REGISTERED NUMBER: 02997376 (England and Wales)

CELTIC ENERGY LIMITED

REPORT OF THE DIRECTORS AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST MARCH 2013

CELTIC ENERGY LIMITED (REGISTERED NUMBER: 02997376)

CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2013

CELTIC ENERGY LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31ST MARCH 2013

DIRECTORS:	DHM Consultancy Limited R Thompson R E Morris W Watson
REGISTERED OFFICE:	9 Beddau Way Castlegate Business Park Caerphilly CF83 2AX
REGISTERED NUMBER:	02997376 (England and Wales)
AUDITORS:	UHY Peacheys Chartered Accountants & Statutory Auditors Lanyon House Mission Court Newport South Wales NP20 2DW

CELTIC ENERGY LIMITED (REGISTERED NUMBER: 02997376)

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST MARCH 2013

The directors present their report with the financial statements of the company for the year ended 31st March 2013

PRINCIPAL ACTIVITY
The principal activity of the company in the year under review was that of surface mine operators

REVIEW OF BUSINESS
Celtic Energy Limited ("the company") currently operates three surface mines and a processing plant in South Wales The results for the company show a pre-tax profit of £14 5m (2012 £45 0m) for the year and turnover of £94 8m (2012 £83 9m)

In this financial year we saw continued strong demand for all our products both in the domestic and industrial sectors not only in the UK but across Europe, as a result turnover increased by approximately 13%, though world prices caused average selling prices to fall by 2%

Gross Profit ("GP") is the company's key indicator of operating effectiveness Overall GP% has decreased to 25 1% from 32 4% in 2012 this was due partly to a reduction in selling prices and partly to an increase in uncontrollable costs

The directors also monitor performance by reference to non-financial key performance indicators as follows

	31 March 2013	31 March 2012
Number of accidents	32	20
Dangerous occurrences	3	2
Number of complaints	38	11

SITE DEVELOPMENT

Current sites
We continue to operate surface mines at Nant Helen, East Pit and Selar with Margam currently dormant

We have recently received planning approval for an extension to the Selar site which will allow an additional 800,000 tonnes of coal to be extracted

A planning application for a post coaling development at East Pit which includes the extraction of an additional 600,000 tonnes of coal has been submitted and is due to be determined early in 2014

We are developing a new restoration strategy for Margam which may include the extraction of additional coal

Potential new sites
A planning application has been submitted for a site at Bryn Defaid in Rhondda Cynon Taff which includes the extraction of 1 2m tonnes of coal

We are continuing to look at other opportunities across the UK

GENERAL
In all of our current and future sites we are hopeful that the Local Planning Authorities will continue to pay due regards to what are, in our view, overwhelming social, (in particular employment,) economic and commercial benefits arising from our operations We remain committed to work with all stakeholders, including the Local Planning Authorities, local communities, the Welsh Government, statutory bodies, land owners and our employees to deliver sustainable developments

Prospects for the short to medium term future look encouraging With the benefits of a dedicated and highly trained workforce we remain a company that operates economically and efficiently in a market place that continually faces competition from large overseas producers who benefit from significant economies of scale and reduced levels of legislative burden

The company continues to make progress and to implement the strategies and actions necessary to address the challenges that the business faces With the continued support of all interested stakeholders, we believe the company has a sound financial future, with the potential to deliver significant economic value to the wider community in the coming years

RISKS AND UNCERTAINTIES

Celtic Energy's business faces a number of risks and uncertainties, some of which are inherent in the nature of its operations Company management looks at each of the risks faced and chooses, what it believes to be appropriate methods or strategies to manage those risks to the extent that it is able to do so The Board periodically reviews its chosen strategies to ensure it continues to meet the challenges faced

The key risks within the business may be summarised as follows

Planning risk
The business is dependent on its ability to operate coal reserves with appropriate planning permissions and extraction licences We work in close co-operation with the relevant regulatory authorities both to operate the existing sites and also to seek valid permissions for further economic coal reserves,

Market risk
The company operates within a highly competitive environment where prices are largely driven by world commodity markets The company operates its business to achieve a degree of stability in its prices over the short to medium term, whilst managing our productive capacity to reflect our view of the longer term trend in market size,

Geological/mining risk
Our site operations involve the extraction of a mineral from its natural environment and are susceptible to the inherent variability in the volume, quality and accessibility of that mineral Our mines are planned and managed using detailed geological and engineering models and information to limit our exposure to those inherent variabilities, and their resulting impact on sales volumes and our cost base, and

Operational risk
Our business involves the use of heavy equipment undertaking what are potentially environmentally sensitive activities As such, our operations are planned and organised to address the heath & safety issues involved in our day-to-day working practices and both the immediate and long term potential environmental impacts Our operations are conducted with regular monitoring and dialogue with the relevant regulatory authorities, ensuring that our business is undertaken both responsibly and sustainably, within appropriate constraints

