



Strong performance at Black Wattle results in earnings before interest, tax depreciation and amortisation (EBITDA) of £4.6million (2011: £1.2million)

Increase in monthly production in the second half of the year to an average of 165,000 metric tonnes

UK property portfolio continues to perform well with voids at the very low level of 2.27%

CHAIRMAN'S STATEMENT

In the year to 31 December 2012 Bisichi Mining is pleased to report that it achieved earnings before interest, tax, depreciation and amortisation (EBITDA) of £4.6million (2011: £1.2million).

This good result comes from a strong performance at Black Wattle, our South African coal mining subsidiary where, as a result of the opening of a third opencast pit, our monthly run of mine production has increased from an average of 110,000 metric tonnes achieved in the first half of 2011 to 165,000 metric tonnes in the second half of 2012.

The physical demand for the lower quality coal we are currently mining has remained strong in both the domestic and export markets and the South African coal market has continued to benefit from the improved performance of the South African railway network, Transnet. This improved performance, along with the weakening of the South African Rand against the US Dollar, has helped us offset the impact of the weaker international coal prices. Demand is currently very strong in both the domestic and export markets for high quality coal. We expect to shortly address this demand by accessing higher quality reserves at Black Wattle.

On health and safety, I am very pleased to report that Black Wattle had another very good year. For further information on this please refer to the Mining Review in this report.

The Company's UK retail property portfolio, which is managed by London & Associated Properties PLC, continues to perform well despite the ongoing difficulties in the UK retail property sector. Voids across the portfolio were at the very low level of 2.27%.

Because of the uncertainties of the price of coal during the remainder of 2013 your directors are recommending a final dividend of 3p (2011: 3p) payable on 2 August 2013 to shareholders registered at the close of business on 5 July 2013 making the total for the year 4p (2011: 4p). Although it is difficult to forecast the results for the whole year, we remain confident on the prospects for the business in 2013.

On behalf of the Board I would like to thank all of our staff for their hard work during the course of the year.



Sir Michael Heller
Chairman

18 April 2013



EQUALITY

Black Wattle Colliery has achieved 18.5 percent women in core mining

Bisichi Mining PLC 03



PROCUREMENT

At present, BEE companies provide approximately 80 percent of Black Wattle's equipment and services

04 Bisichi Mining PLC

MINING REVIEW

As noted in the Chairman's statement, higher production contributed significantly to Black Wattles' profitability in 2012. In addition, the continued improved performance of Transnet, the State rail provider, ensured strong demand for our coal. This demand along with the weakening of the South African Rand against the US Dollar helped offset the impact of weaker international coal prices throughout 2012.

Production

Run of mine production from Black Wattle continued strongly in 2012 with total production for the year of 1.87million metric tonnes (2011: 1.45million metric tonnes). The majority of this production came in the second half of the year with overall monthly production increasing from 149,000 metric tonnes in the first half of 2012 to 165,000 metric tonnes in the second half.

At the end of last year we began to expand further into our existing opencast reserves by opening up additional opencast pits. The ability to source production from various opencast pits has allowed Black Wattle to maintain profitable levels of production.

Looking forward into 2013, Black Wattle will be mining into deeper reserves by opencast mining. We will do everything that we can to keep costs under control in these deeper reserves and to ensure that 2013 is another very good year.

Markets

Although domestic prices improved steadily in 2012, international coal prices continued to weaken. At the beginning of 2012, the average weekly price of Free on Board (FOB) Coal from Richards Bay Coal Terminal (API4) was over \$100. By the end of the first half of the year the price had weakened to under \$90 where it remained in a range of US\$85 to US\$90 for the rest of the year. However a depreciation in the South African Rand against the US Dollar helped offset this decline.

The performance of Transnet continues to have a positive effect on demand for our coal. In 2012, Transnet railed 68.5million tonnes to Richards Bay Coal Terminal compared to 65.7million tonnes in 2011 and 62.8million tonnes in 2010. In addition, strong demand in the domestic market, in particular from local power utilities, ensured stockpiles remained low.

mining review continued

Health, Safety & Environment (HSE)

Black Wattle is committed to creating a safe and healthy working environment for its employees and the health and safety of our employees is of the utmost importance. In addition to the required personnel appointments and assignment of direct health and safety responsibilities on the mine, a system of Hazard Identification and Risk Assessments has been designed, implemented and maintained at Black Wattle.

Health and Safety training is conducted on an ongoing basis. We are pleased to report all employees to date have received training in hazard identification and risk assessment in their work areas.

A medical surveillance system is also in place which provides management with information used in determining measures to eliminate, control and minimise employee health risks and hazards and all Occupational Health hazards are monitored on an ongoing basis.

Various systems to enhance the current HSE strategy have been introduced as follows:

- In order to improve hazard identification before the commencing of tasks, mini risk assessment booklets have been distributed to all mine employees and long term contractors on the mine.
- A Job Safety Analysis form has been introduced to ensure effective identification of hazards in the workplace.
- In order to improve the current reporting practice of incidents on the mine, initial reporting of incidents booklets were handed out to all employees and contractors.
- In order to capture and record investigation findings from incidents, an incident recording sheet was introduced to line management and contractors.
- Black Wattle Colliery utilises ICAM (Incident cause analysis method).
- Hazard Identification and Risk Assessment training was given to all levels of employees, line management, Heads of Departments, contractor representatives and contractor employees.
- Ongoing training on conveyor belt operation is being conducted with all employees involved with this discipline.
- 21 employees were trained in ABET (Accreditation Board for Engineering and Technology) level one and another 19 will be trained in 2013 on level one, two and three.

HSE performance in 2012:

- No new cases of Occupational Diseases were recorded.
- Zero claims for the Compensation for Occupational Diseases were submitted.
- No machines operating at Black Wattle exceeded the regulatory noise level.
- Black Wattle Colliery recorded one Lost time Injury during 2012

Environment Management Programme

Under the terms of the mine's Environmental Management Programme approved by the Department of Mineral Resource ("DMR"), Black Wattle undertakes a host of environmental protection activities to ensure that the approved Environmental Management Plan is fully implemented. In addition to these routine activities, Black Wattle regularly carries out environmental monitoring activities on and around the mine, including evaluation of ground water quality, air quality, noise and lighting levels, ground vibrations, air blast monitoring, and assessment of visual impacts.

Black Wattle Colliery has substantially improved its water management by erecting a new pollution control dam as well as upgrading existing dams in consultation with the Department of Water Affairs and Forestry.

We are very pleased to report that Black Wattle received their approved water licence from the Department of Water Affairs and Forestry. An external audit was also conducted and completed on the approved water licence.

A performance assessment audit was conducted to verify compliance to our Environmental Management Programme, no significant deviations were found.

Black Wattle Colliery Social and Labour Plan (SLP) progress

Black Wattle Colliery is committed to true transformation and empowerment within the company as well as poverty eradication within the surrounding and labour providing communities.

Black Wattle is committed to providing opportunities for the sustainable socio-economic development of the company's stakeholders:

- **Employees and their families,** through Skills Development, Education Development, Human Resource Development, Empowerment and Progression Programmes.
- **Surrounding and labour sending communities,** through Local Economic Development, Rural and Community Development, Housing and Living Condition, Enterprise Development and Procurement Programmes.
- **Empowerment partners,** through Broad-Based Black Economic Empowerment (BBBEE) and Joint Ventures with Historically Disadvantaged South African (HDSA) new mining entrants and enterprises.
- **The Company,** through ongoing consultation with stakeholders to develop strong company-employee relationships, strong company-community relationships and strong company-HDSA enterprise relationships.

The key focus areas in terms of the detailed SLP programmes were updated as follows:

- New implementation action plans, projects, targets and budgets were established through regular workshops with all stakeholders.
- A comprehensive desktop socio-economic assessment was undertaken on baseline data of the Steve Tshwete Local Municipality (STLM) and Nkangala District Municipality (NDM).
- The current Black Wattle Colliery Local Economic Development (LED) programmes were upgraded, and new LED projects were selected in consultation with the key stakeholders from the STLM.
- An appropriate forum was established on the mine and a process initiated for the consultation, empowerment and participation of the employee representatives in the Black Wattle Colliery SLP process.
- Black Wattle Colliery has concluded extensive work on various Agricultural projects as well as the E-Bag Recycling projects.

Procurement

In compliance with the Mining Charter and the Mineral and Petroleum Resource Development Act, Black Wattle has implemented a BBBEE-focussed procurement policy which strongly encourages our suppliers to establish and maintain BBBEE credentials. At present, BBBEE companies provide approximately 80 percent of Black Wattle's equipment and services. We closely monitor our monthly expenditure and welcome potential BBBEE suppliers to compete for equipment and service contracts at Black Wattle. Black Wattle also sells much of its coal products to empowered companies.

Black Wattle Colliery is proud to announce that we are now a level 5 BBBEE contributor.

Employment Equity

Black Wattle is committed to achieving the goals of the Employment Equity Act and is pleased to report the following:

- Black Wattle Colliery has exceeded the 10 percent women in management and core mining target.
- Black Wattle Colliery has achieved 18.5 percent women in core mining.
- 97 percent of the women at Black Wattle Colliery are HDSA females.

Prospects

Since permissions were granted in 2010 to mine opencast the reserves at Black Wattle, management have worked tirelessly to increase production from our opencast reserves in order to reach acceptable levels of profitability. Going forward into 2013, we wish to build on the success of the past year not only at Black Wattle but also, in partnership with our BEE partners, in growing our reserve base in South Africa.

As a result, I am confident that 2013 should be another successful year for our South African operations.



Andrew Heller
Managing Director

18 April 2013





BUSINESS REVIEW

Review of the group's development and performance

The Chairman's Statement and the Mining Review on the preceding pages 2 to 7 give a comprehensive review and assessment of the group's activities during the past year and prospects for the forthcoming year.

Risk

Coal price risk: The group's mining operational earnings are largely dependent on movements in the coal price. It does have the flexibility in terms of markets where it can sell its coal domestically (to local industrial consumers and the power industry) or to export to various international markets.

Coal washing: The group's mining operation's earnings are highly sensitive to coal washing, therefore a stoppage or disruption to the process could significantly impact earnings. However, there is scope to raise earnings substantially if the yield from the washing process is improved even marginally.

Mining risk: Attached to mining there are inherent health and safety risks. Any such safety incidents disrupt operations, and can slow or even stop production. The group has a comprehensive Health and Safety programme in place to mitigate this. As with many mining operations, the reserve that is mined has the risk of not having the qualities and accessibility expected from geological and environmental analysis.

Currency risk: The group's South African operations are sensitive to currency movements, especially those between the South African Rand, US Dollar and British Pound.

New reserves and mining permissions:

The acquisition of additional reserves, permissions to mine and new mining opportunities in South Africa generally are contingent on a number of factors outside of the group's control, e.g. approval by the Department of Mineral Resources.

Regulatory risk: The group's South African operations are subject to the government Mining Charter and scorecard which primarily seeks to:

- Promote equitable access to South Africa's mineral resources for all people in South Africa;
- Expand opportunities for historically disadvantaged South Africans (HDSAs), including women, to enter the mining and minerals industry and benefit from the extraction and processing of the country's resources;
- Utilise the existing skills base for the empowerment of HDSAs;
- Expand the skills base of HDSAs in order to serve the community;
- Promote employment and the social and economic welfare of mining communities and areas supplying mining labour; and
- Promote beneficiation of South Africa's mineral commodities beyond mining and processing, including the production of consumer goods.

The group continues to make good progress towards meeting the Charter requirements. However any regulatory changes to these, or failure to meet existing targets, could adversely affect the mine's ability to retain its mining rights in South Africa.

Transport risk: At present the government owned Transnet Freight Rail (TFR) is the sole rail freight provider for coal in South Africa. The group's South African operations are therefore reliant on TFR for delivery of its export quality coal directly or indirectly via the Southern African ports to its end customers.

Power supply risk: The current utility provider for power supply in South Africa is the government run Eskom. Eskom continues to undergo capacity problems resulting in power cuts and lack of provision of power supply to new projects. The group's mining operations have to date not been affected by power cuts.

Flooding risk: The group's mining operations are susceptible to seasonal flooding which could disrupt production. Management monitors water levels on an ongoing basis and various projects have been completed, including the construction of additional dams, to mitigate this risk.

Environmental risk: The group's South African mining operations are required to adhere to local environmental regulations. Details of the groups Environment Management Programme is disclosed in the Mining review on page 6.

business review continued

Health & Safety risk: The group's South African mining operations are required to adhere to local Health and Safety regulations. Details of the group's Health and Safety Programme is disclosed in the Mining Review on page 6.

Labour risk: The group's mining operations and coal washing plant facility are labour intensive and unionised. Any labour disputes, strikes or wage negotiations may disrupt production and impact earnings.

Cashflow risk: We seek to balance the high risk of our mining operations with a dependable cash flow from our UK property investment operations. Fluctuations in property values, which are reflected in the Consolidated Income Statement and Balance Sheet, are dependent on an annual valuation of commercial properties. A fall in UK commercial property can have a marked effect on the profitability and the net asset value of the group. However, due to the long term nature of the leases, the effect on cash flows from property investment activities will remain stable as long as tenants remain in operation.

Future development

The group seeks to expand its operations in South Africa through the acquisition of additional coal reserves.

Environment and employment

The group's UK activities are principally property investment whereby we provide premises which are rented to retail businesses. We seek to provide those tenants with good quality premises from which they can operate in an efficient and environmentally sound manner.

Our South African mining operations are regulated by and are operated in compliance with all relevant prevailing national and local legislation. Employment terms and conditions provided to mining staff meet or exceed the national average.

Financial Position

In the UK, a term loan facility of £5million and an overdraft facility of £2million were signed in March 2010 with Royal Bank of Scotland. The group is working with the bank on the renewal of the current banking facilities and the bank has agreed to an extension of the existing £5 million term facility and £2million overdraft to the 30 June 2013 from its original expiry date of 31 December 2012, whilst the discussions are on-going and the new facility is documented.

The property portfolio was externally valued at 31 December 2012 and the value of UK investment properties attributable to the group at year end was £11.6million (2011: £12.1million).

