Company Registration No. 02997376 (England and Wales)

CELTIC ENERGY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

CELTIC ENERGY LIMITED

COMPANY INFORMATION

Directors	Mr R E Morris Mr R Thompson Mr R Walters Mr W Watson DHM Consultancy Limited
Company number	02997376
Registered office	9 Beddau Way Castlegate Business Park Caerphilly United Kingdom CF83 2AX
Auditor	UHY Hacker Young Lanyon House Mission Court Newport South Wales United Kingdom NP20 2DW

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CELTIC ENERGY LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2017

The directors present the strategic report for the year ended 31 March 2017.

Fair review of the business
Celtic Energy Limited ("the company") owns and operates opencast mines in South Wales.

During the year ended 31 March 2016, due to tough global conditions in the coal industry, the Board decided to mothball the Selar site and in November 2016 the Board concluded that it had no option other than to mothball the site at Nant Helen as well. Both sites remained inactive at 31 March 2017.

The results for the company show a pre-tax loss of £10.0m (2016: £7.4m) for the year and turnover of £39.8m (2016: £52.7m).

Turnover has reduced by approximately 24% compared to the year ended 31 March 2016 (21% reduction in the year to 31 March 2016 compared to the year ended 31 March 2015), as a result of lower domestic sales and falling world prices and lower production.

Gross Profit ("GP") is the company's key indicator of operating effectiveness. Overall GP% has decreased to 1.0% from 2.0% in 2016.

The GP is after exceptional movements in provisions of £4.7m, excluding this gross profit would have been £5.2m, 12.8%.

GP in 2016 included the benefit of an exceptional credit of £14.4m in relation to movement in operating provisions and the cost of an exceptional charge of £4.0m in relation to impairment of surface mine assets following the mothballing. Excluding these items the company would have made a gross loss of £9.3m, -17.6%, due to cost increases and market conditions.

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

	2017	2016
Number of accidents	13	23
Dangerous occurences	-	1
Number of complaints	29	32
Complaints excluding blasting	7	15

Site Development
In June 2015 Neath Port Talbot CBC issued a new planning consent for the East Pit site covering:

- a new restoration strategy for the site;
- an extension to the area to be mined; and
- outline consent for post restoration development at the site.

Operations at East Pit have continued under the new planning consent and restoration provisions have been reviewed accordingly.

Following a decision by RWE to dramatically curtail electricity generation at Aberthaw power station from April 2017, a further review of our medium term business plan was undertaken following the year end. Following that review a decision was taken to permanently closer the Selar mine and seek approval for a revised restoration scheme. A decision was also taken to mothball the Nant Helen site until coal extraction was completed at East Pit.

General
Although global coal prices have risen significantly since the year end, the outlook for global production and prices is seen as volatile. A number of political events have increased the uncertainty in this regard.

Principal risk 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.

On behalf of the board

....
Mr W Watson
Director
12-7-2017

CELTIC ENERGY LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2017

The directors present their annual report and financial statements for the year ended 31 March 2017.

Principal activities
The principal activity of the company continued to be that of surface mine operators.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr R E Morris
Mr R Thompson
Mr R Walters
Mr W Watson
DHM Consultancy Limited

Results and dividends
The results for the year are set out on page 7.

Auditor
UHY Hacker Young have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

....
Mr W Watson
Director
12-7-2017

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2017

The directors are responsible for preparing the annual 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 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 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 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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CELTIC ENERGY LIMITED

We have audited the financial statements of Celtic Energy Limited for the year ended 31 March 2017 set out on pages 7 to 36. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 set out on page 4, 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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 31 March 2017 and of its loss 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 - 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, 2, 13 and 22 respectively concerning the company's restoration and rehabilitation provisions and the carrying value of surface mine assets. The notes explain that these provisions and 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 matters prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and 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, 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.

