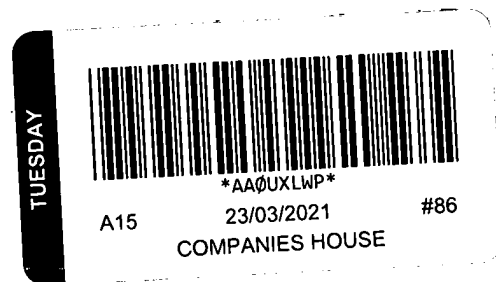


Registered Number 1102042

Coal Products Limited
Annual Report
for the year ended 31 March 2020



Coal Products Limited

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Coal Products Limited
Directors and advisers
for the year ended 31 March 2020

Directors

T W Minett

A Bishop

J Sutton

Registered office

Westthorpe Fields Road

Killamarsh

Sheffield

S21 1TZ

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Central Square

29 Wellington Street

Leeds

LS1 4DL

Solicitors

DLA Piper UK LLP

1 St Paul's Place

121 Norfolk Street

Sheffield

S1 2JX

Bankers

Lloyds Bank plc

14 Church Street

Sheffield

S1 1HP

Coal Products Limited

Strategic Report

for the year ended 31 March 2020

The directors present the Strategic Report for the year ended 31 March 2020.

Review of business and future developments

The profit and loss account for the year is set out on page 11. The loss before taxation was £2.0m (2019: £2.0m loss). During the year the Company incurred exceptional manufacturing costs of £1.1m at its Immingham production site due to an outbreak of tropical mould. The production issues have been resolved but the outbreak had resulted in the incurring of significant costs during the year. During the year the Company also incurred costs associated with restructuring, redundancy and other exceptional costs of £0.3m (2019: £0.6m).

The directors consider that both the level of business and the year-end financial position remain satisfactory. CPL Industries Group Limited and its subsidiaries (together the "Group"), of which the Company is a member, is managed and the strategy set at Group level rather than at an individual business unit level, therefore further review of the business, future developments and consideration of financial and non-financial KPI's are included in the financial statements of CPL Industries Group Limited.

Principal risks and uncertainties

The key risks affecting the Company are:

Weather: As most of the Company's sales are weather sensitive, leading to unpredictable demand, the Company requires a flexible operating structure. Achieving this flexibility is constantly under review to ensure the Company can take maximum benefit from favourable weather conditions and minimise the impact of adverse weather conditions.

Global markets: The Company is subject to volatility of price and availability from global markets for its main raw material and energy requirements. These risks are managed through flexible sourcing and securing supply contracts.

Foreign currency: The Company has contracts for both the supply of raw material and the sale of finished goods in currencies other than its functional currency. It is the policy of CPL Industries Group Limited to hedge material net exposures to cash transactions in foreign currencies, usually through the use of a foreign exchange forward contract.

Covid-19: The Company has considered the impact of Coronavirus COVID-19 on its business, including supply chain, workforce and working capital. No immediate impact is anticipated but the Company has put in place measures to keep the situation under constant review.

Brexit: Brexit may result in some disruption to the Group's supply chain. The Group has followed all official guidance and has put robust plans in place. Such plans include:

- Ensuring that sufficient buffer stocks will be in place on both sides of the UK/EU border at the end of the transition period to service our production requirements and our customer's needs,
- Updating our UK and EU registrations to allow us to continue to import from and export to the EU, and
- Working with our suppliers and logistics providers to ensure they have updated their administration procedures and registrations and identified alternative shipping and supply lanes to ensure our raw materials and products can continue to be transported between the UK and EU.

These plans should ensure that any such disruption is kept to minimum possible levels.

Brexit may result in some disruption to the Group's supply chain. The Group has followed all official guidance and has put robust plans in place which should ensure that any such disruption is kept to minimum possible levels.

Coal Products Limited

Strategic Report

for the year ended 31 March 2020 *continued*

Financial key performance indicators

The directors of CPL Industries Group Limited manage the Group's operations on a divisional basis. For this reason, the Company's directors believe that an analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of Coal Products Limited. The development, performance and position of the Company are discussed on page 2 of the Group's annual report, which does not form part of this report.

Employment policies

The policy of the directors is to encourage the involvement of all employees in the development and performance of the Company. All employees receive notification of important developments, acquisitions and other matters of interest. The Company pursues a policy of providing, wherever possible, the same employment opportunities to disabled persons as to others, having regard to the aptitudes and abilities of each applicant. Efforts are made to enable employees who become disabled during their employment to continue their careers with the Company. Training, career development and promotion of disabled persons is, as far as possible, identical to that of other employees who are not disabled. The Company recognises the high standards required to ensure the health, safety and welfare of its employees at work, its customers and the general public. The policies and KPI's are regularly reviewed with the objective of ensuring these standards are met.

Research and development

The Company maintains a central research and development facility, which is focused on the development of fuels with reduced carbon dioxide emissions.

Section 172 (1) statement

The directors have the duty to promote the success of the Company for the benefit of stakeholders as a whole and remain conscious of the impact their decisions have on employees, communities, suppliers, customers and the environment. The directors focus on engagement with all stakeholders and use this when taking decisions.

Long-term factors

The Company's strategy is to focus on core business performance while taking full advantage of opportunities in strategically important areas and product sectors. To this end, the directors have developed a long-term plan which extends to 2023 and which the directors are committed to achieving. This plan requires the Company to improve the efficiency of its business processes, to develop and market innovative products and to maintain a firm control over operating costs.