ULTIMATE PARENT UNDERTAKING

The company is a wholly owned subsidiary of Celtic Group Holdings The ultimate parent undertaking is Celtic Mining Group Limited

DIVIDENDS

No dividends will be distributed for the year ended 31st March 2013 (2012 £nil)

DIRECTORS

The directors shown below have held office during the whole of the period from 1st April 2012 to the date of this report

DHM Consultancy Limited
R Thompson
R E Morris

CELTIC ENERGY LIMITED (REGISTERED NUMBER: 02997376)

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST MARCH 2013

DIRECTORS - continued

Other changes in directors holding office are as follows

R Walters - resigned 19th November 2012
L Humphreys - resigned 19th November 2012
W Watson - appointed 20th February 2013

POLITICAL AND CHARITABLE CONTRIBUTIONS

The company made no political contributions during the year During the year the company contributed £18,547 (2012 £80,860) to a variety of schemes to benefit the communities within which it operates

EMPLOYEES

The Board recognises the contribution to the company's achievements of the support it receives from its customers, suppliers and particularly its employees, which must always be viewed against the backdrop of the tough environment in which the company operates

The company's policy is to consult and discuss with employees on matters likely to affect their interests

The company gives full consideration to suitable applications for the employment of disabled persons Opportunities also exist for employees of the company who become disabled to continue their employment or to be trained for other positions within the company

On behalf of the Board I wish to express my gratitude to all employees for their hard work and support during the past year

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors 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 have elected to prepare the 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 of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable 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 will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

AUDITORS
UHY Peacheys are deemed to be re-appointed under section 487(2) of the Companies Act 2006

ON BEHALF OF THE BOARD:

W Watson - Director

20th December 2013

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CELTIC ENERGY LIMITED

We have audited the financial statements of Celtic Energy Limited for the year ended 31st March 2013 on pages eight to twenty nine The financial reporting framework that has been applied in their preparation 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 a Report of the Auditors and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities set out on page four, 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 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 Report of the Directors 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 company's affairs as at 31st March 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter - SFO investigation and estimation uncertainty
In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures in notes 1, 10 and 16 respectively concerning the following matters

- The Serious Fraud Office (SFO) has charged two former directors of the company with conspiracy to defraud in relation to the sale of the company's surface mine sites As set out in note 1, the impact on the company if the allegations are upheld by the SFO investigation and the sale is adjudged to be unlawful is uncertain

- As set out in notes 1, 10 and 16 the company's restoration and rehabilitation provisions and the carrying value of surface mine assets involve a significant amount of estimation uncertainty, the actual liabilities can vary significantly from the estimates made by management Significant variations in provision can have a significant impact on the carrying value of surface mine assets as well as a significant impact on the company's profit and loss account

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CELTIC ENERGY LIMITED

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, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements 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

John Griffiths FCA (Senior Statutory Auditor)
for and on behalf of UHY Peacheys
Chartered Accountants & Statutory Auditors
Newport
South Wales

Date 20/12/2013

CELTIC ENERGY LIMITED (REGISTERED NUMBER: 02997376)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2013

	Notes	2013 £'000	2012 as restated £'000
TURNOVER	2	94,795	83,861
Cost of sales		(71,000)	(56,693)
GROSS PROFIT		23,795	27,168
Administrative expenses (2012 includes exceptional reversal of impairment £29 6m note 5)		(5,501)	21,606
OPERATING PROFIT	4	18,294	48,774
Interest receivable and similar income	6	362	264
		18,656	49,038
Interest payable and similar charges	7	(4,140)	(4,028)
Other finance costs	19	(42)	(43)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		14,474	44,967
Tax on profit on ordinary activities	8	1,476	1,014
PROFIT FOR THE FINANCIAL YEAR		15,950	45,981

CONTINUING OPERATIONS
None of the company's activities were acquired or discontinued during the current year or previous year.

The notes form part of these financial statements

CELTIC ENERGY LIMITED (REGISTERED NUMBER: 02997376)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31ST MARCH 2013

	Note	2013 £'000	2012 as restated £'000
PROFIT FOR THE FINANCIAL YEAR		15,950	45,981
Actuarial (loss) /gain recognised in the pension scheme		(380)	(799)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		15,570	45,182
Prior year adjustment	9	(49,150)	
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT		(33,580)	

The notes form part of these financial statements

CELTIC ENERGY LIMITED (REGISTERED NUMBER: 02997376)