UHY Hacker Young

Mr John Griffiths (Senior Statutory Auditor)
for and on behalf of UHY Hacker Young

12/7/2017

Chartered Accountants
Statutory Auditor

Lanyon House
Mission Court
Newport
South Wales
United Kingdom
NP20 2DW

CELTIC ENERGY LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Turnover	3		39,800		52,682
Cost of sales:					
Exceptional movement in operating provisions	4	(4,655)		14,402	
Exceptional impairment of surface mine assets	4	-		(4,029)	
Movement in deferred overburden		(5,177)		2,564	
Gas oil derivative expenses		3,718		(3,834)	
Other cost of sales		(33,181)		(60,707)	
Total cost of sales			(39,295)		(51,604)
Gross profit			505		1,078
Administrative expenses (including exceptional costs of £1.7m (2016:£1.4m))	4		(6,971)		(6,082)
Profit/(loss) on disposal of tangible fixed assets			26		363
Operating loss	5		(6,440)		(4,641)
Interest receivable and similar income	9		1,470		788
Interest payable and similar expenses	10		(5,011)		(3,581)
Loss before taxation			(9,981)		(7,434)
Taxation	11		142		304
Loss for the financial year			(9,839)		(7,130)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

CELTIC ENERGY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

	2017 £'000	2016 £'000
Loss for the year	(9,839)	(7,130)
Other comprehensive income		
Revaluation of tangible fixed assets	-	1,060
Actuarial (loss)/gain on defined benefit pension schemes	(986)	1,396
Tax relating to other comprehensive income	156	(345)
Other comprehensive income for the year	(830)	2,111
Total comprehensive income for the year	(10,669)	(5,019)

CELTIC ENERGY LIMITED

BALANCE SHEET
AS AT 31 MARCH 2017

	Notes	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Fixed assets					
Tangible assets	13		12,004		19,390
Investment properties	14		5,641		5,353
			17,645		24,743
Current assets					
Stocks	16	9,235		8,027	
Debtors	18	118,731		120,571	
Investments	17	10,780		7,972	
Cash at bank and in hand		21,620		24,630	
		160,366		161,200	
Creditors: amounts falling due within one year	19	(7,164)		(14,036)	
Net current assets			153,202		147,164
Total assets less current liabilities			170,847		171,907
Creditors: amounts falling due after more than one year	20		(340)		(624)
Provisions for liabilities	22		(154,235)		(145,290)
Net assets excluding pension liability			16,272		25,993
Defined benefit pension liability	25		(948)		-
Net assets			15,324		25,993
Capital and reserves					
Revaluation reserve			1,060		1,060
Other reserves			10,000		10,000
Profit and loss reserves			4,264		14,933
Total equity			15,324		25,993

The financial statements were approved by the board of directors and authorised for issue on 12-7-2017 and are signed on its behalf by:

Mr R Thompson
Director

Mr W Watson
Director

Company Registration No. 02997376

CELTIC ENERGY LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

	Revaluation reserve £'000	Other reserves £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 April 2015	-	10,000	21,012	31,012
Year ended 31 March 2016:				
Loss for the year	-	-	(7,130)	(7,130)
Other comprehensive income:				
Revaluation of tangible fixed assets	1,060	-	-	1,060
Actuarial gains on defined benefit plans	-	-	1,396	1,396
Tax relating to other comprehensive income	-	-	(345)	(345)
Total comprehensive income for the year	1,060	-	(6,079)	(5,019)
Balance at 31 March 2016	1,060	10,000	14,933	25,993
Year ended 31 March 2017:				
Loss for the year	-	-	(9,839)	(9,839)
Other comprehensive income:				
Actuarial gains on defined benefit plans	-	-	(986)	(986)
Tax relating to other comprehensive income	-	-	156	156
Total comprehensive income for the year	-	-	(10,669)	(10,669)
Balance at 31 March 2017	1,060	10,000	4,264	15,324

1 Accounting policies

Company information

Celtic Energy Limited is a private company limited by shares incorporated in England and Wales. The registered office is 9 Beddau Way, Castlegate Business Park, Caerphilly, United Kingdom, CF83 2AX.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention, modified to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Celtic Mining Group Limited. These consolidated financial statements are available from its registered office, 9 Beddau Way, Castlegate Business Park, Caerphilly, CF83 2AX.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

1 Accounting policies **(Continued)**

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is not provided on freehold land. On other assets depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	2% per annum on buildings, land not depreciated
Plant and machinery fixed*	10% per annum
Computer equipment	33% per annum
Plant and machinery - mobile*	12.5% to 20% per annum
Surface works	10% per annum
Surface mine preparation, restoration, rehabilitation and pre-coaling costs	unit of production basis
Motor vehicles	33% per annum

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

* 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.

