COMPANY REGISTRATION NO. 02997376 (England and Wales)

# CELTIC ENERGY LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2021

**CELTIC ENERGY LIMITED**

**COMPANY INFORMATION**

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

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The directors present the strategic report for the year ended 31 March 2021.

**Fair review of the business**
Celtic Energy Limited ("the company") owns and operates opencast mines in South Wales. All coaling operations ceased in July 2021.

The results for the company show a pre-tax profit of £16.3m (2020: £23.3m) and turnover of £30.2m (2020: £33.7m)

Company turnover has reduced by approximately 10.3% compared with 2019/20.

Profit again has not principally been created by trading activities but by the release of restoration provisions of £15.3m (2020: £21.3m) and by fair value gains on investments of £4.9m (2020: loss:£2.3m) and investment properties of £2.1m (2020: £nil). The company also recognised an exceptional pension cost of £10.5m as a result of entering the first stage of the defined benefit pension scheme buy-out.

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:

| | 2021 | 2020 |
|---|---|---|
| Number of accidents | 4 | 11 |
| Dangerous occurrences | 1 | - |
| Number of complaints | 19 | 9 |
| Complaints excluding blasting | 12 | 9 |

**Future prospects**
Following cessation of coaling operations in July 2021 at the Nant Helen site, all opencast sites are now either in restoration, rehabilitation or aftercare phases unless all those commitments have been discharged. It is anticipated that these phases will continue for several years under the terms of the various planning consents regulation operations on the sites.

In order to complete the buy out of the IWCSSS pension scheme and thus guarantee future payments to pensioners and future pensioners, it is a legal requirement of the IWCSSS scheme that Celtic Energy Limited is first placed in voluntary members liquidation. To allow this to happen it will be necessary for all current liabilities to be discharged or transferred to other group companies and for assets to be similarly relocated to other group companies.

The commercial and residential property activities will continue within the group and form the basis of future business activity going forward.

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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 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.

**Going concern**
The company's coal licence expired at the end of December 2021, however coaling ceased in July 2021. The company will continue to trade the remaining coal extracted, however as noted above, in order to complete the buy-out of the pension scheme the company will have to be placed in to members voluntary liquidation.

The directors have prepared cashflow projections and 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, however, since the directors intend to restructure the company in order to liquidate it to facilitate the completion of the pension buy-out, these financial statements have been prepared on a basis other than going concern; no significant adjustments were required as a result of ceasing to adopt the going concern basis.

On behalf of the board

Mr W Watson
**Director**

24 March 2022

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**DIRECTORS' REPORT**
**FOR THE YEAR ENDED 31 MARCH 2021**

The directors present their annual report and financial statements for the year ended 31 March 2021.

**Principal activities**
The principal activity of the company during the year continued to be that of surface mine operators; all mining operations ceased in July 2021.

**Results and dividends**
The results for the year are set out on page 8.

**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

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

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

On behalf of the board

Mr W Watson
**Director**

24 March 2022

## DIRECTORS' RESPONSIBILITIES STATEMENT
## FOR THE YEAR ENDED 31 MARCH 2021

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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

**Opinion**
We have audited the financial statements of Celtic Energy Limited (the 'company') for the year ended 31 March 2021 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 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 2021 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 - financial statements prepared on a basis other than going concern.**
We draw attention to note 1.2 of the financial statements (Going concern), which explains that the company's coal licence expired in December 2021; coaling ceased in July 2021, and the directors intend to liquidate the company in order to facilitate the buy-out of the IWCSSS pension scheme and therefore do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly the financial statements have been prepared on a basis other than going concern as described in note 1.2. Our opinion is not modified in respect of this matter.

