

Appendix 4D

Half Year Report for period ended 30 June 2003

Name of entity

GLOUCESTER COAL LTD ABN 66 008 881 712
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Results for announcement to the market.

\$A'000

Revenues from ordinary activities <i>Explanation</i> Revenue was down 18% due to lower market sales prices, a stronger A\$ against the US\$ and lower sales tonnes.	down	18% to 32,105
Loss from ordinary activities after tax attributable to members <i>Explanation</i> The lower market prices and higher A\$ against the US\$ was the main factors effecting the increased loss for the six months	up	41% to 3,742
Net loss for the period attributable to members <i>Explanation</i> The lower market prices and higher A\$ against the US\$ was the main factors effecting the increased loss for the six months	up	41% to 3,742
Dividends (distributions)		
Interim dividend	Amount per security	Franked amount per security
Ordinary Shares <i>Explanation</i> There was no dividend paid or proposed during the period	N/A	N/A
Record date for determining entitlements to the dividend Date on which dividend is payable	Not Applicable Not Applicable	
	Current period	Previous Corresponding Period
Net tangible asset backing per ordinary security	37.2 cents	48.9 cents

Details of Associates

The Company did not gain or lose control over any entities during the period. The Company holds a 90% interest in the incorporated Stratford Joint Venture.

This report is to be read in conjunction with the most recent annual financial report.

GLOUCESTER COAL LTD

ABN 66 008 881 712

Half-year report – 30 June 2003

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2002 and any public announcements made by Gloucester Coal Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporation Act 2001.

Directors' Report

Your Directors present their report on the consolidated entity consisting of Gloucester Coal Ltd and the entities it controlled at the end of, or during, the half-year ended 30 June 2003.

DIRECTORS

The following persons were Directors of Gloucester Coal Ltd during the whole of the half-year and up to the date of this report:

Gordon McPhie	Chairman, Non-Executive	Gavin P May	Chief Executive Officer
Daniel J Buckley	Operations Director	Melvin Garness	Non-Executive Director

SUMMARY OF FINANCIAL PERFORMANCE

The financial performance of Gloucester Coal Ltd (GCL) was impacted by the continued appreciation of the Australian Dollar and increased cash expenditure attributable to the start up of the two new open cut operations.

GCL's results for the first half of 2003 are shown below, along with comparative results for the first half of 2002.

	Half-year ended 30 June		Change %
	2003	2002	
Revenue from ordinary activities (\$ thousands)	32,105	39,281	(18.3)%
Loss from ordinary activities after tax attributable to members (\$ thousands)	3,742	2,656	(40.9)%
Coal Production (tonnes thousands)	823	1,145	(28.1)%
Coal Shipments (tonnes thousands)	845	1,120	(24.6)%

CASH FLOW

Net operating cash flow was an outflow of \$8.4 million, compared to an outflow of \$4.0 million for the first half of 2002. In the first half of 2003, \$6.2 million of cash outflow related to coal stocks (\$3.3 million) and overburden in advance (\$2.9 million).

PRODUCTION

During the first half of 2003, Gloucester Coal Ltd (GCL) transferred coaling operations from the depleted Stratford Main Deposit to the new Duralie and Bowens Road North open cuts. Production from the new open cut mines will be 20% lower than from the past Stratford operation. Both open cuts are now operated under contract to Henry Walker Eltin Contracting on a schedule of rates contract. The schedule of rates contract requires GCL to incur additional cash expenditure on inventories of raw and product coal stocks. Development of the open cuts has also required additional cash expenditure for overburden in advance. The initial coal from the open cuts resulted in higher coal processing costs at the Stratford preparation plant. Process modifications to the preparation plant were undertaken in June to lower the operating cost and improve the efficiency of the operation.

Following the transition, GCL has now successfully integrated the mining activities of both open cut mines and the dedicated Duralie shuttle train with the Stratford coal handling and preparation plant.