1.5 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured using the fair value model and stated at its fair value as the reporting end date. The surplus or deficit on revaluation is recognised in the profit and loss account.

Where fair value cannot be achieved without undue cost or effort, investment property is accounted for as tangible fixed assets.

Depreciation is not provided in respect of investment properties.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1 Accounting policies **(Continued)**

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Cost includes production and preparation costs appropriate to the relevant stage of production.

Stocks held for distribution at no or nominal consideration are measured at cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

1 Accounting policies **(Continued)**

Other financial assets
Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets
Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities
Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1 Accounting policies **(Continued)**

Other financial liabilities
Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities
Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments
Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Derivatives
Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

1.12 Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax
Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. 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 profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1 Accounting policies **(Continued)**

1.13 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present vàlue. When a provision in measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

The company operates both a defined benefit scheme and defined contribution schemes.

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

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.

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method, and is based on actuarial advice.

The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as an expense in measuring profit or loss in the period in which they arise.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

The defined net benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

1 Accounting policies **(Continued)**

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.

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

1.16 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

1.17 Mining costs

Exploration costs

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

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 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.

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.

1 Accounting policies (Continued)

1.18 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.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Going concern

Market conditions continue to be challenging. The company has incurred significant accounting losses over the past two financial years, however the Board has concluded that it is appropriate for the company to continue as a going concern.

In making its judgement, the Board has considered the company's detailed forecasts and business plans in conjunction with the company's resources and obligations and has concluded that it is appropriate for the company to continue.

Inventory valuation

Inventories are valued at the lower cost and net realisable value. Net realisable value includes, where necessary, provisions for slow moving and obsolete stocks. Calculation of these provisions requires judgements to be made, which include forecast consumer demand, the promotional, competitive and economic environment and inventory loss trends.

2 Judgements and key sources of estimation uncertainty (Continued)

Key sources of estimation uncertainty
The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

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 2017 as set out in note 22 is approximately £153.0 million (2016: £144.1 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 £5.0 million in the current year (2016: £3.3 million increase); other changes resulted in an increase of £4.7 million (2016: £16.9 million decrease); this consists of a significant increase in the provision for East Pit of £6.3m and slight changes to other sites totalling an overall decrease of £1.7m. In 2016 the decrease related to a £44.4 million decrease in the provision for the East Pit site and increases of £13.1 million for Nant Helen, £5.0 million for Selar and £9.4 million for Margam).

The increase of £4.7 million has been reflected in the profit and loss as an exceptional item. In 2016, £3.6 million of the increases and £6.1 million of the decrease was reflected in the carrying value of fixed assets in accordance with section 21 of FRS 102, the remainder, £14.4 million increase was charged to the profit and loss account. Refer to note 4, exceptional costs/(income).

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 2016 the carrying value of restoration and rehabilitation assets was approximately £0.3 million (2016: £0.6 million), however depending on the actual liability the carrying value of restoration and rehabilitation assets could vary significantly. Provision adjustments resulted in a decrease in assets by approximately £2.5 million in 2016 (refer to note 4). Impairment adjustments of £4.0 million were also made in 2016 following the closure of Selar and Nant Helen (refer to note 4); the Board does not currently believe that it is appropriate the reverse any of the impairment.

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 2017 the carrying value of capitalised stripping costs was £nil (2016: £5.2 million).

Defined benefit pension
The company operates a defined benefit pension scheme. The present value of the defined benefit obligation depends on a number of factors as set out in note 25 including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors, with guidance from the company's actuary, in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends; however the choice of assumptions can have a significant impact on the balance recorded.

