

# UK COAL PLC

Interim Report 2004



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## Front Cover images

**01** Longwall faces like this, equipped with high-tech machinery, produce around a million tonnes of coal a month at UK COAL's deep mines in the Midlands, Yorkshire and the North East.

**02** Methane gas extracted from mines is now being converted into electricity by 12 engines installed at five colliery sites, earning UK COAL around £2.5m each year in incentive payments under UK's Emissions Trading Scheme.

**03** Industrial dereliction is being cleaned up as part of UK COAL's surface mines operating to the highest environmental standards.

**04** The end of mining operations at the Selby Complex creates an opportunity to re-utilise good quality facilities for Business Parks like this at the former Asfordby Mine in north east Leicestershire.

# Financial and Operational Highlights

For the six months ended 30 June 2004

- Operating loss on continuing operations before exceptional items £14.2 million (2003: profit of £0.7 million)
- Loss before tax £5.8 million (2003: loss of £0.8 million)
- Cash outflow, before use of liquid resources, financing and dividends, of £1.9 million (2003: cash inflow £30.3 million)
- Dividend 5.0 pence per share (2003: 5.0 pence per share)
- Sales volumes 7.4 million tonnes (2003: 9.9 million tonnes)
- Deep mine production 6.0 million tonnes (2003: 7.9 million tonnes); surface mine production 1.2 million tonnes (2003: 1.8 million tonnes)
- Property sales income £1.9 million (2003: £8.3 million); planning approvals for a further 40 acres

For the six months ended 30 June	<b>2004</b> <b>£m</b>	2003 £m
Sales (including discontinued operations)	<b>228.2</b>	299.2
Operating (loss)/profit on continuing operations before exceptional items	<b>(14.2)</b>	0.7
(Loss) per ordinary share	<b>(4.0p)</b>	(0.5p)
Shareholders' funds	<b>218.1</b>	223.2

# Chairman's Interim Statement

## Results

In the half year to 30 June 2004, the Group sustained an operating loss, on continuing operations before exceptional items, of £14.2 million (2003: profit of £0.7 million). The loss is stated after release of provisions of £4.8 million (2003: £0.3 million). The losses resulted from reduced deep mine operational performance and gaps in production due to face changes together with industrial action at Kellingley. However there was some saving from lower costs at Selby which is in its run down phase. As a result, total mining costs were £1.30 per gigajoule (2003: £1.18 per gigajoule).

After incorporating exceptional items, credits from Coal Investment Aid, profits on sales of land and buildings and profit on the sale of Gloucester Coal, the Group reported a loss before tax of £5.8 million (2003: loss of £0.8 million).

First half sales mainly fulfilled existing fixed-priced contracts, leaving little opportunity to benefit from higher prices. Income for the period was £1.17 per gigajoule (2003: £1.15 per gigajoule), and is expected to remain around this level for the rest of the year.

With sales volumes restricted by production, volumes in the first half-year were limited to 7.4 million tonnes (2003: 9.9 million tonnes).

## Cash flow

Cash outflow before use of liquid resources, financing and dividends amounted to £1.9 million (2003: £30.3 million inflow) and was affected by lower sales which reduced operating earnings before interest, tax, depreciation and amortisation to £14.7 million (2003: £29.1 million).

Cash was realised from coal stocks which reduced by 0.2 million tonnes (2003: 0.2 million tonnes reduction).

Capital expenditure amounted to £23.7 million (2003: £11.9 million). The Group received £2.0 million in the period from the Government in respect of Coal Investment Aid. At the half year, £14.1 million (2003: £nil) remains outstanding and is included within working capital. This will be received in the second half year.

Expenditure in respect of redundancy and surface mine restoration was in line with the prior year and amounted to £14.5 million (2003: £14.0 million).

Property sales generated £1.9 million cash in the period (2003: £8.3 million). The sale of Gloucester Coal realised £19.8 million.

The detailed cash flow is included in the financial statements.

## Dividend

The Board has declared an interim dividend of 5.0 pence per share (2003: 5.0 pence per share), which will be paid on 19 November 2004 to shareholders on the register on 22 October 2004. In declaring this level of dividend the board has taken into account cash requirements and the Group's future prospects which will benefit from higher international coal prices.