**Other information**
The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

**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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the relevant sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006 and ISO standards;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial statements, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://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**

28 March 2022

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

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

**CELTIC ENERGY LIMITED**

**PROFIT AND LOSS ACCOUNT**
**FOR THE YEAR ENDED 31 MARCH 2021**

| | Notes | 2021 £'000 | 2021 £'000 | 2020 £'000 | 2020 £'000 |
|---|---|---|---|---|---|
| **Turnover** | 3 | | 30,211 | | 33,674 |
| Cost of sales: | | | | | |
| Exceptional movement in operating provisions | 4 | 15,286 | | 21,253 | |
| Other cost of sales | | (20,300) | | (19,279) | |
| Total cost of sales | | | (5,014) | | 1,974 |
| **Gross profit** | | | 25,197 | | 35,648 |
| Exceptional pension costs | 4 | (10,453) | | - | |
| Other administrative expenses | | (6,663) | | (10,212) | |
| Total administrative expenses | | | (17,116) | | (10,212) |
| Other operating income | | | 901 | | 869 |
| **Operating profit** | 5 | | 8,982 | | 26,305 |
| Interest receivable and similar income | 9 | | 1,472 | | 453 |
| Interest payable and similar expenses | 10 | | (321) | | (1,124) |
| Fair value gains and losses on investments | 11 | | 4,105 | | (2,320) |
| Fair value gains and losses on investment properties | 15 | | 2,098 | | - |
| **Profit before taxation** | | | 16,336 | | 23,314 |
| Tax on profit | 12 | | (2,585) | | (2,796) |
| **Profit for the financial year** | | | 13,751 | | 20,518 |

The profit and loss account has been prepared on the basis that all operations were continuing during the year. The coaling operations which comprise the majority of the company's activities were discontinued post year end.

## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 MARCH 2021

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **Profit for the year** | 13,751 | 20,518 |
| **Other comprehensive income** | | |
| Actuarial gain/(loss) on defined benefit pension schemes | - | (437) |
| **Total comprehensive income for the year** | 13,751 | 20,081 |

**CELTIC ENERGY LIMITED**

**BALANCE SHEET**
**AS AT 31 MARCH 2021**

| | Notes | 2021 £'000 | 2021 £'000 | 2020 £'000 | 2020 £'000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | **14** | | 5,719 | | 6,062 |
| Investment properties | **15** | | 17,195 | | 15,270 |
| Investments | **16** | | 148 | | - |
| | | | 23,062 | | 21,332 |
| **Current assets** | | | | | |
| Stocks | **19** | 7,643 | | 7,807 | |
| Debtors | **20** | 89,809 | | 92,428 | |
| Investments | **21** | 23,272 | | 22,992 | |
| Cash at bank and in hand | | 8,580 | | 16,675 | |
| | | 129,304 | | 139,902 | |
| **Creditors: amounts falling due within one year** | **22** | (5,463) | | (10,060) | |
| **Net current assets** | | | 123,841 | | 129,842 |
| **Total assets less current liabilities** | | | 146,903 | | 151,174 |
| **Provisions for liabilities** | | | | | |
| Provisions | **23** | 32,953 | | 50,975 | |
| | | | (32,953) | | (50,975) |
| **Net assets** | | | 113,950 | | 100,199 |
| **Capital and reserves** | | | | | |
| Revaluation reserve | | | 3,158 | | 1,060 |
| Other reserves | | | 10,000 | | 10,000 |
| Profit and loss reserves | | | 100,792 | | 89,139 |
| **Total equity** | | | 113,950 | | 100,199 |

The financial statements were approved by the board of directors and authorised for issue on 24 March 2022 and are signed on its behalf by:

Mr W Watson
**Director**

DHM Consultancy Limited
**Director**

**Company Registration No. 02997376**

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 MARCH 2021

| | Revaluation reserve £'000 | Other reserves £'000 | Profit and loss reserves £'000 | Total £'000 |
|---|---|---|---|---|
| **Balance at 1 April 2019** | 1,060 | 10,000 | 69,058 | 80,118 |
| **Year ended 31 March 2020:** | | | | |
| 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 |
| **Balance at 31 March 2020** | 1,060 | 10,000 | 89,139 | 100,199 |
| **Year ended 31 March 2021:** | | | | |
| Profit and total comprehensive income for the year | - | - | 13,751 | 13,751 |
| Transfer of surplus on investment property fair value | 2,098 | - | (2,098) | - |
| **Balance at 31 March 2021** | 3,158 | 10,000 | 100,792 | 113,950 |

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.