Investment properties
The company carries investment properties at fair value. Changes in the fair value of investment properties are recognised in profit or loss. The valuations have been carried out by the Board based on comparable market data. The key factures affecting the values are the anticipated yields and anticipated occupancy rates.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2017	2016
	£'000	£'000
Turnover		
Sale of goods	39,800	52,682

Other significant revenue		
Interest income	1,470	788

Turnover analysed by geographical market

	2017	2016
	£'000	£'000
United Kingdom	33,641	46,831
Rest of Europe	6,159	5,851
	39,800	52,682

4 Exceptional costs/(income)

	2017 £'000	2016 £'000
Exceptional costs included in cost of sales		
Movement in operating provisions	4,655	(14,402)
Impairment of surface mine assets	-	4,031
	4,655	(10,371)
Exceptional costs included in adminstrative expenses		
Redundancy costs	1,173	918
Impairment of investment properties	-	524
Contract termination costs	574	-
	1,747	1,442
Total	6,402	(8,929)

Operating provisions
During the year ended 31 March 2016 management reviewed the operating provisions held for the restoration and rehabilitation of surface mine sites, and in particular, the timing and carrying value of future cash flows, in the light of revised planning consent for East Pit and revised operating factors and recent cost experience. As a result, provisions were decreased by £16.9 million of which £14.4 million was recorded in the profit and loss account and £2.5 million was capitalised.

The net decrease in operating provisions consisted of a £44.4 million decrease in relation to East Pit and a £28.3 million increase in relation to other sites. The £14.4 million recognised in the profit and loss account is regarded as being exceptional.

In the year ended 31 March 2017 operating provisions were reviewed again resulting in an overall increase of £4.6 million (refer to note 22).

Surface mine asset impairment
As a result of the decisions to mothball the sites at Nant Helen and Selar the remaining surface mine assets relating to those sites were written off in 2016.

Other exceptional costs
Due to the mothballing of Selar the company incurred redundancy costs of £918,000 in 2016.

The company's investment properties are carried at fair value in accordance with the requirement of Section 16 of FRS 102. During 2016 the overall value of investment properties increased by £536,000, this included increases in value of £1,060,000 which were recognised in other comprehensive income and credited to the revaluation reserve and a charge of £524,000 relating to properties valued below original cost which was charged to the profit and loss account as an exceptional cost. The Board has reviewed the fair value of investment properties at 31 March 2017 and has concluded that there has been no significant changes.

Further redundancy costs of £1,173,371 were incurred during the current year following the mothballing of Nant Helen in November 2016. The company also incurred £574,435 of contract termination costs.

5 Operating loss

Operating loss for the year is stated after charging/(crediting):	2017 £'000	2016 £'000
Depreciation of owned tangible fixed assets	1,523	1,954
Depreciation of tangible fixed assets held under finance leases	653	1,462
Impairment of owned tangible fixed assets	-	4,031
Cost of stocks recognised as an expense	29,789	44,507
Operating lease rentals - plant and machinery	8,336	13,545
Operating lease rentals - other	2	2
Rents receivable from property	(386)	(350)
Exceptional items (see note 4)	6,402	(8,929)

6 Auditor's remuneration

Fees payable to the company's auditor and associates:	2017 £'000	2016 £'000
For audit services		
Audit of the financial statements of the company	42	42
For other services		
All other non-audit services	13	4

7 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2017 Number	2016 Number
Mining operations	164	305
Technical support	1	3
Selling	3	3
Management and distribution	12	12
	180	323

Their aggregate remuneration comprised:

	2017 £'000	2016 £'000
Wages and salaries	9,882	11,999
Social security costs	1,048	1,174
Pension costs	472	627
	11,402	13,800

8 Directors' remuneration

	2017	2016
	£'000	£'000
Remuneration for qualifying services	2,809	1,638
Company pension contributions to defined contribution schemes	169	180
	2,978	1,818

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2016 - 3).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2017	2016
	£'000	£'000
Remuneration for qualifying services	1,481	611
Company pension contributions to defined contribution schemes	100	100

9 Interest receivable and similar income

	2017	2016
	£'000	£'000
Interest income		
Interest on bank deposits	158	788
Net interest on pension	4	-
Total interest revenue	162	788
Other income from investments		
Gains on financial instruments measured at fair value through profit or loss	1,308	-
Total income	1,470	788