Stakeholder considerations

The directors believe that building and maintaining successful partnerships with all the Company's stakeholders is essential to the continued success of the business. The Company engages in regular dialogue with employees, customers, suppliers and local communities in order to explain its objectives and to hear the views and concerns of the stakeholders, which are treated as an important part of the Company's decision-making process.

Environmental considerations

The directors recognise that the Company has a duty to protect the environment and its core long-term strategy is aligned to the achievement of this. By developing, manufacturing and marketing low-smoke fuels and fuels with increasing proportions of biomass and other renewable content we believe that we are making a significant contribution to the effort against climate change. We also strive to minimise our environmental footprint by operating as efficiently as possible and by ensuring that no opportunities to recycle waste products and packaging are ignored.

Coal Products Limited

Strategic Report

for the year ended 31 March 2020 *continued*

Section 172 (1) statement *continued*

Act fairly between members

The Company has a single shareholder and a single ultimate controlling party. Their interests are taken into account by the board to promote fairness in decision making.

Energy and carbon reporting

The Company's energy consumption and greenhouse gas emissions, together with its Streamlined Energy and Carbon Reporting obligations are included in the annual report of CPL Industries Group Limited.

COVID-19

As with all businesses, COVID-19 has had an impact on the Group with the most profound impact on the activated carbon and refractories divisions. Despite this, the Group has traded relatively well over the first 6 months of its financial year to March 2021 and the directors do not anticipate COVID19 having a material adverse impact on the Group as a whole.

The continual provision of essential products, such as home heating products, to consumers throughout the pandemic is vital and right across the business the CPL workforce have shown real dedication to ensuring that our customers continue to have the products they require. The long term effect of the pandemic on the economy remains uncertain and the Group continues to monitor its impact on the business and will continue to follow all recommendations issued by the government.

Going Concern

The Group has long-standing financing arrangements with a number of lenders, the most significant of which is Lloyds Bank plc, who have recently entered into a new Revolving Credit Facility and Asset Based Lending Facility with the Group which expires on 31 March 2022.

Post-balance sheet events

The Group's existing facilities with Lloyds Bank plc were due to expire on 31 March 2021. On 9 October 2020 the facilities were renewed on broadly similar terms, with repayment due on 31 March 2022.

In July 2020 the Group carried out an internal restructuring in order to consolidate all the activated carbons businesses into one operating division under the ownership of Carbon Link Limited, a fellow subsidiary undertaking. The restructuring included the sale of certain items of the Company's plant and machinery to Carbon Link Limited for a consideration of £8.0m, the assets' net book amount.

Approved and signed on behalf of the board



J Sutton
Director

17 December 2020

Coal Products Limited

Directors' Report

for the year ended 31 March 2020

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

Principal activities

The principal activities of the Company are the manufacture and sale of solid fuel briquettes and smokeless fuels. The Company also provides ceramic welding services for operators of coke ovens.

Dividends

An interim dividend of £8.7m was declared on 3 March 2020 (2019: £nil). The directors do not recommend the payment of a final dividend (2019: £nil).

Directors

The directors of the Company who served during the year and up to the date of signing the financial statements (unless otherwise stated), are listed below:

T W Minett
P Scott (resigned 21 June 2019)
A Bishop
J Sutton

In accordance with the Articles of Association, there is no requirement for directors to retire by rotation.

Future developments

Details regarding the future developments within the Company are disclosed within the Strategic Report.

Financial risk management

Details of the Company's financial risk management policies are noted in the financial statements of CPL Industries Group Limited.

Financial instruments

Use of derivatives:

The Company uses forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material payments in a foreign currency. The Company also uses interest rate swaps to adjust interest rate exposures in order to guarantee fixed interest payments where payments are variable and hence exposed to interest rate movements. Hedge accounting is used when certain criteria are met as explained in the accounting policy in Note 1 to the financial statements.

Exposure to price, credit, liquidity and cash flow risk:

Price risk arises on financial instruments because of changes in, for example, commodity prices or equity prices. The Company's investments are held at net asset value and are therefore not exposed to price risk.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Company policies are aimed at minimising such losses and require that deferred payment terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Details of the Company's debtors are shown in Note 15 to the financial statements.

Coal Products Limited

Directors' Report

for the year ended 31 March 2020 continued

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk via revolving credit facilities and long term debt.

Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised liability, such as future interest payments on variable rate debt, or future transactions in foreign currencies. The Company manages these risks, where significant, by the use of derivatives as explained above.

Research and development

Details regarding the research and development activities of the Company are disclosed within the Strategic Report.

Post-balance sheet events

Details regarding post-balance sheet events are disclosed within the Strategic Report.

Independent auditors and disclosure of information to auditors

So far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware. Relevant information is defined as information needed by the Company's auditors in connection with preparing their report. Each director has taken all the steps (such as making enquiries of other directors and the auditors and any other steps required by the director's duty to exercise due care, skill and diligence) that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the Company will be proposed at the next general meeting.

On behalf of the board



J Sutton
Director

17 December 2020

Coal Products Limited

Statement of directors' responsibilities in respect of the financial statements

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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 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.

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.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

On behalf of the board



J Sutton
Director

17 December 2020

Coal Products Limited

Independent auditors' report to the members of Coal Products Limited

Report on the audit of the financial statements

Opinion

In our opinion, Coal Products Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet as at 31 March 2020; the profit and loss account; the statement of comprehensive income and the statement of changes in equity for year ended 31 March 2020; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion on, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information.