## 1 Accounting policies

### Company information

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

### 1.1 Accounting convention

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

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

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

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

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

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

### 1.2 Going concern

The company's coal licence expired at the end of December 2021, however coaling ceased in July 2021. The company will continue to trade the remaining coal extracted, however as noted in the strategic report, in order to complete the buy-out of the pension scheme the company will have to be placed in to members voluntary liquidation.

The directors have prepared cashflow projections and 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, however, since the directors intend to restructure the company in order to liquidate it to facilitate the completion of the pension buy-out, these financial statements have been prepared on a basis other than going concern; no significant adjustments were required as a result of ceasing to adopt the going concern basis.

**1 Accounting policies** **(Continued)**

**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.

**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 Fixed asset investments**

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

**1 Accounting policies** **(Continued)**

**1.7 Stocks**

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

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

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

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

**1.8 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.

**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.

**1 Accounting policies** **(Continued)**

**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.

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

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

**1 Accounting policies** **(Continued)**

**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.

**1.10 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.

**1.11 Employee benefits**

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

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

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

**1.12 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.

The company's element of the defined benefit pension scheme effectively closed on 31 July 2020, when the last active member opted out. The Company's element of the scheme purchased annuities with Aviva which are qualifying insurance policies under FRS 102. The income from the policy exactly matches the amount and timing of the benefits payable to those members covered under the policy.

**1 Accounting policies** **(Continued)**

**1.13 Government grants**

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

**1.14 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.

**1.15 Repair and maintenance costs**

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

## 2 Judgements and key sources of estimation uncertainty

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

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

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

**Going concern**
The company's coal licence expired at the end of December 2021, however coaling ceased in July 2021. The company will continue to trade the remaining coal extracted, however as noted in the strategic report, in order to complete the buy-out of the pension scheme the company will have to be placed in to members voluntary liquidation.

The directors have prepared cashflow projections and 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, however, since the directors intend to restructure the company in order to liquidate it to facilitate the completion of the pension buy-out, these financial statements have been prepared on a basis other than going concern; no significant adjustments were required as a result of ceasing to adopt the going concern basis.

**Stock valuation**
At 31 March 2021 the company held stock of £7,144,000 (2020: £7,046,000). 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.

**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 2021 as set out in note 23 is approximately £31.2 million (2020: £49.7 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 in creased the provision by £0.3 million in the current year (2020: £1.1 million increase).

As discussed in note 4, provisions have been reduced by £15.2 million (2020: £21.3 million), this has been reflected in the profit and loss as an exceptional item.

The company spent £3.5 million (2020: £9.1 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 2021 and 31 March 20 20 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 2021 the carrying value of capitalised stripping costs was £nil (2020: £nil).

**Defined benefit pension**
The company operated a defined benefit pension scheme. The present value of the defined benefit obligation is dependent on a number of factors as set out in note including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. In previous years, Management estimated these factors, with guidance from the company's actuary, in determining the net pension obligation in the balance sheet. The assumptions reflected historical experience and current trends; however the choice of assumptions could have a significant impact on the balance recorded.

The scheme effectively closed on 31 July 2020; the scheme purchased annuities which are qualifying insurance policies. The income from the policies exactly match the amount and timing of all benefits payable to those members covered under the policy; further details are provided in note 25.

**Investment properties**
At 31 March 2021 the company held investment properties with a value of £17,195,000 (2020: £15,269,000). The company carries investment properties at fair value. Changes in the fair value of investment properties are recognised in profit or loss; a net fair value gain of £2,098,000 has been recognised in the year. The valuations have been carried out by the board based on comparable market data and external professional valuations of a sample of the portfolio undertaken by an independent valuer. The key factures affecting the values are the anticipated yields and anticipated occupancy rates.