## UK Mining

### Deep Mines

Deep mine production in the period was 6.0 million tonnes (2003: 7.9 million tonnes). The Selby Complex, which will shortly cease operations, produced 2.1 million tonnes (2003: 1.9 million tonnes) as its planned phased closure progressed.

As a result of the reduced volumes, offset partly by lower operating costs at the Selby complex, unit production costs increased to £1.36 per gigajoule (2003: £1.18 per gigajoule).

Production has improved and output has recently returned to expected levels. New working arrangements have been agreed at Kellingley and the industrial action has been withdrawn. A re-invigoration of the Project 105 initiatives is being implemented to improve operational performance across the business.

Daw Mill is producing around 60,000 tonnes per week, following difficult mining conditions in 2003. The next panel of coal to be worked will utilise a new set of face equipment, being purchased during 2004, which will reduce the risk of production gaps from face changes in future years. A seismic survey has now been completed over the next two faces giving increased confidence in the geology of the reserves.

We continue to invest in improving mine infrastructure and equipment with capital purchases for the Group of £23.7 million in the half year (2003: £11.9 million). We are increasing sums expended on seismic and geological mapping giving increased confidence in the reserves and future mining plans. Further investment in new mining equipment is planned for the second half of the year at similar levels to the first half.

### Surface Mines

Surface mine output reduced in the period to 1.2 million tonnes (2003: 1.8 million tonnes), with coal recovery operations being completed at several long term sites. No new planning approvals were received in a planning environment that remains difficult for English operators.

### Coal Sales Contracts

UK COAL has agreed heads of terms with Drax Power Ltd, for the supply of almost 14 million additional tonnes of coal over a five-year period. The value of the contract is linked to international prices, with limits to protect both parties from extreme fluctuations in price, and will range from almost £400 million to around £450 million before inflation. These additional deliveries will be phased in from January next year, with 0.5 million tonnes to be supplied in 2005, increasing to 4 million tonnes by 2007, and extends to December 2009. Together with existing contracts, this will result in UK COAL supplying a total of 18 million tonnes to Drax over the five years.

### Coal Investment Aid

Applications for £37.5 million of Coal Investment Aid relating to accessing coal reserves at the Group's ongoing deep mines were approved by the Department of Trade and Industry. Applications for further Coal Investment Aid have been submitted in respect of deep mines investment planned for 2005.

### EC Large Combustion Plant Directive

The implementation of the Large Combustion Plant Directive aimed at reducing sulphur emissions from power stations, and other large plant from 2008, has continued to be the subject of detailed discussion and intensive lobbying. The Government is continuing to work with Brussels on a solution that meets both the environmental aims of the directive and the concerns of coal producers and other industries in the UK.

### Australia

The sale of the Group's 97% investment in Gloucester Coal Limited (GCL), the Company's mining activity in Australia, was successfully completed on 2 April 2004.

The price for the sale of UK COAL's 75,572,049 shares in GCL was A\$0.69 (28.5p) per share, resulting in net proceeds after transaction costs of A\$47.8 million (£19.8 million). The consideration was received in cash. A profit on disposal of £2.5 million is included in the profit and loss account.

GCL incurred a trading loss in the three months prior to the sale of £1.3 million.

### Property

The Group, operating through its property arm, Harworth Estates, continues to create added value by obtaining new planning permissions to develop its former mine sites, and by conversion of brownfield sites to land suitable for development. It is actively managing its property portfolio and agricultural land holdings. This comprises some 49,000 acres, which was valued in 2002, before deduction of rehabilitation and aftercare costs, at £174 million, £96 million in excess of book value. Surveyors have been instructed to carry out a property valuation to be published with the full years results.

Development is progressing on the Waverley site near Rotherham. The first phase, the Waverley Advanced Manufacturing Park, has seen significant progress. The first new building, constructed by Sheffield University in conjunction with Boeing, is now occupied.

We are looking at development opportunities on the Selby sites where mining will shortly cease. Potential tenants have expressed interest in these sites subject to gaining the required planning consents. Work has also commenced on preparing and servicing an initial development phase on the former Bilsthorpe Colliery site, in Nottinghamshire, which was granted planning consent this year. Infrastructure works continue at Tetron Point, the development site in Derbyshire, where we are currently marketing serviced plots of land for industrial and distribution users.

