

**COMPANY REGISTRATION NO. 02997376 (England and Wales)**

**CELTIC ENERGY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**CELTIC ENERGY LIMITED**

**COMPANY INFORMATION**

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**Directors** Mr R Walters  
Mr W Watson  
Mr R Thompson  
Mr R E Morris  
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

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## **CELTIC ENERGY LIMITED**

### **STRATEGIC REPORT**

#### **FOR THE YEAR ENDED 31 MARCH 2020**

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The directors present the strategic report for the year ended 31 March 2020.

#### **Fair review of the business**

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

The results for the company show a pre-tax profit of £23.3m (2019: £60.4m) and turnover of £33.7m (2019: £38.3m)

Company turnover has reduced by approximately 12.2% compared with 2018/19 (1.8% reduction in the previous year) as a result of reduced production and sales.

Profit again has not principally been created by trading activities but by the release of restoration provisions. Restoration provisions have been charged to the P&L account since the company was privatised in 1994 although they have not been supported by cash balances. As sites have either been restored to the satisfaction of the local planning authorities or have ceased coaling with restoration costs able to be accurately predicted, restoration provisions can be released from the accounts. This has resulted in very large provision releases in the current year and the prior year. Those releases in turn produce very large accounting profits which, whilst subject to corporation tax, does not represent cash income to the company.

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

	<b>2020</b>	<b>2019</b>
Number of accidents	11	9
Dangerous occurrences	-	-
Number of complaints	9	20
Complaints excluding blasting	9	8

#### **Site Development**

Restoration work at Selar is now substantially complete.

Coaling operations at East Pit were completed, as planned, in early 2019 and restoration works are progressing well with completion expected in 2021.

Coaling operations at Nant Helen restarted in 2019 and are expected to finish in 2021 with restoration continuing until 2023.

There will be no further coaling operations beyond 2021 as the company transitions away from coal mining to focus on commercial property in the future.

#### **General**

We are continuing to develop proposals for regeneration legacy projects at East Pit and Nant Helen.

At Nant Helen, the Welsh Government's Global Centre of Rail Excellence project is continuing through the design and feasibility phases and a planning application for the overall scheme is expected in 2021.

At East Pit, discussions with a potential developer of an outdoor education centre at the site have stalled due to the coronavirus pandemic and its impact on the developer.

Trading conditions remain challenging with continuing uncertainty around Brexit and the general environmental concerns surrounding coal use.

## **CELTIC ENERGY LIMITED**

### **STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020**

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#### **S172 statement**

The directors of the company act in good faith to promote the success of the company, in a fair manner with high standards of business conduct.

The directors recognise their responsibilities under the Act and are satisfied they have met their duties regarding these matters.

The directors fulfil their duties through a governance framework that delegates day-to-day decision making to employees of the company.

Much of the company's medium and long-term strategy has been determined by external factors such as the availability of planning consent and coal license as well as the availability of coal resources.

We plan to operate our final mine at Nant Helen until mid 2021 to the highest health and safety and environmental standards. We will then continue to sell remaining coal stocks.

After coaling sites will be restored for agriculture, forestry and local amenity including wetlands, tree plantations and other forms of development.

#### **Business relationships and conduct**

The directors acknowledge the importance of the company's customers to the success of the company.

We are committed to providing the highest levels of service. We have dedicated client service teams who are responsible for managing our customer relationships ensuring their needs are met. We hold regular meetings with our major customers focusing on key areas such as quality and delivery times.

We also recognise the key part that our suppliers play in our business. We value all our suppliers and have contracts with our key suppliers.

#### **Employees and employee participation**

The company has always been committed to recruiting, developing and retaining a strong and diverse workforce.

The directors recognise the roles which employees bring to the success of the company, through skill, experience and commitment; their wellbeing is a priority of the directors.

The company's policy is to consult and discuss with employees, through unions and staff meetings, matters likely to affect employees' interests.

#### **Community and Environment**

The directors are mindful of the impact the company's operations have on the community and the environment.

The company is aware of its corporate social accountability, particularly in its interaction with neighbours and the environment. The board recognises its responsibility in ensuring that company developments are sustainable, and that an ecological balance is maintained when exploiting mineral resources.