## 3 Turnover and other revenue

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

| | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| **Turnover analysed by class of business** | | |
| Sale of goods | 30,211 | 33,674 |

| | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| **Other significant revenue** | | |
| Interest income | 1,472 | 453 |
| Grants received | 69 | - |

| | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| **Turnover analysed by geographical market** | | |
| United Kingdom | 23,204 | 26,009 |
| Rest of Europe | 7,007 | 7,665 |
| | 30,211 | 33,674 |

## 4 Exceptional costs/(income)

| | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| **Exceptional costs included in cost of sales** | | |
| Movement in operating provisions | (15,286) | (21,253) |
| **Exceptional costs included in administrative expenses** | | |
| Pension buy-in policy costs | 10,543 | - |
| Total exceptional cost/(credit) included in operationg profit | (4,743) | (21,253) |

**Operating provisions**
Restoration work at all sites is progressing and the board has again reassessed its estimate of the total cost of restoring and rehabilitation all sites; this resulted in a decrease in provision of £15.2m.

**Pension costs**
The company was a member of the Industry Wide Coal Staff Superannuation Scheme (IWCSSS). The company's element of the scheme effectively closed on 31 July 2020, when the last active member opted out. The Company's element of the scheme purchased annuities with Aviva which are qualifying insurance policies. The income from the policy exactly matches the amount and timing of the benefits payable to those members covered under the policy.

The cost of the annuities in addition to the existing assets of the scheme was £10.5m.

**Post operating profit exceptional items**
In addition the company has experienced exceptional fair value gains and losses on investments and investment properties, refer to notes 11 and 15.

## 5 Operating profit

| | 2021 | 2020 |
|---|---|---|
| Operating profit for the year is stated after charging/(crediting): | £'000 | £'000 |
| Government grants | (69) | - |
| Depreciation of owned tangible fixed assets | 817 | 1,023 |
| Profit on disposal of tangible fixed assets | (78) | (201) |
| Operating lease rentals - plant and machinery | 6,779 | 7,793 |
| Operating lease rentals - other | - | 3 |
| Rents receivable from property | (832) | (867) |
| Exceptional items (see note 4) | (4,743) | (21,253) |

## 6 Auditor's remuneration

| | 2021 | 2020 |
|---|---|---|
| Fees payable to the company's auditor and associates: | £'000 | £'000 |
| **For audit services** | | |
| Audit of the financial statements of the company | 36 | 36 |
| **For other services** | | |
| All other non-audit services | 6 | 6 |

**6 Auditor's remuneration** **(Continued)**

**7 Employees**

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

| | 2021 Number | 2020 Number |
|---|---|---|
| Mining operations | 156 | 180 |
| Technical support | 1 | 1 |
| Selling | 3 | 3 |
| Management and distribution | 12 | 12 |
| Total | 172 | 196 |

Their aggregate remuneration comprised:

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Wages and salaries | 8,748 | 13,273 |
| Social security costs | 937 | 1,535 |
| Pension costs | 10,855 | 382 |
| | 20,540 | 15,190 |

**8 Directors' remuneration**

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Remuneration for qualifying services | 2,561 | 7,089 |
| Company pension contributions to defined contribution schemes | 50 | 47 |
| | 2,611 | 7,136 |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2020 - 3).

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

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Remuneration for qualifying services | 1,526 | 4,237 |
| Company pension contributions to defined contribution schemes | - | 19 |

## 9 Interest receivable and similar income

| | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| **Interest income** | | |
| Interest on bank deposits | 1,460 | 453 |
| Interest on the net defined benefit asset | 12 | - |
| Total income | 1,472 | 453 |

## 10 Interest payable and similar expenses

| | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| Interest on bank overdrafts and loans | - | 4 |
| Interest on finance leases and hire purchase contracts | - | 2 |
| Unwinding of discount on provisions (note 23) | 321 | 1,129 |
| Net interest on pension | - | (8) |
| Other interest | - | (3) |
| | 321 | 1,124 |