Master plans are being drawn up for the development of two former colliery sites in West Yorkshire.

Property sales for the first six months totalled £1.9 million (2003: £8.3 million). Further sales are under negotiation and are expected to be completed in the second half year.

Occupation rates of 90% and 58% have been maintained at Asfordby and Whitemoor Business Parks and have increased to 60% (2003: 34%) at North Selby. These former mining sites are providing good regeneration opportunities, and, when fully occupied, will create significant employment opportunities.

### Production – 6 months to 30 June 2004

	2004(mt)	2003(mt)
<b>Deep mines</b>		
<b>Ongoing mines</b>		
Daw Mill	1.4	1.0
Ellington	0.3	0.4
Harworth	0.5	0.5
Kellingley	0.3	0.9
Maltby	0.4	0.8
Rossington	0.2	0.5
Thoresby	0.4	0.9
Welbeck	0.4	0.8
<b>Sub total</b>	<b>3.9</b>	5.8
Selby Complex	2.1	1.9
Closed mines	–	0.2
<b>Total Deep Mines</b>	<b>6.0</b>	7.9
Surface mines	1.2	1.8
<b>Total Production</b>	<b>7.2</b>	9.7

### Banking Facilities

UK COAL successfully refinanced its £50 million revolving credit facility to be used for general corporate purposes. The new facility matures in July 2007.

### Directors

We are pleased to welcome Graham Menzies who joined the Board on 1 June 2004 as a non-Executive Director. He is a respected industrialist and UK COAL will benefit from his strong engineering and operational background and experience in the management of change.

### Outlook

The second half performance should improve with fewer production gaps at the deep mines, and a return to full production at Kellingley Colliery. We continue to work to mitigate the effect of cost increases through Project 105 and other initiatives.

International coal prices have remained high throughout the period and should be reflected in higher prices in 2005 and beyond. We therefore continue to invest in improved production equipment and in accessing new reserves at our deep mines assisted by the Government's Coal Investment Aid programme. The surface mining business is reducing in size through lack of planning approvals.

We continue to add value to our significant property portfolio by obtaining planning permissions and by development and restoration where appropriate.

### David Jones

Chairman  
08 September 2004

# Independent Review Report to UK COAL PLC

## Introduction

We have been instructed by the company to review the financial information which comprises 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 read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

## Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

The maintenance and integrity of the UK COAL website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

## Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2004.

## PricewaterhouseCoopers LLP

Chartered Accountants

East Midlands

08 September 2004

# Consolidated Profit & Loss Account

for the six months ended 30 June 2004

	Notes	6 months to 30 June 2004 £'000	6 months to 30 June 2003 £'000	Year to 31 Dec 2003 £'000
<b>Turnover</b>				
Continuing operations		222,385	286,126	538,221
Discontinued operations		5,856	13,090	25,633
<b>Total turnover</b>	2	228,241	299,216	563,854
Cost of sales before exceptional items		(240,210)	(294,855)	(558,982)
Exceptional items				
Net closure and redundancy costs		3,250	(1,349)	(1,983)
Amounts recovered against TXU		–	–	6,467
Provision against other amounts receivable		–	(792)	(1,681)
Exceptional cost of sales	3	3,250	(2,141)	2,803
<b>Total cost of sales</b>		(236,960)	(296,996)	(556,179)
<b>Gross (loss)/profit</b>		(8,719)	2,220	7,675
Exceptional item – Coal Investment Aid		4,449	–	3,522
Other operating income and expenses		(3,518)	(4,847)	(11,359)
Total other operating income & expenses		931	(4,847)	(7,837)
Operating result on continuing operations before exceptional items	9	(14,185)	736	(2,495)
Exceptional items	3	7,699	(2,141)	6,325
Operating (loss)/profit – continuing operations		(6,486)	(1,405)	3,830
Operating loss – discontinued operations		(1,302)	(1,222)	(3,992)
<b>Operating loss</b>		(7,788)	(2,627)	(162)
Profit on sale of land and buildings		1,315	5,860	5,830
Profit on sale of subsidiary	12	2,489	–	–
<b>(Loss)/profit on ordinary activities before interest and taxation</b>		(3,984)	3,233	5,668
Interest receivable and similar income	4	2,726	1,345	3,141
Interest payable and similar charges	5	(1,540)	(1,773)	(3,486)
Unwinding of discount on provisions	13	(3,049)	(3,644)	(6,570)
Net interest		(1,863)	(4,072)	(6,915)
<b>Loss on ordinary activities before taxation</b>		(5,847)	(839)	(1,247)
Taxation	6	–	–	5,109
<b>(Loss)/profit on ordinary activities after taxation</b>		(5,847)	(839)	3,862
Equity minority interest		47	45	138
<b>(Loss)/profit for the period</b>		(5,800)	(794)	4,000
Dividends	8	(7,303)	(7,292)	(14,591)
<b>Loss sustained for the period</b>		(13,103)	(8,086)	(10,591)
<b>(Loss)/profit per ordinary share</b>	7	(4.0p)	(0.5p)	2.7p