Coal Products Limited

Independent auditors' report to the members of Coal Products Limited (continued)

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 based on these responsibilities. With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included. Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Coal Products Limited
Independent auditors' report to the members of Coal Products Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Andy Ward (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
17 December 2020

Coal Products Limited
Profit and loss account
for the year ended 31 March 2020

	Note	2020 £'m	2019 £'m
Turnover	3	51.5	55.8
Operating expenses	4	(52.0)	(54.0)
Exceptional operating expenses	4	(1.4)	(3.3)
Loss on revaluation of investment properties	11	-	(0.4)
		(53.4)	(57.7)
Operating loss		(1.9)	(1.9)
Net interest payable	7	(0.1)	(0.1)
Loss before taxation	8	(2.0)	(2.0)
Tax on loss	9	0.9	0.1
Loss for the financial year		(1.1)	(1.9)

In arriving at the operating loss, all items dealt with relate to continuing operations.

The notes to the financial statements on pages 15 to 40 form an integral part of these financial statements.

Coal Products Limited
Statement of comprehensive income
for the year ended 31 March 2020

	Note	2020 £'m	2019 £'m
Loss for the financial year		(1.1)	(1.9)
Other comprehensive income / (expense):			
Remeasurement of net defined benefit obligation	19	1.3	(2.3)
Cash flow hedges			
Change in value of hedging instruments	21	0.2	0.2
Total tax on components of other comprehensive income / (expense)	9	(0.2)	0.3
Other comprehensive income / (expense) for the year net of tax		1.3	(1.8)
Total comprehensive income / (expense) for the year		0.2	(3.7)

The notes to the financial statements on pages 15 to 40 form an integral part of these financial statements.

Coal Products Limited
Balance sheet
as at 31 March 2020

	Note	2020 £'m	2019 £'m
Fixed assets			
Intangible assets	10	0.6	0.8
Tangible assets	11	14.5	15.6
Investments	12	-	-
Retirement benefit in surplus	19	6.11	4.5
		21.2	20.9
Current assets			
Inventories	14	6.3	6.6
Debtors	15	55.4	52.5
Assets under sale	16	4.0	4.0
		65.7	63.1
Creditors: amounts falling due within one year	17	(73.3)	(62.4)
Net current (liabilities) / assets		(7.6)	0.7
Total assets less current liabilities		13.6	21.6
Provisions for liabilities			
	18	(2.7)	(2.2)
Net assets		10.9	19.4
Capital and reserves			
Called up share capital	20	5.0	5.0
Other reserves		0.1	0.1
Profit and loss account		5.8	14.3
Total shareholders' funds		10.9	19.4

The financial statements on pages 11 to 40 were approved by the board of directors on 17 December 2020 and were signed on its behalf by:



J Sutton
Director
Coal Products Limited
Registered number: 1102042

Coal Products Limited
Statement of changes in equity
for the year ended 31 March 2020

	Note	Called up share capital	Other reserves	Profit and loss account	Total shareholders' funds
		£'m	£'m	£'m	£'m
Balance at 1 April 2018		5.0	(0.1)	18.2	23.1
Loss for the financial year	-	-	-	(1.9)	(1.9)
Other comprehensive income for the year		-	0.2	(2.0)	(1.8)
Total comprehensive expense for the year		-	0.2	(3.9)	(3.7)
Balance at 31 March 2019		5.0	0.1	14.3	19.4
Balance at 1 April 2019		5.0	0.1	14.3	19.4
Loss for the financial year		-	-	(1.1)	(1.1)
Dividends paid	244	-	-	(8.7)	(8.7)
Other comprehensive income for the year		-	-	1.3	1.3
Total comprehensive expense for the year		-	-	(8.5)	(8.5)
Balance at 31 March 2020		5.0	0.1	5.8	10.9

Coal Products Limited

Notes to the financial statements

for the year ended 31 March 2020

1 Accounting policies

Statement of compliance

The financial statements of Coal Products Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

The Company is a private company limited by shares and is incorporated in the United Kingdom. The address of its registered office is Westthorpe Fields Road, Killamarsh, Sheffield, S21 1TZ.

Basis of preparation and going concern

These financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities at fair value and are prepared in sterling, which is the functional currency of the Company, rounded to the nearest £0.1m.

The directors believe that preparing the financial statements on the going concern basis is appropriate following a review of the Company's financial forecasts and the continued support of CPL Industries Group Limited ("the Group").

The directors have considered the adequacy of the Group's financial resources through a review of the financial projections for the business and taking into account the refinancing of the Group's principal debt facilities post year end.

The Group's existing facilities with Lloyds Bank plc were due for renewal on 31 March 2021. On 9 October 2020 the Group entered into a new Revolving Credit Facility and a new Asset Based Lending Facility with Lloyds Bank plc which expires on 31 March 2022.

After careful consideration the directors are satisfied that the Group has adequate financial resources and actions available to undertake as necessary to continue in operation for the foreseeable future being at least twelve months from the date of signing the financial statements.

Following the global outbreak of the Coronavirus COVID-19 in January 2020, we continue to monitor the situation closely. We have followed all recommendations issued by the government and the NHS and will continue to do so in order to protect CPL staff and the wider community.

The directors have considered the impact of Coronavirus COVID-19 on the business, including supply chain, workforce, working capital and they do not expect this to have significant negative impact to the ongoing business.

The principal accounting policies, which have been applied consistently throughout the year, are set out below:

Exemption from preparing consolidated financial statements

The financial statements contain information about Coal Products Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it is a subsidiary of a group which has prepared publicly available consolidated financial statements.

Coal Products Limited

Notes to the financial statements

for the year ended 31 March 2020 continued

1 Accounting policies continued

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders. The Company has taken advantage of the following exemptions:

- i. from preparing a statement of cash flows, on the basis that it is a qualifying entity and the cash flows of the Company are included in the consolidated group cash flow statement of CPL Industries Group Limited;
- ii. from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures;
- iii. from disclosing the Company key management personnel compensation as required by FRS 102 paragraph 33.7.