**CELTIC ENERGY LIMITED**

**STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2020**

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**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 health & 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.

**Going concern**

Uncertainty due to the Covid-19 outbreak has been considered as part of the company's adoption of the going concern basis. The impact on the company's business and results have been limited. The board has put measures in place to limit the risks of transmission at its head office and its operating sites; the impact of production and sales has been limited.

In June 2020 The Welsh Government refused to confirm the company's licence for the extraction of coal despite the licence being granted by the Coal Authority until 31 December 2021; this meant that there was significant doubt over the company's ability to continue to trade.

However, the Welsh Government reversed that decision in January 2021 and has now authorised the company's coal licence until 31 December 2021.

The directors have updated the company's cashflow projections for the foreseeable future (being at least 12 months from the date of approval of these financial statements),

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to meet its debts as they fall due for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

On behalf of the board

Mr W Watson  
**Director**  
22 March 2021

## CELTIC ENERGY LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2020

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The directors present their annual report and financial statements for the year ended 31 March 2020.

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

#### Results and dividends

The results for the year are set out on page 9.

#### 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.

#### Energy and carbon report

We have reported on all sources of GHG emissions and energy usage as required under The Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended.

#### GHG emissions and energy usage

GHG emissions and energy usage data for period 1 April 2019 to 31 March 2020		
	2020	2019
Emissions from combustion of gas (Scope 1 – tonnes of CO <sub>2</sub> e)	7,069	N/A
Emissions from combustion of fuel for transport purposes (Scope 1 – tonnes of CO <sub>2</sub> e)	22,504.84	N/A
Emissions from combustion of fuel for other purposes (Scope 1 – tonnes of CO <sub>2</sub> e)	3,360.62	N/A
Emissions from electricity purchased for own use, including for the purposes of transport (Scope 2 – tonnes of CO <sub>2</sub> e)	1014.38	N/A
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3 – tonnes of CO <sub>2</sub> e)	-	N/A
Total gross CO <sub>2</sub> e based on above	26,886.9	N/A
Energy consumption used to calculate emissions – kwh	101,404.77	N/A
Chosen intensity measurement – tonnes of CO <sub>2</sub> e per £m of revenue	0.798	N/A

We are committed to taking action to tackle climate change. We completed the UK government required Energy Saving Obligations Scheme audits and identified potential energy costs savings. Emission reduction projects including lighting upgrades, more efficient equipment and behavioural change campaigns are all underway.

**CELTIC ENERGY LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2020**

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**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**

22 March 2021



**CELTIC ENERGY LIMITED**

**DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2020**

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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.

## **CELTIC ENERGY LIMITED**

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

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#### **Opinion**

We have audited the financial statements of Celtic Energy Limited (the 'company') for the year ended 31 March 2020 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Emphasis of matter on going concern**

We draw attention to note 1.2 of the financial statements (Going concern), which explains that the company's licence has been revoked by the Welsh Government; this casts significant doubt on the company's ability to continue to trade. Nevertheless the directors have concluded that the company has adequate resources to meet its debts as they fall due for the foreseeable future. Our opinion is not modified in respect of this matter.

#### **Conclusions relating to going concern**

Subject to our comment above in relation to emphasis of matter on going concern, we have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**CELTIC ENERGY LIMITED**

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)  
TO THE MEMBERS OF CELTIC ENERGY LIMITED**

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**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of our audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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.

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**Use of our report**

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.

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

22 March 2021

**Chartered Accountants**  
**Statutory Auditor**

Newport  
South Wales  
United Kingdom

**CELTIC ENERGY LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2020**

	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
<b>Turnover</b>	<b>3</b>		33,674		38,346
Cost of sales:					
Exceptional movement in operating provisions	<b>4</b>	21,253		54,852	
Gas oil derivative expenses		-		(23)	
Other cost of sales		(19,279)		(25,000)	
Total cost of sales			1,974		29,829
<b>Gross profit</b>			35,648		68,175
Administrative expenses			(10,212)		(7,949)
Other operating income			869		1,033
<b>Operating profit</b>	<b>5</b>		26,305		61,259
Interest receivable and similar income	<b>9</b>		453		1,478
Interest payable and similar expenses	<b>10</b>		(1,124)		(2,306)
Fair value gains and losses on investments	<b>11</b>		(2,320)		-
<b>Profit before taxation</b>			23,314		60,431
Tax on profit	<b>12</b>		(2,796)		(8,622)
<b>Profit for the financial year</b>			20,518		51,809

