REGISTERED NUMBER: 02997376 (England and Wales)

CELTIC ENERGY LIMITED

STRATEGIC REPORT,

REPORT OF THE DIRECTORS AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2015

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FOR THE YEAR ENDED 31 MARCH 2015

COMPANY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2015

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

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2015

The directors present their strategic report for the year ended 31 March 2015.

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 loss of £3.5m (2014: £13.4m) for the year and turnover of £66.4m (2014: £81.2m).

Turnover reduced by approximately 18% as a result of lower domestic sales and falling world prices.

Gross Profit ("GP") is the company's key indicator of operating effectiveness. Overall GP% has decreased to 5.4% from 27.9% in 2014, however, this is following a charge of £1.3m in relation to the increase in provisions in the current year and an exceptional release of provisions of £5.6m in 2014.

This fall in GP compared to 2014 is due predominantly to the lower world coal prices.

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

	31 March 2015	31 March 2014
Number of accidents	22	17
Dangerous occurrences	2	8
Number of complaints	37	101
Complaints excluding blasting	13	9

SITE DEVELOPMENT
In June 2015 Neath & Port Talbot County Council 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.

As a result it will be necessary to reassess provisions for restoration and rehabilitation; although it is not possible to accurately estimate the impact at the date of signing these accounts, it is anticipated that there will be a significant reduction.

Following the year end the company acquired the freehold of three operating sites. The overall cost of the transaction was £5.75m; part of this cost will be capitalised. The estimated impact of the transaction on net assets is a reduction of £1.7m.

Over the twelve months to November 2015 the global price of thermal coal has reduced by a further 40% resulting in a re-evaluation of the company's short to medium term business plan; following this a decision has been taken to temporarily mothball the Selar site from early 2016. The full financial impact of this is currently being considered.

GENERAL
The outlook for global coal production is increasingly uncertain as a number of factors have come together to dramatically reduce prices. The reduction in growth rate of the Chinese economy, shale oil and gas production increases and continuing low oil prices have created extremely difficult global trading conditions for coal.

At the same time, tightening emissions controls and climate change concerns are exerting increasing pressure on coal as a long term electricity generating fuel. This has been reflected in the recent announcement by the UK Government that all UK coal fired power stations will close by 2025.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2015

PRINCIPAL 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.

ON BEHALF OF THE BOARD:

W Watson - Director

17 December 2015

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2015

The directors present their report with the financial statements of the company for the year ended 31 March 2015.

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

DIVIDENDS
No dividends will be distributed for the year ended 31st March 2015 (2014: £nil).

EVENTS SINCE THE END OF THE YEAR
Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS
The directors shown below have held office during the whole of the period from 1 April 2014 to the date of this report.

DHM Consultancy Limited
R Thompson
R E Morris
W Watson

Other changes in directors holding office are as follows:

R Walters was appointed as a director after 31 March 2015 but prior to the date of this report.

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

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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

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 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.

ON BEHALF OF THE BOARD:

W Watson - Director

17 December 2015

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 31 March 2015 on pages eight to twenty eight. 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 pages four and five, 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 Strategic Report and the Report of the Directors 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 2015 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, 9 and 15 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 matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Report of the Directors 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.

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

17 December 2015

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2015 £'000	2014 £'000
TURNOVER	2	66,420	81,209
Cost of sales (including £1.3m increase in provision (2014: £5.6m release))		(62,810)	(58,583)
GROSS PROFIT		3,610	22,626
Administrative expenses		(3,815)	(5,282)
		(205)	17,344
Other operating income		1	-
OPERATING (LOSS)/PROFIT	4	(204)	17,344
Profit/loss on sale of tangible fixed assets	5	(125)	-
		(329)	17,344
Interest receivable and similar income	6	817	331
Other finance income	18	24	3
		512	17,678
Interest payable and similar charges	7	(3,960)	(4,231)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(3,448)	13,447
Tax on (loss)/profit on ordinary activities	8	1,079	(2,093)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(2,369)	11,354

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2015

	2015 £'000	2014 £'000
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	(2,369)	11,354
Actuarial (loss) /gain recognised in the pension scheme	(1,224)	84
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	(3,593)	11,438

The notes form part of these financial statements

CELTIC ENERGY LIMITED (REGISTERED NUMBER: 02997376)