MARKET

At the conclusion of the annual coking coal price negotiations in April, GCL had sales contracts in place with the Japanese steel mills for all of the 2003 Gloucester coking coal production. GCL also has sales contracts in place for all Gloucester thermal and domestic coal production through to the end of 2003.

GCL incurred \$0.7 million of demurrage charges in the first half of 2003, as a result of congestion caused by strong demand from the Port of Newcastle. Continued strong demand for coal from Newcastle means that demurrage is also likely to continue for the next few months.

ROUNDING

Gloucester Coal Ltd is a company of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' and financial report. The amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars in accordance with the Class Order unless specifically stated to be otherwise.

Signed in accordance with a resolution of the directors.



Gavin P May
Director
Sydney, 28 August 2003

Consolidated Statement of Financial Performance

FOR THE HALF-YEAR ENDED 30 JUNE 2003

	Notes	HALF-YEAR	
		2003	2002
		\$'000	\$'000
Revenue from sale of coal	3	32,062	39,199
Cost of sales		<u>(34,460)</u>	<u>(41,111)</u>
Gross Profit		(2,398)	(1,912)
Other revenue from ordinary activities		43	82
Other expenses from ordinary activities			
Marketing		(207)	(151)
Administration		(183)	(355)
Borrowing costs	4	<u>(997)</u>	<u>(320)</u>
(Loss) from ordinary activities before income tax expense		(3,742)	(2,656)
Income tax expense		<u>-</u>	<u>-</u>
(Loss) from ordinary activities after income tax expense		<u>(3,742)</u>	<u>(2,656)</u>
Total change in equity other than those resulting from transactions with owners as owners		<u>(3,742)</u>	<u>(2,656)</u>
Basic and diluted earnings per share		Cents (4.8)	Cents (3.4)

The above statement of financial performance should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

AS AT 30 JUNE 2003

	Notes	As at 30 June 2003 \$'000	As at 31 Dec 2002 \$'000
Current assets			
Cash assets		1,343	917
Receivables		5,194	5,596
Inventories		3,295	29
Other (waste mined in advance)		2,931	725
Total current assets		12,763	7,267
Non-current assets			
Receivables		1,051	133
Other financial assets		61	109
Property, plant and equipment	6	41,479	26,542
Development expenditure	6	25,388	37,420
Total non-current assets		67,979	64,204
Total assets		80,742	71,471
Current liabilities			
Payables		17,631	19,617
Interest bearing liabilities		0	2,980
Provisions		82	91
Total current liabilities		17,713	22,688
Non-current liabilities			
Interest bearing liabilities	7	31,618	14,039
Provisions		2,410	2,000
Total non-current liabilities		34,028	16,039
Total liabilities		51,741	38,727
Net assets		29,001	32,744
Equity			
Contributed equity		120,842	120,842
Accumulated losses		(91,841)	(88,098)
Total equity		29,001	32,744

The above statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 30 JUNE 2003

	Notes	HALF-YEAR	
		2003	2002
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers		32,750	46,196
Payments to suppliers and employees		<u>(40,952)</u>	<u>(50,093)</u>
		(8,202)	(3,897)
Interest received		17	34
Borrowing costs		<u>(207)</u>	<u>(162)</u>
Net cash (outflow)/inflow from operating activities	8	<u>(8,392)</u>	<u>(4,025)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(1,097)	-
Payments for development expenditure		(3,814)	(775)
Security deposits (lodged)/refunded		<u>(870)</u>	<u>742</u>
Net cash (outflow)/inflow from investing activities		<u>(5,781)</u>	<u>(33)</u>
Cash flows from financing activities			
Proceeds from borrowings		14,599	3,383
Repayment of borrowings		<u>-</u>	<u>(1,318)</u>
Net cash inflow/(outflow) from financing activities		<u>14,599</u>	<u>2,065</u>
Net increase/(decrease) in cash held		426	(1,993)
Cash at the beginning of the reporting period		<u>917</u>	<u>2,198</u>
Cash at the end of the reporting period		<u><u>1,343</u></u>	<u><u>205</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 30 JUNE 2003

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This general purpose financial report for the interim half-year reporting period ended 30 June 2003 has been prepared in accordance with Accounting Standard AASB 1029 Interim Financial Reporting, other mandatory professional reporting requirements (Urgent Issues Group Consensus View), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporation Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2002 and any public announcements made by Gloucester Coal Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporation Act 2001.