BALANCE SHEET
31ST MARCH 2013

	Notes	2013 £'000	2013 £'000	2012 as restated £'000	2012 as restated £'000
ASSETS					
FIXED ASSETS					
Tangible assets	10		31,967		39,130
CURRENT ASSETS					
Stocks	11	15,228		17,587	
Debtors	12	105,503		93,446	
Investments	13	3,366		3,416	
Cash at bank		48,035		37,880	
			172,132		152,329
			204,099		191,459
LIABILITIES					
CAPITAL AND RESERVES					
Called up share capital	14	-		-	
Other reserves	15	10,000		10,000	
Profit and loss account	15	14,248		(1,322)	
SHAREHOLDERS' FUNDS	21		24,248		8,678
PROVISIONS FOR LIABILITIES	16		159,179		155,452
CREDITORS	17		20,062		26,618
PENSION LIABILITY	19		610		711
			204,099		191,459

The financial statements were approved by the Board of Directors on 20th December 2013 and were signed on its behalf by

DHM Consultancy Limited - Director

W Watson - Director

R Thompson - Director

The notes form part of these financial statements

1 ACCOUNTING POLICIES

Accounting convention
The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets and are in accordance with applicable accounting standards

Cash flow statement and related party transactions
Exemption has been taken under the terms of FRS 1 from preparing a cash flow statement on the grounds that the company is included in the consolidated financial statements of Celtic Mining Group Limited which includes a cash flow statement The consolidated financial statements of Celtic Mining Group Limited are available to the public and may be obtained from Companies House The company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of Celtic Mining Group Limited For details of other related party transactions see note 22

Turnover
Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year Income is recognised when substantially all of the risks and rewards of ownership have been transferred to the customer

Tangible fixed assets
Depreciation is not provided on freehold land On other assets it is provided on their cost less estimated residual value in equal annual instalments over the estimated useful economic lives of the assets The rates of depreciation are as follows

Freehold buildings	- 2% per annum
Plant and machinery - fixed *	- 10% per annum
Plant and machinery - mobile *	- 12 5 to 20% per annum
Computer equipment	- 33% per annum
Motor vehicles	- 33% per annum
Surface works	- 10% per annum
Surface mine preparation, restoration, rehabilitation and pre-coaling costs	- unit of production basis

* Mobile plant and machinery is depreciated on a straight line basis as disclosed above However, depreciation of plant is absorbed into capitalised stripping costs based on the total forecast site depreciation and the current stage of the site's completion (percentage of coal mined basis) The corresponding credit offsets the original depreciation charge in cost of sales

Exploration costs
Exploration costs to prove reserves at both existing and prospective sites are charged to revenue as incurred

1 **ACCOUNTING POLICIES - continued**

Pre-coaling expenditure
Expenditure, other than recoverable land acquisition costs, incurred at each site prior to the extraction of coal is capitalised in tangible fixed assets as surface mines and charged to the profit and loss account over the coaling life of the site on a unit of production basis

Capitalised stripping costs
Where the actual stripping ratio for a site (the ratio of muck to saleable coal) is higher than the expected average stripping ratio, the excess removal cost is capitalised and included in site costs when the company is able to accurately estimate the expected average stripping ratio for a site The amount capitalised is subsequently amortised over the remaining reserves and the balance is released to the profit and loss account when the actual stripping ratio falls below the expected average stripping ratio

No liability is recognised for deferred stripping cost

Disposal of surface mine sites
The company disposed of its surface mine sites in September 2010 Following the sale, the Serious Fraud Office ("SFO") opened an inquiry into allegations of conspiracy to defraud in relation to the sale of the sites, and subsequently brought charges against two former directors The prosecution is ongoing

The impact on the company if the allegations are upheld by the SFO investigation and/or the sale is adjudged to be unlawful is uncertain

Restoration and rehabilitation
The total costs of reinstatement of soil excavation and of surface restoration are recognised as a provision on site commissioning when the obligation arises The amount provided represents the present value of the expected future costs Costs are charged to the provision as incurred and the unwinding of the discount is included in the interest charge for the year An asset is created for an amount equivalent to the initial provision and is included in fixed assets under opencast sites This is amortised to the profit and loss account on a unit of production basis over the life of the site

Investment properties
Investment properties are revalued annually Surpluses or deficits on individual properties ae transferred to the investment revaluation reserve, except that a deficit which is expected to be permanent and which is in excess of any previously recognised surplus over cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account Depreciation is not provided in respect of freehold investment properties, or in respect of leasehold investment properties where the unexpired term of the lease is more than 20 years The directors consider that this accounting policy, which represents a departure from the statutory accounting rules, is necessary to provide a true and fair view as required under SSAP 19 'Accounting for investment properties' The financial effect of the departure from the statutory accounting rules is not material

Stocks
Stocks are stated at the lower of cost and net realisable value Cost includes production and preparation costs appropriate to the relevant stage of production

Current and fixed asset investments
Investments held as current and fixed assets are stated at cost less any provision for permanent diminution in value