Business combinations and goodwill

Goodwill recognised represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill is capitalised within intangible assets and is eliminated by amortisation through the profit and loss account over its useful economic life (being the period over which the directors have assessed for each acquisition that benefits can be expected). Where the Company is unable to make a reliable estimate of its useful life, goodwill is amortised over a period not exceeding ten years.

Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost or valuation less accumulated depreciation and impairment. The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal useful lives used for this purpose are:

Freehold and short leasehold buildings	50 years or over period of lease if less than 50 years
Industrial buildings	40 years or over period of lease if less than 40 years
Plant and machinery	2 - 20 years

Freehold land is not depreciated.

Assets under construction commence depreciation when they are brought into use.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

Software	3 – 5 years
----------	-------------

Amortisation is charged to Operating expenses in the profit and loss account.

Where factors such as technological advancement or changes in market price indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Coal Products Limited

Notes to the financial statements

for the year ended 31 March 2020 continued

1 Accounting policies continued

Investment properties

Certain of the Company's properties were held for long-term investment until 2019. Investment properties were initially recognised at cost which includes purchase cost and any directly attributable expenditure. Investment properties whose fair value can be measured reliably were measured at fair value. Movements in fair value are recognised in the profit and loss account.

Fixed asset investments

Fixed asset investments are held at cost less provision for permanent diminution in value. Investments in foreign subsidiaries are revalued for movements in exchange rates at each year end. Any movement in the value of the investment is taken directly to reserves as per section 30 of FRS 102.

Research and development

Expenditure on research and development is charged to revenue in the year in which it is incurred. Capital expenditure on research establishment buildings, facilities and equipment is written off over their expected useful lives.

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Inventories - raw materials and consumable stores

Stocks of raw materials, including materials in transit, are valued at the lower of cost to the operating entity holding the stock prior to processing and net realisable value. Stocks of consumable stores are generally valued at standard purchase prices. A specific provision is held to cover latent obsolescence, damages and redundant stocks.

Inventories - finished goods and goods for resale

Finished goods and goods for resale are valued at the lower of the cost at the time of production or the cost of purchase, and the net realisable value, at the balance sheet date. In the case of manufactured products, cost includes all direct expenditure and production costs. To arrive at net realisable value, undistributed stocks of manufactured fuels are valued at current net selling price less specific provisions for loss of weight or degradation in size and quality.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account.

Foreign currencies

Functional and presentation currency

The Company's functional currency is the pound sterling. These financial statements are presented in pounds sterling and rounded to the nearest £0.1 million.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Coal Products Limited

Notes to the financial statements

for the year ended 31 March 2020 continued

1 Accounting policies continued

Foreign currencies continued

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'Net interest payable'. All other foreign exchange gains and losses are presented in the profit and loss account within 'Operating expenses'.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the Company and value added taxes. Revenue from product sales is recognised upon despatch to the customer or, in the case of goods supplied ex-works, upon collection by the customer or agent.

The Company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably and (d) it is probable that future economic benefits will flow to the Company.

Deferred taxation

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service arises.

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in a personal pension plan arrangement. The pension cost charge disclosed in Note 19 represents contributions payable by the Company to the plan.

Coal Products Limited

Notes to the financial statements

for the year ended 31 March 2020 continued

1 Accounting policies continued

Employee benefits continued

The Company also operates a number of defined benefit pension schemes, the assets of which are held separately from those of the Company in funds independently administered by the respective trustee boards. All defined benefit pension schemes operated by the Company are closed to new entrants and the defined benefit section of the CPL Industries Pension Plan has been closed to future accruals of benefit since 30 April 2004.

The funds are valued every three years by a professionally qualified independent actuary with the rates of contribution payable being determined by the actuary. In the intervening years, the actuary reviews the continuing appropriateness of the rates.

The surplus recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date. The Company recognises a plan surplus as a defined benefit asset only to the extent that it is recoverable through reduced future contributions or refunds from the plan.

The defined benefit obligation is measured using the projected unit actuarial method and is discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability.

Defined benefit pension schemes

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit obligation'.

The cost of the defined benefit plan, recognised in the profit or loss account as staff costs, except where included in the cost of an asset, comprises:

- (a) the increase in pension benefit obligation arising from employee service during the period; and
- (b) the cost of plan introductions, benefit charges, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the profit and loss account as 'Other finance income'.

Annual bonus plans

The Company operates a number of annual bonus plans for employees. An expense is recognised in the profit and loss account when the Company has a legal or constructive obligation to make payments under the plans as a result of past events and when a reliable estimate of the obligation can be made.

Other employee benefits

The Company provides other post-retirement benefits to its employees in the form of concessionary fuels. The provision is calculated as the future cost of providing concessionary fuels on retirement to all eligible current and former employees net of taxation amounts recoverable. The provision is discounted over the average expected period of providing the benefit.

Coal Products Limited

Notes to the financial statements

for the year ended 31 March 2020 continued

1 Accounting policies continued

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that a transfer of economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

Related party transactions

The Company discloses transactions with related parties which are not wholly owned by the Group. It does not disclose transactions with CPL Industries Group Limited and fellow subsidiary undertakings.

Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary in order to provide further understanding of the financial performance of the Company. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price.

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 the profit and loss account, 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.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow Group companies and preference shares that are classified as debt, are initially recognised at transaction price.

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

Derivatives, including foreign exchange contracts and interest rate swaps, are not basic financial instruments.