Unless otherwise stated, the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

2. GOING CONCERN

The Company is reliant on funding from its ultimate holding company (UK COAL PLC) to complete the development of the Duralie project and to cover any adverse movements in exchange rates or coal prices. Funds advanced from UK COAL PLC during the half year total \$14.6million.

UK COAL PLC has provided to the Directors a letter of support confirming:

- UK COAL PLC accepts responsibility of providing and undertakes to provide sufficient financial assistance to the Company as and when it is needed to enable the Company to continue its operations and fulfill all of its financial obligations now and in the future; and
- the repayment of inter-company loans is subordinated in favour of all other creditors.

	2003	2002
	\$'000	\$'000
3. REVENUE		
Revenue from operating activities		
Sale of coal	32,323	45,955
Foreign exchange losses	(261)	(6,756)
	<u>32,062</u>	<u>39,199</u>
4. BORROWING COSTS		
Interest Charge - External	207	162
Interest Charge – Ultimate Parent Entity	790	158
	<u>997</u>	<u>320</u>

5. SEGMENT INFORMATION

The consolidated entity operates in one primary business segment, being coal mining. The coal mining activity is conducted within the Gloucester Basin of New South Wales, Australia and the related revenue is derived from the sale of coal to overseas and domestic customers.

6. DEVELOPMENT EXPENDITURE

During the December 2002 financial year, the Company's 100% owned subsidiary Duralie Coal Pty Ltd commenced construction of the infrastructure required for the integration of the Duralie open cut deposit into the Stratford coal operations as part of the Gloucester Coal concept. Capital Expenditure during the construction period was classified as Development Expenditure.

Following completion of construction of this infrastructure in February 2003, commissioning of the operations commenced in March of 2003. After the successful commissioning, the capitalised expenditure in relation to the Duralie site was re-classified from Development Expenditure to Property, Plant and Equipment.

7. INTEREST BEARING LIABILITIES – NON CURRENT

During the reporting period the Company obtained financing facilities from its ultimate parent entity UK COAL PLC primarily to fund the construction costs of the Duralie open cut deposit.

The previously disclosed Interest Bearing Liability shown as a Current Liability has been reclassified to Non-Current Liability.

	2003	2002
	\$'000	\$'000
8. RECONCILIATION OF OPERATING PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Operating (loss) / profit after income tax	(3,742)	(2,656)
Depreciation	2,006	2,098
Amortisation – Overburden in advance	725	1,450
Increase / (Decrease) in creditors and provisions	(1,586)	(5,110)
(Increase) / Decrease in receivables	402	193
(Increase) / Decrease in inventory	(3,266)	-
(Increase) / Decrease in other – Waste in advance	(2,931)	-
	(8,392)	(4,025)

Directors' Declaration 30 June 2003

The Directors declare that the financial statements and notes set out on pages 5 to 9:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2003 and of their performance, as represented by the results of their operations and their cash flows, for the half-year ended on that date.

In the Directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



Gavin P May
Director

Sydney
28 August 2003

Independent review report to the members of Gloucester Coal Ltd

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Gloucester Coal Limited:

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of the Gloucester Coal Group (defined below) as at 30 June 2003 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This statement must be read in conjunction with the rest of our review report.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the Gloucester Coal Group (the consolidated entity), for the half-year ended 30 June 2003. The consolidated entity comprises both Gloucester Coal Limited (the company) and the entities it controlled during that half-year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company personnel, and
- analytical procedures applied to financial data.

When this review report is included in a document containing information in addition to the financial report, our procedures include reading the other information to determine whether it contains any material inconsistencies with the financial report.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.



PricewaterhouseCoopers



Peter Buchholz
Partner

Sydney
28 August 2003