1 **ACCOUNTING POLICIES - continued**

Pension costs and other post-retirement benefits
The company operates both a defined benefit scheme and defined contribution schemes

In respect of the defined benefit scheme, contributions are paid to the scheme in accordance with the recommendations of independent actuaries to enable the trustees to meet from the scheme the benefits accruing in respect of current and future service

Pension scheme assets are measured using market value Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability The increase in the present value of the liabilities of the company's defined benefit pension scheme expected to arise from employee service in the period is charged to operating profit The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in other finance costs Actuarial gains and losses are recognised in the statement of total recognised gains and losses

The pension scheme surplus, to the extent that it is considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of the related deferred tax

In respect of defined contribution schemes, contributions are charged to the profit and loss account as they become payable in accordance with the scheme rules

The costs of providing other post retirement benefits are charged to the profit and loss account over the service lives of the relevant employees

Repair and maintenance costs
Repair and maintenance costs under long-term sub-contract arrangements reflect the average committed cost of repair and maintenance obligations incurred up to the balance sheet date Expenditure on repairs and maintenance is recognised in the profit and loss account when a commitment to incur expenditure arises, through the operation of a contract or purchase arrangement

Taxation
The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Deferred tax assets are recognised to the extent that they are regarded as recoverable They are regarded as recoverable to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

1 ACCOUNTING POLICIES - continued

Use of estimates
The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for revenue and expenses during the year The nature of estimation means that the actual outcomes could differ from those estimates The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities are

Operating provisions
The restoration and rehabilitation provision is made based on management's best estimate of the net present value of the cashflows associated with fulfilling these obligations These estimates include significant estimation of factors such as the ratio of muck to coal in future coaling areas and changes in future operating factors and costs The restoration works are expected to be carried out over a period spanning more than 5 years after the balance sheet date

Management's best estimate of the present value of the company's obligations at 31 March 2013 as set out in note 16 is approximately £157 9 million (2012 £154 5 million), however changes in factors that contribute to these estimates have a significant impact on the estimated liability, therefore the actual liability could vary significantly Unwinding of discount increased the provision by £3 8 million in the current year, other changes resulted in an increase of £1 5 million (this consists of increase provision for Nant Helen and East Pit of £8 1 million and a reduction of £6 5 million for Selar, £3 2 million of the increase and £0 5 million of the decrease has been reflected in the carrying value of fixed assets in accordance with FRS 12, the remainder has been charged/credited to the profit and loss account)

Surface mines
Restoration and rehabilitation assets are created for an amount equivalent to the initial provision and are included in fixed assets under surface mine assets The assets are amortised on a unit of production basis The carrying value of surface mine assets is susceptible to the same uncertainties as the estimation of operating provisions At 31 March 2013 the carrying value of restoration and rehabilitation assets was approximately £14 5 million (2012 £16 2 million), however depending on the actual liability the carrying value of restoration and rehabilitation assets could vary significantly Provision adjustments have resulted in an increase in assets by approximately £2 7 million in the current year

Surface mine assets also include capitalised stripping costs The estimates of stripping cost assets include significant estimation of factors such as the ratio of muck to coal in future coaling areas Changes in these estimates can have a significant impact on the estimation of stripping cost carried forward At 31 March 2013 the carrying value of capitalised stripping costs was approximately £nil (2012 £4 4 million)

2 TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company

An analysis of turnover by geographical market is given below

	2013	2012 as restated
	£'000	£'000
United Kingdom	82,644	73,682
Rest of Europe	12,151	10,179
	94,795	83,861

3 STAFF COSTS

	2013	2012 as restated
	£'000	£'000
Wages and salaries	13,636	15,870
Social security costs	1,138	1,592
Pension costs	475	379
	14,099	17,441

The average monthly number of employees during the year was as follows

	2013	2012
Mining operations	325	354
Technical support	3	2
Selling	3	3
Management and distribution	12	12
	343	371

Directors' remuneration, included in the above, is as follows

	2013	2012
	£'000	£'000
Directors' remuneration	1,746	3,344
Directors' pension contributions	52	31
	1,798	3,375

Information regarding the highest paid director is as follows

	2013	2012
	£'000	£'000
Emoluments	768	2,014
Pension contributions	-	-
	768	2,014

4 OPERATING PROFIT

The operating profit is stated after charging/(crediting)

		2013	2012 as restated
		£'000	£'000
Operating lease rentals - plant and machinery		14,041	18,180
Operating lease rentals - other		2	2
Depreciation and other amounts written off tangible fixed assets	- owned	7,621	6329
	- leased	1,480	1,561
Rents receivable from property		(167)	(107)
Auditors' remuneration for audit services		43	40
Reversal of impairment of intercompany balance (see note 5)		-	(29,605)