Coal Products Limited

Notes to the financial statements

for the year ended 31 March 2020 continued

1 Accounting policies continued

Financial instruments continued

Derivatives are initially recorded at fair value on the date a derivative contract is entered into and are subsequently measured at fair value. Changes in the fair value of derivatives are recognised in the profit and loss account as net interest income or expense, unless they are included in a hedging arrangement.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting

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

Hedging arrangements

The Company applies hedge accounting in respect of forward foreign exchange contracts held to manage the cash flow exposures of forecast transactions denominated in foreign currencies.

The Company also applies hedge accounting for transactions entered into in order to manage the cash flow exposure of borrowings. Interest rate swaps are held to manage the interest rate exposures and are designated as cash flow hedges of floating rate borrowings.

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in equity. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge) is recognised in the profit and loss account.

The gain or loss recognised in other comprehensive income is reclassified to the profit and loss account when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires; no longer meets the hedging criteria; the forecast transaction is no longer probable; the hedged debt instrument is derecognised or the hedging instrument is terminated.

Coal Products Limited

Notes to the financial statements

for the year ended 31 March 2020 continued

2 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Pension and other post-employment benefits: The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excess credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on future inflation rates for the respective country. Further details are given in Note 19.

Concessionary fuel in retirement: The Company has an obligation to certain former employees to provide concessionary solid fuel in retirement. This provision is based on the advice of actuaries and updated annually. Further details are given in Note 18.

Goodwill and intangible assets: The Company establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business; the expected useful life of the cash generating units to which the goodwill is attributed; any legal, regulatory or contractual provisions that can limit the useful life; and assumptions that market participants would consider in respect of similar businesses.

Impairment of non-current assets: Where there are indicators of impairment of individual assets, the Company performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows include neither restructuring activities to which the Company is not yet committed, nor significant future investments which would enhance the performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

Coal Products Limited
Notes to the financial statements
for the year ended 31 March 2020 continued

2 Critical accounting judgements and estimation uncertainty

continued

Key accounting estimates and assumptions continued

Provisions: Provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

Taxation: Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in Note 9.

3 Turnover

Geographical analysis by destination:	2020	2019
	£'m	£'m
United Kingdom	46.6	50.9
Europe	2.1	2.8
Rest of the world	2.8	2.1
	51.5	55.8

All turnover relates to the sale of goods.

4 Operating expenses

	2020	2019
	£'m	£'m
Raw materials and consumables	34.8	38.7
Other operating charges	9.7	8.5
Staff costs (Note 6)	5.2	5.1
Depreciation of tangible assets (Note 10)	2.1	1.6
Amortisation of intangible assets (Note 10)	0.2	0.1
	52.0	54.0
Exceptional operating expenses	1.4	3.3
	53.4	57.3

Coal Products Limited
Notes to the financial statements
for the year ended 31 March 2020 continued

4 Operating Expenses continued

Exceptional operating expenses comprise:	2020 £'m	2019 £'m
Impact of GMP on pension scheme	-	0.2
Impairment of tangible fixed assets	-	0.4
Revision of estimate	-	(0.5)
Provision in respect of amounts owed by Group undertakings	-	2.6
Exceptional manufacturing costs	1.1	-
Restructuring, redundancy and other	0.3	0.6
	1.4	3.3

During the year the Company incurred exceptional manufacturing costs of £1.1m at its Immingham production site due to an outbreak of tropical mould. The production issues have been resolved but the outbreak had resulted in the incurring of significant costs during the year.

During the year the Company also incurred costs associated with restructuring, redundancy and other exceptional costs of £0.3m (2019: £0.6m).

Following the decision of the High Court in the Lloyds Banking Group case in October 2018, benefits will need to be equalised for the effect of unequal Guaranteed Minimum Pensions ("GMP") between men and women. Professionally qualified, independent actuaries have assessed the impact of this requirement on the plans which the Company operates (i.e. the Industry Wide Coal Staff Superannuation Scheme and the Industry Wide Mineworkers' Pension Scheme) using the "C2" method, as permitted by the judgement. This has resulted in a past service charge of £0.2m being recognised as an exceptional cost in the profit and loss account in the year to 31 March 2019.

During the year to 31 March 2019, a provision of £0.4m for the impairment of tangible fixed assets was raised in respect of assets held at the former investment property in South Wales.

During the year to 31 March 2019, the Company revised its estimate of the value of coal fines produced in the course of the manufacturing process, which resulted in a credit of £0.5m.

A provision of £2.6m in respect of balances owed by Group undertakings was made in the year to 31 March 2019, following a recoverability review.

Coal Products Limited
Notes to the financial statements
for the year ended 31 March 2020 continued

5 Directors' emoluments

Two of the directors received emoluments in respect of their directorships of Coal Products Limited during the year (2019: three). The aggregate emoluments amounted to £332,000 (2019: £349,000). Contributions of £11,000 (2019: £20,000) were made to a defined contribution pension scheme on behalf of two (2019: three) of the directors.

The emoluments paid to the highest paid director were £213,000 (2019: £145,000). As part of these emoluments, the highest paid director received £nil (2019: £17,000) under an incentive programme for achieving certain financial targets.

Retirement benefits are accruing to two directors (2019: two) under the Company's defined benefit scheme.

T W Minett and J Sutton received no emoluments for provision of their services to Coal Products Limited (2019: £nil). The total emoluments of T W Minett and J Sutton are included in the aggregate of directors' emoluments disclosed in the financial statements of CPL Industries Limited, the same as in the year to 31 March 2020.

