as topsoil replacement and landscaping. Restoration costs are payable in part progressively during the coaling, and in full following completion of the individual sites. Payments against aftercare liabilities, which follow completion of coaling on individual sites, are expected to be over the next 10 years. Claims provisions relate to opencast operations where sites owned by the Group are mined by external contractors. Where mining conditions vary from those specified in the contract, the external contractors may believe they are entitled to claim for further costs incurred. The Group is now primarily self-operating sites and the exposure to contractor claims is substantially reduced. Certain claims have now been settled and it is considered that the remaining liability is immaterial and therefore the provision is combined with the restoration and closure costs.

Deep Mine related to shaft treatment and pit top provisions made to meet the Group's liability to fill and cap all mine shafts and return pit top areas to a condition consistent with the required planning permission. No transfer of economic benefits will arise until decommissioning is completed. The pit top provision reflected existing planning permissions which required pit areas to be restored to former use, usually agricultural.

Dragline decommissioning provision related to the dismantling of the dragline following completion of an individual site and is no longer required.

Surface damage provision relates to the Group's liability to repair all subsidence damage arising from past mining operations. Surface damage claims can be lodged by the public up to six years after mining, and payment will occur once a claim is settled. The volume and size of claims varies according to the nature of surface development (eg agricultural or residential area). Costs are estimated based on historical claims experience following a detailed assessment of the nature of the damage foreseen and agreed with the Coal Authority.

Notes to the financial statements for the year ended 30 March 2002 (continued)

23. Provisions for liabilities and charges (continued)

Deferred taxation

Group

Deferred taxation assets recognised in the accounts comprises:-

	2002	2001
	£'000	Restated £'000
Capital allowances	7,154	3,697
On provision and other items	4,111	5,944
Total asset	<u>11,265</u>	<u>9,641</u>

The unprovided amounts of deferred taxation assets for timing differences are as follows:-

	2002	2001
	£'000	Restated £'000
Capital allowances	-	(1,991)
On provision and other items	8,333	15,308
Total asset	<u>8,333</u>	<u>13,317</u>

The directors have adopted the requirements of FRS19 on deferred tax. This requires provision for all timing differences that have originated but not reversed by the balance sheet date where there is an obligation to pay more or less tax in the future as a result of the reversal of the timing difference. Previously deferred tax was only provided to the extent that it was probable that such a liability would become payable.

Notes to the financial statements for the year ended 30 March 2002 (continued)

23. Provisions for liabilities and charges (continued)

As a result, comparative figures for the group for the year to 31 March 2001 have been adjusted as follows:-

	£'000
Loss on ordinary activities after taxation – as previously reported	(5,930)
Effect of prior year adjustment	(4,183)
Loss on ordinary activities after taxation – as restated	<u>(10,113)</u>
Net liabilities	£'000
Net liabilities as previously reported at 31 March 2001	(6,918)
Effect of prior year adjustments	9,641
Net assets – as restated	<u>2,723</u>

Company

No deferred taxation has been provided in the company accounts (2001: nil).

The unprovided amounts of deferred taxation for timing differences are as follows:-

	2002	2001
	£'000	Restated £'000
On provisions and other items	<u>6,593</u>	1,943
Total asset	<u>6,593</u>	<u>1,943</u>

24. Creditors: amounts falling due after more than one year

	Group		Company	
	2002	2001	2002	2001
	£'000	Restated £'000	£'000	£'000
DTI deferred consideration	4,593	4,593	-	-
Bank Loan	17,500	-	-	-
Advance under coal supply contract	6,600	9,769	-	-
Obligations under finance leases	11,617	10,412	-	-
Other creditors	1,077	1,077	1,077	1,077
Retentions	3,472	1,701	-	-
	<u>44,859</u>	<u>27,552</u>	<u>1,077</u>	<u>1,077</u>

Notes to the financial statements for the year ended 30 March 2002 (continued)

24. Creditors: amounts falling due after more than one year (continued)

The DTI deferred consideration is constituted by a promissory note and secured by way of floating charge over the assets of Mining (Scotland) Limited and The Scottish Coal Company Limited, as well as a prior ranking fixed charge over one opencast site. Interest is charged at 2% above LIBOR.

The term loan facility is for £30m, of which, £17.5m was drawn at 30 March 2002. The loan is repayable in 10 quarterly instalments commencing 31 December 2002. Interest is charged at 2% above LIBOR. The loan is secured by both prior ranking fixed charges and floating charges. The repayments due in the first year of £6m will be met by further drawdowns to be made in the same year.

