

ANGLO COAL HOLDINGS LIMITED

Report and Financial Statements

31 December 2005



ANGLO COAL HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

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ANGLO COAL HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

N Jordan
A E Redman
P G Whitcutt
G A Wilkinson

SECRETARY

G A Wilkinson

REGISTERED OFFICE

20 Carlton House Terrace
London SW1Y 5AN

BANKERS

Barclays Bank PLC
1 Churchill Place
Canary Wharf
London E14 5HP

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Hill House
1 Little New Street
London EC4A 3TR

ANGLO COAL HOLDINGS LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

PRINCIPAL ACTIVITY AND FUTURE PROSPECTS

The Company is an investment holding company, however no investments are currently held, and the future of the Company is currently under review.

RESULTS AND DIVIDENDS

The loss for the year was US\$14,000 (2004: US\$18,000).

FINANCIAL RISK MANAGEMENT

The directors considered the risks attached to the Company's financial instruments which principally comprise loans to and from other group companies. The directors have taken a prudent approach in their consideration of the various risks attached to the financial instruments of the Company. The Company's exposure to price risk, credit risk, liquidity risk and cash flow risk is not material for the assessment of assets, liabilities and the financial statements.

The directors' policy on hedging is to hedge all financial risks where it is feasible and cost effective to do so. The Company had no hedged transactions during the year.

DIRECTORS AND THEIR INTERESTS

The following served as directors throughout the year and, except as shown, to the present time:

N Jordan
A W Lea (resigned 31 August 2005)
A E Redman
P G Whitcutt
G A Wilkinson

Mr N Jordan has held one ordinary share, non-beneficially, in the Company throughout the year.

The interests of the directors in other group companies have been disclosed as follows:

N Jordan	}	- in the annual financial statements of Anglo American Finance (UK) Limited
P G Whitcutt		
G A Wilkinson		

A W Lea	- in the annual financial statements of Anglo American plc.
A E Redman	- disclosed below

Directors' share options

Roll-over options ⁽¹⁾

Anglo American plc options

	Holding at 1 January 2005	Options Exercised	Holding at 31 December 2005
A E Redman	77,800	(22,000)	55,800

DIRECTORS' REPORT

Directors' share options (continued)

Anglo American plc options⁽²⁾			
	Holding at 1 January 2005	Options Granted/(Exercised) 2005	Holding at 31 December 2005
A E Redman	190,000	-	190,000

Anglo American long term incentive plan (LTIP)					
	Total beneficial interest in LTIP at 1 January 2005	Number of shares conditionally awarded during the year	Number of shares exercised during the year	Number of shares lapsed during the year	Total beneficial interest in LTIP at 31 December 2005
A E Redman	48,500	-	-	(15,424)	33,076

Directors' share interests


	As at 1 January 2005		As at 31 December 2005	
	Beneficial	Conditional ⁽³⁾	Beneficial	Conditional ⁽³⁾
A E Redman	19,572	37,497	22,626	86,508

- (1) Matching shares to be allocated after the deferral period of three years, subject to certain conditions.
- (2) Options granted under the Anglo American Share Option scheme
- (3) With effect from 1 January 2004, grants under the LTIP Scheme ceased to be by way of low cost options, and since that date are by way of conditional grants of shares.

AUDITORS

In accordance with Section 386 of the Companies Act 1985, Deloitte & Touche LLP are deemed to remain in office as auditors under the terms of an Elective Resolution dated 17 July 1997.

Approved by the Board of Directors
and signed on behalf of the Board


G A Wilkinson

Secretary

20 October 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements. The directors have chosen to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice. United Kingdom company law requires the directors to prepare such financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANGLO COAL HOLDINGS LIMITED

We have audited the financial statements of Anglo Coal Holdings Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' 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

As described in the statement of directors' responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, 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 other transactions is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

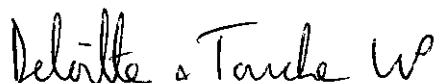
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December and of its loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985;



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

20 October 2006

ANGLO COAL HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2005

	Note	2005 US\$'000	Restated 2004 US\$'000
Administrative income/(expenses)	3	1	(4)
OPERATING RESULT		1	(4)
Interest payable	5	(15)	(15)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(14)	(19)
Tax credit on loss on ordinary activities	4	-	1
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(14)	(18)
Retained loss for the financial year		(14)	(18)

All amounts derive from continuing operations.