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 2020**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Profit for the year</b>	20,518	51,809
<b>Other comprehensive income</b>		
Actuarial (loss)/gain on defined benefit pension schemes	(437)	43
<b>Total comprehensive income for the year</b>	<u>20,081</u>	<u>51,852</u>

**CELTIC ENERGY LIMITED**

**BALANCE SHEET  
AS AT 31 MARCH 2020**

		2020	2019
	Notes	£'000	£'000
<b>Fixed assets</b>			
Tangible assets	14	6,062	7,105
Investment properties	13	15,270	14,810
		<u>21,332</u>	<u>21,915</u>
<b>Current assets</b>			
Stocks	15	7,807	7,451
Debtors	17	92,428	98,749
Investments	16	22,992	22,831
Cash at bank and in hand		16,675	21,687
		<u>139,902</u>	<u>150,718</u>
<b>Creditors: amounts falling due within one year</b>	18	(10,060)	(12,185)
<b>Net current assets</b>		<u>129,842</u>	<u>138,533</u>
<b>Total assets less current liabilities</b>		<u>151,174</u>	<u>160,448</u>
<b>Creditors: amounts falling due after more than one year</b>	19	-	(10)
<b>Provisions for liabilities</b>	21	(50,975)	(80,320)
<b>Net assets excluding pension liability</b>		<u>100,199</u>	<u>80,118</u>
<b>Defined benefit pension liability</b>	23	-	-
<b>Net assets</b>		<u><u>100,199</u></u>	<u><u>80,118</u></u>
<b>Capital and reserves</b>			
Revaluation reserve		1,060	1,060
Other reserves		10,000	10,000
Profit and loss reserves		89,139	69,058
<b>Total equity</b>		<u><u>100,199</u></u>	<u><u>80,118</u></u>

The financial statements were approved by the board of directors and authorised for issue on 22 March 2021 and are signed on its behalf by:

Mr W Watson  
Director

DHM Consultancy Limited  
Director

Company Registration No. 02997376

**CELTIC ENERGY LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2020**

	<b>Revaluation reserve £'000</b>	<b>Other reserves £'000</b>	<b>Profit and loss reserves £'000</b>	<b>Total £'000</b>
<b>Balance at 1 April 2018</b>	1,060	10,000	17,206	28,266
<b>Year ended 31 March 2019:</b>				
Profit for the year	-	-	51,809	51,809
Other comprehensive income:				
Actuarial gains on defined benefit plans	-	-	43	43
Total comprehensive income for the year	-	-	51,852	51,852
<b>Balance at 31 March 2019</b>	1,060	10,000	69,058	80,118
<b>Year ended 31 March 2020:</b>				
Profit for the year	-	-	20,518	20,518
Other comprehensive income:				
Actuarial gains on defined benefit plans	-	-	(437)	(437)
Total comprehensive income for the year	-	-	20,081	20,081
<b>Balance at 31 March 2020</b>	1,060	10,000	89,139	100,199

The revaluation reserve represents the cumulative effect of revaluations of freehold and leasehold land and buildings and investment property.

The other reserves were established as being non-distributable on incorporation of the company on 28 November 1994 following the Coal Industry Act 1994.

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

## **CELTIC ENERGY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**

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#### **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 £.

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.



## CELTIC ENERGY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

#### 1 Accounting policies

(Continued)

##### 1.2 Going concern

Uncertainty due to the Covid-19 outbreak has been considered as part of the company's adoption of the going concern basis. The impact on the company's business and results have been limited. The board has put measures in place to limit the risks of transmission at its head office and its operating sites; the impact of production and sales has been limited.

In June 2020 The Welsh Government refused to confirm the company's licence for the extraction of coal despite the licence being granted by the Coal Authority until 31 December 2021; this meant that there was significant doubt over the company's ability to continue to trade.

However, the Welsh Government reversed that decision in January 2021 and has now authorised the company's coal licence until 31 December 2021.