	2002 £'000	2001 £'000
In the first year	-	-
In the second to fifth years	17,500	-
	<u>17,500</u>	<u>-</u>

The loan advance under the coal supply contract is repayable over the period January 2002 to January 2005. The loan is secured by a prior ranking charge over five opencast sites. Interest accrues from 1st January 2003 at a rate of 7.475%.

	2002 £'000	2001 £'000
In the next year (see note 25)	3,169	-
In the second to fifth years	6,600	-
	<u>9,769</u>	<u>-</u>

The advance under the coal supply contract is secured by a prior ranking fixed charge over five opencast sites owned by The Scottish Coal Company Limited, and by a floating charge over the assets of The Scottish Coal (Deep Mine) Company Limited. This will be repaid in the period 2001 to 2004.

Obligations under finance leases and hire purchase agreement are repayable over varying years by monthly or quarterly instalments as follows:-

	2002 £'000	2001 £'000
In the next year (see note 25)	4,900	3,614
In the second to fifth years	11,617	10,412
	<u>16,517</u>	<u>14,026</u>

Notes to the financial statements for the year ended 30 March 2002 (continued)

25. Creditors: amounts falling due within one year

	Group		Company	
	2002	Restated 2001	2002	2001
	£'000	£'000	£'000	£'000
Bank loan and overdraft	8,790	2,387	-	-
Loan advance under coal supply contract	3,169	-	-	-
Trade creditors	7,582	9,918	-	-
Other taxation and social security	2,036	693	-	-
Other creditors	406	2,518	-	-
Obligations under finance leases	4,900	3,614	-	-
Retentions	-	3,675	-	-
Accruals and deferred income	7,224	3,730	51	51
	34,107	26,535	51	51

The overdraft facility is secured by fixed and floating charges over the assets of the its subsidiaries, Mining (Scotland) Limited and The Scottish Coal Company Limited. Interest is charged at 2% above Royal Bank of Scotland base rate.

26. Reconciliation of operating profit to net cash flow from operating activities

	2002 £'000	2001 £'000
Operating profit	5,825	5,341
Exceptional credit arising from termination of deep mine operations	2,104	-
Depreciation of tangible fixed assets	11,012	9,551
Amortisation of goodwill	557	557
Write down of fixed assets	(2,069)	799
Investment write off in Scottish Coal Contracts Limited	-	1,308
(Increase) / decrease in stocks	(14,434)	1,259
Increase in debtors	(9,664)	(22,780)
Decrease in creditors	(1,515)	(5,500)
Increase / (decrease) in provisions	7,063	(10,799)
Net cash outflow from operating activities	(1,121)	(20,264)

Notes to the financial statements for the year ended 30 March 2002 (continued)

27. Reconciliation of net cash flow to movements in net debt

	2002	2001 Restated £'000
Decrease in cash in the period	(6,403)	(10,722)
Cash inflow from increase in debt	(17,500)	(3,262)
Change in net debt resulting from cash flow	(23,903)	(13,984)
Other non-cash items		
DTI deferred consideration	-	(4,593)
Interest on DTI deferred consideration	(356)	(569)
Loan under coal supply agreement	-	(6,507)
Hire Purchase Agreements	(2,491)	(14,026)
Overdrafts held by The Scottish Coal (Deep Mine) Company Limited	-	8,335
Movement in net debt in the period	(26,750)	(31,344)
Net debt at 31 March 2001	(31,344)	-
	(58,094)	(31,344)

28. Analysis of net debt

	At 31 March 2001 Restated £'000	Cash Flow £'000	Other non-cash charges £'000	At 30 March 2002 £'000
Cash at bank	(2,387)	(6,403)	-	(8,790)
Bank loan	-	(17,500)	-	(17,500)
DTI deferred consideration				
- principal	(4,593)	-	-	(4,593)
- accrued interest	(569)	-	(356)	(925)
	(5,162)	-	(356)	(5,518)
Hire purchase agreement	(14,026)	(2,491)	-	(16,517)
Advance loan under coal supply contract				
- principal	(9,769)	-	-	(9,769)
Total	(31,344)	(26,394)	(356)	(58,094)

Notes to the financial statements for the year ended 30 March 2002 (continued)

29. Acquisitions

On 10 January 2001, the Group entered into an Agreement with Miller Group Limited and Miller Mining Limited to acquire Miller Mining (UK) Limited (subsequently renamed Scottish Coal Contracts Limited). The consideration paid for the assets and liabilities was £1,308,000.

The following assets and liabilities were acquired:-

	Book Value £'000
Work in progress	2,007
Stocks	100
Debtors	1,455
Other debtors	545
Trade creditors	(1,017)
Accruals	(307)
Corporate tax payable	(1,475)
	<u>1,308</u>

In the opinion of the directors, the above represents the fair value of the assets.