BALANCE SHEET
31 MARCH 2015

	Notes	2015 £'000	2015 £'000	2014 £'000	2014 £'000
ASSETS					
FIXED ASSETS					
Tangible assets	9		26,865		32,088
CURRENT ASSETS					
Stocks	10	14,854		11,720	
Debtors	11	119,715		108,055	
Investments	12	5,041		3,366	
Cash at bank		38,750		48,424	
			178,360		171,565
			205,225		203,653
LIABILITIES					
CAPITAL AND RESERVES					
Called up share capital	13	-		-	
Other reserves	14	10,000		10,000	
Profit and loss account	14	22,093		25,686	
SHAREHOLDERS' FUNDS	21		32,093		35,686
PROVISIONS FOR LIABILITIES	15		159,611		155,408
CREDITORS	16		12,502		11,831
PENSION LIABILITY	18		1,019		728
			205,225		203,653

The financial statements were approved by the Board of Directors on 17 December 2015 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 23.

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 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.

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 arc 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 2015 as set out in note 15 is approximately £158.2 million (2014: £154.0 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 a increase of £0.6 million (this consists of decreased provision for East Pit of £3.9 million and increases of £3.1 million for Nant Helen, £0.7 million for Selar and £0.7 million for Margam). £0.7 million of the increases and £1.4 million of the decrease has been reflected in the carrying value of fixed assets in accordance with FRS 12, the remainder (£1.3 million) has been charged to the profit and loss account. This is regarded as an exceptional item, refer to note 5.

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 2015 the carrying value of restoration and rehabilitation assets was approximately £8.1 million (2014: £11.0 million), however depending on the actual liability the carrying value of restoration and rehabilitation assets could vary significantly. Provision adjustments have resulted in a decrease in assets by approximately £0.6 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 2015 the carrying value of capitalised stripping costs was approximately £2.6 million (2014: £4.3 million).

2. **TURNOVER**

The turnover and loss (2014 - profit) before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2015	2014
	£'000	£'000
United Kingdom	59,997	72,696
Rest of Europe	6,423	8,513
	66,420	81,209

3. STAFF COSTS

	2015	2014
	£'000	£'000
Wages and salaries	12,472	13,105
Social security costs	1,134	1,316
Pension costs	468	420
	14,074	14,841

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

	2015	2014
Mining operations	305	322
Technical support	3	3
Selling	3	3
Management and distribution	13	13
	324	341

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

	2015	2014
	£'000	£'000
Directors' remuneration	1,080	1,001
Directors' pension contributions	40	36
	1,120	1,037

Information regarding the highest paid director is as follows:

	2015	2014
	£'000	£'000
Emoluments	400	400
Pension contributions	-	-
	400	400

4. OPERATING (LOSS)/PROFIT

The operating profit is stated after charging/(crediting):

		2015	2014
		£'000	£'000
Operating lease rentals - plant and machinery		14,166	14,855
Operating lease rentals - other		2	4
Depreciation and other amounts written off tangible fixed assets	- owned	2,889	4,223
	- leased	1,726	1,524
Rents receivable from property		(283)	(237)
Auditors' remuneration for audit services		43	43
Exceptional movement in operating provisions		1,254	(5,600)

5. EXCEPTIONAL ITEMS

Operating provisions

During the year ended 31 March 2014 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 operating factors and recent cost experience. As a result, provisions were decreased by £7.2m of which £5.6m was recorded in the profit and loss account and £1.6m was capitalised.

In the current year there was a net increase in operating provisions of £0.6m, consisting of a £3.9m decrease in relation to East Pit and a £4.5m increase in relation to other sites. £1.4m of the decrease and £0.7m of the increase has been reflected in the capitalised surface mine costs in accordance with FRS12, the remainder, a net £1.3m has been recorded as an exceptional cost in the profit & loss account.

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2015	2014
	£'000	£'000
Bank interest receivable	817	331

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2015	2014
	£'000	£'000
Bank interest	29	-
Hire purchase	136	204
Unwinding of discount on provisions	3,795	4,027
	3,960	4,231

Other finance costs:

	2015	2014
	£'000	£'000
Expected return on pension scheme assets	(642)	(611)
Interest on pension scheme liabilities	618	608
	(24)	(3)

8. TAXATION

Analysis of the tax (credit)/charge

The tax (credit)/charge on the loss on ordinary activities for the year was as follows:

	2015	2014
	£'000	£'000
Current tax:		
UK corporation tax	(1,011)	2,104
Adjustments to tax charge in respect of prior years	(60)	-
Total current tax	(1,071)	2,104
Deferred tax	(8)	(11)
Tax on (loss)/profit on ordinary activities	(1,079)	2,093

8. TAXATION - continued

Factors affecting the tax (credit)/charge

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

	2015 £'000	2014 £'000
(Loss)/profit on ordinary activities before tax	(3,448)	13,447
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21% (2014 - 23%)	(724)	3,093
Effects of:		
Expenses not deductible for tax purposes	35	11
Depreciation in excess of capital allowances	376	520
Utilisation of tax losses	-	(1,354)
Adjustments to tax charge in respect of previous periods	(60)	-
Provisions not allowed until paid	(610)	(166)
Difference in tax rates on loss carry back	(88)	-
Current tax (credit)/charge	(1,071)	2,104

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 £8,000. The amount of deferred tax recognised in the statement of total recognised gains and losses is £54,000, 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 18.

9. 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 1 April 2014	2,056	3,923	32,877	55,167	94,023
Additions	-	294	2,447	-	2,741
Disposals	(14)	-	(2,410)	(2,280)	(4,704)
At 31 March 2015	2,042	4,217	32,914	52,887	92,060
DEPRECIATION					
At 1 April 2014	96	-	22,038	39,801	61,935
Charge for year	19	-	2,310	2,286	4,615
Eliminated on disposal	-	-	(1,355)	-	(1,355)
At 31 March 2015	115	-	22,993	42,087	65,195
NET BOOK VALUE					
At 31 March 2015	1,927	4,217	9,921	10,800	26,865
At 31 March 2014	1,960	3,923	10,839	15,366	32,088

9. TANGIBLE FIXED ASSETS - continued

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 £0.6m (2014: £0.6m) which is not depreciated.

Included in the total net book value at 31 March 2015 is £8.548m (2014: £9.270m) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £1.726m (2014: £1.524m).

Cost or valuation at 31 March 2015 is represented by:

	Freehold land and buildings	Investment properties	Plant, machinery and equipment	Surface mines	Totals
	£'000	£'000	£'000	£'000	£'000
Valuation in 2015	-	4,217	-	-	4,217
Cost	2,042	-	32,914	52,887	87,843
	2,042	4,217	32,914	52,887	92,060

Investment properties, which are all freehold, were valued on an open market existing use basis at 31 March 2015 by the directors. The properties are not depreciated. The depreciation which would otherwise have been charged amounts to £221,925 (2014: £140,503). The directors consider the value to be the same as the historical cost for the investment properties held at 31 March 2015.

The value of land included in investment properties amounts to £483,012 (2014: £483,012).

10. STOCKS

	2015	2014
	£'000	£'000
Coal stocks	13,395	10,081
Consumables	1,459	1,639
	14,854	11,720

11. DEBTORS

	2015	2014
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	11,083	11,768
Other debtors	29	502
Tax	4,116	871
Prepayments and accrued income	578	451
	15,806	13,592

11. DEBTORS - continued

	2015	2014
	£'000	£'000
Amounts falling due after more than one year:		
Amounts owed by parent undertakings	55,581	55,581
Cash funds held by LPAs	48,328	38,882
	103,909	94,463
Aggregate amounts	119,715	108,055

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 18).

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 20% (2014: 20%) are shown below:

	2015	2014
	£'000	£'000
Difference between accumulated depreciation and amortisation and capital allowances	126	143
Other timing differences	6,916	6,994
	7,042	7,137
Provision for recoverability	(7,042)	(7,137)
Balance at 31st March	-	-

12. CURRENT ASSET INVESTMENTS

Current asset investments are comprised of the following amounts:

	2015	2014
	£'000	£'000
Listed investments	5,041	3,366
	5,041	3,366

The market value of listed investments at 31 March 2015 was £5.4m (2014: £3.3m).

13. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2015 £	2014 £
1	Ordinary	£1	1	1

14. RESERVES

	Profit and loss account £'000	Other reserves £'000	Totals £'000
At 1 April 2014	25,686	10,000	35,686
Deficit for the year	(2,369)	-	(2,369)
Actuarial gain on pension scheme (net of deferred tax)	(1,224)	-	(1,224)
At 31 March 2015	22,093	10,000	32,093

Profit and loss account excluding pension liability	23,112
Pension deficit	(1,019)
Profit and loss account	22,093

15. PROVISIONS FOR LIABILITIES

	At 1 April 2014	Increase/ (decrease) in the year	Utilised in year	Unwinding of discount	At 31 March 2015
	£'000	£'000	£'000	£'000	£'000
Concessionary fuel	1,378	89	(36)	-	1,431
Operating provisions	154,029	647	(292)	3,796	158,180
	155,407	736	(328)	3,796	159,611

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. 15 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:

	2015	2014
Average retirement age	65 years	65 years
Discount rate	4.35%	4.35%
Pensionable life - current pensioner aged 60	25.6 years	25.6 years
Pensionable life - future retiree upon reaching 60	27.9 years	27.9 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.

16. CREDITORS

	2015	2014
	£'000	£'000
Amounts falling due within one year:		
Hire purchase contracts (see note 17)	1,776	2,693
Trade creditors	4,453	4,371
Social security and other taxes	281	308
VAT	608	213
Other creditors	196	185
Accruals and deferred income	3,936	3,165
	11,250	10,935

16. CREDITORS - *continued*

	2015 £'000	2014 £'000
Amounts falling due after more than one year:		
Hire purchase contracts (see note 17)	1,252	896
Aggregate amounts	12,502	11,831

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

17. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	2015 £'000	2014 £'000
Net obligations repayable:		
Within one year	1,776	2,693
Between one and five years	1,252	896
	3,028	3,589

18. 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:

	2015	2014
	£'000	£'000
Defined benefit schemes	203	191
Defined contribution schemes	265	229
	468	420

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 2012.

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 2012 is a long term gross yield on scheme assets of 6.2% which will exceed the annual rate of increase in pensionable salaries by 3.6% and price inflation by 3.1%. Pensions are expected to increase in line with price inflation at 3.1%. The aggregate market value of the assets at the valuation date was £12.1 million for the IWCSSS. The aggregate funding level on an ongoing basis was 85.5%, i.e. there is an implied deficit of £2.0m. 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 will be paid in 2016 following the triennial valuation to 31 December 2015.

Following the actuarial valuation undertaken as at 31 December 2012, 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 32% (2009 valuation: 33%).

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

	2015	2014
	£'000	£'000
Defined benefit schemes	19	16
Defined contribution schemes	41	33
	60	49

18. EMPLOYEE BENEFIT OBLIGATIONS - continued

The amounts recognised in the balance sheet are as follows:

	Defined benefit pension plans	
	2015	2014
	£'000	£'000
Present value of funded obligations	(17,267)	(14,256)
Fair value of plan assets	15,993	13,335
	(1,274)	(921)
Present value of unfunded obligations	-	-
Deficit	(1,274)	(921)
Deferred tax asset	255	193
Net liability	(1,019)	(728)

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	2015	2014
	£'000	£'000
Current service cost	203	191
Interest cost	618	608
Expected return	(642)	(611)
Past service cost	-	230
	179	418
Actual return on plan assets	1,833	483

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

	Defined benefit pension plans	
	2015	2014
	£'000	£'000
Opening defined benefit obligation	14,256	13,685
Current service cost	203	191
Past service cost	-	230
Contributions by scheme participants	36	40
Interest cost	618	608
Actuarial losses/(gains)	2,469	(212)
Benefits paid	(315)	(286)
	17,267	14,256

18. EMPLOYEE BENEFIT OBLIGATIONS - continued

Changes in the fair value of scheme assets are as follows:

	Defined benefit pension plans	
	2015	2014
	£'000	£'000
Opening fair value of scheme assets	13,335	12,893
Contributions by employer	1,104	205
Contributions by scheme participants	36	40
Expected return	642	611
Actuarial gains/(losses)	1,191	(128)
Benefits paid	(315)	(286)
	15,993	13,335

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

	Defined benefit pension plans	
	2015	2014
	£'000	£'000
Actual return less expected return on assets	1,191	(128)
Changes in assumptions	(2,469)	212
	(1,278)	84
Cumulative amount of actuarial gains/(losses)	(1,599)	(321)

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

	Defined benefit pension plans	
	2015	2014
	£'000	£'000
Equities and property	7,526	6,411
Cash	25	63
Bonds	6,326	4,869
Alternatives	2,116	1,992
	15,993	13,335

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

	2015	2014
Discount rate	3.30%	4.35%
Future salary increases	3.75%	4.10%
Rate of price inflation	3.25%	3.60%