The directors have updated the company's cashflow projections for the foreseeable future (being at least 12 months from the date of approval of these financial statements),

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to meet its debts as they fall due 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.

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
Motor vehicles	33% per annum
Surface works	10% per annum
Surface mine preparation, restoration, rehabilitation and pre-coaling costs	unit of production basis

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.

**CELTIC ENERGY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2020**

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**1 Accounting policies**

**(Continued)**

**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 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.

**1.7 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.

**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.

**CELTIC ENERGY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2020**

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**1 Accounting policies**

**(Continued)**

**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 and loans 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.

**Other financial liabilities**

Derivatives, including swaps, 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.

**Derecognition of financial liabilities**

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

**1.8 Taxation**

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

**CELTIC ENERGY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2020**

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**1 Accounting policies**

**(Continued)**

**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.

**1.9 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 value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises. Further detail is provided in note 2.

**1.10 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.

**CELTIC ENERGY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2020**

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**1 Accounting policies**

**(Continued)**

**1.11 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 net defined 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.

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.

**CELTIC ENERGY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2020**

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**1 Accounting policies**

**(Continued)**

**1.12 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 profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**1.13 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.

**1.14 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.

**CELTIC ENERGY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2020**

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**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 however world prices remained favourable.

In June 2020 The Welsh Government refused to confirm the company's licence for the extraction of coal despite the licence being granted by the Coal Authority until 31 December 2021; this meant that there was significant doubt over the company's ability to continue to trade.

However, the Welsh Government reversed that decision in January 2021 and has now authorised the company's coal licence until 31 December 2021.

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.

**Stock valuation**

At 31 March 2020 the company held stock of £6,585,000 (2019: 7,451,000). Stocks 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.

**CELTIC ENERGY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2020**

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**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 2020 as set out in note 21 is approximately £49.7 million (2019: £78.9 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 £1.1 million in the current year (2019: £1.7 million increase).

As discussed in note 4, provisions have been reduced by £21.3 million (2019: £54.9 million), this has been reflected in the profit and loss as an exceptional item.

The company spent £9.1 million (2019: £3.9 million) on restoration during the year.

**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 2020 and 31 March 2019 the restoration and rehabilitation assets had been fully amortised,

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 2020 the carrying value of capitalised stripping costs was £nil (2019: £nil).

**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 23 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**

At 31 March 2020 the company held investment properties with a value of £15,270,000 (2019: £14,810,000). 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 factors affecting the values are the anticipated yields and anticipated occupancy rates.



**CELTIC ENERGY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**3 Turnover and other revenue**

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Turnover analysed by class of business</b>		
Sale of goods	33,674	38,346
	<u>          </u>	<u>          </u>
	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Other significant revenue</b>		
Gains on financial instruments measured at fair value through profit and loss	-	968
Interest income	453	510
	<u>          </u>	<u>          </u>
	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Turnover analysed by geographical market</b>		
United Kingdom	26,009	28,253
Rest of Europe	7,665	10,093
	<u>          </u>	<u>          </u>
	33,674	38,346
	<u>          </u>	<u>          </u>

**4 Exceptional costs/(income)**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Exceptional costs included in cost of sales</b>		
Movement in operating provisions	(21,253)	(54,852)
	<u>          </u>	<u>          </u>

**Operating provisions**

In the prior year work was completed on the restoration of the company's former site at Margam. The company had been working on a revised restoration strategy with Port Talbot Council, however until restoration was complete and signed off the company was obligated to the original, more costly, restoration plan. The restoration has now been completed to the revised plan and signed off, therefore the company's obligation in respect of restoration at Margam is complete. This enabled the company to release the remaining restoration provision related to Margam of £33.5 million last year. The company is still obligated to ongoing rehabilitation costs; these costs have also been re-evaluated and the overall provision has been reduced by £0.1 million to £1.0 million at 31 March 2020.