5 EXCEPTIONAL ITEMS

Exceptional items

Reversal of impairment of inter-company loan balance - 2012
In years prior to 2012 management made provision of £29 6 million against the carrying value of the inter-company loan balance due from the parent, Celtic Group Holdings and the ultimate parent Celtic Mining Group Limited based on anticipated future cash flows of the business During 2012 management re-assessed the provision and concluded that it was no longer required

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	2013	2012 as restated
	£'000	£'000
Bank interest receivable	362	264

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2013	2012 as restated
	£'000	£'000
Bank interest	1	-
Hire purchase	295	275
Unwinding of discount on provisions	3,844	3,753
	4,140	4,028

Other finance costs

	2013	2012
	£'000	£'000
Expected return on pension scheme assets	(545)	(520)
Interest on pension scheme liabilities	587	563
	42	43

8 TAXATION

Analysis of the tax credit

The tax credit on the profit on ordinary activities for the year was as follows

	2013	2012 as restated
	£'000	£'000
Current tax		
UK corporation tax	100	(1,323)
Adjustments to tax charge in respect of prior years	(1,732)	-
Total current tax	(1,632)	(1,323)
Deferred tax	156	309
Tax on profit on ordinary activities	(1,476)	(1,014)

Factors affecting the tax credit

The tax assessed for the year is lower than the standard rate of corporation tax in the UK The difference is explained below

	2013	2012 as restated
	£'000	£'000
Profit on ordinary activities before tax	14,474	44,967
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24% (2012 - 26%)	3,474	11,691
Effects of		
Utilisation of tax losses	(3,873)	-
Adjustments to tax charge in respect of previous periods	(1,732)	-
Items not deductible for tax purposes	74	53
Difference between capital allowances and depreciation	1,457	282
Provisions not allowed until paid	(1,032)	146
qualifying fixed assets		
carried forward		
Write back of loan impairment not taxable	-	(7,697)
Difference in tax rates regarding losses carried back	-	(95)
Tax effect of prior year adjustment*	-	(5,703)
Current tax credit	(1,632)	(1,323)

8 TAXATION - continued

The deferred tax charge relates to the element of the movement in the deferred tax asset related to the pension deficit that has not been recognised in the statement of total recognised gains and losses and amounts to £156,000 The amount of deferred tax recognised in the statement of total recognised gains and losses is £114,000 credit, which is the proportion that relates to the actuarial loss recognised The deferred tax asset relating to the pension liability is set out in note 19

*The prior year tax charge has not been restated, the prior year adjustment set out below in note 9 resulted in a decrease in reserves at 31 March 2012 of £49 2 million but an increase in profit for the year to 31 March 2012 of £21 9 million

9 PRIOR YEAR ADJUSTMENT

In September 2010 the company entered into a transaction pursuant to which its freehold interest in its existing surface mine sites was transferred At the time the surface mine assets and the related liabilities for restoration and rehabilitation of the sites was derecognised

As explained in note 1 the SFO opened an enquiry in relation to this transaction The Board recognises that as a result the effectiveness of the transaction and its implications for the obligation for the restoration and rehabilitation may be subject to challenge Having considered the matter carefully, the Board has determined that the company should reflect the liabilities for restoration and rehabilitation in the accounts and the associated unamortised element of the FRS 12 asset

These changes have been accounted for as a prior year adjustment, in the Board's view this is an error of fact not the correction of an accounting estimate The prior year comparative numbers have been adjusted to reflect these changes The effect on reserves at 1 April 2012, was a reduction of £49 2 million, this is reflected in the Statement of Total Gains and Losses (and in notes 15 and 21) The effect on reserves at 1 April 2011 was a reduction of £71 1 million, the profit for the year ended 31 March 2012 is £21 9 million higher than originally stated as a result of this prior year adjustment

The board is currently reviewing the company's position in respect of the transaction and the potential for recovery from third parties, it is not currently possible to quantify the potential financial impact

10 TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Investment properties £'000	Plant, machinery and equipment £'000	Surface mines £'000	Totals £'000
COST OR VALUATION					
At 1st April 2012	5,927	1,885	44,536	56,480	108,828
Additions	17	1,373	1,947	2,996	6,333
Disposals	-	-	(3)	(4,394)	(4,397)
At 31st March 2013	5,944	3,258	46,480	55,082	110,764
DEPRECIATION					
At 1st April 2012	4,573	-	29,249	35,876	69,698
Charge for year	18	-	4,327	4,756	9,101
Eliminated on disposal	-	-	(2)	-	(2)
At 31st March 2013	4,591	-	33,574	40,632	78,797
NET BOOK VALUE					
At 31st March 2013	1,353	3,258	12,906	14,450	31,967
At 31st March 2012	1,354	1,885	15,287	20,604	39,130