## 11 Amounts written off investments

| | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| **Fair value gains/(losses) on financial instruments** | | |
| Change in value of financial assets held at fair value through profit or loss | 4,930 | (2,320) |
| **Other gains/(losses)** | | |
| Other gains and losses - impairment of investment (note 15) | (825) | - |
| | 4,105 | (2,320) |

## 12 Taxation

| | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| **Current tax** | | |
| UK corporation tax on profits for the current period | 2,585 | 3,111 |
| Adjustments in respect of prior periods | - | (315) |
| Total current tax | 2,585 | 2,796 |

## 12 Taxation (Continued)

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:

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Profit before taxation | 16,336 | 23,314 |
| Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%) | 3,104 | 4,430 |
| Tax effect of expenses that are not deductible in determining taxable profit | 184 | 66 |
| Tax effect of income not taxable in determining taxable profit | - | (84) |
| Adjustments in respect of prior years | - | (315) |
| Other permanent differences | 17 | (83) |
| Movement in deferred tax not provided | (720) | (1,218) |
| Taxation charge for the year | 2,585 | 2,796 |

The company has approximately £nil (2020: £nil) of trading losses and £2.8 million (2020: £3.6 million) of capital losses carried forward.

## 13 Impairments

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

| | Notes | 2021 £'000 | 2020 £'000 |
|---|---|---|---|
| In respect of: | | | |
| Fixed asset investments | 16 | 825 | - |
| Recognised in: | | | |
| Amounts written off investments | | 825 | - |

The impairment losses in respect of financial assets are recognised in other gains and losses in the profit and loss account.

## 14 Tangible fixed assets

| | Freehold land and buildings | Plant, machinery and equipment | Surface mines | Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **Cost** | | | | |
| At 1 April 2020 | 4,545 | 29,907 | 47,552 | 82,004 |
| Additions | 487 | - | - | 487 |
| Disposals | - | (440) | - | (440) |
| At 31 March 2021 | 5,032 | 29,467 | 47,552 | 82,051 |
| **Depreciation and impairment** | | | | |
| At 1 April 2020 | 240 | 28,151 | 47,551 | 75,942 |
| Depreciation charged in the year | 26 | 790 | 1 | 817 |
| Eliminated in respect of disposals | - | (427) | - | (427) |
| At 31 March 2021 | 266 | 28,514 | 47,552 | 76,332 |
| **Carrying amount** | | | | |
| At 31 March 2021 | 4,766 | 953 | - | 5,719 |
| At 31 March 2020 | 4,305 | 1,756 | 1 | 6,062 |

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 Investment property

| | 2021 |
|---|---|
| | £'000 |
| **Fair value** | |
| At 1 April 2020 | 15,269 |
| Additions through external acquisition | 8 |
| Disposals | (180) |
| Net gains or losses through fair value adjustments | 2,098 |
| At 31 March 2021 | 17,195 |

Investment properties, which are all freehold, were valued on an open market existing use basis at 31 March 2021 by the directors. The valuations were based on comparable market data and external professional valuations of a sample of the portfolio undertaken by an independent valuer.

The properties are not depreciated.

**16 Fixed asset investments**

| | Notes | 2021 £'000 | 2020 £'000 |
|---|---|---|---|
| Investments in associates | 18 | 148 | - |

**Movements in fixed asset investments**

| | Shares in associates £'000 | Subsidiaries £'000 | Total £'000 |
|---|---|---|---|
| **Cost or valuation** | | | |
| At 1 April 2020 | - | - | - |
| Additions | 148 | 825 | 973 |
| At 31 March 2021 | 148 | 825 | 973 |
| **Impairment** | | | |
| At 1 April 2020 | - | - | - |
| Impairment losses | - | 825 | 825 |
| At 31 March 2021 | - | 825 | 825 |
| **Carrying amount** | | | |
| At 31 March 2021 | 148 | - | 148 |
| At 31 March 2020 | - | - | - |

On 18 December 2020 Celtic Energy Limited purchased 47.5% of the share capital and 50.0% of the voting rights of Filtercite Ltd for consideration of £145,000. Other costs of acquisition totalled £3,000.