The experience at Margam and the progress of progressive restoration at other sites has enabled the company to re-evaluate provisions in respect of obligations at other sites; as a result the company has reduced its estimate of the cost of restoring other sites by £19.5 million. The total restoration provision for these sites has reduced from £69.1 million to £41.2 million. The company spent £9.1 million restoring these sites during 2019/20 and unwinding of discount increased the opening provision by £1.0 million. The expected cost of rehabilitation of these sites was revised to £5.9 million from £7.5 million; a reduction of £1.8 million (after unwinding discount of £0.2 million increased the opening provision).

Refer to note 21 for further detail.

**CELTIC ENERGY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**5 Operating profit**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Operating profit for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	1,023	2,026
Depreciation of tangible fixed assets held under finance leases	-	115
Profit on disposal of tangible fixed assets	(201)	(382)
Cost of stocks recognised as an expense	(9,568)	(38,299)
Operating lease rentals - plant and machinery	7,160	6,377
Operating lease rentals - other	3	5
Rents receivable from property	(976)	(1,033)
Exceptional items (see note 4)	(21,253)	(54,852)
	<b>=====</b>	<b>=====</b>

**6 Auditor's remuneration**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the company	36	36
	<b>=====</b>	<b>=====</b>
<b>For other services</b>		
All other non-audit services	6	6
	<b>=====</b>	<b>=====</b>

**7 Employees**

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

	<b>2020</b>	<b>2019</b>
	<b>Number</b>	<b>Number</b>
Mining operations	180	181
Technical support	1	1
Selling	3	3
Management and distribution	12	12
	<b>=====</b>	<b>=====</b>
Total	196	197
	<b>=====</b>	<b>=====</b>

Their aggregate remuneration comprised:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	13,273	11,226
Social security costs	1,535	1,265
Pension costs	382	385
	<b>=====</b>	<b>=====</b>
	15,190	12,876
	<b>=====</b>	<b>=====</b>

**CELTIC ENERGY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**8 Directors' remuneration**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Remuneration for qualifying services	7,089	5,129
Company pension contributions to defined contribution schemes	47	60
	<u>7,136</u>	<u>5,189</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2019 - 3).

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Remuneration for qualifying services	4,237	2,858
Company pension contributions to defined contribution schemes	19	1
	<u>4,256</u>	<u>2,859</u>

**9 Interest receivable and similar income**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Interest income</b>		
Interest on bank deposits	453	510
<b>Other income from investments</b>		
Gains on financial instruments measured at fair value through profit or loss	-	968
Total income	<u>453</u>	<u>1,478</u>

**10 Interest payable and similar expenses**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Interest on bank overdrafts and loans	4	-
Interest on finance leases and hire purchase contracts	2	7
Unwinding of discount on provisions (note 21)	1,129	1,674
Net interest on pension (note 23)	(8)	(10)
Other interest	(3)	635
	<u>1,124</u>	<u>2,306</u>

**CELTIC ENERGY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**11 Other gains and losses**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Fair value gains/(losses) on financial instruments</b>		
Change in value of financial assets held at fair value through profit or loss	(2,320)	-
	<u>          </u>	<u>          </u>

**12 Taxation**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax</b>		
UK corporation tax on profits for the current period	3,111	8,593
Adjustments in respect of prior periods	(315)	29
	<u>          </u>	<u>          </u>
Total current tax	2,796	8,622
	<u>          </u>	<u>          </u>

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Profit before taxation	23,314	60,431
	<u>          </u>	<u>          </u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	4,430	11,482
Tax effect of expenses that are not deductible in determining taxable profit	66	67
Tax effect of income not taxable in determining taxable profit	(84)	-
Adjustments in respect of prior years	(315)	29
Other permanent differences	(83)	8
Movement in deferred tax not provided	(1,218)	(2,964)
	<u>          </u>	<u>          </u>
Taxation charge for the year	2,796	8,622
	<u>          </u>	<u>          </u>

The company has approximately £nil (2019: £Nil) of trading losses and £3.6 million (2019: £3.6 million) of capital losses carried forward.

**13 Investment property**

	<b>2020</b>
	<b>£'000</b>
<b>Fair value</b>	
At 1 April 2019	14,810
Additions through external acquisition	950
Disposals	(490)
	<u>          </u>
At 31 March 2020	15,270
	<u>          </u>

**CELTIC ENERGY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**13 Investment property**

**(Continued)**

Investment properties, which are all freehold, were valued on an open market existing use basis at 31 March 2020 by the directors. The properties are not depreciated.