# Statement of Total Recognised Gains and Losses

for the six months ended 30 June 2004

	6 months to 30 June 2004 £'000	6 months to 30 June 2003 £'000	Year to 31 Dec 2003 £'000
(Loss)/profit for the period	(5,800)	(794)	4,000
Exchange adjustments	(1,023)	3,521	4,721
Surplus arising on revaluation of tangible property assets	–	–	220
Total recognised gains and losses for the period	(6,823)	2,727	8,941

# Consolidated Balance Sheet

at 30 June 2004

	Notes	30 June 2004 £'000	30 June 2003 £'000	31 Dec 2003 £'000
<b>Fixed assets</b>				
Tangible fixed operating assets		<b>367,597</b>	405,897	393,148
Investment properties		<b>6,720</b>	6,500	6,720
Investments		–	25	27
		<b>374,317</b>	412,422	399,895
<b>Current assets</b>				
Stocks		<b>56,226</b>	79,201	59,496
Debtors: amounts falling due after one year		<b>634</b>	715	637
Debtors: amounts falling due within one year		<b>97,170</b>	73,891	81,772
Cash at bank and in hand	10	<b>57,431</b>	61,547	60,350
		<b>211,461</b>	215,354	202,255
<b>Total assets</b>		<b>585,778</b>	627,776	602,150
<b>Equity shareholders' funds</b>	11	<b>218,123</b>	223,198	222,242
Equity minority interests		–	340	262
Capital employed		<b>218,123</b>	223,538	222,504
Provisions for liabilities and charges	13	<b>209,892</b>	249,792	226,987
Creditors: amounts falling due after more than one year	14	<b>12,183</b>	20,500	15,302
Creditors: amounts falling due within one year	14	<b>145,580</b>	133,946	137,357
		<b>367,655</b>	404,238	379,646
<b>Total funds employed</b>		<b>585,778</b>	627,776	602,150



# Consolidated Cash Flow Statement

for the six months ended 30 June 2004

	Notes	6 months to 30 June 2004 £'000	6 months to 30 June 2003 £'000	Year to 31 Dec 2003 £'000
<b>Operating activities</b>				
Net cash (outflow)/inflow from operating activities	15	(408)	33,300	46,026
<b>Returns from investments and servicing of finance</b>				
Interest paid		(425)	(541)	(1,171)
Interest paid on hire purchases and finance leases		(714)	(809)	(1,933)
Financing costs		–	(63)	(203)
Interest received		1,297	1,345	2,577
Inland Revenue interest received		–	–	564
<b>Net cash inflow/(outflow) from returns on investments and servicing of finance</b>				
		158	(68)	(166)
<b>Taxation</b>				
		–	393	3,967
<b>Capital expenditure and financial investment</b>				
Development expenditure		(3,268)	(1,183)	(3,778)
Purchase of fixed assets		(20,466)	(10,687)	(15,300)
Receipts from sale of fixed assets		2,742	8,507	10,410
<b>Acquisitions and disposals</b>				
Disposal of subsidiary	12	19,800	–	–
Cash disposed with sale of subsidiary		(417)	–	–
Purchase of trade and assets		–	–	(2,076)
<b>Cash (outflow)/inflow before use of liquid resources, financing and dividends</b>				
		(1,859)	30,262	39,083
<b>Equity dividends paid</b>				
		(7,267)	(7,255)	(14,521)
<b>Cash (outflow)/inflow before use of liquid resources and financing</b>				
		(9,126)	23,007	24,562
<b>Management of liquid resources</b>				
Cash deposited in subsidence security fund		(920)	(377)	(792)
Cash expended to cover insurance requirements		2,636	2,353	4,471
Other cash security deposits		590	(1,968)	(2,053)
<b>Net cash (outflow)/inflow before financing</b>				
		(6,820)	23,015	26,188
<b>Financing</b>				
Issue of ordinary share capital		61	–	128
Drawdown/(repayment) of bank borrowings		9,073	(22,571)	(21,343)
Hire purchase and finance lease capital repaid		(2,864)	(3,219)	(8,690)
Increase in finance lease debt		–	3,437	4,737
<b>Net inflow/(outflow) from financing</b>				
		6,270	(22,353)	(25,168)
<b>(Decrease)/increase in cash</b>				
		(550)	662	1,020