In South Africa, a structured trade finance facility of R60million (South African Rand) was signed in March 2010 with Absa Bank Limited, a South African subsidiary of Barclays Bank PLC. This facility comprises of a R40million revolving loan to cover the working capital requirements of the group's South African operations, and a R20million loan facility to cover guarantee requirements related to the group's South African mining operations. The R60million facility is renewed annually and is secured against inventory, debtors and cash that are held in the group's South African operations.

The group's cash and cash equivalents (excluding bank overdrafts) at year end were £1.8million (2011: £4.0million). The net assets of the group at the year end were £17.8million (2011: £17.0million). During the year the company lent £2million to Dragon Retail Properties Limited, our joint venture company at 6.875 per cent annual interest.

Further details on the group's financial position are stated in the Consolidated Balance Sheet on page 36.

Cashflow

The group's cashflow position remains strong. Cash and cash equivalents (including bank overdrafts) of the group at year end were £0.7million (2011: £1.1million).

Further details on the group's cashflow position are stated in the Consolidated Cashflow Statement on page 39. Cash and cash equivalents as per the Cashflow Statement comprise Cash and cash equivalents as presented in the balance sheet and bank overdrafts (secured).

Performance indicators

The Key Performance Indicators for our South African mining activities are

- Profit before Tax (PBT);
- Earnings before Interest, Tax, Depreciation, and Amortisation (EBITDA); and
- Cashflows from operating, investing and financing activities.

The Key Performance Indicator for our UK property investment operations is the Net Property Valuation as shown in note 10.



ENVIRONMENTAL MANAGEMENT

Black wattle undertakes a host of activities to ensure that the approved Environmental Management Plan is fully implemented





our management team continued

Management team

- 1 **Sir Michael Heller**
Chairman
Bisichi Mining PLC
- 2 **Andrew Heller**
Managing Director
Bisichi Mining PLC,
Managing Director
Black Wattle Colliery
- 3 **Robert Corry**
Chairman
Black Wattle Colliery
- 4 **Christopher Joll**
Senior Independent
Director,
Chairman Audit
and Remuneration
Committees
- 5 **Garrett Casey**
Finance Director
Bisichi Mining PLC,
Director
Black Wattle Colliery
- 6 **Robert Grobler**
Director of Mining
Bisichi Mining PLC,
Director
Black Wattle Colliery
- 7 **Ethan Dube**
Director
Black Wattle Colliery
- 8 **Luis Pinel**
General Manager
Black Wattle Colliery

Directors

- * **Sir Michael Heller**
MA, FCA (Chairman)
- Andrew R Heller**
MA, ACA
(Managing Director)
- Garrett Casey**
CA (SA)
(Finance Director)
- Robert Grobler**
Pr Cert Eng
(Director of mining)
- o **Christopher A Joll**
MA (Non-executive)
Christopher Joll was appointed a Director on 1 February 2001. He has held a number of non-executive directorships of both quoted and un-quoted companies and is currently senior partner of MJ2 Events LLP an event management business.
- o **John A Sibbald**
BL (Non-executive)
John Sibbald has been a Director since 1988. After qualifying as a Chartered Accountant he spent over 20 years in stockbroking, specialising in mining and international investment.

Secretary & Registered office
Heather A Curtis ACIS
24 Bruton Place
London W1J 6NE

Black Wattle Colliery Directors
Robert Corry (Chairman)
Andrew Heller (Managing Director)
Robert Grobler
Ethan Dube
Garrett Casey

Director of Property
Mike J Dignan FRICS

Company Registration
Company registration No. 112155
(Incorporated in England and Wales)

Website
www.bisichi.co.uk

E-mail
admin@bisichi.co.uk

- * Member of the nomination committee
- + Senior independent director
- o Member of the audit, nomination and remuneration committees.

Auditor

PKF (UK) LLP

Principal bankers
United Kingdom
Barclays Bank PLC
National Westminster Bank PLC

South Africa
ABSA Bank (SA)
First National Bank (SA)
Standard Bank (SA)

Corporate solicitors
United Kingdom
Olswang LLP, London
Memery Crystal, London
Fladgate LLP, London

South Africa
Tugendhaft Wapnick Banchetti and Partners, Johannesburg
Leppan Beech Incorporated, Johannesburg
Routledge Modise attorneys, Johannesburg

Stockbrokers
Shore Capital & Corporate Ltd

Registrars and transfer office
Capita Registrars
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FIVE YEAR SUMMARY

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Consolidated income statement					
Revenue	35,962	29,909	32,824	29,016	25,979
Operating profit/ (loss)	2,457	(1,328)	(1,705)	4,892	2,616
Profit/ (loss) before tax	2,190	(1,450)	(1,813)	5,003	2,117
Trading Income	2,808	(1,210)	(2,209)	4,698	6,031
Revaluation Income	(618)	(240)	396	305	(3,914)
Profit before interest, taxation and depreciation	4,573	1,150	770	7,534	4,383
Consolidated balance sheet					
Investment properties	11,612	12,068	12,110	11,865	11,773
Fixed asset investments	4,309	2,727	3,757	3,755	3,406
	15,921	14,795	15,867	15,620	15,179
Current asset investments	787	2,515	605	510	627
	16,708	17,310	16,472	16,130	15,806
Other assets less liabilities less non-controlling interests	607	(537)	1,482	3,170	(160)
Total equity attributable to equity shareholders	17,315	16,773	17,954	19,300	15,646
Net assets per ordinary share	164.0p	158.9p	171.8p	184.7p	149.7p
Dividend per share	4.00p	4.00p	4.00p	4.00p	3.50p

FINANCIAL CALENDAR

5 June 2013	Annual General Meeting	Late August 2013	Announcement of half-year results to 30 June 2013
2 August 2013	Payment of final dividend for 2012 (if approved)	18 November 2013	Second interim management statement
Late April 2014	Announcement of results for year ending 31 December 2013		

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements for the year ended 31 December 2012.

Activities and review of business

The company continues its mining activities. Income for the year was derived from sales of coal from its South African operations. The company also has a property investment portfolio for which it receives rental income.

The results for the year and state of affairs of the group and the company at 31 December 2012 are shown on pages 34 to 70 and in the Mining Review and Business Review on pages 5 to 15. Future developments and prospects are also covered in the Mining Review. Over 99 per cent of staff are employed in the South African coal mining industry - employment matters and health and safety are dealt with in the Mining and Business Reviews.

The management report referred to in the Director's responsibilities statement encompasses this Directors' Report, the Chairmans' Statement on page 2 and the Mining Review and Business Review on pages 5 to 15.

Corporate responsibility

Environment

The environmental issues of the group's South African coal mining operations are covered in the Mining Review and Business Review on pages 5 to 15.

The group's UK activities are principally property investment whereby premises are provided for rent to retail businesses.

The group seeks to provide those tenants with good quality premises from which they can operate in an efficient and environmentally friendly manner. Wherever possible, improvements, repairs and replacements are made in an environmentally efficient manner and waste re-cycling arrangements are in place at all the company's locations.

Employment

The group's policy is to attract staff and motivate employees by offering competitive terms of employment. The group provides equal opportunities to all employees and prospective employees including those who are disabled. The Mining Review gives details of the group's activities and policies concerning the employment, training, health and safety and community support and social development concerning the group's employees in South Africa.

Dividend policy

An interim dividend for 2012 of 1p was paid on 1 February 2013 (Interim 2011: 1p). The directors recommend the payment of a final dividend for 2012 of 3p per ordinary share (2011: 3p) making a total dividend for 2012 of 4p (2011: 4p).

Subject to shareholder approval, the total dividend per Ordinary Share for 2012 will be 4p per Ordinary Share

The final dividend will be payable on Friday 2 August 2013 to shareholders registered at the close of business on 5 July 2013.

Investment properties

The investment property portfolio is stated at its open market value of £11,612,000, at 31 December 2012 (2011: £12,068,000) as valued by professional external valuers. The open market value of the company's shareholding of investment properties included within its investments in joint ventures is £3,336,000 (2011: £3,505,000)

Financial instruments

Note 22 to the financial statements sets out the contract or arrangement with the company during the year other than as shown in this report. The Board reviews and agrees overall treasury policies, delegating appropriate authority to the managing director. Financial instruments are used to manage the financial risks facing the group - speculative transactions are not permitted.

Treasury operations are reported at each Board meeting and are subject to weekly internal reporting.

Directors

The directors of the company for the whole year were Sir Michael Heller, A R Heller, GJ Casey, C A Joll, R J Grobler (a South African citizen), and J A Sibbald.

The directors retiring by rotation are Sir Michael Heller, Mr C A Joll and Mr J A Sibbald who offer themselves for re-election. The board recommends their re-election. Brief details of the directors standing for re-election are:

Sir Michael Heller has been an executive director since 1972 and chairman since 1981. He is a chartered accountant and has a contract of employment determinable at six months notice.

Christopher Joll has been a director since 1 February 2001 and has a contract of service determinable at three months notice. He has held a number of non-executive directorships of both quoted and un-quoted companies and is currently senior partner of MJ2 Events LLP an event management business.

John Sibbald has been a non-executive director since 1988. He is a retired chartered accountant. For most of his career he was employed in stockbroking in the City of London where he specialised in mining and international investment. He has a contract of service determinable at three months notice.

No director had any material interest in any contract or arrangement with the company during the year other than as shown in this report.

directors' report continued

Directors' shareholdings

The interests of the directors in the shares of the company, including family and trustee holdings where appropriate, were as follows:

	Beneficial		Non-beneficial	
	31.12.2012	1.1.2012	31.12.2012	1.1.2012
Sir Michael Heller	148,783	148,783	181,334	181,334
A R Heller	785,012	785,012	-	-
C A Joll	-	-	-	-
J A Sibbald	-	-	-	-
R J Grobler	-	-	-	-
G J Casey	-	-	-	-

There have not been any changes in the above shareholdings since 31 December 2012 and the date of this report.

Details of the options to subscribe for new ordinary shares of the company granted to the directors are contained under "Share option schemes" in the remuneration report on page 29.

Substantial interests

The following have advised that they have an interest in 3 per cent. or more of the issued share capital of the company as at 15 April 2013:

London & Associated Properties PLC - 4,432,618 shares representing 41.99 per cent. of the issued capital. (Sir Michael Heller is a director and shareholder of London & Associated Properties PLC).

Sir Michael Heller -	330,117 shares representing 3.13 per cent. of the issued capital.
A R Heller -	785,012 shares representing 7.44 per cent. of the issued capital.
Neil Kirton -	352,000 shares representing 3.33 per cent. of the issued capital.
Cavendish Asset Management Limited	- 1,025,110 shares representing 9.71 per cent. of the issued share capital.

Disclosure of information to auditor

The directors in office at 31 December 2012 have confirmed that they are aware that there is no relevant audit information of which the auditor is unaware. Each of the directors has confirmed that they have taken all reasonable steps they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Corporate governance

The company has adopted the Guidance for Smaller Quoted Companies (SQC) published by the Quoted Companies Alliance. The Alliance provides guidance to SQC and their guidance covers the implementation of The UK Corporate Governance Code for SQC. The paragraphs below set out how the company has applied this guidance during the year. The company has complied with the Quoted Companies Alliance guidance throughout the year, except insofar that non-executive directors are not appointed for fixed terms (section A.7.2).

Principles of corporate governance

The group's Board appreciates the value of good corporate governance not only in the areas of accountability and risk management, but also as a positive contribution to business prosperity. The Board endeavours to apply corporate governance principles in a sensible and pragmatic fashion having regard to the circumstances of the group's business. The key objective is to enhance and protect shareholder value.

Board structure

During the year the Board comprised the executive chairman, the managing director, two other executive directors and two non-executive directors. Their details appear on page 17. The Board is responsible to shareholders for the proper management of the group. The Directors' responsibilities statement in respect of the accounts is set out on page 32. The non-executive directors have a particular responsibility to ensure that the strategies proposed by the executive directors are fully considered. To enable the Board to discharge its duties, all directors have full and timely access to all relevant information and there is a procedure for all directors, in

directors' report continued

furtherance of their duties, to take independent professional advice, if necessary, at the expense of the group. The Board has a formal schedule of matters reserved to it and meets bi-monthly.

The Board is responsible for overall group strategy, approval of major capital expenditure projects and consideration of significant financing matters.

The following Board committees, which have written terms of reference, deal with specific aspects of the group's affairs:

- **The nomination committee** is chaired by Christopher Joll and comprises the non-executive directors and the executive chairman. The committee is responsible for proposing candidates for appointment to the Board, having regard to the balance and structure of the Board. In appropriate cases recruitment consultants are used to assist the process. Each director is subject to re-election at least every three years.
- **The remuneration committee** is responsible for making recommendations to the Board on the company's framework of executive remuneration and its cost. The committee determines the contractual terms, remuneration and other benefits for each of the executive directors, including performance related bonus schemes, pension rights and compensation payments. The Board itself determines the remuneration of the non-executive directors. The committee comprises the non-executive directors. It is chaired by Christopher Joll. The company's executive chairman is normally invited to attend meetings. The report on directors' remuneration is set out on pages 27 to 29.

- **The audit committee** comprises the two non-executive directors and is chaired by Christopher Joll. Its prime tasks are to review the scope of external audit, to receive regular reports from the company's auditor and to review the half-yearly and annual accounts before they are presented to the Board, focusing in particular on accounting policies and areas of management judgment and estimation. The committee is responsible for monitoring the controls which are in force to ensure the integrity of the information reported to the shareholders. The committee acts as a forum for discussion of internal control issues and contributes to the Board's review of the effectiveness of the group's internal control and risk management systems and processes. The committee also considers annually the need for an internal audit function. It advises the Board on the appointment of external auditors and on their remuneration for both audit and non-audit work, and discusses the nature and scope of the audit with the external auditors. The committee, which meets formally at least twice a year, provides a forum for reporting by the group's external auditors. Meetings are also attended, by invitation, by the company chairman, managing director and finance director.