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

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Cost	14,571	14,256
Accumulated depreciation	(1,010)	(817)
Carrying amount	<u>13,561</u>	<u>13,439</u>

**14 Tangible fixed assets**

	<b>Freehold land and buildings</b>	<b>Plant, Surface mines machinery and equipment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>			
At 1 April 2019	4,545	30,480	47,552
Additions	-	46	46
Disposals	-	(619)	(619)
At 31 March 2020	<u>4,545</u>	<u>29,907</u>	<u>47,552</u>
<b>Depreciation and impairment</b>			
At 1 April 2019	214	27,709	47,549
Depreciation charged in the year	26	995	2
Eliminated in respect of disposals	-	(553)	-
At 31 March 2020	<u>240</u>	<u>28,151</u>	<u>47,551</u>
<b>Carrying amount</b>			
At 31 March 2020	<u>4,305</u>	<u>1,756</u>	<u>1</u>
At 31 March 2019	<u>4,331</u>	<u>2,771</u>	<u>3</u>

**CELTIC ENERGY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**14 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.

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Plant, machinery and equipment	-	490
	<u>          </u>	<u>          </u>
Depreciation charge for the year in respect of leased assets	-	115
	<u>          </u>	<u>          </u>

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.

**15 Stocks**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Coal stocks	7,049	6,470
Consumables	758	981
	<u>          </u>	<u>          </u>
	<u>7,807</u>	<u>7,451</u>

**16 Current asset investments**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Listed investments	22,992	22,831
	<u>          </u>	<u>          </u>
<b>Listed investments included above:</b>		
Listed investments carrying amount	<u>22,992</u>	<u>22,831</u>

**CELTIC ENERGY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**17 Debtors**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year:</b>		
Trade debtors	7,188	6,893
Corporation tax recoverable	235	235
Amount due from parent undertaking	55,581	55,581
Other debtors	645	346
Prepayments and accrued income	410	412
	<u>64,059</u>	<u>63,467</u>
<b>Amounts falling due after one year:</b>		
Cash funds held by LPA's	<u>28,369</u>	<u>35,282</u>
<b>Total debtors</b>	<u>92,428</u>	<u>98,749</u>

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.

**18 Creditors: amounts falling due within one year**

	<b>Notes</b>	<b>2020</b>	<b>2019</b>
		<b>£'000</b>	<b>£'000</b>
Obligations under finance leases	<b>20</b>	-	120
Trade creditors		1,840	1,344
Corporation tax		1,561	8,861
Other taxation and social security		696	283
Other creditors		90	110
Accruals and deferred income		5,873	1,467
		<u>10,060</u>	<u>12,185</u>

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

**19 Creditors: amounts falling due after more than one year**

	<b>Notes</b>	<b>2020</b>	<b>2019</b>
		<b>£'000</b>	<b>£'000</b>
Obligations under finance leases	<b>20</b>	-	10

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

**CELTIC ENERGY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**20 Finance lease obligations**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Future minimum lease payments due under finance leases:		
Within one year	-	120
In two to five years	-	10
	<u>-</u>	<u>130</u>
	<u>-</u>	<u>130</u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. All leases expired during the year.

**21 Provisions for liabilities**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Operating provisions	49,693	78,949
Concessionary fuel	1,282	1,371
	<u>50,975</u>	<u>80,320</u>
	<u>50,975</u>	<u>80,320</u>

Movements on provisions:

	<b>Operating provisions</b>	<b>Concessionary fuel</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2019	78,949	1,371	80,320
Reversal of provision	(21,254)	(48)	(21,302)
Utilisation of provision	(9,131)	(41)	(9,172)
Unwinding of discount	1,129	-	1,129
	<u>49,693</u>	<u>1,282</u>	<u>50,975</u>
At 31 March 2020	<u>49,693</u>	<u>1,282</u>	<u>50,975</u>

**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.



**CELTIC ENERGY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**21 Provisions for liabilities**

**(Continued)**

**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 current workers and 21 former workers and widows are entitled to receive this benefit; 24 currently take this.