10 Interest payable and similar expenses

	2017	2016
	£'000	£'000
Interest on finance leases and hire purchase contracts	31	60
Finance costs for financial instruments measured at fair value through profit or loss	-	154
Net interest on pension	-	38
Unwinding of discount on provisions	4,980	3,329
	5,011	3,581

11 Taxation

	2017 £'000	2016 £'000
Current tax		
Adjustments in respect of prior periods	(108)	(214)
Deferred tax		
Origination and reversal of timing differences	(34)	(90)
Total tax credit	(142)	(304)

The actual credit for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2017 £'000	2016 £'000
Loss before taxation	(9,981)	(7,434)
Expected tax credit based on the standard rate of corporation tax in the UK of 20.00% (2016: 20.00%)	(1,996)	(1,487)
Tax effect of expenses that are not deductible in determining taxable profit	64	80
Adjustments in respect of prior years	(108)	(214)
Movement in deferred tax not provided	1,898	1,317
Taxation credit for the year	(142)	(304)

In addition to the amount credited to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2017 £'000	2016 £'000
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	(156)	345

The company has approximately £17.3 million of trading losses carried forward.

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 other comprehensive income and amounts to £34,000 (2016: £90,000). The amount of deferred tax recognised in other comprehensive income is a credit of £156,000 (2016: charge of £345,000).

12 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	2017 £'000	2016 £'000
In respect of:		
Surface mines	-	4,031
Investment property	-	524
Recognised in:		
Cost of sales	-	4,031
Administrative expenses	-	524

More information on the impairment of surface mines is given in note 4.

13 Tangible fixed assets

	Freehold land and buildings £'000	Plant, machinery and equipment £'000	Surface mines £'000	Total £'000
Cost				
At 1 April 2016	4,992	32,207	52,906	90,105
Additions	12	133	-	145
Disposals	-	(60)	(5,353)	(5,413)
At 31 March 2017	5,004	32,280	47,553	84,837
Depreciation and impairment				
At 1 April 2016	136	23,421	47,160	70,717
Depreciation charged in the year	26	2,109	41	2,176
Eliminated in respect of disposals	-	(60)	-	(60)
At 31 March 2017	162	25,470	47,201	72,833
Carrying amount				
At 31 March 2017	4,842	6,810	352	12,004
At 31 March 2016	4,858	8,787	5,745	19,390

13 Tangible fixed assets (Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2017 £'000	2016 £'000
Plant, machinery and equipment	3,231	4,288
Depreciation charge for the year in respect of leased assets	653	1,462

Surface mine sites represents the capitalised costs of site preparation, restoration, rehabilitation and stripping costs. As explained in note 2 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.

14 Investment property

	2017 £'000
Fair value	
At 1 April 2016	5,353
Additions through external acquisition	288
At 31 March 2017	5,641

Investment properties, which are all freehold, were valued on an open market existing use basis at 31 March 2017 by the directors. The properties are not depreciated.

If investment properties were stated on an historical cost basis rather than a fair value basis, the amounts would have been included as follows:

	2017 £'000	2016 £'000
Cost	5,104	4,816
Accumulated depreciation	(400)	(313)
Carrying amount	4,704	4,503

15 Financial instruments

	2017	2016
	£'000	£'000
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Other financial liabilities	1,394	5,112

16 Stocks

	2017	2016
	£'000	£'000
Coal stocks	8,289	6,605
Consumables	946	1,422
	9,235	8,027

17 Current asset investments

	2017	2016
	£'000	£'000
Listed investments	10,780	7,972
Listed investments included above:		
Listed investments carrying amount	10,780	7,972

18 Debtors

	2017	2016
Amounts falling due within one year:	**£'000**	**£'000**
Trade debtors	7,099	8,695
Corporation tax recoverable	1,225	1,265
Other debtors	16	120
Prepayments and accrued income	404	616
	8,744	10,696
Amounts falling due after one year:		
Amount due from parent undertaking	55,581	55,581
Cash funds held by LPA's	54,216	54,294
	109,797	109,875
Deferred tax asset (note 23)	190	-
	109,987	109,875
Total debtors	118,731	120,571

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.