Surface mine sites represents the capitalised costs of site preparation, restoration, rehabilitation and stripping costs As explained in note 1 these items are based on management estimates and involve significant uncertainty Variations in provisions affect the carrying value of surface mine assets based on the stage of completion of the site

Included in the cost of freehold and and buildings is land of £0 5m (2012 £0 5m) which is not depreciated

Included in the total net book value at 31 March 2013 is £8 7m (2012 £10 1m) in respect of assets held under finance leases and similar hire purchase contracts Depreciation for the year on these assets was £1 5m (2012 £1 6m)

Cost or valuation at 31st March 2013 is represented by

	Freehold land and buildings £'000	Investment properties £'000	Plant, machinery and equipment £'000	Surface mines £'000	Totals £'000
Valuation in 2013	-	3,258	-	-	3,258
Cost	5,944	-	46,480	55,082	107,506
	5,944	3,258	46,480	55,082	110,764

Investment properties, which are all freehold, were valued on an open market existing use basis at 31 March 2013 by the directors Such properties are not depreciated The depreciation which would otherwise have been charged amounts to £51,978 (2012 £19,450) Included in the cost of investment properties is freehold land of £483,012 (2012 £483,012) The directors consider the value to be the same as the historical cost for the investment properties held at 31 March 2013

11 STOCKS

	2013	2012 as restated
	£'000	£'000
Coal stocks	15,228	17,587

12 DEBTORS

	2013	2012 as restated
	£'000	£'000
Amounts falling due within one year		
Trade debtors	17,670	16,184
Other debtors	30	138
Tax	2,975	1,323
Prepayments and accrued income	1,509	1,729
	22,184	19,374
Amounts falling due after more than one year		
Amounts owed by ultimate parent (note 5)	55,581	55,581
Cash funds held by LPAs	27,738	18,491
	83,319	74,072
Aggregate amounts	105,503	93,446

Cash funds held by Local Planning Authorities (LPAs) are cash balances paid by the company as part of its Section 106 commitments and will be repaid to the company on milestones during the restoration and rehabilitation of the relevant sites

Analysis of deferred tax asset
No deferred tax asset has been recognised other than in relation to the pension deficit (see note 19)

The recognised and unrecognised deferred tax assets, excluding the deferred tax asset deducted in arriving at the net pension liability on the balance sheet, calculated under the liability method, at 26% (2012 24%) are shown below

	2013	2012 as restated
	£'000	£'000
Difference between accumulated depreciation and amortisation and capital allowances	(89)	(438)
Trading losses carried forward	1,586	5,529
Other timing differences	8,045	8,191
	9,542	13,282
Provision for recoverability	(9,542)	(13,282)
Balance at 31st March	-	-

13 CURRENT ASSET INVESTMENTS

Current asset investments are comprised of the following amounts

	2013	2012 as restated
	£'000	£'000
Listed investments	3,366	3,416
	3,366	3,416

The market value of listed investments at 31 March 2013 was £3 3m (2012 £3 3m)

14 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number	Class	Nominal value	2013	2012 as restated
			£	£
1	Ordinary	£1	1	1

15 RESERVES

	Profit and loss account	Other reserves	Totals
	£'000	£'000	£'000
At 1st April 2012	47,828	10,000	57,828
Prior year adjustment	(49,150)	-	(49,150)
	(1,322)	10,000	8,678
Profit for the year	15,950	-	15,950
Actuarial gain on pension scheme (net of deferred tax)	(380)	-	(380)
At 31st March 2013	14,248	10,000	24,248

Profit and loss account excluding pension liability	14,858
Pension deficit	(610)
Profit and loss account	14,248

16 PROVISIONS FOR LIABILITIES

	At 1 April 2012 as restated	Increase/ (decrease) in the year	Utilised in year	Unwinding of discount	At 31 March 2013
	£'000	£'000	£'000	£'000	£'000
Concessionary fuel	980	294	-	-	1,274
Operating provisions	154,472	1,524	(1,935)	3,844	157,905
	155,452	1,818	(1,935)	3,844	159,179

Concessionary fuel retirement benefits
The company has a commitment to provide concessionary fuel benefits to retired ex British Coal employees At retirement upon attaining the age of 50, and having been employed for a minimum of 15 years, employees become entitled to a retirement fuel allowance 11 former workers and widows already receive this benefit and there are 15 current employees who will become members eligible for this allowance

The principal assumptions used to estimate the amount of the provision are given below

	2013	2012
Average retirement age	65 years	65 years
Discount rate	4 45%	5 00%
Pensionable life - current pensioner aged 60	25 3 years	25 3 years
Pensionable life - future retiree upon reaching 60	26 9 years	26 8 years

Concessionary fuel is an unfunded retirement benefit and as such there are no assets in the scheme

Operating provisions
Operating provisions exist for restoration and rehabilitation of surface mine sites and distribution centres