18. **EMPLOYEE BENEFIT OBLIGATIONS - continued**

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: 25.6 years male, 28.2 years female
- future retiree currently aged 40: 27.4 years male, 30.2 years female

Amounts for the current and previous four periods are as follows:

	2015	2014	2013 as restated	2012 as restated	2011 as restated
	£'000	£'000	£'000	£'000	£'000
Defined benefit pension plans					
Defined benefit obligation	(17,267)	(14,256)	(13,685)	(11,794)	(9,980)
Fair value of scheme assets	15,993	13,335	12,893	10,859	8,975
Deficit	(1,274)	(921)	(792)	(935)	(1,005)
Experience adjustments on scheme liabilities	-	5.52%	-	-1.47%	7.85%
Experience adjustments on scheme assets	7.45%	-0.96%	7.00%	2.04%	-

19. **OTHER FINANCIAL COMMITMENTS**

The company had no capital commitments at the year end (2014: £nil).

Annual commitments under non-cancelable operating leases are as follows:

	2015		2014	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within one year	-	5	-	5
In the second to fifth years inclusive	99	43	99	43
More than five years	-	-	-	-
	99	48	99	48

DERIVATIVE FINANCIAL INSTRUMENTS

The company does not use derivative financial instruments for speculative purposes. At the year end the company was committed to purchase 12 million litres of diesel for the year ending 31st March 2016 at approximately 42 pence per litre and 12 million litres of diesel for the year ending 31st March 2017 at approximately 35 pence. This is entirely for the company's own use.

20. POST BALANCE SHEET EVENTS

In June 2015 Neath & Port Talbot County Council 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.

As a result it will be necessary to reassess provisions for restoration and rehabilitation; although it is not possible to accurately estimate the impact at the date of signing these accounts, it is anticipated that there will be a significant reduction.

Following the year end the company acquired the freehold of three operating sites. The overall cost of the transaction was £5.75m; part of this cost will be capitalised. The estimated impact of the transaction on net assets is a reduction of £1.7m.

Over the twelve months to November 2015 the global price of thermal coal has reduced by a further 40% resulting in a re-evaluation of the company's short to medium term business plan; following this a decision has been taken temporarily mothball the Selar site from early 2016. The full financial impact of this is currently being considered.

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2015 £'000	2014 £'000
(Loss)/profit for the financial year	(2,369)	11,354
Other recognised gains and losses relating to the year (net)	(1,224)	84
Net (reduction)/addition to shareholders' funds	(3,593)	11,438
Opening shareholders' funds	35,686	24,248
Closing shareholders' funds	32,093	35,686

22. COMPARATIVE RESTATEMENT

£1,639,000 of assets recorded within Plant and Machinery at 31 March 2014 have been reclassified as consumables because the directors believe that this more accurately reflects the true nature of the assets. There was no effect on the profit for the year nor net assets.

23. 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 2015 and 2014, 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 2015 £'000	Debtor/(creditor) outstanding at year end 2015 £'000	Sales/(purchases) during the year 2014 £'000	Debtor/(creditor) outstanding at year end 2014 £'000
Sale of assets	32	-	64	-
Purchase of assets	(338)	-	(332)	-
Income from hire or lease of equipment	4	1	4	1
Charges for hire or lease of equipment	(15,513)	(1,136)	(10,642)	(1,594)
Income for services	45	9	49	8
Charges for services	(1,807)	(8)	(1,758)	(106)
Purchase of coal	(212)	-	(90)	-

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 £100,000 (2014: £3,869,342) to High Bird Developments Limited for plant hire and labour. The company made purchases from High Bird Developments Limited of £nil (2014: £13,754,456) for plant hire and labour. High Bird Developments Limited is a company which is under the common control of Mr R J Walters and of which Mr R Thompson is also a director.

At the year end the company had accrued income of £100,000 (2014: £nil) from High Bird Developments Limited.

At the year the company owed £213,904 (2014: £213,904) to High Bird Developments Limited. This amount is included with trade creditors due within one year.

During the year the company incurred £400,000 (2014: £400,000) of consultancy fees from DHM Consultancy Limited a company which is a corporate director of the company.

During the prior year the company made a loan of £465,000 to Neath Port Talbot (Recycling) Limited, a company of which Mr W Watson is a director. Interest is being charged at 2.5%. The balance outstanding at 31 March 2015 was £nil (2014: £465,000); this is recorded within other debtors.

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

24. 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.