On 31 March 2021 Celtic Energy Limited acquired 100% of the share capital of Celtic Environmental Developments Limited for consideration of £1. Also on 31 March 2021 Celtic Environmental Developments Limited issued a further share capital of 825,000 ordinary £1 shares to Celtic Energy Limited at par.

An impairment of £825,000 has been recognised in the year in respect of the investment in Celtic Environmental Developments Limited (see note 13).

**17 Subsidiaries**

Details of the company's subsidiaries at 31 March 2021 are as follows:

| Name of undertaking | Registered office | Class of shares held | % Held Direct |
|---|---|---|---|
| Celtic Environmental Developments Limited | 9 Beddau Way, Castlegate Business Park, Caerphilly, CF83 2AX. | Ordinary | 100.00 |

The aggregate capital and reserves and the result for the year of the subsidiaries noted above was as follows:

## 17 Subsidiaries (Continued)

| Name of undertaking | Capital and Reserves | Profit/(Loss) |
|---|---|---|
| | £'000 | £'000 |
| Celtic Environmental Developments Limited | 18,353 | (14,824) |

## 18 Associates

Details of the company's associates at 31 March 2021 are as follows:

| Name of undertaking | Registered office | Class of shares held | % Held Direct |
|---|---|---|---|
| Filtercite Ltd | Blaenau Fuel Depot Penygroes Road, Blaenau, Ammanford, Carmarthenshire, Wales, SA18 3BZ | Ordinary | 47.50 |

## 19 Stocks

| | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| Coal stocks | 7,144 | 7,049 |
| Consumables | 499 | 758 |
| | 7,643 | 7,807 |

## 20 Debtors

| | 2021 | 2020 |
|---|---|---|
| **Amounts falling due within one year:** | £'000 | £'000 |
| Trade debtors | 6,149 | 7,188 |
| Corporation tax recoverable | - | 235 |
| Amount due from parent undertaking | 55,581 | 55,581 |
| Other debtors | 317 | 645 |
| Prepayments and accrued income | 284 | 410 |
| | 62,331 | 64,059 |
| **Amounts falling due after one year:** | | |
| Other debtors | 27,478 | 28,369 |
| **Total debtors** | 89,809 | 92,428 |

## 20 Debtors (Continued)

Other debtors falling due after more than one year includes cash funds held by LPAs of £25,203,000 (2020: £27,519,000) and loan balances of £2,275,000 (2020: £850,000).

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.

## 21 Current asset investments

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Listed investments | 23,272 | 22,992 |
| **Listed investments included above:** | | |
| Listed investments carrying amount | 23,272 | 22,992 |

## 22 Creditors: amounts falling due within one year

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Trade creditors | 1,843 | 1,840 |
| Corporation tax | 759 | 1,561 |
| Other taxation and social security | 980 | 696 |
| Other creditors | 248 | 90 |
| Accruals and deferred income | 1,633 | 5,873 |
| | 5,463 | 10,060 |

## 23 Provisions for liabilities

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Operating provisions | 31,191 | 49,693 |
| Concessionary fuel | 1,762 | 1,282 |
| | 32,953 | 50,975 |

**23 Provisions for liabilities** **(Continued)**

Movements on provisions:

| | Operating provisions £'000 | Concessionary fuel £'000 | Total £'000 |
|---|---|---|---|
| At 1 April 2020 | 49,693 | 1,282 | 50,975 |
| Reversal of provision | (15,286) | 521 | (14,765) |
| Utilisation of provision | (3,537) | (41) | (3,578) |
| Unwinding of discount | 321 | - | 321 |
| At 31 March 2021 | 31,191 | 1,762 | 32,953 |

**Operating provisions**

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

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

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

As set out in note 2 these items are based on management estimates and involve significant uncertainty.