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

The timing and amounts of cash flows relating to the reinstatement of soil excavation and of surface restoration, of opencast sites and distribution centres, were estimated by management based on
- past experience
- current extraction ratios
- best estimates of coaling cessation
- expectation of the cost and timing of site restoration/rehabilitation

As set out in note 1 these items are based on management estimates and involve significant uncertainty

17 CREDITORS

	2013	2012 as restated
	£'000	£'000
Amounts falling due within one year		
Hire purchase contracts (see note 18)	2,746	2,470
Trade creditors	7,572	12,090
Social security and other taxes	381	1,214
VAT	2,073	684
Retentions from contractors	-	10
Other creditors	337	268
Accruals and deferred income	3,238	4,043
	16,347	20,779
Amounts falling due after more than one year		
Hire purchase contracts (see note 18)	3,715	5,839
Aggregate amounts	20,062	26,618

Obligations under hire purchase contracts are secured on the assets to which they relate

18 OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	2013	2012 as restated
	£'000	£'000
Net obligations repayable		
Within one year	2,746	2,470
Between one and five years	3,715	5,839
	6,461	8,309

19 EMPLOYEE BENEFIT OBLIGATIONS

The company operates defined benefit and defined contribution pension schemes

Pension costs in respect of both defined benefit and defined contribution schemes are shown below

	2013	2012
	£'000	£'000
Defined benefit schemes	213	210
Defined contribution schemes	199	199
	412	409

British Coal employees whose employment transferred to Celtic Energy Limited are members of the Industry Wide Coal Staff Superannuation Scheme ("IWCSSS"), a defined benefit scheme The Celtic Energy employee fund ("the Scheme") is part of the IWCSSS The assets of the Scheme are held in separate trustee administered funds The Scheme is subject to triennial valuation by independent professionally qualified actuaries, the most recent valuation being performed as at 31 December 2009

The valuation was performed by the Scheme Actuary on the Projected Unit Method and reported in accordance with Guidance Note GN9 issued by the Institute of Actuaries and the Faculty of Actuaries

The main assumption underlying the full actuarial valuation of the Scheme as at 31 December 2009 is a long term gross yield on scheme assets of 6 3% which will exceed the annual rate of increase in pensionable salaries by 5 5% and price inflation by 4% Pensions are expected to increase in line with price inflation at 3 8% The aggregate market value of the assets at the valuation date was £7 4 million for the IWCSSS The aggregate funding level on an ongoing basis was 77 0%

Following the actuarial valuation undertaken as at 31 December 2009, a revised contribution rate has applied, and additional payments are being made which are intended to make good the deficit For members of the IWCSSS, employer contributions are 33% (2006 valuation 16 6%)

The valuation as at 31 December 2012 is currently being undertaken

Outstanding contributions at 31 March in respect of defined benefit and defined contribution schemes are shown below

	2013	2012
	£'000	£'000
Defined benefit schemes	18	18
Defined contribution schemes	28	23
	46	41

19 EMPLOYEE BENEFIT OBLIGATIONS - continued

The amounts recognised in the balance sheet are as follows

	Defined benefit pension plans 2013 £'000	2012 as restated £'000
Present value of funded obligations	(13,685)	(11,794)
Fair value of plan assets	12,893	10,859
	(792)	(935)
Present value of unfunded obligations	-	-
Deficit	(792)	(935)
Deferred tax asset	182	224
Net liability	(610)	(711)

The amounts recognised in profit or loss are as follows

	Defined benefit pension plans 2013 £'000	2012 as restated £'000
Current service cost	180	180
Interest cost	587	563
Expected return	(545)	(520)
Past service cost	-	-
	222	223
Actual return on plan assets	1,447	741

19 EMPLOYEE BENEFIT OBLIGATIONS - continued

Changes in the present value of the defined benefit obligation are as follows

	Defined benefit pension plans	
	2013	2012 as restated
	£'000	£'000
Opening defined benefit obligation	11,794	9,980
Current service cost	180	180
Contributions by scheme participants	42	49
Interest cost	587	563
Actuarial losses/(gains)	1,396	1,273
Benefits paid	(314)	(251)
	13,685	11,794

Changes in the fair value of scheme assets are as follows

	Defined benefit pension plans	
	2013	2012 as restated
	£'000	£'000
Opening fair value of scheme assets	10,859	8,975
Contributions by employer	859	1,345
Contributions by scheme participants	42	49
Expected return	545	520
Actuarial gains/(losses)	902	221
Benefits paid	(314)	(251)
	12,893	10,859

The amounts recognised in the statement of recognised gains and losses are as follows

	Defined benefit pension plans	
	2013	2012 as restated
	£'000	£'000
Actual return less expected return on assets	902	221
Changes in assumptions	(1,396)	(1,272)
	(494)	(1,051)
Cumulative amount of actuarial gains/(losses)	(405)	89