The audit committee also undertakes a formal assessment of the auditors' independence each year which includes:

- a review of non-audit services provided to the group and related fees;
- discussion with the auditors of a written report detailing all relationships with the company and any other parties that could affect independence or the perception of independence;

- a review of the auditors' own procedures for ensuring the independence of the audit firm and partners and staff involved in the audit, including the regular rotation of the audit partner; and
- obtaining written confirmation from the auditors that, in their professional judgement, they are independent.

The audit committee report is set out on page 30.

An analysis of the fees payable to the external audit firm in respect of both audit and non-audit services during the year is set out in Note 4 to the financial statements.

Performance evaluation – board, board committees and directors

The performance of the board as a whole and of its committees and the non-executive directors is assessed by the chairman and the managing director and is discussed with the senior independent director. Their recommendations are discussed at the nomination committee prior to proposals for re-election being recommended to the Board. The performance of executive directors is discussed and assessed by the remuneration committee. The senior independent director meets regularly with the chairman and both the executive and non-executive directors individually outside of formal meetings. The directors will take outside advice in reviewing performance but have not found this necessary to date.

directors' report continued

Independent directors

The senior independent non-executive director is Christopher Joll. The other independent non-executive director is John Sibbald.

Christopher Joll has been a non-executive director for over ten years. As a consequence he does not fully meet the criteria for independence set out in the UK Corporate Governance Code (The Code).

John Sibbald has been a non-executive director of Bisichi for over twenty years. As a consequence he does not fully meet the criteria for independence set out in the UK Corporate Governance Code (The Code).

The Board encourages Christopher Joll and John Sibbald to act independently. The criteria on which they fail to meet The Code's criteria is namely length of service and a connection with the company's public relations advisers, should

not, and has not, resulted in their inability or failure to act independently. In the opinion of the Board, Christopher Joll and John Sibbald continue to fulfil their role as independent non-executive directors.

The independent directors regularly meet prior to Board meetings to discuss corporate governance issues.

Board and board committee meetings

The number of meetings during 2012 and attendance at regular Board meetings and Board committees was as follows:

		Meetings held	Meetings attended
Sir Michael Heller	Board	6	6
	Nomination committee	1	1
A R Heller	Board	6	6
	Audit committee	2	2
G J Casey	Board	6	6
	Audit committee	2	2
R J Grobler	Board	6	1
C A Joll	Board	6	6
	Audit committee	2	2
	Nomination committee	1	1
	Remuneration committee	1	1
J A Sibbald	Board	6	6
	Audit committee	2	2
	Nomination committee	1	1
	Remuneration committee	1	1

The audit committee had two meetings in 2012 with the external auditors present, prior to release of the 2011 annual results. Members of the committee discussed the 30 June 2011 half year results prior to their approval by the full Board. The nomination committee held one meeting during the year.

Internal control

The directors are responsible for the group's system of internal control and review of its effectiveness annually. The Board has designed the group's system of internal control in order to provide the directors with reasonable assurance that its assets are safeguarded, that transactions are authorised and properly recorded and that material errors and irregularities are either prevented or would be detected within a timely period. However, no system of internal control can eliminate the risk of failure to achieve business objectives or provide absolute assurance against material misstatement or loss.

The key elements of the control system in operation are:

- The Board meets regularly with a formal schedule of matters reserved to it for decision and has put in place an organisational structure with clearly defined lines of responsibility and with appropriate delegation of authority;
- There are established procedures for planning, approval and monitoring of capital expenditure and information systems for monitoring the group's financial performance against approved budgets and forecasts;

- UK property and financial operations are closely monitored by members of the Board and senior managers to enable them to assess risk and address the adequacy of measures in place for its monitoring and control. The South African operations are closely supervised by the UK based executives through daily, weekly and monthly reports from the directors and senior officers in South Africa. This is supplemented by monthly visits by the UK based finance director to the South African operations which include checking the integrity of information supplied to the UK. The directors are guided by the internal control guidance for directors issued by the Institute of Chartered Accountants in England and Wales.

During the period, the audit committee has reviewed the effectiveness of internal control as described above. The Board receives periodic reports from its committees.

There are no significant issues disclosed in the Annual Report for the year ended 31 December 2012 (and up to the date of approval of the report) concerning material internal control issues. The directors confirm that the Board has reviewed the effectiveness of the system of internal control as described during the period.

Communication with shareholders

Communication with shareholders is a matter of priority. Extensive information about the group and its activities is given in the Annual Report, which is made available to shareholders. Further information is available on the company's website, www.bisichi.co.uk. There is a regular dialogue with institutional investors. Enquiries from individuals on matters relating to their shareholdings and the business of the group are dealt with informatively and promptly.

Payment of suppliers

The company agrees contract terms with suppliers when orders are placed. Payments to suppliers are made in accordance with those terms, provided that suppliers have complied with all relevant terms and conditions. Trade creditors outstanding at the year-end represented 53 days trade purchases (2011 – 52 days).

Takeover directive

The company has one class of share capital, ordinary shares. Each ordinary share carries one vote. All the ordinary shares rank pari passu. There are no securities issued in the company which carry special rights with regard to control of the company. The identity of all substantial direct or indirect holders of securities in the company and the size and nature of their holdings is shown under the "Substantial interests" section of this report above.

A relationship agreement dated 15 September 2005 (the "Relationship Agreement") was entered into between the company and London & Associated Properties PLC ("LAP") in regard to the arrangements between them while LAP is a controlling shareholder of the company. The Relationship Agreement includes a provision under which LAP has agreed to exercise the voting rights attached to the ordinary shares in the company owned by LAP to ensure the independence of the Board of directors of the company.

Other than the restrictions contained in the Relationship Agreement, there are no restrictions on voting rights or on the transfer of ordinary shares in the company. The rules governing the appointment and replacement of directors, alteration of the articles of association of the company and the powers of the company's directors accord with usual English company law provisions. Each director is re-elected every three years or more frequently.

The company is not party to any significant agreements that take effect, alter or terminate upon a change of control of the company following a takeover bid. The company is not aware of any agreements between holders of its ordinary shares that may result in restrictions on the transfer of its ordinary shares or on voting rights.

There are no agreements between the company and its directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

The Bribery Act 2010

The Bribery Act 2010 came into force on 1 July 2011, and the Board took the opportunity to implement a new Anti-Bribery Policy. All directors and staff have since completed an e-learning training course and continue to do so on a bi-annual basis. The company is committed to acting ethically, fairly and with integrity in all its endeavours and compliance of the code is closely monitored.

Annual General Meeting

The annual general meeting of the company ("Annual General Meeting") will be held at the Royal Automobile Club, 89 Pall Mall, London SW1Y 5HS on Tuesday, 5 June 2013 at 11.00 a.m. Resolutions 1 to 10 will be proposed as ordinary resolutions. More than 50 per cent. of shareholders' votes cast must be in favour for these resolutions to be passed. Resolutions 11 to 13 will be proposed as special resolutions. At least 75 per cent. of shareholders' votes cast must be in favour for these resolutions to be passed.

The directors consider that all of the resolutions to be put to the meeting are in the best interests of the company and its shareholders as a whole. The Board recommends that shareholders vote in favour of all resolutions.

Please note that the following paragraphs are only summaries of certain resolutions to be proposed at the Annual General Meeting and not the full text of the resolutions. You should therefore read this section in conjunction with the full text of the resolutions contained in the notice of Annual General Meeting.

To approve a loan of £116,000 to a director, Mr A R Heller (Resolution 9)

The directors are proposing that shareholder approval if given to approve, affirm and ratify a loan that has been made to one of the directors, Mr A R Heller, to fund his acquisition of a car. Under section 197(1) Companies Act 2006, approval of shareholders is required in relation to loans made by a company to its directors. A company is permitted under section 214 Companies Act 2006 to obtain such shareholders' approval after the loan transaction has completed so long as it is within a reasonable period of time.

Memorandum pursuant to section 197 (3) Companies Act 2006

The company made a loan of £116,000 to Mr A R Heller (a director of the company) ("Director's Loan") on 30 November 2012, the purpose of which was for Mr A R Heller to purchase a car. Interest is payable on the Director's Loan at a rate of 6.14 per cent. There is no fixed repayment date for the Director's Loan. It is intended that the principal amount of the Director's Loan will be repaid when the car purchased by Mr A R Heller has been sold. Any tax and National Insurance contributions arising will be borne by Mr A R Heller.

The company took out a loan of £116,000 with ING Lease (UK) Limited ("ING Loan") on 30 November 2012 in order to facilitate payment of the Director's Loan. The ING Loan is repayable by the company on 30 December 2015 and interest is payable on the ING Loan at a rate of 6.14 per cent..

Directors' authority to allot shares (Resolution 10)

In certain circumstances it is important for the company to be able to allot shares up to a maximum amount without needing to seek shareholder approval every time an allotment is required. Paragraph 10.1.1 of Resolution 10 would give the directors the authority to allot shares in the company and grant rights to subscribe for, or convert any security into, shares in the company up to an aggregate nominal value of £351,894. This represents approximately 1/3 (one third) of the ordinary share capital of the company in issue (excluding treasury shares) at 15 April 2013 (being the last practicable date prior to the publication of this Directors' Report). Paragraph 10.1.2 of Resolution 10 would give the directors the authority to allot shares in the company and grant rights to subscribe for, or convert any security into, shares in the company up to a further aggregate nominal value of £351,894, in connection with a pre-emptive rights issue. This amount represents approximately 1/3 (one third) of the ordinary share capital of the company in issue (excluding treasury shares) at 15 April 2013 (being the last practicable date prior to the publication of this Directors' Report).

Therefore, the maximum nominal value of shares or rights to subscribe for, or convert any security into, shares which may be allotted or granted under resolution 10 is £703,788.

Resolution 10 complies with guidance issued by the Association of British Insurers (ABI).

The authority granted by resolution 10 will expire on 31 August 2014 or, if earlier, the conclusion of the next annual general meeting of the company. The directors have no present intention to make use of this authority. However, if they do exercise the authority, the directors intend to follow emerging best practice as regards its use as recommended by the ABI.

Disapplication of pre-emption rights (Resolution 11)

A special resolution will be proposed at the Annual General Meeting in respect of the disapplication of pre-emption rights.

Shares allotted for cash must normally first be offered to shareholders in proportion to their existing shareholdings. The directors will, at the forthcoming Annual General Meeting seek power to allot equity securities (as defined by section 560 of the Companies Act 2006) or sell treasury shares for cash as if the pre-emption rights contained in Section 561 of the Companies Act 2006 did not apply:

- (a) in relation to pre-emptive offers and offers to holders of other equity securities if required by the rights of those securities or as the directors otherwise consider necessary, up to a maximum nominal amount of £351,894 which represents approximately 1/3 (one third) of the ordinary share capital of the company in issue (excluding treasury shares) and, in relation to rights issues only, up to a maximum additional amount of £351,894

which represents approximately 1/3 (one third) of the ordinary share capital of the company in issue (excluding treasury shares), in each case as at 15 April 2013 (being the last practicable date prior to the publication of this Directors' Report); and

- (b) in any other case, up to a maximum nominal amount of £105,568 which represents approximately 10 per cent. of the ordinary share capital of the company in issue (excluding treasury shares) as at 15 April 2013 (being the last practicable date prior to the publication of this Directors' Report).

In compliance with the guidelines issued by the Pre-emption Group, the directors, will ensure that, other than in relation to a rights issue, no more than 7.5 per cent. of the issued ordinary shares (excluding treasury shares) will be allotted for cash on a non pre-emptive basis over a rolling three year period unless shareholders have been notified and consulted in advance.

The power in resolution 11 will expire when the authority given by resolution 10 is revoked or expires.

The directors have no present intention to make use of this authority.

Notice of General Meetings (Resolution 12)

Resolution 12 will be proposed to allow the company to call general meetings (other than an Annual General Meeting) on 14 clear days' notice. A resolution in the same terms was passed at the Annual General Meeting in 2012. The notice period required by the Companies Act 2006 for general meetings of the company is 21 days unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days. Annual General Meetings must always be held on at least 21 clear days' notice. It is intended that the flexibility offered by this resolution will only be used for time-sensitive, non-routine business and where merited in the interests of shareholders as a whole. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. In order to be able to call a general meeting on less than 21 clear days' notice, the company must make a means of electronic voting available to all shareholders for that meeting.

Purchase of own Ordinary Shares (Resolution 13)

The effect of resolution 13 would be to renew the directors' current authority to make limited market purchases of the company's ordinary shares of 10 pence each. The power is limited to a maximum aggregate number of 1,055,684 ordinary shares (representing approximately 10 per cent. of the company's issued share capital as at 15 April 2013 (being the last practicable date prior to publication of this Directors' Report)). The minimum price (exclusive of expenses) which the company would be authorised to pay for each ordinary share would be 10 pence (the nominal value of each ordinary share). The maximum price (again exclusive of expenses) which the company would be authorised to pay for an ordinary share is an amount equal to 105 per cent. of the average market price for an ordinary share for the five business days preceding any such purchase.

The authority conferred by resolution 13 will expire at the conclusion of the company's next annual general meeting or 15 months from the passing of the resolution, whichever is the earlier. Any purchases of ordinary shares would be made by means of market purchase through the London Stock Exchange. If granted, the authority would only be exercised if, in the opinion of the directors, to do so would result in an increase in earnings per share or net asset value per share and would be in the best interests of shareholders generally. In exercising the authority to purchase ordinary shares, the directors may treat the shares that have been bought back as either cancelled or held as treasury shares (shares held by the company itself). No dividends may be paid on shares which are held as treasury shares and no voting rights are attached to them.

As at 15 April 2013 (being the last practicable date prior to the publication of this Directors' Report) the total number of options to subscribe for new ordinary shares in the company was 798,000 shares representing 7.56 per cent. of the company's issued share capital (excluding treasury shares) as at that date. Such number of options to subscribe for new ordinary shares would represent approximately 8.40 per cent. of the reduced issued share capital of the company (excluding treasury shares) assuming full use of the authority to make market purchases sought under resolution 13.

Donations

No political or charitable donations were made during the year (2011:Nil).