# Notes to the Financial Statements

for the six months ended 30 June 2004

## 1 Preparation of interim statements

The interim financial statements have been prepared on the basis of the accounting policies set out in the Group's 2003 statutory accounts. The interim financial statements are not statutory accounts for the purposes of S240 of the Companies Act 1985. The figures for the full year to 31 December 2003 do not constitute the statutory accounts for the year. They have been abridged from the statutory accounts which have been filed with the Register of Companies and contain the auditors' report, which was unqualified and did not contain a statement under either S237(2) or S237(3) of the Companies Act 1985. The half-year figures, which are for a 26-week period (2003: 26 weeks), have not been audited, but have been reviewed by the auditors. The auditors' review report is included with the interim statements. The Board approved the interim financial statements on 8 September 2004.

## 2 Segmental and geographical analysis

	6 months to 30 June 2004 £'000	6 months to 30 June 2003 £'000	Year to 31 Dec 2003 £'000
<b>Turnover</b>			
Continuing operations:			
Coal sales – deep mines	<b>183,190</b>	237,778	447,351
Coal sales – surface mines	<b>25,228</b>	36,221	66,236
UK Mining	<b>208,418</b>	273,999	513,587
Other associated activities	<b>1,940</b>	2,670	3,856
Manufactured fuel and combined heat and power	<b>9,925</b>	7,692	16,965
Property activities	<b>2,102</b>	1,765	3,813
Discontinued operations:			
Australia – coal sales	<b>5,856</b>	13,090	25,633
	<b>228,241</b>	299,216	563,854
<b>Geographical analysis by destination</b>			
Continuing operations:			
United Kingdom	<b>217,448</b>	282,835	530,287
Europe	<b>4,937</b>	3,291	7,934
Discontinued operations:			
Europe	–	1,473	1,591
Asia – Pacific	<b>5,856</b>	11,617	24,042
	<b>228,241</b>	299,216	563,854

**2 Segmental and geographical analysis** continued

	Notes	6 months to 30 June 2004 £'000	6 months to 30 June 2003 £'000	Year to 31 Dec 2003 £'000
<b>Profit/(loss) before taxation</b>				
Continuing operations:				
Coal sales – deep mines		<b>(20,826)</b>	(252)	(8,552)
Coal sales – surface mines		<b>4,221</b>	(1,417)	668
Exceptional items	3	<b>7,699</b>	(2,141)	6,325
UK Mining		<b>(8,906)</b>	(3,810)	(1,559)
Other associated activities		<b>182</b>	285	738
Manufactured fuel and combined heat and power		<b>78</b>	310	360
Emissions trading		<b>1,251</b>	1,368	3,230
Property activities – rentals and other property income		<b>909</b>	442	1,061
– profit on sales		<b>1,315</b>	5,860	5,830
Discontinued operations:				
Australia – coal sales		<b>(1,302)</b>	(1,222)	(3,992)
		<b>(6,473)</b>	3,233	5,668
Profit on sale of subsidiary – Australia		<b>2,489</b>	–	–
Net interest payable		<b>(1,863)</b>	(4,072)	(6,915)
<b>(Loss) before taxation</b>		<b>(5,847)</b>	(839)	(1,247)

Due to the nature of the Group's business, distribution expenses are treated as a part of cost of sales.