6 Employee information

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

By activity	2020 Number	2019 Number
Production	77	75
Selling and distribution	14	21
Administration	13	21
	104	117
Staff costs (for the above persons)	2020 £'m	2019 £'m
Wages and salaries	4.2	4.1
Social security costs	0.5	0.5
Other pension costs (note 19)	0.5	0.5
	5.2	5.1

Coal Products Limited
Notes to the financial statements
for the year ended 31 March 2020 continued

7 Net interest payable

	2020	2019
	£'m	£'m
Interest payable and similar expenses		
Other interest payable	(0.2)	(0.2)
	(0.2)	(0.2)
Interest receivable and similar income		
Other finance income	0.1	0.1
	0.1	0.1
Net interest payable	(0.1)	(0.1)

Coal Products Limited
Notes to the financial statements
for the year ended 31 March 2020 continued

8 Loss before taxation

	2020 £'m	2019 £'m
Profit before taxation is stated after charging:		
Amortisation of intangible assets (Note 10)	0.2	0.1
Depreciation of tangible assets (Note 11)	2.1	1.6
Operating lease payments		
- land and buildings	0.7	0.6
- plant and machinery	0.5	0.5
Research and development expenditure	0.4	0.8
Services provided by the Company's auditors:	£'000	£'000
- Fees payable for the audit	58	29

9 Tax on loss

Tax expense / (income) included in loss	2020 £'m	2019 £'m
Current tax:		
United Kingdom corporation tax on loss for the year	(0.6)	-
Adjustment in respect of prior years	(0.3)	(0.2)
Total current tax	(0.9)	(0.2)
Deferred tax:		
Origination and reversal of timing differences	-	0.1
Total deferred tax	-	0.1
Tax on loss	(0.9)	(0.1)

Coal Products Limited
Notes to the financial statements
for the year ended 31 March 2020 continued

9 Tax on loss continued

Tax (expense) / income included in other comprehensive income / (expense)	2020 £'m	2019 £'m
Deferred tax:		
Origination and reversal of timing differences	(0.2)	0.3
Total tax (expense) / income included in other comprehensive income / (expense)	(0.2)	0.3

The tax assessed for the year is higher (2019: higher) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £'m	2019 £'m
Loss before taxation	(2.0)	(2.0)
Loss before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	(0.4)	(0.4)
Effects of:		
Pension deficit contribution made in year	-	(0.2)
Expenses not allowed for taxation	-	0.7
Group relief receivable	(0.2)	(0.2)
Adjustment in respect of prior years	(0.3)	(0.2)
Capital allowances lower than / (in excess of) depreciation	-	0.2
Total tax credit for the year	(0.9)	(0.1)

Deferred taxation

The Company recognises a deferred tax liability in relation to the pension surplus of £1.2m (2019: £0.8m), a liability in respect of fair value adjustments to investment property £0.6m (2019: £0.5m) and a liability of less than £0.1m in relation to certain derivative financial instruments (2019: less than £0.1m). A deferred tax asset of £0.4m (2019: £nil) is recognised in relation to other fixed asset timing differences..

Coal Products Limited
Notes to the financial statements
for the year ended 31 March 2020 continued

10 Intangible assets

	Goodwill	Software	Total
	£'m	£'m	£'m
Cost			
At 1 April 2019	1.4	1.1	2.5
At 31 March 2020	1.4	1.1	2.5
Accumulated amortisation			
At 1 April 2019	0.7	1.0	1.7
Amortisation	0.1	0.1	0.2
At 31 March 2020	0.8	1.1	1.9
Net book amount			
At 31 March 2020	0.6	-	0.6
At 31 March 2019	0.7	0.1	0.8

The goodwill shown above arose following the acquisition of CPL Fuels Limited on 1 April 2017.

Coal Products Limited
Notes to the financial statements
for the year ended 31 March 2020 continued

11 Tangible assets

	Freehold land and buildings	Short leasehold buildings	Plant and machinery	Industrial buildings	Total
	£'m	£'m	£'m	£'m	£'m
Cost or valuation					
At 1 April 2019	27.6	0.4	43.0	1.8	72.8
Additions	-	-	1.0	-	1.0
At 31 March 2020	27.6	0.4	44.0	1.8	73.8
Accumulated depreciation					
At 1 April 2019	24.8	0.3	30.7	1.4	57.2
Charge for year	0.2	-	1.9	-	2.1
At 31 March 2020	25.0	0.3	32.6	1.4	59.3
Net book amount					
At 31 March 2020	2.6	0.1	11.4	0.4	14.5
At 31 March 2019	2.8	0.1	12.3	0.4	15.6

Coal Products Limited
Notes to the financial statements
for the year ended 31 March 2020 continued

12 Investments

	Shares in subsidiary undertakings £'m
Cost	
At 1 April 2019	0.1
At 31 March 2020	0.1
Provision for permanent diminution in value	
At 1 April 2019	0.1
At 31 March 2020	0.1
Net book amount	
At 31 March 2020	-
At 31 March 2019	-

13 Interests in group undertakings

Subsidiary undertakings

Details of the directly held subsidiary undertaking and the nature of its business at 31 March 2020 and 31 March 2019 are as follows:

Subsidiary	Nature of business	% held
Palco Shipping and Trading Limited	Non trading	100

The shares held in the subsidiary undertaking are £1 (2019: £1) ordinary shares. The subsidiary undertaking is incorporated in England & Wales and has its registered office at Westthorpe Fields Road, Killamarsh, Sheffield, S21 1TZ.

Coal Products Limited
Notes to the financial statements
for the year ended 31 March 2020 continued

14 Inventories

	2020	2019
	£'m	£'m
Raw materials and consumables	3.8	3.4
Finished goods	2.5	3.2
	6.3	6.6

Finished goods are stated net of a provision for obsolete stock of £0.6m (2019: £0.3m).