Going concern

The group's business activities, together with the factors likely to affect its future development are set out in the Chairman's Statement on the preceding page 2, the Mining Review on pages 5 to 15 and it's financial position is set out on page 12 of the Business Review. In addition Note 22 to the financial statements includes the group's treasury policy, interest rate risk, liquidity risk and hedging profile. The group has considerable financial resources available and long term leases with the majority of its tenants of its property portfolio. Black Wattle Colliery, its direct mining asset returned to profitability in the second half of 2011 and has been profitable to date. The directors have a reasonable expectation that the mining and market conditions experienced in 2012 will be similar going into 2013. As a consequence, the directors believe that the company is well placed to manage its business risks successfully. The group is working with the bank on the renewal of the current banking facilities and the bank has agreed, in principle, to an extension of the £5 million term facility and £2 million overdraft to the 30th June 2013,

from its original expiry date of 31 December 2012, whilst the discussions are on-going and the new facility is documented. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and that the company is well placed to manage its business risks. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Other matters

The auditors, PKF (UK) LLP, have merged their business into BDO LLP. A resolution to appoint BDO LLP will be put to the Annual General Meeting.

By order of the board

Heather Curtis Secretary

24 Bruton Place
London W1J 6NE

18 April 2013

REMUNERATION REPORT

The remuneration committee is pleased to present its report for the year ended 31 December 2012

The remuneration committee is a formally constituted committee and is comprised exclusively of non-executive directors.

The members of the committee are Christopher Joll (chairman) and John Sibbald.

Remuneration policy for executive directors and non-executive directors

The principal function of the remuneration committee is to determine, on behalf of the Board, the remuneration and other benefits of the executive directors and senior executives, including pensions, share options and service contracts. The company's policy is to ensure that the executive directors are rewarded competitively in relation to other companies in order to retain and motivate them. The emoluments of each executive director comprises basic salary, a bonus

at the discretion of the remuneration committee, provision of a car, premiums paid in respect of individual defined contribution pension arrangements, health insurance premium and share options.

The remuneration committee receives updates on pay and employment conditions applying to other group employees. These are taken into consideration when setting executive directors' remuneration consistent with the group's general aim of seeking to reward all employees fairly according to the nature of their role, their performance and market forces.

The remuneration of non-executive directors is determined by the board, and takes into account additional remuneration for services outside the scope of the ordinary duties of non-executive directors. No pension costs are incurred on behalf of non-executive directors and they do not participate in the share option schemes.

Service and employment contracts

All executive directors have full time contracts of employment with the company. Non-executive directors have contracts of service. No director has a contract of employment or contract of service with the company, its joint venture or associated companies with a fixed term which exceeds six months. All directors' contracts, as amended from time to time, have run from the date of appointment. Details of the directors standing for re-election are given under "Directors" in the Directors' report. The policy of the committee is not to grant employment contracts or contracts of service in excess of six months and there are no provisions for termination payments. A summary of terms of service and employment is as follows:

	Start date of contract	Unexpired term	Notice period
Executive directors			
Sir Michael Heller	November 1972	Continuous	6 months
A R Heller	January 1994	Continuous	3 months
G J Casey	June 2010	Continuous	3 months
R J Grobler	April 2008	Continuous	3 months
Non-executive directors			
C A Joll	February 2001	Continuous	3 months
J A Sibbald	October 1988	Continuous	3 months

remuneration report continued

The following information has been audited:

Directors' remuneration

	Salaries and fees £'000	Bonus £'000	Benefits £'000	Total before Pensions £'000	Pension Contributions £'000	Total 2011 £'000	Total 2010 £'000
Executive Directors							
Sir Michael Heller	75	-	-	75	-	75	75
A R Heller	350	150	14	514	30	544	626
G J Casey	109	75	9	193	15	208	177
R Grobler	162	-	26	188	8	196	232
	696	225	49	970	53	1,023	1,110
Non-Executive Directors							
C A Joll	25	-	-	25	-	25	24
J A Sibbald	2	-	3	5	-	5	4
	27	-	3	30	-	30	28
Total	723	225	52	1,000	53	1,053	1,138

Pension schemes and incentives

Three (2011: three) directors have benefits under money purchase pension schemes. Contributions in 2012 were £53,000 (2011: £53,000), see table above. Directors are not entitled to benefits under any bonus or incentive schemes apart from the share option schemes details of which are set out below. Bonuses are awarded by the remuneration committee when merited.

Performance bonuses were awarded by the remuneration committee to two executive directors during 2012 (2011:3).

Share option schemes

The Company currently has four "Unapproved" Share Option Schemes which are not subject to HM Revenue and Customs (HMRC) approval. The "Second Scheme" was approved by shareholders on 23 June 2005, options having been provisionally granted under it on 23 September 2004. The "2006 Scheme" was approved by shareholders on 29 June 2006, and the "2010 Scheme" was approved by shareholders on 7 June 2011. The "2012 Scheme" was approved by the remuneration committee of the Company on 28 September 2012 in replacement of a

scheme which was adopted on 15 June 1999 (the "First Scheme"). Existing options over ordinary shares granted under the First Scheme lapsed on 29 September 2012. Replacement options could not be granted under the First Scheme as the period for new grants under the scheme had expired. Accordingly, the remuneration committee approved the adoption by the Company of the 2012 Scheme with similar rules to the First Scheme. All available options under each of the Schemes have been granted.

remuneration report continued

	Number of share options			31 December 2011	Exercisable from	Exercisable to
	Option price*	1 January 2011	Options Granted in 2011			
Second Scheme						
A R Heller	149p	80,000	-	80,000	23/9/2007	22/9/2014
The 2006 Scheme						
A R Heller	237.5p	275,000	-	275,000	4/10/2009	3/10/2016
Employee	237.5p	50,000	-	50,000	4/10/2009	3/10/2016
The 2010 Scheme						
G J Casey	202.5p	80,000	-	80,000	31/08/2013	30/08/2020
The 2012 Scheme						
A R Heller	34p	233,000	233,000	233,000	01/10/2012	30/09/2022

*Middle market price at date of grant

No consideration is payable for the grant of options under the Unapproved Share Option Schemes.

Performance conditions:

The exercise of options under the Unapproved Share Option Schemes, for certain option issues, is subject to the satisfaction of objective performance conditions specified by the remuneration committee, which will conform to institutional shareholder guidelines and best practice provisions in force from time to time. The performance conditions for Second Scheme and the 2010 scheme, agreed by members on 23 June 2005 and 31 August 2010 respectively, requires growth in net assets over a three year period to exceed the growth in the retail price index by a scale of percentages. There are no performance conditions attached to the other schemes.

The middle market price of Bisichi Mining PLC ordinary shares at 31 December 2012 was 110p (2011-145p). During the year the share price ranged between 95p and 160p.

The board's policy is to grant options to executive directors, managers and staff at appropriate times to provide them with an interest in the longer term development of the group.



The following information is unaudited:

The following graph illustrates the company's performance compared with a broad equity market index over a five year period. Performance is measured by total shareholder return. The directors have chosen the FTSE All Share - Total Return Index as a suitable index for this comparison as it gives an indication of performance against a large spread of quoted companies.

Christopher Joll
Chairman – remuneration committee

24 Bruton Place
London W1J 6NE
18 April 2013

AUDIT COMMITTEE REPORT

The committee's terms of reference have been approved by the board and follow published guidelines, which are available from the company secretary. The audit committee comprises the two non-executive directors, Christopher Joll (chairman), an experienced financial PR executive and John Sibbald, a retired chartered accountant.

The Audit Committee's prime tasks are to:

Review the scope of external audit, to receive regular reports from the auditor and to review the half-yearly and annual accounts before they are presented to the board, focusing in particular on accounting policies and areas of management judgment and estimation;

Monitor the controls which are in force to ensure the integrity of the information reported to the shareholders;

Assess key risks and to act as a forum for discussion of risk issues and contribute to the board's review of the effectiveness of the group's risk management control and processes;

Act as a forum for discussion of internal control issues and contribute to the board's review of the effectiveness of the group's internal control and risk management systems and processes;

Consider each year the need for an internal audit function;

Advise the board on the appointment of external auditors and rotation of the audit partner every five years, and on their remuneration for both audit and non-audit work, and discuss the nature and scope of their audit work;

Participate in the selection of a new external audit partner and agree the appointment when required;

Undertake a formal assessment of the auditors' independence each year which includes:

- a review of non-audit services provided to the group and related fees;

- discussion with the auditors of a written report detailing all relationships with the company and any other parties that could affect independence or the perception of independence;

- a review of the auditors' own procedures for ensuring the independence of the audit firm and partners and staff involved in the audit, including the regular rotation of the audit partner; and

- obtaining written confirmation from the auditors that, in their professional judgement, they are independent.

Meetings

The committee meets prior to the annual audit with the external auditors to discuss the audit plan and again prior to the publication of the annual results. These meetings are attended by the external audit partner, managing director, director of finance and company secretary. Prior to bi-monthly board meetings the members of the committee meet on an informal basis to discuss any relevant matters which may have arisen. Additional formal meetings are held as necessary.

During the past year the committee:

- Met with the external auditors, and discussed their report to the Audit Committee;
- Approved the publication of annual and half-year financial results;
- Considered and approved the annual review of internal controls;
- Decided that due to the size and nature of operation there was not a current need for an internal audit function;
- Agreed the independence of the auditors and approved their fees for both audit and not-audit services as set out in note 5 to the financial statements.

External auditors

PKF (UK) LLP held office throughout the year. In the United Kingdom the company is provided with extensive administration and accounting services by London & Associated Properties PLC which has its own audit committee and employs a separate firm of external auditors, Baker Tilly UK Audit LLP. In South Africa PKF (Jhb) Inc. acts as the external auditor to the South African companies, and the work of that firm was reviewed by PKF (UK) LLP for the purpose of the group audit.

Christopher Joll
Chairman – audit committee

24 Bruton Place
London W1J 6NE

18 April 2013

VALUERS' CERTIFICATES

To the directors of Bisichi Mining PLC

In accordance with your instructions we have carried out a valuation of the freehold property interests held as at 31 December 2012 by the company as detailed in our Valuation Report dated 21 February 2013.

Having regard to the foregoing, we are of the opinion that the open market value as at 31 December 2012 of the interests owned by the Company was £11,612,000 being made up as follows:

	£'000
Freehold	8,889
Leasehold	2,723
	11,612
Leeds 21 February 2013	BNP Paribas Real Estate Advisory & Property Management UK Limited Regulated by Royal Institute of Chartered Surveyors

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the directors' report, the directors' remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year.

Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the group financial statements have been prepared in accordance with IFRSs as adopted by the European Union;
- state, with regard to the parent company financial statements, whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions, to 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 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

The directors confirm, to the best of their knowledge:

- that the group financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the group; and
- that the management report included within the directors' report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The names and functions of all the directors are stated on page 17.

INDEPENDENT AUDITOR'S REPORT

to the members of Bisichi Mining PLC

We have audited the financial statements of Bisichi Mining PLC for the year ended 31 December 2012 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of changes in shareholders' equity and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2012 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

PKF (UK) LLP
Andrew Huddleston
(Senior statutory auditor)
for and on behalf of PKF (UK) LLP,
Statutory auditor

London UK
18 April 2013

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2012

	Notes	2012 Trading £'000	2012 Revaluations £'000	2012 Total £'000	2011 Trading £'000	2011 Revaluations £'000	2011 Total £'000
Group revenue	1	35,962	-	35,962	29,909	-	29,909
Operating costs	2	(30,478)	-	(30,478)	(27,565)	-	(27,565)
Operating profit before depreciation, fair value adjustments and exchange movements		5,484	-	5,484	2,344	-	2,344
Depreciation	2	(2,253)	-	(2,253)	(2,488)	-	(2,488)
Operating profit/(loss) before fair value adjustments and exchange movements	1	3,231	-	3,231	(144)	-	(144)
Exchange losses		(357)	-	(357)	(975)	-	(975)
Decrease in value of investment properties	3	-	(456)	(456)	-	(42)	(42)
Gains/(Loss) on held for trading investments		-	39	39	-	(167)	(167)
Operating profit/(loss)	1	2,874	(417)	2,457	(1,119)	(209)	(1,328)
Share of profit/(loss) in joint ventures	13	64	(201)	(137)	21	(31)	(10)
Profit/(Loss) before interest and taxation		2,938	(618)	2,320	(1,098)	(240)	(1,338)
Interest receivable		281	-	281	268	-	268
Interest payable	6	(411)	-	(411)	(380)	-	(380)
Profit/Loss before tax	4	2,808	(618)	2,190	(1,210)	(240)	(1,450)
Taxation	7	(842)	192	(650)	762	142	904
Profit/(Loss) for the year		1,966	(426)	1,540	(448)	(98)	(546)
Attributable to:							
Equity holders of the company		1,721	(426)	1,295	(346)	(98)	(444)
Non-controlling interest	27	245	-	245	(102)	-	(102)
Profit/(Loss) for the year		1,966	(426)	1,540	(448)	(98)	(546)
Profit/(Loss) per share – basic	9	16.30p	(4.03)p	12.27p	(3.30)p	(0.93)p	(4.23)p
Profit/(Loss) per share – diluted	9	16.05p	(3.97)p	12.08p	(3.30)p	(0.93)p	(4.23)p

Trading income reflects all the trading activity on mining and property operations. Revaluation Income reflects the revaluation of investment properties and other assets within the group and any proportion of these amounts within Joint Ventures. The total column represents the consolidated income statement presented in accordance with IAS 1.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

	2012 £'000	2011 £'000
Profit/(Loss) for the year	1,540	(546)
Other comprehensive income:		
Exchange differences on translation of foreign operations	(391)	(575)
Taxation	-	-
Other comprehensive income for the year net of tax	(391)	(575)
Total comprehensive income for the year net of tax	1,149	(1,121)
Attributable to:		
Equity shareholders	936	(958)
Non-controlling interest	213	(163)
	1,149	(1,121)