**3 Exceptional items**

	6 months to 30 June 2004 £'000	6 months to 30 June 2003 £'000	Year to 31 Dec 2003 £'000
Coal Investment Aid	<b>4,449</b>	–	3,522
Net closure and redundancy costs	<b>3,250</b>	(1,349)	(1,983)
Amounts recovered against TXU debtor	–	–	6,467
Provision against other amounts recoverable	–	(792)	(1,681)
	<b>7,699</b>	(2,141)	6,325

**4 Interest receivable**

	6 months to 30 June 2004 £'000	6 months to 30 June 2003 £'000	Year to 31 Dec 2003 £'000
Interest receivable	<b>2,726</b>	1,345	3,141

# Notes to the Financial Statements continued

for the six months ended 30 June 2004

## 5 Net interest payable and similar charges

	6 months to 30 June 2004 £'000	6 months to 30 June 2003 £'000	Year to 31 Dec 2003 £'000
On hire purchase and finance leases repayable within 5 years	865	1,048	1,931
Amortisation of loan issue costs	250	184	384
On bank loans, overdrafts and other loans repayable within 5 years	425	541	1,171
	<b>1,540</b>	1,773	3,486

## 6 Taxation

	6 months to 30 June 2004 £'000	6 months to 30 June 2003 £'000	Year to 31 Dec 2003 £'000
<b>On ordinary activities</b>			
United Kingdom corporation tax at 30% (2003: 30%)	–	–	(1,898)
Adjustment in respect of previous years	–	–	(5,109)
Total current tax on ordinary activities	–	–	(7,007)
<b>On exceptional items</b>			
United Kingdom corporation tax at 30% (2003: 30%)	–	–	1,898
<b>Total current tax credit</b>	–	–	<b>(5,109)</b>

The tax credit at 31 December 2003 of £5.1 million arose as a result of the Group reaching agreement with the Inland Revenue on the open issues relating to prior years.

## 7 Earnings per share

Earnings per share have been based on the weighted average number of shares in issue and ranking for dividend being 146,033,889 (June 2003 – 145,847,454; Dec 2003 – 145,887,376)

	6 months to 30 June 2004 £'000	6 months to 30 June 2003 £'000	Year to 31 Dec 2003 £'000
(Loss)/profit per ordinary share – basic	<b>(4.0p)</b>	(0.5p)	2.7p
– diluted	<b>(3.9p)</b>	(0.5p)	2.7p

## 8 Dividends

The ordinary dividend will be paid on 19 November 2004 to shareholders on the register on 22 October 2004. The interim report will be circulated to all ordinary shareholders and will be available at the Company's registered office at Harworth Park, Blyth Road, Harworth, Doncaster, South Yorkshire, DN11 8DB.

	2004 pence per share	2004 £'000	2003 pence per share	2003 £'000
Interim	<b>5.00</b>	<b>7,303</b>	5.00	7,292
Final			5.00	7,299
			10.00	14,591

**9 Operating result on continuing operations before exceptional items**

	<b>30 June 2004</b> <b>£'000</b>	30 June 2003 £'000	31 Dec 2003 £'000
Operating (loss)/profit on continuing operations	<b>(6,486)</b>	(1,405)	3,830
Coal Investment Aid	<b>(4,449)</b>	–	(3,522)
Exceptional items	<b>(3,250)</b>	2,141	(2,803)
	<b>(14,185)</b>	736	(2,495)

**10 Cash at bank and in hand**

	<b>30 June 2004</b> <b>£'000</b>	30 June 2003 £'000	31 Dec 2003 £'000
Cash deposited to cover insurance requirements	<b>30,254</b>	35,008	32,890
Subsidence security fund	<b>24,943</b>	23,608	24,023
Other security funds	<b>1,463</b>	1,968	2,053
Other cash balances	<b>771</b>	963	1,384
	<b>57,431</b>	61,547	60,350

**11 Movement in shareholders' funds**

	<b>6 months to</b> <b>30 June 04</b> <b>£'000</b>
Shareholders' funds at 1 January 2004	<b>222,242</b>
Loss sustained for the period	<b>(13,103)</b>
Goodwill charged to profit and loss account on disposal of subsidiary	<b>8,470</b>
Accrual for long term incentive plan liabilities	<b>1,476</b>
Exchange adjustment	<b>(1,023)</b>
Ordinary shares issued	<b>1</b>
Premium on shares issued	<b>60</b>
Shareholders' funds at 30 June 2004	<b>218,123</b>

**12 Disposal of subsidiary**

On 2 April 2004, the Group disposed of its Australian operating subsidiary, Gloucester Coal Ltd, for a cash consideration, net of transaction costs, of £19,800,000.