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

	2020	2019
Average retirement age	65 years	65 years
Discount rate	2.25%	2.40%
Pensionable life - current pensioner aged 65	21.4 years	20.7 years
Pensionable life - future retiree upon reaching 65	22.7 years	22.1 years

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

**22 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:

	Assets 2020 £'000	Assets 2019 £'000
<b>Balances:</b>		
Accelerated capital allowances	(316)	(67)
Tax losses	675	609
Other timing differences	3,342	4,071
Provision for recoverability	(3,701)	(4,613)
	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>

There were no deferred tax movements in the year.

**23 Retirement benefit schemes**

	2020 £'000	2019 £'000
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	326	315
	<u><u>326</u></u>	<u><u>315</u></u>

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 2020 in respect of defined contribution schemes were £34,000 (2019: £33,000).

**CELTIC ENERGY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2020**

**23 Retirement benefit schemes**

**(Continued)**

**Defined benefit schemes**

The company operates a defined benefit scheme for qualifying employees.

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 2018.

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 £6.1m (2015 valuation: £1.1m).

The company agreed a recovery plan with the actuary; additional contributions of £0.5m were paid in the year and further payments totalling £5.6 million were agreed to be made in 2021 to 2023. As noted in the post balance sheet events review, the company has subsequently agreed a Buy-in of the scheme which will ultimately transfer the company's obligations to a third party pension provider.

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 65.4% (2015 valuation: 37.1%).

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 30 March 2020 by the Scheme Actuary. 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.

	<b>2020</b>	<b>2019</b>
	<b>%</b>	<b>%</b>
<i>Key assumptions</i>		
Discount rate	2.25	2.40
Expected rate of increase of pensions in payment	2.55	3.05
Expected rate of salary increases	1.55	2.20
	<b>=====</b>	<b>=====</b>
<i>Mortality assumptions</i>	<b>2020</b>	<b>2019</b>
Assumed life expectations on retirement at age 65:	<b>Years</b>	<b>Years</b>
Retiring today		
- Males	21.4	20.7
- Females	23.7	22.6
	<b>=====</b>	<b>=====</b>
Retiring in 20 years		
- Males	22.7	22.1
- Females	25.2	24.1
	<b>=====</b>	<b>=====</b>

**CELTIC ENERGY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**23 Retirement benefit schemes**

**(Continued)**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<i>Amounts recognised in the profit and loss account</i>		
Current service cost	56	70
Net interest on defined benefit liability/(asset)	(8)	(10)
Other costs and income	119	105
	<u>167</u>	<u>165</u>
<b>Total costs</b>	<b><u>167</u></b>	<b><u>165</u></b>
	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<i>Amounts taken to other comprehensive income</i>		
Actual return on scheme assets	(137)	(823)
Less: calculated interest element	455	485
	<u>318</u>	<u>(338)</u>
Return on scheme assets excluding interest income	318	(338)
Actuarial changes related to obligations	(1,301)	377
Movement in unrecognised plan surplus	1,420	(82)
	<u>437</u>	<u>(43)</u>
<b>Total costs/(income)</b>	<b><u>437</u></b>	<b><u>(43)</u></b>

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Present value of defined benefit obligations	17,564	18,853
Fair value of plan assets	(19,296)	(19,165)
	<u>(1,732)</u>	<u>(312)</u>
<b>Surplus in scheme</b>	<b>(1,732)</b>	<b>(312)</b>
Restriction on scheme assets	1,732	312
	<u>-</u>	<u>-</u>
<b>Total liability recognised</b>	<b><u>-</u></b>	<b><u>-</u></b>

**CELTIC ENERGY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**23 Retirement benefit schemes**

**(Continued)**

	<b>2020</b>
	<b>£'000</b>
<i>Movements in the present value of defined benefit obligations</i>	
Liabilities at 1 April 2019	18,853
Current service cost	56
Benefits paid	(500)
Contributions from scheme members	9
Actuarial gains and losses	(1,301)
Interest cost	447
	<hr/>
At 31 March 2020	17,564
	<hr/> <hr/>

The defined benefit obligations arise from plans which are wholly or partly funded.