CONSOLIDATED BALANCE SHEET

at 31 December 2012

	Notes	2012 £'000	2011 £'000
Assets			
Non-current assets			
Value of investment properties	10	11,612	12,068
Fair value of head lease	31	202	222
		11,814	12,290
Mining reserves, plant and equipment	11	8,638	7,926
Investments in joint ventures	12	3,061	2,579
Loan to joint venture	12	1,117	-
Other investments	12	131	148
Total non-current assets		24,761	22,943
Current assets			
Inventories	16	1,876	1,206
Trade and other receivables	17	7,604	6,067
Corporation tax recoverable		49	133
Held for trading investments	18	787	730
Cash and cash equivalents		1,802	4,041
		12,118	12,177
Non-current asset held for sale	14	-	1,785
Total current assets		12,218	13,962
Total assets		36,879	36,905

consolidated balance sheet continued

	Notes	2012 £'000	2011 £'000
Liabilities			
Current liabilities			
Borrowings	20	(6,186)	(8,157)
Trade and other payables	19	(9,218)	(8,590)
Current tax liabilities		(2)	-
Total current liabilities		(15,406)	(16,747)
Non-current liabilities			
Borrowings	20	(86)	(86)
Provision for rehabilitation	21	(989)	(965)
Finance lease liabilities	31	(202)	(222)
Deferred tax liabilities	23	(2,437)	(1,881)
Total non-current liabilities		(3,714)	(3,154)
Total liabilities		(19,120)	(19,901)
Net assets		17,759	17,004
Equity			
Share capital	24	1,056	1,056
Share premium account		169	169
Translation reserve		(805)	(446)
Other reserves	25	528	500
Retained earnings		16,367	15,494
Total equity attributable to equity shareholders		17,315	16,773
Non-controlling interest	27	444	231
Total equity		17,759	17,004

These financial statements were approved and authorised for issue by the board of directors on 18 April 2013 and signed on its behalf by:

 

A R Heller
Director

G J Casey
Director

Company Registration No. 112155

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 31 December 2012

	Share capital £'000	Share Premium £'000	Translation reserves £'000	Other reserves £'000	Retained earnings £'000	Total £'000	Non- controlling interest £'000	Total equity £'000
Balance at 1 January 2011	1,045	-	68	485	16,356	17,954	394	18,348
Revaluation of investment properties	-	-	-	-	(42)	(42)	-	(42)
Other income statement movements	-	-	-	-	(402)	(402)	(102)	(504)
Loss for the year	-	-	-	-	(444)	(444)	(102)	(546)
Exchange adjustment	-	-	(514)	-	-	(514)	(61)	(575)
Total comprehensive income for the year	-	-	(514)	-	(444)	(958)	(163)	(1,121)
Dividend	11	169	-	-	(418)	(238)	-	(238)
Equity share options	-	-	-	15	-	15	-	15
Balance at 1 January 2012	1,056	169	(446)	500	15,494	16,773	231	17,004
Revaluation of investment properties	-	-	-	-	(456)	(456)	-	(456)
Other income statement movements	-	-	-	-	1,751	1,751	245	1,996
Profit for the year	-	-	-	-	1,295	1,295	245	1,540
Exchange adjustment	-	-	(359)	-	-	(359)	(32)	(391)
Total comprehensive income for the year	-	-	(359)	-	1,295	936	213	1,149
Dividend	-	-	-	-	(422)	(422)	-	(422)
Equity share options	-	-	-	28	-	28	-	28
Balance at 31 December 2012	1,056	169	(805)	528	16,367	17,315	444	17,759

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2012

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Cash flows from operating activities		
Operating profit/(loss)	2,457	(1,328)
Adjustments for:		
Depreciation	2,253	2,488
Share based payment expense	27	15
(Gain)/Loss on investment held for trading	(39)	167
Unrealised loss on investment properties	456	42
Share of profit of joint venture	64	21
Cash flow before working capital	5,218	1,405
Change in inventories	(670)	(501)
Change in trade and other receivables	(2,057)	(2,385)
Change in trade and other payables	1,150	2,340
Change in provisions	117	124
Acquisitions of held for trading investments	(18)	(291)
Cash generated from operations	3,740	692
Interest received	281	288
Interest paid	(411)	(380)
Income tax received	83	245
Cash flow from operating activities	3,693	825
Cash flows from investing activities		
Acquisition of reserves, plant and equipment	(3,681)	(2,528)
Proceeds from sale of investment properties, reserves, plant and equipment	-	7
Disposal/(Acquisitions) of investments	16	(888)
Cash flow from investing activities	(3,665)	(3,409)

consolidated cash flow statement continued

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Cash flows from financing activities		
Borrowings drawn	86	-
Borrowings repaid	(214)	(347)
Equity dividends paid	(422)	(238)
Cash flow from financing activities	(550)	(585)
Net decrease in cash and cash equivalents	(522)	(3,169)
Cash and cash equivalents at 1 January	1,114	3,977
Exchange adjustment	126	306
Cash and cash equivalents at 31 December	718	1,114
Cash and cash equivalents at 31 December comprise:		
Cash and cash equivalents as presented in the balance sheet	1,802	4,041
Bank overdrafts (secured)	(1,084)	(2,927)
	718	1,114

GROUP ACCOUNTING POLICIES

for the year ended 31 December 2012

Basis of accounting

The results for the year ended 31 December 2012 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The principal accounting policies are described below:

The group financial statements are presented in £ sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise stated.

Going concern

The group has considerable financial resources available and long term leases with the majority of its tenants of its property portfolio. Black Wattle Colliery, its direct mining asset returned to profitability in the second half of 2011 and has been profitable to date. The directors have a reasonable expectation that the mining and market conditions experienced in 2012 will be similar going into 2013. As a consequence, the directors believe that the company is well placed to manage its business risks successfully.

The group is working with the bank on the renewal of the current banking facilities and the bank has agreed to an extension, in principle, of the £5million term facility and £2million overdraft to the 30th June 2013 from its original expiry date of 31 December 2012, whilst the discussions are on-going and the new facility is documented. The directors have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and that the company is well placed to manage its business risks. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

International Financial Reporting Standards (IFRS)

The financial statements are prepared in accordance with International Financial Reporting Standards and Interpretations in force at the reporting date. These are prepared under the historic cost basis as modified by the revaluation of investment properties and held for trading investments.

During 2012 all other standards and interpretations that were mandatory for the accounting period and were required to be adopted by the group either had no material impact on the group's financial statements or were not relevant to the operations of the group.

The group has not adopted any standards or interpretations in advance of the required implementation dates. It is not expected that adoption of any standards or interpretations which have been issued by the International Accounting Standards Board but have not been adopted will have a material impact on the financial statements. Specifically, the Directors' have considered the impact of IFRIC 20 which concerns the treatment of stripping costs. The Directors are of the view that the accounting treatment detailed in this standard would not result in a change of the Group's accounting policy.

Key judgements and estimates

The directors consider their judgements and estimates surrounding the life of the mine and its reserves to have the most significant effect on the amounts recognised in the financial statements and to be the area where the financial statements are at most risk of a material adjustment due to estimation uncertainty.

In addition the directors note that other areas, in particular the valuation of the investment properties, are considered to be less judgemental due to the nature of the underlying properties and the use of external valuers.

Basis of consolidation

The group accounts incorporate the accounts of Bisichi Mining Plc and all of its subsidiary undertakings, together with the group's share of the results of its joint ventures. Non-controlling interests in subsidiaries are presented separately from the equity attributable to equity owners of the parent company. When changes in ownership in a subsidiary do not result in a loss of control, the non-controlling shareholders' interest are initially measured at the non-controlling interests' proportionate share of the subsidiaries net assets. Subsequent to this, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Revenue

Revenue comprises sales of coal and property rental income. Revenue is recognised when delivery of the product or service has been made and when the customer has a legally binding obligation to settle under the terms of the contract and has assumed all significant risks and rewards of ownership.

Revenue is only recognised on individual sales of coal when all of the significant risks and rewards of ownership have been transferred to a third party. In most instances revenue is recognised when the product is delivered to the location specified by the customer, which is typically when loaded into transport, where the customer pays the transportation costs.

group accounting policies continued

Rental income which excludes services charges recoverable from tenants, is recognised in the group income statement on a straight-line basis over the term of the lease. This includes the effect of lease incentives.

Investment Properties

Investment properties comprise freehold and long leasehold land and buildings. Investment properties are carried at fair value in accordance with IAS 40 'Investment Properties'. Properties are recognised as investment properties when held for long-term rental yields, and after consideration has been given to a number of factors including length of lease, quality of tenant and covenant, value of lease, management intention for future use of property, planning consents and percentage of property leased. Investment properties are revalued annually by professional external surveyors and included in the balance sheet at their fair value. Gains or losses arising from changes in the fair values of assets are recognised in the consolidated income statement in the period to which they relate. In accordance with IAS 40, investment properties are not depreciated. Properties held for use in the business are not recognised as investment properties and are held at depreciated historical cost.

The fair value of the head leases is the net present value of the current head rent payable on leasehold properties until the expiry of the lease.

Mining reserves, plant and equipment

The cost of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in accordance with agreed specifications. Freehold land is not depreciated. Other property, plant and equipment is stated at historical cost less accumulated depreciation.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reliably estimated.

A provision for rehabilitation of the mine is carried at present value and is provided for over the life of mine. The provision includes the restoration of the underground, opencast, surface operations and de-commissioning of plant and equipment and is estimated to be utilised at the end of the life of mine of the group. The timing and final cost of the rehabilitation is uncertain and will depend on the duration of the mine life and the quantities of coal extracted from the reserves.

Mine reserves and development cost

The purpose of mine development is to establish secure working conditions and infrastructure to allow the safe and efficient extraction of recoverable reserves. Depreciation on mine development is not charged until production commences or the assets are put to use. On commencement of the full production, depreciation is charged over the life of the associated mine reserves on a straight-line basis.

Surface mine development

Expenditure incurred prior to the commencement of working surface mine sites, net of any residual value and taking into account the likelihood of the site being mined, is capitalised within property, plant and equipment and charged to the income statement over the life of the recoverable reserves of the scheme.

Other assets and depreciation

The cost, less estimated residual value, of other property, plant and equipment is written off on a straight-line basis over the asset's expected useful life. Residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Changes to the

estimated residual values or useful lives are accounted for prospectively. Heavy surface mining and other plant and equipment is depreciated at varying rates depending upon its expected usage.

The depreciation rates generally applied are:

Mining equipment	The shorter of its useful life or the life of the mine
Mining reserves	Over the expected life of the reserves
Motor vehicles	25-33 per cent per annum
Office equipment	10-33 per cent per annum

Employee benefits

Share based remuneration

The company operates a share option scheme. The fair value of the share option scheme is determined at the date of grant. This fair value is then expensed on a straight-line basis over the vesting period, based on an estimate of the number of shares that will eventually vest. The fair value of options granted is calculated using a binomial or Black-Scholes-Merton model. Details of the share options in issue are disclosed in the Directors' Remuneration Report on page 28 under the heading Share option schemes which is within the audited part of that report.

Pensions

The group operates a defined contribution pension scheme. The contributions payable to the scheme are expensed in the period to which they relate.

Foreign currencies

Monetary assets and liabilities are translated at year end exchange rates and the resulting exchange rate differences are included in the consolidated income statement within the results of operating activities if arising from trading activities and within finance cost/income if arising from financing.

group accounting policies continued

For consolidation purposes, income and expense items are included in the consolidated income statement at average rates, and assets and liabilities are translated at year end exchange rates. Translation differences arising on consolidation are recognised in other comprehensive income. Where foreign operations are disposed of, the cumulative exchange differences of that foreign operation are recognised in the consolidated income statement when the gain or loss on disposal is recognised.

Transactions in foreign currencies are translated at the exchange rate ruling on transaction date.

Financial instruments

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Bank loans and overdrafts

Bank loans and overdrafts are included as financial liabilities on the group balance sheet at the amounts drawn on the particular facilities net of the unamortised cost of financing. Interest payable on those facilities is expensed as finance cost in the period to which it relates.

Finance lease liabilities

Finance lease liabilities arise for those investment properties held under a leasehold interest and accounted for as investment property. The liability is initially calculated as the present value of the minimum lease payments, reducing in subsequent reporting periods by the apportionment of payments to the lessor.

Interest rate derivatives

The group uses derivative financial instruments to manage the interest rate risk associated with the financing of the group's business. No trading in such financial instruments is undertaken. At each reporting date, these interest rate derivatives are recognised at fair value, being the estimated amount that the group would receive or pay to terminate the agreement at the balance sheet date, taking into account current interest rates and the current credit rating of the counterparties. The gain or loss at each fair value re-measurement is recognised immediately in the income statement.

Held for trading investments

Financial assets/liabilities held for trading or short-term gain are measured at fair value and movements in fair value are charged/credited to the income statement in the period.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated recoverable amounts as the interest that would be recognised from discounting future cash payments over the short payment period is not considered to be material.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value, as the interest that would be recognised from discounting future cash payments over the short payment period is not considered to be material.

Other financial assets and liabilities

The groups other financial assets and liabilities not disclosed above are accounted for at amortised cost.

Joint ventures

Investments in joint ventures, being those entities over whose activities the group has joint control, as established by contractual agreement, are included at cost together with the group's share of post acquisition reserves, on an equity basis.

Non-current assets held for sale

Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and overheads relevant to the stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Other Investments

Other investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised at cost less any provision for impairment.

group accounting policies continued

Impairment

Whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable an asset is reviewed for impairment. An asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value less cost to sell and value in use) if that is less than the asset's carrying amount.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the tax computations, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. In respect of the deferred tax on the revaluation surplus, this is calculated on the basis of the chargeable gains that would crystallise on the sale of the investment portfolio as at the reporting date. The calculation takes account of indexation on the historical cost of the properties and any available capital losses.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Deferred tax is charged or credited in the group income statement, except when it relates to items charged or credited directly to other comprehensive income, in which case it is also dealt with in other comprehensive income.

Dividends

Dividends payable on the ordinary share capital are recognised as a liability in the period in which they are approved.

Cash and cash equivalents

Cash comprises cash in hand and on-demand deposits. Cash and cash equivalents comprises short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and original maturities of three months or less. The cash and cash equivalents shown in the cashflow statement are stated net of bank overdrafts.