No deferred tax asset has been recognised other than in relation to the pension deficit.

19 Creditors: amounts falling due within one year

		2017	2016
	Notes	**£'000**	**£'000**
Obligations under finance leases	**21**	284	1,378
Trade creditors		2,608	3,946
Other taxation and social security		1,337	701
Derivative financial instruments		1,394	5,112
Other creditors		869	774
Accruals and deferred income		672	2,125
		7,164	14,036

The company does not use derivative financial instruments for speculative purposes. At 31 March 2016 the company was committed to purchase 12 million litres of gas oil for the year ending 31st March 2017 at approximately 35 pence per litre, 12 million litres of gas oil for the year ending 31st March 2018 at approximately 36 pence per litre and 12 million litres of gas oil for the year ending 31st March 2019 at approximately 36 pence per litre. This is entirely for the company's own use. No further contracts were entered during 2017; the company remained committed to the contacts covering 2018 and 2019 at 31 March 2017.

20 Creditors: amounts falling due after more than one year

	Notes	2017 £'000	2016 £'000
Obligations under finance leases	21	340	624

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

21 Finance lease obligations

Future minimum lease payments due under finance leases:	2017 £'000	2016 £'000
Within one year	284	1,378
In two to five years	340	624
	624	2,002

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 - 4 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

22 Provisions for liabilities

	2017 £'000	2016 £'000
Operating provisions	153,007	144,045
Concessionary fuel	1,228	1,245
	154,235	145,290

Movements on provisions:

	Operating provisions £'000	Concessionary fuel £'000	Total £'000
At 1 April 2016	144,046	1,246	145,292
Additional provisions in the year	4,635	20	4,655
Utilisation of provision	(654)	(38)	(692)
Unwinding of discount	4,980	-	4,980
At 31 March 2017	153,007	1,228	154,235

22 Provisions for liabilities (Continued)

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 2 these items are based on management estimates and involve significant uncertainty.

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. 14 former workers and widows already receive this benefit and there are 12 current employees who will become members eligible for this allowance.

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

	2017	2016
Average retirement age	60 years	60 years
Discount rate	2.70%	3.60%
Pensionable life - current pensioner aged 60	21.5 years	25.5 years
Pensionable life - future retiree upon reaching 60	23.5 years	27.3 years

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

23 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Balances:	**Assets 2017 £'000**	**Assets 2016 £'000**
Accelerated capital allowances	(151)	(180)
Tax losses	2,948	1,238
Other timing differences	5,892	6,398
Provision for recoverability	(8,689)	(7,456)
Deferred tax on defined benefit liability	190	-
	190	-

23 Deferred taxation (Continued)

Movements in the year:	2017 £'000
Liability at 1 April 2016	-
Credit to profit or loss	(34)
Credit to other comprehensive income	(156)
Liability/(Asset) at 31 March 2017	(190)

No deferred tax asset has been recognised other than in relation to the pension deficit.

24 Share capital

	2017 £	2016 £
Ordinary share capital		
Issued and fully paid		
1 ordinary share of £1 each	1	1

25 Retirement benefit schemes

Defined contribution schemes	2017 £'000	2016 £'000
Charge to profit or loss in respect of defined contribution schemes	343	391

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

Outstanding contributions at 31 March 2017 in respect of defined contribution schemes were £39,000 (2016: £29,000).

25 Retirement benefit schemes **(Continued)**

Defined benefit schemes

The company operates a defined benefit scheme for qualifying employees. No other post retirement benefits are provided.

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 2015.

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, this implied a deficit of £1.1 million.

The company has agreed a recovery plan with the actuary; additional contributions of approximately £0.9 million were paid in December 2014 and a further £0.9 million were paid in June 2017.

Following the actuarial valuation a revised contribution rate has applied, and additional payments are being made which are intended to make good the remainder of the deficit. For members of the IWCSSS, employer contributions are 37% (2012 valuation: 32%).