	<b>2020</b>
	<b>£'000</b>
<i>Movements in the fair value of plan assets</i>	
Fair value of assets at 1 April 2019	19,165
Interest income	455
Return on plan assets (excluding amounts included in net interest)	(318)
Benefits paid	(500)
Contributions by the employer	604
Contributions by scheme members	9
Scheme administration expenses	(119)
	<hr/>
At 31 March 2020	19,296
	<hr/> <hr/>

The actual return on plan assets was £137,000 (2019: £823,000).

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<i>Fair value of plan assets at the reporting period end</i>		
Equity instruments	-	3,462
Property	1,168	1,266
Diversified growth fund	-	3,206
Cash and other	497	5
Bonds	15,548	8,652
LDI	2,083	2,574
	<hr/>	<hr/>
	19,296	19,165
	<hr/> <hr/>	<hr/> <hr/>

**CELTIC ENERGY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**24 Share capital**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
1 ordinary share of £1 each	1	1
	<u>1</u>	<u>1</u>

**25 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:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Within one year	41	60
Between two and five years	126	134
In over five years	120	150
	<u>287</u>	<u>344</u>

**26 Events after the reporting date**

Post year end, the company has completed the Buy-in of the IWCSSS pension scheme which will result in the company's obligations being transferred to a third party pension provider. The company paid £10m to effect the Buy-in; it expects to make a further payment of not more than £5m in order to finalise the transfer sometime in 2022.

As noted in the Strategic report, In June 2020 The Welsh Government refused to confirm the company's licence for the extraction of coal despite the licence being granted by the Coal Authority until 31 December 2021; however, the Welsh Government reversed that decision in January 2021 and has now authorised the company's coal licence until 31 December 2021.

**27 Ultimate controlling party**

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

**28 Related party transactions**

**Remuneration of key management personnel**

The remuneration of key management personnel is as follows:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate compensation	4,667	5,254
	<u>4,667</u>	<u>5,254</u>

**CELTIC ENERGY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2020****28 Related party transactions****(Continued)****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.

There are loan balances due from the immediate parent company, Celtic Group Holdings Limited, of £10,000,000 (2019: £10,000,000) and the ultimate parent company, Celtic Mining Group, of £45,581,000 (2019: £45,581,000).

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 2020 £'000	Sales / (purchases) during the year 2019 £'000
Sale of assets	26	80
Purchase of assets	-	(112)
Income from hire or lease of equipment	2	-
Charges for hire or lease of equipment	(8,565)	(7,563)
Income for services	-	2
Charges for services	(1,045)	(1,005)
	<u>          </u>	<u>          </u>

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

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

Balances at 31 March 2020 and 2019 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:

	2019 £'000	2018 £'000
Total amounts due to Celtic Energy Limited at the year end	28	-
Total amounts due from Celtic Energy Limited at the year end	(391)	(567)
	<u>          </u>	<u>          </u>

**CELTIC ENERGY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2020**

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**28 Related party transactions**

**(Continued)**

During the year the company incurred £400,000 (2019: £400,000) of consultancy fees from DHM Consultancy Limited, a company which is a corporate director of the company. At the year end, there was a balance of £100,000 (2019: £100,000) within prepayments relating to consultancy fees for DHM Consultancy Limited.

During the year the company made sales of £441,032 (2019: £247,000) in the normal course of business to Filtercite Ltd, a company which is a joint venture of a company which is under the common control of Mr R J Walters. At the year end there was a balance of £180,436 (2019: £110,000) due from Filtercite Ltd to the company.

During the 17/18 the company made loans to RJW Group Holdings Limited and Celtic Environmental Developments Limited of £269,000 and £850,000 respectively. During the prior year a further £25,000 was advanced to RJW Group Holdings Limited. Both of these companies are under the common control of Mr R J Walters. During the year interest of £8,024 (2019: £7,000) and £23,055 (2019: £23,000) respectively was charged on these loans. At the year end there were balances of £312,4230 (2019: £304,000) and £866,692 (2019: £867,000) respectively due from RJW Group Holdings Limited and Celtic Environmental Developments Limited to the company.

An additional loan of £300,000 was made to Mr W Watson in the year, a director of the company. During the year, interest of £3,797 was charged on this loan.

There were no other transactions requiring disclosure.

No guarantees have been given or received.

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