Segmental reporting

For management reporting purposes, the group is organised into business segments distinguishable by economic activity. The group's only business segments are mining activities and investment properties. These business segments are subject to risks and returns that are different from those of other business segments and are the primary basis on which the group reports its segment information. This is consistent with the way the group is managed and with the format of the group's internal financial reporting. Significant revenue from transactions with an individual customer, which makes up 10 percent or more of the total revenue of the group, is separately disclosed within each segment.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

1. Segmental reporting

1. Segmental reporting			2012		
Business analysis	Mining £'000	Property £'000	Other £'000	Total £'000	
Significant revenue customer A	10,510	-	-	10,510	
Significant revenue customer B	6,120	-	-	6,120	
Significant revenue customer C	3,110	-	-	3,110	
Other revenue	15,212	957	53	16,222	
Segment revenue	34,952	957	53	35,962	
Operating profit before fair value adjustments & exchange movements	2,519	666	46	3,231	
Revaluation of investments & exchange movements	(357)	(456)	39	(774)	
Operating profit and segment result	2,162	210	85	2,457	
Segment assets	15,789	12,322	2,786	30,897	
Unallocated assets				2	
- Non-current assets				1,802	
- Cash & cash equivalents					
Total assets excluding investment in joint ventures				32,701	
Segment liabilities	(9,416)	(2,159)	(1,271)	(12,846)	
Borrowings	(102)	(5,086)	-	(5,188)	
	(9,518)	(7,245)	(66)	(16,829)	
Unallocated liabilities				(1,086)	
Total liabilities				(19,120)	
Net assets				13,581	
Investment in joint ventures non segmental				4,178	
Net assets as per balance sheet				17,759	
	United Kingdom £'000	South Africa £'000	Other £'000	Unallocated £'000	Total £'000
Geographic analysis					
Revenue	1,010	34,952	-	-	35,962
Operating profit and segment result	295	2,162	-	-	2,457
Non-current assets excluding investments	11,814	8,638	-	-	20,452
Total net assets	5,857	6,170	43	5,689	17,759
Capital expenditure	1	3,680	-	-	3,681

notes to the financial statements continued

1. Segmental reporting continued

1. Segmental reporting continued				2011	
Business analysis	Mining £'000	Property £'000	Other £'000	Total £'000	
Significant revenue customer A	8,577	-	-	8,577	
Significant revenue customer B	7,527	-	-	7,527	
Significant revenue customer C	2,280	-	-	2,280	
Other Revenue	10,508	989	28	11,525	
Segment revenue	28,892	989	28	29,909	
Operating (loss)/profit before fair value adjustments and exchange movements	(787)	630	13	(144)	
Revaluation of investments & exchange movements	(975)	(42)	(167)	(1184)	
Operating (loss)/profit and segment result	(1,762)	588	(154)	(1,328)	
Segment assets	15,212	12,551	730	28,493	
Unallocated assets					7
- Non-current assets					
- Cash & cash equivalents					4,041
Total assets excluding investment in joint ventures					32,541
Segment liabilities	(7,928)	(2,498)	(27)	(10,453)	
Borrowings	(316)	(5,000)	-	(5,316)	
	(8,244)	(7,498)	(27)	(15,769)	
Unallocated liabilities					(4,132)
Total liabilities					(19,901)
Net assets					12,640
Investment in joint ventures non segmental					4,364
Net assets as per balance sheet					17,004
	United Kingdom £'000	South Africa £'000	Other £'000	Unallocated £'000	Total £'000
Geographic analysis					
Revenue	1,017	28,892	-	-	29,909
Operating profit/(loss) and segment result	434	(1,762)	-	-	(1,328)
Non-current assets excluding investments	12,290	7,920	-	6	20,216
Total net assets	5,725	6,944	57	4,278	17,004
Capital expenditure	1	2,527	-	-	2,528

2. Operating costs

	2012 £'000	2011 £'000
Mining	25,501	22,579
Property	135	104
Cost of sales	25,636	22,683
Administration	7,095	7,370
Operating costs	32,731	30,053
The direct property costs are:		
Ground rent	9	6
Direct property expense	86	70
Bad debts	40	28
	135	104

Operating costs above include depreciation of £2,253,000 (2011: £2,488,000).

3. (Loss)/Gain on revaluation and sale of investment properties

The reconciliation of the investment deficit to the loss on revaluation of investment properties in the income statement is set out below:

	2012 £'000	2011 £'000
Investment deficit	(476)	(53)
Loss on valuation movement in respect of head lease payments	20	11
Loss on revaluation of investment properties	(456)	(42)

4. Profit/(Loss) before taxation

Profit/(Loss) before taxation is arrived at after charging:

	2012 £'000	2011 £'000
Staff costs (see note 29)	6,000	5,872
Depreciation	2,253	2,488
Exchange loss	357	975
Fees payable to the company's auditor for the audit of the company's annual accounts	33	26
Fees payable to the company's auditor and its associates for other services:		
The audit of the company's subsidiaries, pursuant to legislation	31	34
Corporate finance	17	-
Other services	5	5

The directors consider the auditors were best placed to provide the above non-audit services.
The audit committee reviews the nature and extent of non-audit services to ensure that independence is maintained.

5. Directors' emoluments

Directors' emoluments are shown in the Directors' remuneration report on pages 28 and 29 under the heading Directors' remuneration which is within the audited part of that report.

6. Interest payable

	2012 £'000	2011 £'000
On bank overdrafts and bank loans	352	369
Other interest payable	59	11
Interest payable	411	380

7. Taxation

	2012 £'000	2011 £'000
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(a) Based on the results for the year:

Corporation tax	7	-
Adjustment in respect of prior years – SA	-	(332)
Current tax	7	(332)
Deferred tax – current year	643	(572)
Total tax in income statement	650	(904)

(b) Factors affecting tax charge for the year:

The corporation tax assessed for the year is different from that at the standard rate of corporation tax in the United Kingdom of 24.5% (2011: 26.5%)

The differences are explained below:

Profit/(loss) on ordinary activities before taxation	2,190	(1,450)
Tax on profit/ (loss) on ordinary activities at 24.5% (2011: 26.5%)	537	(384)
Effects of:		
Expenses not deductible for tax purposes	25	30
Capital losses on disposal	-	(11)
Non-taxable income	-	(37)
Other differences	88	(170)
Adjustment in respect of prior years	-	(332)
Total tax	650	(904)

notes to the financial statements continued

7. Taxation continued

(c) Analysis of United Kingdom and overseas tax

United Kingdom tax included in above:

	2012 £'000	2011 £'000
Corporation tax	2	-
Adjustment in respect of prior years	-	-
Current tax	2	-
Deferred tax	(101)	(201)
	(99)	(201)

Overseas tax included in above:

Corporation tax	5	-
Adjustment in respect of prior years	-	(332)
Current tax	5	(332)
Deferred tax	744	(371)
	749	(703)

8. Dividends paid

	2012 Per share	2012 £'000	2011 Per share	2011 £'000
Dividends paid during the year relating to the prior period	4.00p	422	4.00p	418
Dividends to be paid:				
Interim dividend for 2012 paid on 1 February 2013	1.00p	105	1.00p	105
Proposed final dividend for 2012	3.00p	317	3.00p	317
	4.00p	422	4.00p	422

The dividends to be paid are not accounted for until they have been approved at the Annual General Meeting. The amount will be accounted for as an appropriation of retained earnings in the year ending 31 December 2013.

9. Profit/(Loss) and diluted profit/(loss) per share

Both the basic and diluted profit/(loss) per share calculations are based on a profit of £1,295,000 (2011: loss of 444,000). The basic profit/(loss) per share has been calculated on a weighted average of 10,556,839 (2011: 10,495,395) ordinary shares being in issue during the period. The diluted profit/(loss) per share has been calculated on the weighted average number of shares in issue of 10,556,839 (2011: 10,495,395) plus the dilutive potential ordinary shares arising from share options of 165,722 (2011: nil) totalling 10,722,561 (2011: 10,495,395).

In 2011, dilutive potential ordinary shares of 239,607 were excluded from the calculation of diluted ordinary shares as there was no dilutive effect due to the loss for the year.

notes to the financial statements continued

10. Investment properties

	Freehold £'000	Long Leasehold £'000	Total £'000
Valuation at 1 January 2012	9,118	2,950	12,068
Revaluation	(229)	(227)	(456)
Valuation at 31 December 2012	8,889	2,723	11,612
Valuation at 1 January 2011	9,110	3,000	12,110
Revaluation	8	(50)	(42)
Valuation at 31 December 2011	9,118	2,950	12,068
Historical cost			
At 31 December 2012	4,801	728	5,529
At 31 December 2011	4,801	728	5,529

Long leasehold properties are those for which the unexpired term at the balance sheet date is not less than 50 years.

All investment properties are held for use in operating leases and all properties generated rental income during the period.

Freehold and Long Leasehold properties were externally professionally valued at 31 December on an open market basis by:

	2012 £'000
	11,612
	11,612

The valuations were carried out in accordance with the Statements of Asset Valuation and Guidance Notes published by The Royal Institution of Chartered Surveyors.

11. Mining reserves, plant and equipment

	Mining reserves £'000	Mining equipment £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
Cost at 1 January 2012	1,815	14,467	170	115	16,567
Exchange adjustment	(164)	(1,310)	(11)	(6)	(1,491)
Additions	-	3,678	-	3	3,681
Cost at 31 December 2012	1,651	16,835	159	112	18,757
Accumulated depreciation at 1 January 2012	1,523	6,905	127	86	8,641
Exchange adjustment	(138)	(626)	(7)	(4)	(775)
Charge for the year	53	2,183	9	8	2,253
Accumulated depreciation at 31 December 2012	1,438	8,462	129	90	10,119
Net book value at 31 December 2012	213	8,373	30	22	8,638
Cost at 1 January 2011	2,212	14,940	429	128	17,709
Exchange adjustment	(397)	(2,683)	(53)	(14)	(3,147)
Additions	-	2,526	-	2	2,528
Disposals	-	(316)	(206)	(1)	(523)
Cost at 31 December 2011	1,815	14,467	170	115	16,567
Accumulated depreciation at 1 January 2011	1,768	5,897	345	84	8,094
Exchange adjustment	(318)	(1,059)	(41)	(7)	(1,425)
Charge for the year	73	2,383	22	10	2,488
Disposals in year	-	(316)	(199)	(1)	(516)
Accumulated depreciation at 31 December 2011	1,523	6,905	127	86	8,641
Net book value at 31 December 2011	292	7,562	43	29	7,926

12. Investments held as non-current assets

	2012 Joint ventures assets £'000	2012 Other £'000	2011 Joint ventures assets £'000	2011 Other £'000
At 1 January	2,579	431	2,404	433
Transfers	618	(298)	(703)	-
Additions	-	-	888	-
Exchange adjustment	-	(2)	-	(2)
Share of (loss)/gain in joint ventures	(136)	-	(10)	-
Net assets at 31 December	3,061	131	2,579	431
Loan to joint venture:				
At 1 January	-	-	1,203	-
Exchange adjustments	(100)	-	(216)	-
Additions	114	-	116	-
Transfers	1,103	-	(1,103)	-
At 31 December	1,117	-	-	-
At 31 December	4,178	131	2,579	431
Provision for diminution in value:				
At 1 January	-	(283)	-	(283)
Transfer	-	283	-	-
At 31 December	-	-	-	(283)
Net book value at 31 December	4,178	131	2,579	148
		2012	2011	
		£'000	£'000	
Net book value of unquoted investments		124	135	
Net book value of investments listed on overseas stock exchanges		7	13	
		131	148	
Market value of the overseas listed investments		11	13	

The transfer of the investment and loan to joint venture relates to the stake in the joint venture company, Ezimbokodweni Mining (Proprietary) Limited which was held as a non-current asset held for sale in the prior year. Further details are disclosed in note 14.

13. Joint ventures

The company owns 50% of the issued share capital of Dragon Retail Properties Limited, an unlisted property investment company. The remaining 50% is held by London & Associated Properties PLC. Dragon Retail Properties Limited is incorporated in England and Wales. It has issued share capital of 500,000 (2011: 500,000) ordinary shares of £1 each.

During 2011 the company acquired 12.5% of the units of Langney Shopping Centre Unit Trust, an unlisted property unit trust incorporated in Jersey. 12.5% of the units in the trust are held by London & Associated Properties PLC and 75% are held by Columbus UK GP limited, a partner acting on behalf of Columbus UK Real Estate Fund.

The company owns 49% of the issued share capital of Ezimbokodweni Mining (pty) Limited. This asset was reclassified as a non-current asset held for sale in the prior year but was transferred back to investments in joint ventures in 2012. Further details are provided in note 14.

	Langney 12.5% £'000	Dragon 50% £'000	Ezimbokodweni 49% £'000	2012 £'000	2011 £'000
Turnover	90	102	-	192	183
Profit and loss					
(Loss)/Profit before tax	(42)	(93)	-	(135)	(9)
Taxation	-	(2)	-	(2)	(1)
(Loss)/Profit after taxation	(42)	(95)	-	(137)	(10)
Balance sheet					
Non-current assets	1,931	1,405	1,114	4,450	3,519
Current assets	112	1,789	3	1,904	1,425
Current liabilities	(87)	(1,487)	(1,117)	(2,691)	(1,131)
Non-current liabilities	(1,174)	(110)	-	(1,284)	(1,234)
Share of net assets at 31 December	782	1,597	-	2,379	2,579

14. Non-current assets held for sale

	2012 £'000	2011 £'000
At 1 January	1,785	-
Transfer of stake in joint venture company now held for sale	-	1,785
Transfer of stake in joint venture company now held as non-current asset investment	(1,785)	-
Net assets at 31 December	-	1,785

On 26 January 2012 the Company announced that it had entered into an agreement for the sale of its 49% participation in a South African registered joint venture company, Ezimbokodweni Mining (Proprietary) Limited ("Ezimbokodweni"), for ZAR 54.2 million.

14. Non-current assets held for sale continued

Ezimbokodweni was established in 2005 with Endulwini Coal Limited to acquire from BHP Billiton Energy Coal South Africa Limited ("BECSA") a shallow coal deposit located in the Witbank coalfield of Mpumalanga, some 40 km from the Company's existing coal mining operations at the Black Wattle colliery. Since then, Ezimbokodweni has been negotiating with BECSA and the South African Department of Mineral Resources ("DMR") to finalise the acquisition and prepare for opencast mining.