There are no recognised gains and losses for the current financial year and the preceding financial year other than the losses shown above and, therefore, no separate statement of total recognised gains and losses has been presented.

The Company adopted FRS25 during the year impacting on the presentation of the loss before tax. There was no impact on retained loss for the current year or prior year.

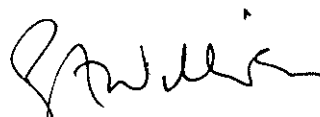
ANGLO COAL HOLDINGS LIMITED

BALANCE SHEET 31 December 2005

	Note	2005 US\$'000	Restated 2004 US\$'000
CURRENT ASSETS			
Debtors	6	822,949	822,950
Cash at bank and in hand		36	35
		<u>822,985</u>	<u>822,985</u>
CREDITORS: amounts falling due within one year	7	<u>(26)</u>	<u>(12)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		822,959	822,973
CREDITORS: amounts falling due after one year	8	<u>(300,300)</u>	<u>(300,300)</u>
NET ASSETS		<u>522,659</u>	<u>522,673</u>
CAPITAL AND RESERVES			
Called up share capital	9	522,595	522,595
Profit and loss account	10	64	78
TOTAL SHAREHOLDERS' FUNDS	10	<u>522,659</u>	<u>522,673</u>

These financial statements were approved by the Board of Directors on 20 October 2006.

Signed on behalf of the Board of Directors



Director

NOTES TO THE ACCOUNTS

Year ended 31 December 2005

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom generally accepted accounting principles (UK GAAP) and in accordance with UK company law. The financial information has been prepared on a historical cost basis.

The principal accounting policies are set out below, together with an explanation of where changes have been made to the previous policies on the adoption of new accounting standards this year.

Changes in Accounting Policy

The following UK GAAP accounting policy changes have been made in 2005:

FRS 25 Financial Instruments: Disclosure and Presentation

The presentational requirements of FRS 25 are identical to those required by IAS 32 Financial Instruments: Disclosure and Presentation. Under FRS 25, preference shares that are not redeemable or that are redeemable solely at the option of the issuer, are classified as equity. Where the terms of issuance require the issuer to redeem preference shares for a fixed or determinable amount at a fixed or determinable future date, or where the holder has the option of redemption, these shares are classified as liabilities and the dividends paid on these shares classified as a finance cost. When preference shares are non-redeemable, the appropriate classification is determined by the other rights that attach to them. When distributions to holders of the preference shares, whether cumulative or non-cumulative, are at the discretion of the issuer, the shares are equity instruments.

On transition US\$300,300,000 has been reclassified as a financial liability and deducted from shareholders' funds in relation to the Company's Preference Shares (2004: US\$300,300,000). Within the income statement, non equity dividends totalling US\$15,000 (2004: US\$15,000) have been reclassified from dividends to finance costs.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Cash flows

As the Company is a wholly owned subsidiary, the cash flows of the Company are included in the consolidated cash flow statement of its parent undertaking. Consequently the Company is exempt under the provisions of Financial Reporting Standard 1 (Revised) – "Cash flow statements", from publishing a separate cash flow statement.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies have been translated at the rates of exchange prevailing at the balance sheet date.

Reporting currency

As permitted by UK company law the company reports in US\$.

2. EMPLOYEES AND DIRECTORS

The Company has no employees (2004 - none). The directors received no remuneration in respect of their services to the Company (2004 - US\$nil).

NOTES TO THE ACCOUNTS

Year ended 31 December 2005

3. OPERATING LOSS

Operating loss is after charging:

	2005	2004
	US\$'000	US\$'000
Unrealised exchange (gain) / loss	(1)	-
Auditors' remuneration – audit	-	3
	<u> </u>	<u> </u>

The audit fee in 2005 has been borne by Anglo American Services (UK) Ltd.