On 23 March 2000, Parkburn Limited acquired 63.65% of share capital of Mining (Scotland) Limited. The consideration paid for the assets and liabilities was £3,628,000. The fair value of Mining (Scotland) Limited's identifiable assets and liabilities at the date of acquisition were as follows:-

	Book Value £'000
Tangible fixed assets	53,226
Stocks	5,081
Debtors	28,519
Cash	15,196
Provisions	(58,663)
Creditors	(55,169)
	<u>(11,810)</u>
Percentage of share capital purchased	63.65%
Fair value of net liabilities purchased	(7,517)
Consideration	3,628
Goodwill arising on acquisition	<u>11,145</u>

Notes to the financial statements for the year ended 30 March 2002 (continued)

30. Contingent liabilities

	2002 £'000	2001 £'000
Indemnities for performance bonds	1,063	5,482
Guarantees in favour of The Coal Authority	1,584	1,923
Other guarantees	1,905	1,330
	<u>4,552</u>	<u>8,735</u>

The performance bonds and guarantees in favour of The Coal Authority consist of restoration and aftercare agreements entered into in the normal course of business. Other guarantees relate to property transactions entered into in the normal course of business.

A contingent liability exists with respect to any potential deficit in the defined benefit pensions scheme relating to former employees of The Scottish Coal (Deep Mine) Company Limited as described in note 32.

The Group is subject to various claims and legal actions in the ordinary course of business, for which provision is made in the financial statements, where appropriate, on the basis of the information currently available. The directors do not expect that the outcome of such issues will materially affect the financial position.

31. Operating leases

Commitments under leases to pay rentals during the year following the year of these financial statements are given in the total below, analysed according to the period in which the lease expires.

Obligations under operating leases:

	2002 £'000	2001 £'000
Plant and machinery		
Expiring within 1 year	3,554	43
Expiring within 1 - 2 years	1,965	-
Expiring during 2 to 5 years	1,170	1,240
	<u>6,689</u>	<u>1,283</u>

Notes to the financial statements for the year ended 30 March 2002 (continued)

32. Pension schemes

The pension costs charged represent contributions payable by the Group in respect of defined contribution and defined benefit schemes, as follows:-

	2002 Continuing Operations £'000	2002 Discontinued Operations £'000	2002 Total £'000	2001 Continuing Operations £'000	2001 Discontinued Operations £'000	2001 Total £'000
Defined benefit schemes	327	1,268	1,595	478	1,500	1,978
Defined contribution schemes	349	143	492	46	17	63
	676	1,411	2,087	524	1,517	2,041

The majority of those employees within defined benefit schemes are members of industry-wide schemes; either the Industry Wide Coal Staff Superannuation Scheme (IWCSSS) or the Industry Wide Mineworkers' Pension Scheme (IWMPS), both of which commenced on privatisation following the Coal Industry Act 1994.

Although the schemes are administered and investments made on an industry-wide basis, each scheme comprises separate sections for each participating employer. The Group is represented on the Committee of Management of each scheme. Each Committee of Management comprises equal numbers of employer and trade union nominees, with the Chairman of each Committee of Management (nominated by a Co-ordinator Company representing the interests of participating employers) having a casting vote on the many issues on which a majority vote is sufficient.

Each Committee of Management appointed an actuary who determined the initial employer contribution rates of 9.75% and 15% for the IWMPS and the IWCSSS, respectively, with equivalent employee rates of 5.25% and 6% (with the member's contribution rate for the IWCSSS subject to a reduction of 1% of pensionable payroll which, until 5 April 2009, is paid by The British Coal Staff Superannuation Scheme).

Employers' contribution rates are reviewed on triennial actuarial valuations when a contribution rate is set which is specific to each employer. It is possible that the employers' contribution rate to both schemes will increase over time, particularly in light of each scheme's ageing membership profile.

If the actuarial valuation of an employer's part of the scheme reveals a deficit, the employer may become liable to pay extra deficit contributions.

Notes to the financial statements for the year ended 30 March 2002 (continued)

32. Pension schemes (continued)

Actuarial valuations of each scheme were undertaken by the Government Actuary's Department at 31 December 2000 using the projected unit method. The main assumption underlying both schemes is a long-term gross investment return on scheme assets of 7%, which will exceed the annual rate of increase in pensionable salaries and price inflation by 2.25% and 3.75% respectively. Pensions are expected to increase in line with price inflation. The aggregate market value of the assets of The Scottish Coal Company Limited sub-fund at the valuation date was £12 million for the IWCSSS and £14.5 million for the IWMPS. The aggregate funding level on an ongoing basis was 87% and 94% respectively.