15 Debtors

	2020	2019
	£'m	£'m
Trade debtors	4.4	4.5
Amounts owed by group undertakings	48.6	47.0
Corporation tax	0.1	0.2
Deferred tax	0.4	-
Derivative financial instruments (Note 21)	0.3	0.2
Group relief receivable	1.4	0.5
Other debtors	0.1	-
Prepayments	0.1	0.1
	55.4	52.5

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

16 Assets under sale

	2020	2019
	£'m	£'m
Freehold property under sale	4.0	4.0

Assets under sale are the former investment properties in South Wales, which were transferred from Tangible assets in the year to 31 March 2019.

Coal Products Limited
Notes to the financial statements
for the year ended 31 March 2020 continued

17 Creditors: amounts falling due within one year

	2020 £'m	2019 £'m
Bank loans and overdrafts	2.1	4.8
Trade creditors	5.6	8.5
Amounts owed to group undertakings	63.7	47.4
Taxation and social security	0.4	0.2
Derivative financial instruments (Note 21)	-	0.1
Other creditors	0.1	-
Accruals	1.4	1.4
	73.3	62.4

Bank loans and overdrafts include amounts owing under the Group cashpool arrangement with Lloyds Bank plc. Amounts owed to group undertakings are unsecured, interest free and repayable upon demand.

18 Provisions for liabilities

	Concessionary fuel in retirement £'m	Other provisions £'m	Deferred tax £'m	Total £'m
At 1 April 2019	0.8	0.1	1.3	2.2
Created in the year	-	-	0.5	0.5
Utilised in the year	-	-	-	-
At 31 March 2020	0.8	0.1	1.8	2.7

Concessionary fuel in retirement

The Company has an obligation to certain former employees to provide concessionary solid fuel in retirement. This provision is based on the advice of actuaries and updated annually. The principal assumptions made, concerning the amounts that may be required to settle the obligations are as follows:

- discount rates used are based upon the 15 year corporate bond rate adjusted for long term inflation, assumed to be 0.5% (2019: 0.5%);
- the life expectancy at the age of 65 is 22 years for men and 24 years for women.

Deferred tax

The provision for deferred tax comprises pensions surplus £1.2m (2019: £0.8m), fair value of investment properties £0.6m (2019: £0.5m) and derivative financial instruments of less than £0.1m (2019: less than £0.1m).

Coal Products Limited
Notes to the financial statements
for the year ended 31 March 2020 continued

19 Retirement benefit in surplus

Defined contribution scheme

The Company contributes to a defined contribution scheme which is operated by CPL Industries Limited.

Pension costs for defined contribution schemes are as follows:

	2020	2019
	£'m	£'m
Defined contribution schemes	0.2	0.2

Employer contributions of £73,000 (2019: £25,000) were accrued at 31 March 2020.

Defined benefit schemes

Two of the major schemes in which the Company has been involved are defined benefit schemes, which have been closed to new entrants since 1999. They are funded schemes based on final salary and are both administered by independent trustees, who are responsible for ensuring that the schemes are sufficiently funded to meet current and future obligations.

The Company has maintained ongoing deficit reduction contributions to eliminate the deficits. The Company paid normal ongoing contributions to the defined benefit schemes of £0.2m (2019: £0.2m) and paid additional deficit reduction contributions of £0.3m (2019: £0.8m).

The calculations for inclusion of amounts in the financial statements have been based on the following valuation dates updated to 31 March 2020 by professionally qualified independent actuaries:

Industry Wide Coal Staff Superannuation (IWCSS) Scheme	31 December 2018
Industry Wide Mineworkers Pension (IWMP) Scheme	31 December 2018

	2020	2019
Discount rate	2.35%	2.40%
Rate of increase in salaries	2.55%	3.20%
Rate of increases of inflation linked pensions in payment	1.55%	3.20%
Inflation assumption	2.55%	3.20%

Coal Products Limited
Notes to the financial statements
for the year ended 31 March 2020 continued

19 Retirement benefit in surplus continued

The mortality assumptions used were as follows:

	2020 Years	2019 Years
Longevity at age 65 for current pensioners:		
- Men	19.3 – 20.6	19.1 – 20.6
- Women	22.4 – 22.9	22.3 – 22.4
Longevity at age 65 for future pensioners:		
- Men	20.4 – 21.7	20.2 – 21.6
- Women	23.7 – 24.1	23.6 – 23.7

Coal Products Limited
Notes to the financial statements
for the year ended 31 March 2020 continued

19 Retirement benefit in surplus continued

Reconciliation of scheme assets and liabilities

	Assets	Liabilities	Total
	£'m	£'m	£'m
At 1 April 2018	53.9	(47.9)	6.0
Benefits paid	(2.4)	2.4	-
Employer contributions	1.1	-	1.1
Current service cost	-	(0.3)	(0.3)
Past service cost	-	(0.1)	(0.1)
Interest income/(expense)	1.2	(1.1)	0.1
Remeasurement gains:			
Actuarial losses	-	(3.1)	(3.1)
Return on plan assets excluding interest	0.8	-	0.8
At 31 March 2019	54.6	(50.1)	4.5

	Assets	Liabilities	Total
	£'m	£'m	£'m
At 1 April 2019	54.6	(50.1)	4.5
Benefits paid	(1.5)	1.5	-
Employer contributions	0.5	-	0.5
Current service cost	-	(0.3)	(0.3)
Interest income/(expense)	1.3	(1.2)	0.1
Remeasurement gains:			
Actuarial gains	-	4.0	4.0
Return on plan assets excluding interest	(2.7)	-	(2.7)
At 31 March 2020	52.2	(46.1)	6.1