The most recent valuations of plan assets and the present value of the defined benefit obligation on the basis of FRS 102 were carried out at 25 March 2017 by PricewaterhouseCoopers LLP, Fellow of the Institute of Actuaries. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

Key assumptions	**2017** %	**2016** %
Discount rate	2.70%	3.60%
Expected rate of increase of pensions in payment	3.30%	2.80%
Expected rate of salary increases	2.30%	1.90%

Mortality assumptions Assumed life expectations on retirement at age 60:	**2017** **Years**	**2016** **Years**
Retiring today		
- Males	21.0	25.5
- Females	22.8	28.0
Retiring in 20 years		
- Males	22.3	27.3
- Females	24.3	30.0

25 Retirement benefit schemes **(Continued)**

Amounts recognised in the profit and loss account	2017 £'000	2016 £'000
Current service cost	129	236
Net interest on defined benefit liability/(asset)	(4)	38
Other costs and income	88	90
Total costs	213	364

Amounts taken to other comprehensive income	2017 £'000	2016 £'000
Actual return on scheme assets	(2,377)	109
Less: calculated interest element	559	527
Return on scheme assets excluding interest income	(1,818)	636
Actuarial changes related to obligations	3,567	(2,795)
Movement in unrecognised plan surplus	(763)	763
Total costs/(income)	986	(1,396)

The amounts included in the balance sheet arising from the company's obligations in respect of defined benefit plans are as follows:

	2017 £'000	2016 £'000
Present value of defined benefit obligations	18,655	14,967
Fair value of plan assets	(17,707)	(15,730)
Deficit/(surplus) in scheme	948	(763)
Asset not recognised due to asset ceiling	-	763
Total liability recognised	948	-

Movements in the present value of defined benefit obligations	2017 £'000
Liabilities at 1 April 2016	14,967
Current service cost	129
Benefits paid	(587)
Contributions from scheme members	24
Actuarial gains and losses	3,567
Interest cost	555
At 31 March 2017	18,655

25 Retirement benefit schemes (Continued)

The defined benefit obligations arise from plans funded as follows:	**2017 £'000**
Wholly unfunded obligations	-
Wholly or partly funded obligations	18,655
	18,655

Movements in the fair value of plan assets	**2017 £'000**
Fair value of assets at 1 April 2016	15,730
Interest income	559
Return on plan assets (excluding amounts included in net interest)	1,818
Benefits paid	(587)
Contributions by the employer	251
Contributions by scheme members	24
Other	(88)
At 31 March 2017	17,707

Fair value of plan assets at the reporting period end	**2017 £'000**	**2016 £'000**
Equity instruments	7,448	6,065
Debt instruments	6,945	6,314
Property	-	1,236
Diversified growth fund	3,304	2,090
Cash and other	10	25
	17,707	15,730

26 Operating lease commitments

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017 £'000	**2016 £'000**
Within one year	58	45
Between two and five years	17	64
	75	109

27 Related party transactions

Remuneration of key management personnel
The remuneration of key management personnel is as follows:

	2017	2016
	£'000	£'000
Aggregate compensation	2,809	1,637

Other related party transactions
The company has taken advantage of the exemption, under the terms of FRS 102, section 33.1A, not to disclose related party transactions with wholly owned subsidiaries within the group.

Transactions during the current and previous years 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 2017	Sales / (purchases) during the year 2016
	£'000	£'000
Sale of assets	7	499
Purchase of assets	(64)	(139)
Income from hire or lease of equipment	6	8
Charges for hire or lease of equipment	(9,925)	(15,093)
Income for services	-	4
Charges for services	(912)	(1,926)

All of the above transactions were undertaken on normal commercial terms.

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

Balances at 31 March 2017 and 2016 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:

	2017	2016
	£'000	£'000
Total amounts due to Celtic Energy Limited at the year end	(6)	25
Total amounts due from Celtic Energy Limited at the year end	(801)	(2,228)

During the year the company incurred £400,000 (2016: £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.

No guarantees have been given or received.

28 Controlling party

The company is a wholly owned subsidiary of Celtic Group Holdings Limited, a company incorporated in Great Britain and registered in England an Wales.

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.