The Actuary's draft report on the valuation as at 31 December 2000 estimates that the employer rates of both schemes will increase to meet the valuation on an ongoing basis. The estimated new rates are 11.9% for the IWMPS and 18.5% for the IWCSSS. The Pensions Act 1995 Minimum Funding Requirement provisions require the ratio of assets to liabilities to be assessed on a prescribed basis. Under this valuation, both schemes are under provided at 80% and 89% respectively. A revised schedule of contributions to the IWCSSS sufficient to meet 90% MFR level by 31 March 2003 and 100% by 31 March 2007 has been agreed. A revised schedule is still to be agreed for the IWMPS.

As at the date of liquidation, The Scottish Coal (Deep Mine) Company Limited had a provision of £788,000 relating to its liability to meeting funding requirements in respect of employees retiring on ill health grounds. This provision has not been assumed by any other group company and no such liability is recognised in the accounts. The Company and The Scottish Coal Company Limited are currently taking advice as to their responsibility for any outstanding liability.

The financial assumptions used to calculate scheme liabilities under FRS17 are:-

	IWMPS	IWCSSS
Valuation method	Projected Unit	Projected Unit
Discount rate	6.25%	6.25%
Inflation rate	2.75%	2.75%
Increase to deferred benefits during deferment	2.75%	2.75%
Increase to pensions in payment	2.25%	2.50%
Salary increases	3.50%	3.50%

Notes to the financial statements for the year ended 30 March 2002 (continued)

32. Pension schemes (continued)

The assets in the scheme and the expected rate of return were:-

	IWMPS	IWCSSS
Long term rate of return on equities expected at 31 March 2002	7.00%	7.00%
	£'000	£'000
Total market value of assets	13,801	11,358
Present value of scheme liabilities	14,739	14,053
Deficit in the scheme	(938)	(2,695)
Related deferred tax asset	281	808
Net pension liability	(657)	(1,887)

	2002 Group £'000
Net Assets	
Net Assets excluding pension liability	7,914
IWMPS liability	(657)
IWCSSS liability	(1,887)
Net Assets including pension liability	5,370
Reserves	£'000
Profit and loss reserve excluding pension liability	6,067
IWMPS pension liability	(657)
IWCSSS pension liability	(1,887)
Profit and loss reserve	3,523

The above deficits relate to the entire sub-funds for both IWMPS and IWCSSS of The Scottish Coal Company Limited, this includes some members who were previously employed by The Scottish Coal (Deep Mine) Company Limited. Mining (Scotland) Limited and The Scottish Coal Company Limited are investigating whether they are responsible for the liability associated with these sub-funds.

The majority of employees who are not members of the Industry Wide Schemes are members of defined contribution schemes, where the Company has no liability other than to pay its contributions on a regular basis.

**Notes to the financial statements for the year ended 30 March 2002
(continued)****33. Post retirement benefits other than pensions**

The Group has a commitment to provide concessionary fuel benefits to retired employees. At retirement upon attaining the age of 62 and having been employed for a minimum of 15 years, employees become entitled to a retirement fuel allowance. At 30 March 2002 there were 3 (31 March 2001: 375) employees who will be eligible for this allowance. As at 30 March 2002, the estimated liability of providing this allowance in future years amounted to £8,000 (31 March 2001: £3,020,000).

34. Related party disclosures

Colin Cornes and Patrick Smyth, non-executive directors of the Company are directors of Parkhill Estates Limited ("Parkhill"). Fees charged by Parkhill for management services amount to £671,000 (2001: £447,000) in the year and at the balance sheet date, the total outstanding liability was £47,000 (2001: £106,000).

The Company has taken advantage of the FRS8 exemption from disclosing transactions or balances with other Group entities.

There were no other related party transactions during the financial year.

None of the directors had a material interest in any contract, other than a service contract with the Company.

35. Ultimate controlling party

The directors consider C. Cornes to be the ultimate controlling party.

Notes to the financial statements for the year ended 30 March 2002 (continued)

Directors' interests

The directors who served during the period and their interests in the shares of the Company at the end of the period were:

	At 30 March 2002 Ordinary shares of £1 each	31 March 2001 Ordinary shares of £1 each
Colin Cornes (appointed 20 March 2000)	2,500,001 ⁽¹⁾ 1 ⁽²⁾	2,500,001 ⁽¹⁾ 1 ⁽²⁾
Patrick Smyth	-	-
James Butler (resigned 29 October 1999)	-	-
John Thompson (resigned 30 March 2000)	-	-
Niall Crabb (appointed 20 March 2000)	-	-

(1) Held in the Colin Cornes No. 3 Personal Settlement Trust.

(2) Held by Parkhill Estates Limited.