Analysis of amounts charged to operating profit

	2020	2019
	£'m	£'m
Current service cost	0.3	0.3
Past service cost (impact of GMP)	-	0.2
	0.3	0.5

Coal Products Limited
Notes to the financial statements
for the year ended 31 March 2020 continued

19 Retirement benefit in surplus continued

Analysis of amounts credited to other finance income

	2020	2019
	£'m	£'m
Expected return on pension scheme assets	1.3	1.4
Interest on pension scheme liabilities	(1.2)	(1.2)
	0.1	0.2

Analysis of amounts recognised in other comprehensive (expense) / income

	2020	2019
	£'m	£'m
Actual return less expected return on scheme assets	(2.7)	0.7
Actuarial gain / (loss)	4.0	(3.0)
	1.3	(2.3)

The assets of the schemes are invested in investment funds managed by a number of independent fund managers. The assets in the scheme were:

	2020	2019
	£'m	£'m
Equities	6.7	8.1
Bonds	31.5	31.7
Property	3.0	3.3
Liability driven investments	2.8	3.7
Diversified growth fund	8.1	7.6
Cash and cash equivalents	0.1	0.1
	52.2	54.5

The return on plan assets was:

	2020	2019
	£'m	£'m
Interest income	1.3	1.4
Return on plan assets less interest income	(2.7)	0.7
	(1.4)	2.1

Coal Products Limited
Notes to the financial statements
for the year ended 31 March 2020 continued

20 Called up share capital

	2020 £'m	2019 £'m
Authorised		
47,134,217 (2019: 47,134,217) ordinary shares of £1 each	47.1	47.1
Allotted and fully paid		
5,000,000 (2019: 5,000,000) ordinary shares of £1 each	5.0	5.0

On 18 April 2017 a special resolution was passed to reduce the share capital from 42,134,217 ordinary shares of £1 each to 5,000,000 ordinary shares of £1 each.

21 Financial instruments

	2020 £'m	2019 £'m
Financial assets measured at fair value through profit and		
Derivative financial instruments	0.3	0.2
	0.3	0.2
Financial assets measured at amortised cost		
Trade debtors	4.4	4.5
Amounts owed by group undertakings	48.6	49.6
	53.0	54.1
Financial liabilities at fair value through profit and loss		
Derivative financial instruments	-	0.1
	-	0.1
Financial liabilities measured at amortised cost		
Bank loans and overdrafts	2.1	4.8
Trade creditors	5.6	8.5
Amounts owed to group undertakings	63.7	47.4
Accruals	1.4	1.4
	72.8	62.1

Coal Products Limited

Notes to the financial statements

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21 Financial instruments continued

Derivative financial instruments – Forward contracts

The Company enters into forward foreign currency contracts to hedge the exchange risk for certain foreign currency sales and purchases. At 31 March 2020 the outstanding contracts all mature within 12 months (2019: 15 months). The Company is committed to buy US\$6.0m (2019: US\$17.1m) and buy €2.0m (2019: €3.4m).

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for GBP:USD and GBP:EUR. The net fair value of the forward foreign currency contracts is £0.3m favourable (2019: £0.2m favourable).

During the financial year 2020, a hedging gain of £0.2m (2019: £0.2m) was recognised in other comprehensive income for changes in the fair value of the forward foreign currency contracts.

22 Related party transactions

The Company's related party transactions were with wholly owned subsidiaries and have not been disclosed. Key management consists of the directors, with whom there have been no transactions which have not been disclosed in Note 5 to the financial statements.

23 Financial commitments

At 31 March the company had the following future minimum lease payments under non-cancellable operating leases:

Operating leases which expire:	2020		2019	
	Land and buildings	Other	Land and buildings	Other
	£'m	£'m	£'m	£'m
Within one year	0.7	0.2	0.6	0.2
After one year but before five years	2.8	0.1	2.8	0.2
After five years	4.6	-	5.5	-
	8.1	0.3	8.9	0.4

24 Dividends

An interim dividend of £8.7m was declared on 3 March 2020 (2019: £nil). The directors do not recommend the declaration of a final dividend (2019: £nil).

Coal Products Limited

Notes to the financial statements

for the year ended 31 March 2020 continued

25 Ultimate parent company

The immediate parent undertaking is CPL Industries Limited.

For the year ended 31 March 2020 CPL Industries Group Limited is the largest and smallest group in which these financial statements are consolidated. Copies of the financial statements of CPL Industries Group Limited may be obtained from the Company Secretary, CPL Industries Group Limited, Westthorpe Fields Road, Killamarsh, Sheffield, S21 1TZ.

At 31 March 2020 the directors consider that JCM Holdings Limited is the ultimate parent company and that JPV Mash is the ultimate controlling party. JCM Holdings Limited is established in the United Kingdom at 35 John Street, London, WC1N 2AT.

26 Contingent liabilities

The Company has granted fixed and floating charges over all its assets in favour of Lloyds Bank plc as security for the banking facilities provided to the Group.

The Company has granted fixed and floating charges over all its assets in favour of VCP Jet Luxco SARL as security for the loan facility provided to the Group.

27 Post-balance sheet events

The Group's existing facilities with Lloyds Bank plc were due to expire on 31 March 2021. On 9 October 2020 the facilities were renewed on broadly similar terms, with repayment due on 31 March 2022.

In July 2020 the Group carried out an internal restructuring in order to consolidate all the activated carbons businesses into one operating division under the ownership of Carbon Link Limited, a fellow subsidiary undertaking. The restructuring included the sale of certain items of the Company's plant and machinery to Carbon Link Limited for a consideration of £8.0m, the assets' net book amount.