4. TAX ON LOSS ON ORDINARY ACTIVITIES

a) Analysis of credit for year

	2005	2004
	US\$'000	US\$'000
Current tax:		
Group relief	-	1
	<u> </u>	<u> </u>
Tax credit on loss on ordinary activities	-	1
	<u> </u>	<u> </u>

b) Factors affecting tax credit for the year

	2005	2004
	US\$'000	US\$'000
Loss on ordinary activities before tax	(14)	(18)
	<u> </u>	<u> </u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	4	5
Effects of:		
Element of preference share dividends reclassified as interest payable	(4)	(4)
	<u> </u>	<u> </u>
Current tax credit for the year	-	1
	<u> </u>	<u> </u>

5. INTEREST PAYABLE

	2005	Restated
	US\$'000	2004
		US\$'000
Preference share dividends reclassified as interest payable	15	15
	<u> </u>	<u> </u>

ANGLO COAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2005

6. DEBTORS

	2005 US\$'000	2004 US\$'000
Amounts owed by ultimate parent undertaking	782,411	782,411
Amounts owed by group undertakings	40,538	40,538
Group relief receivable	-	1
	<u>822,949</u>	<u>822,950</u>

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 US\$'000	2004 US\$'000
Accruals	3	8
Preference dividend accrued	15	-
Amount owed to Anglo American Services (UK) Ltd	8	4
	<u>26</u>	<u>12</u>

8. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

Preference Shares	2005 US\$'000	Restated 2004 US\$'000
Authorised:		
300,000 5 per cent Redeemable Cumulative Preference shares of US\$1 each	<u>300</u>	<u>300</u>
	<u>300</u>	<u>300</u>
Called up, allotted and fully paid:		
300,000 5 per cent Redeemable Cumulative Preference shares of US\$1 each	<u>300,300</u>	<u>300,300</u>
	<u>300,300</u>	<u>300,300</u>

The rights attaching to the Redeemable Preference Shares confer the right to a dividend of 5 per cent per annum. On a winding up or other repayment of capital the holders would be entitled to have the assets of the Company available for distribution among members applied, in priority to any other class of shares, in paying to them pari passu the capital on such shares

ANGLO COAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2005

9. CALLED UP SHARE CAPITAL

	2005 US\$'000	Restated 2004 US\$'000
Authorised: 450,000,000 ordinary shares of £1 each	740,829	740,829
	<u>740,829</u>	<u>740,829</u>
Called up, allotted and fully paid: 317,438,531 ordinary shares of £1 each	522,595	522,595
	<u>522,595</u>	<u>522,595</u>

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Called up share capital US\$'000	Share premium account US\$'000	Profit and loss account US\$'000	Total US\$'000\$
At 31 December 2004 as previously stated	522,895	300,000	78	822,973
Prior year adjustments	(300)	(300,000)	-	(300,300)
At 1 January 2005 as restated	522,595	-	78	522,673
Retained loss for the year	-	-	(14)	(14)
At 31 December 2005	<u>522,595</u>	<u>-</u>	<u>64</u>	<u>522,659</u>

11. RELATED PARTY TRANSACTIONS

At 31 December 2005, as identified in note 12, Anglo American plc is the Company's ultimate parent company. The Company has taken advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard 8 not to disclose related party transactions with Anglo American group companies.

12. ULTIMATE PARENT COMPANY

The immediate and ultimate controlling entity is Anglo American plc, a company incorporated in Great Britain. Anglo American plc is the parent undertaking of the largest and smallest group which includes the Company and for which group accounts are prepared. Its financial statements may be obtained from the Company Secretary, 20 Carlton House Terrace, London SW1Y 5AN.

13. EVENTS OCCURRING AFTER END OF YEAR

On the 10 January 2006 the Company paid a dividend to its preference shareholder of US\$15,000.