	<b>£'000</b>
Tangible fixed assets	<b>29,676</b>
Stocks	<b>1,007</b>
Debtors	<b>5,019</b>
Creditors	<b>(6,919)</b>
Inter-group loans at date of sale	<b>(18,991)</b>
Cash	<b>417</b>
Provisions	<b>(1,155)</b>
	<b>9,054</b>
Less Equity minority interests	<b>(213)</b>
	<b>8,841</b>
Goodwill previously written off to reserves	<b>8,470</b>
	<b>17,311</b>
Profit on disposal	<b>2,489</b>
Cash consideration, net of transaction costs	<b>19,800</b>

# Notes to the Financial Statements continued

for the six months ended 30 June 2004

## 13 Provisions for liabilities and charges

	1 Jan 2004 £'000	Created in period £'000	Released in period £'000	Subsidiary sold £'000	Utilised in period £'000	Unwinding of discount £'000	30 June 2004 £'000
Provisions	226,987	11,605	(10,042)	(1,155)	(20,552)	3,049	<b>209,892</b>

Provisions released in the period include an exceptional release in respect of redundancy of £5,195,000.

The Group's liabilities for surface mining restoration reduced by £1,155,000 with the sale of Gloucester Coal Ltd.

## 14 Creditors

The creditors figures shown in the balance sheet include the following liabilities:

	30 June 04 £'000	30 June 03 £'000	31 Dec 03 £'000
Creditors: amounts falling due after more than one year			
Hire purchase and finance lease liabilities	<b>12,021</b>	17,762	15,106
Creditors: amounts falling due within one year			
Bank borrowings	<b>16,547</b>	5,936	7,224
Hire purchase and finance lease liabilities	<b>9,022</b>	7,929	8,801
	<b>25,569</b>	13,865	16,025

## 15 Reconciliation of operating loss to net cash (outflow)/inflow from operating activities

	6 months to 30 June 04 £'000	6 months to 30 June 03 £'000	Year to 31 Dec 03 £'000
<b>Continuing operations</b>			
Operating (loss)/profit	<b>(6,486)</b>	(1,405)	3,830
Depreciation on tangible fixed assets	<b>22,351</b>	31,567	52,189
Net (credit)/charge for surface mine development and restoration assets	<b>(1,228)</b>	2,837	5,832
Decrease in coal and other stocks	<b>2,463</b>	980	20,236
(Increase)/decrease in debtors	<b>(2,946)</b>	7,180	695
(Decrease) in creditors	<b>(14,233)</b>	(7,817)	(36,198)
Government contributions to redundancy payments	<b>5,200</b>	1,800	4,800
Net cash inflow from continuing operations	<b>5,121</b>	35,142	51,384
<b>Discontinued operations</b>			
Operating loss	<b>(1,302)</b>	(1,222)	(3,992)
Depreciation on tangible fixed assets	<b>159</b>	162	565
Net (credit)/charge for surface mine development and restoration assets	<b>(1,923)</b>	1,923	1,213
(Increase) in coal and other stocks	<b>(220)</b>	(1,072)	(525)
Increase in debtors	<b>(2,388)</b>	(1,896)	(3,546)
Increase in creditors	<b>145</b>	263	927
Net cash outflow from discontinued operations	<b>(5,529)</b>	(1,842)	(5,358)
Total net cash (outflow)/inflow from operating activities	<b>(408)</b>	33,300	46,026

# Financial Calendar

Interim Announcement	8 September 2004
Ex dividend date	20 October 2004
Interim Dividend paid	19 November 2004
Annual Results Announcement	3 March 2005
Annual General Meeting	26 April 2005
2005 Interim Announcement	7 September 2005

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