19 EMPLOYEE BENEFIT OBLIGATIONS - continued

The major categories of scheme assets as amounts of total scheme assets are as follows

	Defined benefit pension plans	
	2013	2012 as restated
	£'000	£'000
Equities and property	8,061	6,055
Cash	48	178
Bonds	4,784	4,626
	12,893	10,859

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages)

	2013	2012 as restated
Discount rate	4 45%	5 00%
Future salary increases	4 05%	4 00%
Rate of price inflation	3 55%	3 50%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity The assumptions are equivalent to expecting a 60-year old to live for a number of years as follows

- current pensioner aged 60 25 3 years
- future retiree upon reaching 60 26 9 years

Amounts for the current and previous four periods are as follows

	2013	2012 as restated	2011	2010	2009
	£'000	£'000	£'000	£'000	£'000
Defined benefit pension plans					
Defined benefit obligation	(13,685)	(11,794)	(9,980)	(10,300)	(6,685)
Fair value of scheme assets	12,893	10,859	8,975	7,880	5,414
Deficit	(792)	(935)	(1,005)	(2,420)	(1,271)
Experience adjustments on scheme liabilities	-	-1 47%	7 85%	-	-
Experience adjustments on scheme assets	7 00%	2 04%	-	19 40%	-28 50%

20 OTHER FINANCIAL COMMITMENTS

The company had no capital commitments at the year end (2012 £nil)

Annual commitments under non-cancelable operating leases are as follows

	2013		2012	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Operating leases which expire				
Within one year	-	29	-	22
In the second to fifth years inclusive	69	16	69	28
More than five years	30		30	
	99	45	99	50

DERIVATIVE FINANCIAL INSTRUMENTS

The company does not use derivative financial instruments for speculative purposes At the year end the company was committed to purchase 24 million litres of diesel at approximately 52p per litre This is entirely for the company's own use

21 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2013	2012 as restated
	£'000	£'000
Profit for the financial year	15,950	45,981
Other recognised gains and losses relating to the year (net)	(380)	(799)
Net addition to shareholders' funds	15,570	45,182
Opening shareholders' funds (originally £57,827,930 before prior year adjustment of £(49,150,000))	8,678	(36,504)
Closing shareholders' funds	24,248	8,678

22 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption, under the terms of Financial Reporting Standard 8 Related Party Disclosures, from disclosing related party transactions with wholly owned subsidiaries within the group

Transactions during the current and previous years and balances at 31 March 2013 and 2012, with companies in the G Walters Holdings Limited group of companies, a group within the family interests of the company's ultimate controlling shareholder, Mr R J Walters, were as follows

	Sales/(purchases) during the year 2013 £'000	Debtor/(creditor) outstanding at year end 2013 £'000	Sales/(purchases) during the year 2012 £'000	Debtor/(creditor) outstanding at year end 2012 £'000
Sale of assets	-	-	12	-
Purchase of assets	(234)	(156)	(24)	-
Charges for hire or lease of equipment	(562)	(119)	(17,643)	(85)
Charges for services	(1,475)	(93)	(2,849)	(169)

All of the above transactions were undertaken on an arms length basis and on normal commercial terms

No amounts were written off or provided for in respect of any of these transactions

During the year the company made sales of £10,336,548 (2012 £3,368,760) to High Bird Developments Limited for plant hire and labour The company made purchases from High Bird Developments Limited of £37,944,595 (2012 14,026,994) for plant hire and labour High Bird Developments Limited is a company which is owned by Mr R J Walters, Mr L Humphreys and Mr R Thompson who are also its directors

At the year end the company was owed £1,411,248 (2012 £3,361,409) by High Bird Developments Limited This amount is included within trade debtors At the year end the company also had accrued income of £209,496 (2012 £285,217) from High Bird Developments Limited

At the year the company owed £5,452,885 (2012 £10,321,688) to High Bird Developments Limited This amounts is included with trade creditors due within one year At the year end the company had also accrued amounts of £756,994 (2012 £nil) owing to High Bird Developments Limited

During the year the company incurred £400,000 (2012 £400,000) of consultancy fees from DHM Consultancy Limited a company which is a corporate director of the company

There were no other transactions requiring disclosure under Financial Reporting Standard 8 in the current or the previous year

23 ULTIMATE PARENT AND CONTROLLING PARTY

The ultimate parent undertaking is Celtic Mining Group Limited, a company incorporated in Great Britain and registered in England and Wales Celtic Mining Group Limited is the parent of the smallest and largest group of which the company is a member and for which consolidated accounts are prepared Consolidated accounts of this company are available to the public and may be obtained from Companies House

The directors consider that, at the balance sheet date, Mr R J Walters, who owns 100% of the voting shares in the ultimate parent undertaking was the ultimate controlling party