In 2011, following the intervention of the DMR, the Company had agreed to dispose of its stake in Ezimbokodweni. The agreement made on 26 January 2012 was conditional on the satisfaction by 15 May 2012 of conditions precedent. At 15 May 2012 the conditions precedent remained unfulfilled and the agreement to dispose of its stake in Ezimbokodweni lapsed.

However to date, Ezimbokodweni has continued to negotiate with the respective parties to finalise the acquisition of the reserve and prepare for opencast mining. As a result the asset has been reallocated to investments in joint ventures. Details of which can be found in Note 12.

15. Subsidiary companies

The company owns the following ordinary share capital of the principal subsidiaries which are included within the consolidated financial statements:

	Activity	Percentage of share capital	Country of incorporation
Mineral Products Limited	Share dealing	100%	England and Wales
Black Wattle Colliery (pty) Limited	Coal mining	62.5%	South Africa
Bisichi Coal Mining (pty) Limited	Coal mining	100%	South Africa
Bisichi Mining (Exploration) Limited	Holding company	100%	England and Wales
Ninghi Marketing Limited	Dormant	90.1%	England and Wales

Details on the non-controlling interest in subsidiaries are shown under note 27.

16. Inventories

	2012 £'000	2011 £'000
Coal		
Washed	1,165	284
Run of mine	365	440
Work in progress	290	432
Other	56	50
	1,876	1,206

17. Trade and other receivables

	2012 £'000	2011 £'000
Amounts falling due within one year:		
Trade receivables	5,089	5,818
Amount owed by joint venture	2,000	-
Other receivables	315	130
Prepayments and accrued income	200	119
	7,604	6,067

18. Held for trading investments

	2012 £'000	2011 £'000
Market value of Listed Investments:		
Listed in Great Britain	731	657
Listed outside Great Britain	56	73
	787	730
Original cost of Listed Investments	749	749
Unrealised surplus/(deficit) of market value over cost	38	(19)

19. Trade and other payables

	2012 £'000	2011 £'000
Trade payables		
Amounts owed to joint ventures	4,824	4,313
Other payables	1,205	1,205
Accruals and deferred income	545	528
	2,644	2,544
	9,218	8,590

20. Financial liabilities - borrowings

	Current		Non-current	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Bank overdraft (secured)	1,084	2,927	-	-
Bank loan (secured)	5,102	5,230	86	86
	6,186	8,157	86	86
Bank overdraft and loan instalments by reference to the balance sheet date:				
Within one year			6,186	8,157
From one to two years			-	86
From two to five years			86	-
			6,272	8,243
Bank overdraft and loan analysis by origin:				
United Kingdom			5,145	5,000
Southern Africa			1,127	3,243
			6,272	8,243

20. Financial liabilities - borrowings continued

The United Kingdom bank loans and overdraft are secured by way of a first charge over the investment properties in the UK which are included in the financial statements at a value of £11,612,000. The South African bank loans are secured by way of a first charge over specific pieces of mining equipment, inventory and the debtors of the relevant company which holds the loan which are included in the financial statements at a value of £8,505,000.

Consistent with others in the mining and property industry, the group monitors its capital by its gearing levels. This is calculated as the net debt (loans less cash and cash equivalents) as a percentage of the equity. During 2012 this increased to 25.8% (2011: 25.1%) which was calculated as follows:

	2012 £'000	2011 £'000
Total debt	6,272	8,243
Less cash and cash equivalents	(1,802)	(4,041)
Net debt	4,470	4,202
Total equity	17,315	16,773
Gearing	25.8%	25.1%

21. Provision for rehabilitation

	2012 £'000	2011 £'000
As at 1 January	965	1,025
Exchange adjustment	(87)	(184)
Additions	111	124
As at 31 December	989	965

22. Financial instruments

Treasury policy

The group enters into derivative transactions such as interest rate swaps and forward exchange contracts as necessary in order to help manage the financial risks arising from the group's activities. The main risks arising from the group's financing structure are interest rate risk, liquidity risk, market risk, credit risk, currency risk and commodity price risk. There have been no changes during the year of the main risks arising from the group's finance structure. The policies for managing each of these risks and the principal effects of these policies on the results are summarised below.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cashflows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that the group uses. Treasury activities take place under procedures and policies approved and monitored by the Board to minimise the financial risk faced by the group. Interest bearing assets comprise cash and cash equivalents which are considered to be short-term liquid assets and loans to joint ventures. Interest bearing borrowings comprise bank loans, bank overdrafts and variable rate finance lease obligations. The rates of interest vary based on LIBOR in the UK and PRIME in South Africa.

22. Financial instruments continued

As at 31 December 2012, with other variables unchanged, a 1% increase or decrease in interest rates, on investments and borrowings whose interest rates are not fixed, would respectively decrease or increase the loss for the year by £19,000 (2011: £28,000). The effect on equity of this change would be an equivalent decrease or increase for the year of £19,000 (2011: £28,000).

Liquidity risk

The group's policy is to minimise refinancing risk. Efficient treasury management and strict credit control minimise the costs and risks associated with this policy which ensures that funds are available to meet commitments as they fall due. As at year end the group held borrowing facilities in the UK in Bisichi Mining Plc and in South Africa in Black Wattle Colliery (Pty) Ltd.

The following table sets out the maturity profile of the financial liabilities as at 31 December:

	2012 £'000	2011 £'000
Within one year	15,239	16,578
From one to two years	13	185
From two to five years	123	37
Beyond five years	139	73
	15,514	16,873

In South Africa, a structured trade finance facility of R60million (South African Rand) was signed by Black Wattle Colliery (pty) Limited in March 2010 with Absa Bank Limited, a South African subsidiary of Barclays Bank PLC. The facility is renewed annually and is secured against inventory, debtors and cash that are held by Black Wattle Colliery (pty) Limited. This facility comprises of a R40million revolving loan to cover the working capital requirements of the group's South African operations, and a R20million loan facility to cover guarantee requirements related to the group's South African mining operations. The facility is renewed on an annual basis.

In the UK, a term loan facility of £5million and an overdraft facility of £2million were signed by Bisichi Mining Plc in March 2010 with Royal Bank of Scotland. This facility is secured against the group's UK retail property portfolio. At 31 December 2012 the group was within its bank borrowing facilities and had not breached any of its covenants. The group is working with the bank on the renewal of the current banking facilities and the bank has agreed to an extension, in principle, of the existing facilities to the 30 June 2013 from its original expiry date of 31 December 2012, whilst the discussions are on-going and the new facility is documented.

Credit risk

The group is exposed to credit risk on its cash and cash equivalents trade and other receivables and amounts owed by joint ventures as per the balance sheet. At the balance sheet date there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet which at year end amounted to £10,323,000 (2011: £9,989,000).

Trade debtor's credit ratings are reviewed regularly. The group only deposits surplus cash with well-established financial institutions of high quality credit standing. As at year end the amount of trade receivables held past due date was £147,000 (2011: £313,000). The amount of trade receivables held past due date has subsequently been settled.

Financial assets maturity

On 31 December 2012, cash at bank and in hand amounted to £1,802,000 (2011: £4,041,000) which is invested in short term bank deposits maturing within one year bearing interest at the bank's variable rates. Cash and cash equivalents all have a maturity of less than 3 months.

22. Financial instruments continued

Total financial assets and liabilities

The group's financial assets and liabilities are as follows, representing both the fair value and the carrying value:

	Loans and receivables £'000	Financial Liabilities measured at amortised cost £'000	Assets at fair value through profit and loss £'000	2012 £'000	2011 £'000
Cash and cash equivalents	1,802	-	-	1,802	4,041
Investments held for trading	-	-	787	787	730
Other Investments	-	-	131	131	148
Trade and other receivables	8,521	-	-	8,521	5,948
Bank borrowings	-	(6,272)	-	(6,272)	(8,243)
Finance leases	-	(202)	-	(202)	(222)
Other liabilities	-	(9,040)	-	(9,040)	(8,407)
	10,323	(15,514)	918	(4,273)	(6,005)

Investments held for trading fall under level 1 of the fair value hierarchy into which fair value measurements are recognised in accordance with the levels set out in IFRS 7. Other investments are held at cost. The directors are of the opinion that the difference in value between cost and fair value of other investments is not significant or material. The comparative figures for 2011 fall under the same category of financial instrument as 2012.

Commodity price risk

Commodity price risk is the risk that the group's future earnings will be adversely impacted by changes in the market of commodities. The group is exposed to commodity price risk as its future revenues will be derived based on a contract with a physical off-take partner at prices that will be determined by reference to market prices of coal at the delivery date.

From time to time the group may manage its exposure to commodity price risk by entering into forward sales contracts with the goal of preserving future revenue streams.

Foreign exchange risk

All trading is undertaken in the local currencies. Funding is also in local currencies other than inter-company investments and loans and it is not the group's policy to obtain forward contracts to mitigate foreign exchange risk on these amounts. During 2012 and 2011 the group did not hedge its exposure of foreign investments held in foreign currencies.

The table below shows the currency profiles of cash and cash equivalents:

	2012 £'000	2011 £'000
Sterling	131	2,152
South African Rand	1,527	1,737
US Dollar	144	152
	1,802	4,041

Cash and cash equivalents earn interest at rates based on LIBOR in Sterling and Prime in Rand.

notes to the financial statements continued

22. Financial instruments continued

The tables below shows the currency profiles of net monetary assets and liabilities by functional currency of the group:

	Sterling £'000	South African Rands £'000
2012:		
Sterling	(4,187)	-
South African Rand	1,054	(1,296)
US Dollar	157	-
	(2,976)	(1,296)
2011:		
Sterling	(4,461)	-
South African Rand	1,172	(2,888)
US Dollar	172	-
	(3,117)	(2,888)

The directors consider there to be no significant risk from exchange rate movements of foreign currencies against the functional currencies of the reporting companies within the group. As such no sensitivity analysis is prepared.

23. Deferred taxation

	2012 £'000	2011 £'000
Balance at 1 January	1,881	2,340
Recognised in income	643	(572)
Reallocated	-	291
Exchange adjustment	(87)	(178)
	2,437	1,881
The deferred tax balance comprises the following:		
Revaluation of properties	895	1,089
Capital allowances	1,312	678
Short-term differences	230	114
	2,437	1,881

notes to the financial statements continued

24. Share capital

	2012 £'000	2011 £'000
Authorised: 13,000,000 ordinary shares of 10p each	1,300	1,300
Allotted and fully paid: 10,556,839 (2011: 10,556,839) ordinary shares	1,056	1,056

25. Other reserves

	2012 £'000	2011 £'000
Equity share options	442	414
Net premium on share capital in joint venture	86	86
	528	500

26. Share based payments

Details of the share option scheme are shown in the Directors' remuneration report on page 28 and 29 under the heading Share option schemes which is within the audited part of this report. Further details of the share option schemes are set out below.

The Bisichi Mining PLC Unapproved Option Schemes:

Year of grant	Subscription price per share	Period within which options exercisable	Number of share for which options outstanding at 31 December 2011	Number of share options issued/exercised/ (cancelled) during year	Number of share for which options outstanding at 31 December 2012
2002	34.0p	Sep 2005 - Sep 2012	313,000	(313,000)	-
2004	149.0p	Sep 2007 - Sep 2014	80,000	-	80,000
2006	237.5p	Oct 2009 - Oct 2016	325,000	-	325,000
2010	202.5p	Aug 2013 - Aug 2020	80,000	-	80,000
2012	34.0p	Oct 2012 - Sep 2022	-	233,000	233,000

The exercise of options under the Unapproved Share Option Schemes, for certain option issues, is subject to the satisfaction of objective performance conditions specified by the remuneration committee, which will conform to institutional shareholder guidelines and best practice provisions in force from time to time. The performance conditions for the 2004 and 2010 scheme, agreed by members on 23 June 2005 and 31 August 2010 respectively, requires growth in net assets over a three year period to exceed the growth of the retail prices index by a scale of percentages. There are no performance conditions attached to the other schemes.

26. Share based payments continued

The 2012 options were valued at £212,000 at date of grant using the Black-Scholes-Merton model with the following assumptions:

Expected volatility	38.83%
Expected life	4.00 Years
Risk free rate	0.50%
Expected dividends	3.48%

Expected volatility was determined by reference to the historical volatility of the share price over a period commensurate with the option's expected life. The expected life used in the model is based on the risk-averse balance likely to be required by the option holders.

	2012 Number	2012 Weighted average exercise price	2011 Number	2011 Weighted average exercise price
Outstanding at 1 January	798,000	145.2p	798,000	145.2p
Granted during year	233,000	34.0p	-	-
Cancelled during the year	(233,000)	34.0p	-	-
Exercised During the year	(80,000)	34.0p	-	-
Outstanding at 31 December	718,000	157.6p	798,000	145.2p
Exercisable at 31 December	638,000	152.0p	718,000	138.9p

27. Non-controlling interest

	2012 £'000	2011 £'000
As at 1 January	231	394
Share of profit/(loss) for the year	245	(102)
Exchange adjustment	(32)	(61)
As at 31 December	444	231

The non-controlling interest relates to the disposal of a 37.5% shareholding in Black Wattle Colliery (pty) Ltd in 2010. The total issued share capital in Black Wattle Colliery (pty) Ltd was increased from 136 shares to 1000 shares at par of R1 (South African Rand) through the following shares issue:

- a subscription for 489 ordinary shares at par by Bisichi Mining (Exploration) Limited increasing the number of shares held from 136 ordinary shares to a total of 675 ordinary shares;
- a subscription for 110 ordinary shares at par by Vunani Mining (pty) Ltd;
- a subscription for 265 "A" shares at par by Vunani Mining (pty) Ltd

Bisichi Mining (Exploration) Limited is a wholly owned subsidiary of Bisichi Mining PLC incorporated in England and Wales.

Vunani Mining (pty) Ltd is a South African Black Economic Empowerment company and minority shareholder in Black Wattle Colliery (pty) Ltd.

27. Non-controlling interest continued

The "A" shares rank pari passu with the ordinary shares save that they will have no dividend rights until such time as the dividends paid by Black Wattle Colliery (pty) Ltd on the ordinary shares subsequent to 30 October 2008 will equate to R832,075,000.