**Concessionary fuel retirement benefits**

The company has a commitment to provide concessionary fuel benefits to retired ex British Coal employees. At retirement upon attaining the age of 50, and having been employed for a minimum of 15 years, employees become entitled to a retirement fuel allowance. 14 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:

| | 2021 | 2020 |
|---|---|---|
| Average retirement age | 65 years | 65 years |
| Discount rate | 1.85% | 2.25% |
| Pensionable life - current pensioner aged 65 | 26 years | 21.4 years |
| Pensionable life - future retiree upon reaching 65 | 27.5 years | 22.7 years |

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

## 24 Deferred taxation

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

| Balances: | Assets 2021 £'000 | Assets 2020 £'000 |
|---|---|---|
| Accelerated capital allowances | (435) | (316) |
| Tax losses | 527 | 675 |
| Other timing differences | 2,882 | 3,342 |
| Provision for recoverability | (2,974) | (3,701) |
| | - | - |

There was no net deferred tax movements in the year.

## 25 Retirement benefit schemes

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 2021 in respect of defined contribution schemes were £31,783 (2020: £25,460).

The company also operated a defined benefit scheme for qualifying employees.

British Coal employees whose employment transferred to Celtic Energy Limited were members of the Industry Wide Coal Staff Superannuation Scheme ("IWCSSS"), a defined benefit scheme. The Celtic Energy employee fund ("the Scheme") wa s part of the IWCSSS. The assets of the Scheme were held in separate trustee administered funds.

At 31 March 2021 the value of the assets under FRS 102 was £19.3m; the present value of the defined benefit obligations was £17.6m; the surplus of £1.7m was not recognised.

The company's element of the scheme effectively closed on 31 July 2020, when the last active member opted out. The company's element of the scheme purchased annuities with Aviva which are qualifying insurance policies under FRS 102. The income from the policy exactly matches the amount and timing of the benefits payable to those members covered under the policy.

The cost of the annuities in addition to the existing assets of the scheme was £10.5m.

## 26 Share capital

| | 2021 £ | 2020 £ |
|---|---|---|
| **Ordinary share capital** | | |
| **Issued and fully paid** | | |
| 1 ordinary share of £1 each | 1 | 1 |

**27 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:

| | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| Within one year | 40 | 41 |
| Between two and five years | 124 | 126 |
| In over five years | 90 | 120 |
| | 254 | 287 |

**28 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.

## 29 Related party transactions

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

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| Aggregate compensation | 2,411 | 6,736 |

**Other related party transactions**
The company has taken advantage of the exemption, under the terms of FRS 102, section 33.1A, from disclosing 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 (2020: £10,000,000) and the ultimate parent company, Celtic Mining Group, of £45,581,000 (2020: £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 | Sales / (purchases) during the year |
|---|---|---|
| | 2021 | 2020 |
| | £'000 | £'000 |
| Sale of assets | - | 26 |
| Charges for hire or lease of equipment | 7,033 | (8,565) |
| Charges for services | (921) | (1,045) |

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

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

**29 Related party transactions** **(Continued)**

Balances at 31 March 2021 and 2020 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:

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Total amounts due to Celtic Energy Limited at the year end | - | 28 |
| Total amounts due from Celtic Energy Limited at the year end | (1,440) | (391) |

During the year the company incurred £400,000 (2020: £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 50,000 (2020: £100,000) within prepayments relating to consultancy fees for DHM Consultancy Limited.

During the year the company made sales of £221,207 (2020: £441,032) 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 £86,669 (2020: £180,436) due from Filtercite Ltd to the company.

The company has made loans to RJW Group Holdings Limited and Celtic Environmental Developments Limited. Both of these companies are under the common control of Mr R J Walters. During the year interest of £21,503 (2020: £8,024) and £19,540 (2020: £23,055) respectively was charged on these loans.

During the year £825,000 of the loan to Celtic Environmental Developments Limited was converted to equity (refer to note 16). At the year end there were balances of £nil (2020: £313,040) and £25,000 (2020: £866,692) respectively due from RJW Group Holdings Limited and Celtic Environmental Developments Limited to the company.

There were no other transactions requiring disclosure.

No guarantees have been given or received.