A non-controlling interest of 15% in Black Wattle Colliery (pty) Ltd is recognised for all profits distributable to the 110 ordinary shares held by Vunani Mining (pty) Ltd from the date of issue of the shares (18 October 2010). An additional non-controlling interest will be recognised for all profits distributable to the 265 "A" shares held by Vunani Mining (pty) Ltd after such time as the profits available for distribution, in Black Wattle Colliery (pty) Ltd, before any payment of dividends after 30 October 2008, exceeds R832,075,000.

28. Related party transactions

	At 31 December	During the year		
	Amounts owed to related party £'000	Amounts owed by related party £'000	Costs recharged (to) / by related party £'000	Cash paid (to)/ by related party £'000
Related party:				
London & Associated Properties PLC (note (a))	6	-	172	(533)
Langney Shopping Centre Unit Trust (note (b))	-	(15)	-	64
Dragon Retail Properties Limited (note (c))	1,205	(2,000)	(145)	(1,855)
Ezimbokodweni Mining (pty) Limited (note (d))	-	(1,117)	(14)	-
As at 31 December 2012	1,211	(3,132)	13	(2,324)
London & Associated Properties PLC (note (a))	367	-	275	(234)
Langney Shopping Centre Unit Trust (note (b))	-	(15)	(21)	6
Dragon Retail Properties Limited (note (c))	1,205	-	(42)	42
Ezimbokodweni Mining (pty) Limited (note (d))	-	(1,103)	100	-
As at 31 December 2011	1,572	(1,118)	312	(186)

London & Associated Properties PLC is a substantial shareholder. Langney Shopping Centre Unit Trust and Dragon Retail Properties Limited are joint ventures and are treated as non-current asset investments. Ezimbokodweni Mining (pty) Limited is a joint venture and is treated as a non-current asset investment.

(a) **London & Associated Properties PLC** - Property management, office premises, general management, accounting and administration services are provided for Bisichi Mining PLC and its UK subsidiaries.

(b) **Langney Shopping Centre Unit Trust** - Langney Shopping Centre Unit Trust is an unlisted property unit trust incorporated in Jersey.

(c) **Dragon Retail Properties Limited** - ("Dragon") is owned equally by the company and London & Associated Properties PLC. During the year the company lent £2million to Dragon at 6.875 per cent annual interest.

(d) **Ezimbokodweni Mining (pty) Limited** - Ezimbokodweni Mining is a prospective coal production company based in South Africa.

Details of key management personnel compensation and interest in share options are shown in the Directors' Remuneration Report on pages 28 and 29 under the headings Directors' remuneration, Pension schemes and incentives and Share option schemes which is within the audited part of this report. The total employers' national insurance paid in relation to the remuneration of key management was £108,000. A loan has been made to one of the directors, Mr A R Heller, for £116,000. This loan is subject to shareholder approval. Details of loans to directors can also be found in the Directors' Report on page 24.

29. Employees

	2012 £'000	2011 £'000
The average weekly numbers of employees of the group during the year were as follows:		
Production	218	229
Administration	19	18
	237	247
	£'000	£'000
Staff costs during the year were as follows:		
Salaries	5,607	5,485
Social security costs	129	117
Pension costs	236	255
Share based payments	28	15
	6,000	5,872

30. Capital commitments

	2012 £'000	2011 £'000
Commitments for capital expenditure approved but not contracted for at the year end	507	558
Share of commitment of capital expenditure in joint venture	1,829	-

31. Head lease commitments and future property lease rentals

Present value of head Leases on properties

	Minimum lease payments		Present value of minimum lease payments	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Within one year	13	13	13	13
Second to fifth year	50	53	47	50
After five years	1,527	1,627	142	159
	1,590	1,693	202	222
Discounting adjustment	(1,388)	(1,471)	-	-
Present value	202	222	202	222

Finance lease liabilities are in respect of leased investment property. Many of the leases provide for contingent rents in addition to the rents above which are a proportion of rental income. Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in event of default.

31. Head lease commitments and future property lease rentals continued

The group leases out its investment properties under operating leases. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2012 £'000	2011 £'000
Within one year	847	902
Second to fifth year	2,718	2,669
After five years	10,332	10,169
	13,897	13,740

32. Contingent liabilities

Bank guarantees have been issued by the bankers of Black Wattle Colliery (pty) Limited on behalf of the company to third parties. The guarantees are secured against the assets of the company and have been issued in respect of the following:

	2012 £'000	2011 £'000
Rail siding	78	2
Rehabilitation of mining land	1,454	1,599
Water & electricity	68	74

COMPANY BALANCE SHEET

at 31 December 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	34	11,614	12,075
Investment in joint ventures	35	1,734	1,734
Other investments	35	1,686	1,698
Debtors - amounts due in more than one year	36	1,055	-
		16,089	15,507
Current assets			
Debtors - amounts due within one year	36	3,436	2,584
Bank balances		1,136	3,237
		4,572	5,821
Creditors - amounts falling due within one year	37	(7,287)	(7,394)
Net current liabilities		(2,715)	(1,573)
Total assets less current liabilities		13,374	13,934
Creditors - amounts falling due in more than one year - medium term bank loan	37	(86)	-
Provision for liabilities and charges	38	(40)	-
Net assets		13,248	13,934
Capital and reserves			
Called up share capital	24	1,056	1,056
Share premium account	39	169	169
Revaluation reserve	39	5,685	6,141
Other reserves	39	443	415
Retained earnings	39	5,895	6,153
Shareholders' funds		13,248	13,934

The company financial statements were approved and authorised for issue by the board of directors on 18 April 2013 and signed on its behalf by:



A R Heller
Director



G J Casey
Director

Company Registration No. 112155

COMPANY ACCOUNTING POLICIES

for the year ended 31 December 2012

The following are the main accounting policies of the company:

Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, and in accordance with applicable UK Generally Accepted Accounting Practice.

Dividends received

Dividends are credited to the profit and loss account when received.

Depreciation

Provision for depreciation on tangible fixed assets is made in equal annual instalments to write each item off over its useful life. The rates generally used are:

Motor vehicles	25 - 33 per cent
Office equipment	10 - 33 per cent

Foreign currencies

Monetary assets and liabilities expressed in foreign currencies have been translated at the rates of exchange ruling at the balance sheet date. All exchange differences are taken to the profit and loss account.

Investment properties

The investment property portfolio is included in the financial statements at open market valuation. An external professional valuation is carried out annually by professional external surveyors. Surpluses and deficits arising on valuations are taken direct to the revaluation reserve. No depreciation or amortisation is provided in respect of freehold and leasehold investment properties. The directors consider that this accounting policy, which is not in accordance with the Companies Act 2006, results in the accounts giving a true and fair view. Depreciation or amortisation is only one of many factors reflected in the valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Investments

Investments of the company are stated in the balance sheet as fixed assets at cost less provisions for impairment.

Financial instruments

Bank loans and overdrafts

Bank loans and overdrafts are included in creditors on the company balance sheet net of the unamortised cost of financing.

Interest payable on those facilities is expensed as a finance cost in the period to which it relates.

Interest rate derivatives

The company uses derivative financial instruments to manage the interest rate risk associated with the financing of the group's business. No trading in such financial instruments is undertaken.

Debtors

Amounts due from subsidiary undertakings are held at present value where the interest that would be recognised from discounting future cash payments is considered to be material. Other debtors do not carry interest and are stated at their nominal value as reduced by appropriate allowances for estimated recoverable amounts.

Creditors

Creditors are not interest bearing and are stated at their nominal value.

Joint ventures

Investments in joint ventures, being those entities over whose activities the group has joint control as established by contractual agreement, are included at cost, less impairment.

Deferred taxation

As required by FRS 19 "Deferred Tax", full provision is made for deferred tax arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation, except for those timing differences in respect of which the standard specifies that deferred tax should not be recognised. Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Leased assets and obligations

All leases are "Operating Leases" and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term. Rent free periods or other incentives received for entering into a lease are accounted for over the period of the lease so as to spread the benefit received over the lease term.

Pensions

The company makes contributions to a money purchase scheme and the costs are charged to the profit and loss account in the period to which they relate.

Share based remuneration

The company operates a share option scheme. The fair value of the share option scheme is determined at the date of grant. This fair value is then expensed on a straight-line basis over the vesting period, based on an estimate of the number of shares that will eventually vest. The fair value of options granted is calculated using a binomial model or Black-Scholes-Merton model. Details of the share options in issue are disclosed in the Directors' Remuneration Report on pages 28 and 29 under the heading Share option schemes which is within the audited part of this report.

33. Dividends

The aggregate amount of dividends comprises:

	2012 £'000	2011 £'000
Final dividends in respect of prior year but not recognised as liabilities in that year:	422	418

The aggregate amount of dividends to be paid and not recognised as liabilities as at year end is £422,000 (2011: £422,000).

34. Tangible fixed assets

	Investment properties				
	Freehold £'000	Long leasehold £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
Cost or valuation at 1 January 2012	9,118	2,950	48	52	12,168
Additions	-	-	-	1	1
Revaluation	(229)	(227)	-	-	(456)
Cost or valuation at 31 December 2012	8,889	2,723	48	53	11,713
At valuation	8,889	2,723	-	-	11,612
At cost	-	-	48	53	101
	8,889	2,723	48	53	11,713
Accumulated depreciation at 1 January 2012	-	-	47	46	93
Charge for the year	-	-	1	5	6
Accumulated depreciation at 31 December 2012	-	-	48	51	99
Net book value at 31 December 2012	8,889	2,723	-	2	11,614
Net book value at 31 December 2011	9,118	2,950	1	6	12,075

Details of historical cost of investment properties are shown in note 10.

35. Investments

	Joint ventures shares £'000	Subsidiaries Shares £'000	Loans £'000	Other investments £'000	Total £'000
Cost at 1 January 2012	1,734	361	1,320	300	1,981
Drawn in year	-	-	5	-	5
Transfer	-	-	-	(300)	(300)
Cost at 31 December 2012	1,734	361	1,325	-	1,686
Provision for impairment	-	-	-	-	-
As at 1 January	-	-	-	(283)	(283)
Transfer	-	-	-	283	283
As at 31 December 2012	-	-	-	-	-
Net book value at 31 December 2012	1,734	361	1,325	-	1,686
Net book value at 31 December 2011	1,734	361	1,320	17	1,698

Other investments comprise Enil (2011: £17,000) shares.

Investments in subsidiaries are detailed in note 15. In the opinion of the directors the aggregate value of the investment in subsidiaries is not less than the amount shown in these financial statements.

36. Debtors

	2012 £'000	2011 £'000
Amounts due within one year:		
Amounts due from subsidiary undertakings	928	2,322
Tax recoverable	-	21
Other debtors	309	128
Joint venture	2,000	-
Prepayments and accrued income	199	113
	3,436	2,584
Amounts due in more than one year:		
Amounts due from subsidiary undertakings	1,055	-

notes to the financial statements continued

37. Creditors

	2012 £'000	2011 £'000
Amounts falling due within one year:		
Bank overdraft (secured)	59	-
Bank loan (secured)	5,000	5,000
Joint venture	1,205	1,205
Current taxation	2	-
Other taxation and social security	86	96
Other creditors	233	246
Accruals and deferred income	702	847
	7,287	7,394

Amounts falling due in more than one year:

Bank loan (secured)	86	-
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	2012 £'000	2011 £'000
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Bank and other loan instalments by reference to the balance sheet date:

Within one year	5,000	5,000
From one to two years	-	-
From two to five years	86	-
	5,086	5,000

The bank loan of the company is secured by a charge over freehold and long leasehold properties.

38. Provisions for liabilities

	2012 £'000	2011 £'000
Deferred taxation		
Balance at 1 January	-	-
Provision	40	-
	40	-

No provision has been made for the approximate taxation liability at 24.5% (2011: 26.5%) of £895,000 (2011: £1,086,000) which would arise if the investment properties were sold at the stated valuation.

notes to the financial statements continued

39. Share Capital & Reserves

	Share capital £'000	Share premium £'000	Revaluation reserve £'000	Other reserve £'000	Retained earnings £'000	Shareholders funds £'000
Balance at 1 January 2012	1,056	169	6,141	415	6,153	13,934
Dividend paid	-	-	-	-	(422)	(422)
Revaluation of investment property	-	-	(456)	-	-	(456)
Share options	-	-	-	28	-	28
Retained profit for the year	-	-	-	-	164	164
Balance at 31 December 2012	1,056	169	5,685	443	5,895	13,248

A profit and loss account for Bisichi Mining PLC has not been presented as permitted by Section 408(2) of the Companies Act 2006. The profit for the financial year, before dividends, was £164,000 (2011: £75,000)

Details of share capital are set out in note 24 and details of the share options are shown in the Directors' Remuneration Report on page 28 under the heading Share option schemes which is within the audited part of this report and note 26.

40. Related party transactions

	At 31 December Amounts owed by related party £'000	During the year Costs recharged (to) / by related party £'000	Cash paid (to) / by related party £'000
Related party:			
Black Wattle Colliery (pty) Ltd (note (a))	(171)	107	-
Ninghi Marketing Limited (note (b))	(102)	-	-
As at 31 December 2012	(273)	107	-
Black Wattle Colliery (pty) Ltd (note (a))	(300)	1,485	654
Ninghi Marketing Limited (note (b))	(102)	-	-
As at 31 December 2011	(402)	1,485	654

(a) Black Wattle Colliery (pty) Ltd - Black Wattle Colliery (pty) Ltd is a coal mining company based in South Africa.

(b) Ninghi Marketing Limited - Ninghi Marketing Limited is a dormant coal marketing company incorporated in England & Wales.

In addition to the above, the company has issued a company guarantee of R20,000,000 (2011: R20,000,000) (South African Rand) to the bankers of Black Wattle Colliery (pty) Ltd in order to cover bank guarantees issued to third parties in respect of the rehabilitation of mining land.

Under Financial Reporting Standard 8 Related Party Disclosures, the Company has taken advantage of the exemption from disclosing transactions with other wholly owned Group companies.

Details of other related party transactions are given in note 28 of the Group financial statements.



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