

**Celtic Mining Group Limited**

**Directors' report and financial  
statements**

**Registered Number 5110139**

**31 March 2009**

SATURDAY



\*P5B2ND07\*

PC4

05/09/2009

222

COMPANIES HOUSE

## Contents

Business review	1
Directors' report	3
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	5
Independent auditors' report to the members of Celtic Mining Group Limited	6
Consolidated profit and loss account	8
Consolidated statement of total recognised gains and losses	8
Consolidated and company balance sheets	9
Consolidated cash flow statement	10
Reconciliation of net cash flow to movement in net funds	10
Notes	11

## Business review

Celtic Mining Group Limited ("the group") operates opencast coal mining sites in South Wales. The group currently operates three coaling sites. An extension to our key high volatility coking coal site at Margam is currently under planning review by the Welsh Assembly Government.

The results for the group show a pre-tax profit of £0.8m (2008: £2.7m) for the year on turnover of £69.6m (2008: £51.0m). The group has net cash balances of £49.3m (2008: £36.0m) of which £7.2m (2008: £5.3m) is restricted funds and has restoration and aftercare liabilities of £141.3m (2008: £125.4m).

In 2009 our turnover improved significantly due largely to increased coal prices achieved following the general upwards movement in global coal prices. We also saw continued strong demand from our domestic and industrial customers both in the UK and in European markets at these higher price levels. The significant increase in turnover has been largely offset by an increase in our mining costs and provisions for future restoration costs (see note 6). One should note that our performance in 2008 also benefited significantly from a one off claw-back profit of £4.5m on the sale of our Ffos-y-Fran interests in September 2002.

## Risks and uncertainties

The group faces a number of risks and uncertainties, some of which are inherent in the nature of its operations. The Group 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 it is able to do so. The Board periodically reviews its chosen strategies to ensure they continue to meet the challenges faced.

The key risks within the business may be summarised as follows:

- *Market risk* – the group operates within a highly competitive environment where prices are largely driven by world commodity markets, and which, in the case of domestic fuels, are in long-term structural decline. The group 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;
- *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 our existing sites and also to seek valid permissions for further economic coal reserves. The most immediate risk in this regard is in relation to our application for an extension to our Margam site which is discussed further below;
- *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 to limit our exposure to those inherent variabilities, and their resulting impact on sales volumes and our cost base; and
- *Operational risk* – our business involves the use of heavy equipment undertaking what are potentially environmentally sensitive activities. As such, our operations are planned and organised to address the health & safety issues involved in our day-to-day working practices and both the immediate and long term potential environmental impacts. Our operations are conducted with regular monitoring and dialogue with the relevant regulatory authorities, ensuring that our business is undertaken both responsibly and sustainably, within appropriate constraints. The group utilises significant amounts of diesel oil in its mining operations and restoration programme, the price of which is linked to world oil prices. Fluctuations in the price can have a significant impact on the performance of the group.

## Future prospects

Whilst the demand, sales prices and profitability of our operations are positive indicators for our future prospects, our current focus is on obtaining planning permission for extensions at two of our sites. The securing of planning permission for new reserves is critical to the future prospects of the business.

## **Business review** *(continued)*

### **Future prospects** *(continued)*

In the short term the group hopes to receive a positive response from the Welsh Assembly Government to its planning application appeal for an extension to its Margam high volatility coking coal site - this being key to the restoration programme and the longer term viability of the business given the revenue that the additional coal reserve will generate, and the adverse cash impact on the business across the medium term that a refusal would have. We are hopeful that the Welsh Assembly Government will pay due regard to what are, in our view, the overwhelming economic and commercial benefits arising from the scheme for the locality.

The group continues to make progress and to implement the strategies and actions necessary to address the challenges that the business faces. With the continuing support of all interested players, we believe the group has a sound financial future, with the potential to deliver significant economic value to its wider stakeholders in the coming years.

### **Board and employees**

The Board recognises the contribution to the group's achievements of the support it receives from its customers, suppliers and particularly its employees, which must always be viewed against the backdrop of the tough environment in which the group operates.

On behalf of the Board I wish to express my gratitude to all employees for their hard work and support during the past year.



**Richard Walters**  
*Managing Director*

4 September 2009

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 March 2009.

### **Principal activities**

The company acts as a holding company for the group.

The principal activities of the group are opencast coal mining and associated activities.

### **Business review**

A review of the business is given in the Business review on pages 1 and 2.

### **Dividends**

The directors do not propose the payment of a dividend for the year (2008: £Nil).

### **Directors**

The directors who held office during the year were as follows:

R J Walters        - Managing Director  
MER Llewellyn

### **Freehold land and buildings**

The directors believe that there is no significant difference between the book value and the market value of freehold land and buildings.

### **Employees**

The group's policy is to consult and discuss with employees on matters likely to affect their interests.

The group gives full consideration to suitable applications for the employment of disabled persons. Opportunities also exist for employees of the group who become disabled to continue in their employment or to be trained for other positions within the group.

### **Political and charitable contributions**

The group made no political contributions during the year. During the year the group contributed £27,998 (2008: £17,250) to a variety of schemes to benefit the communities within which it operates.

## Directors' report *(continued)*

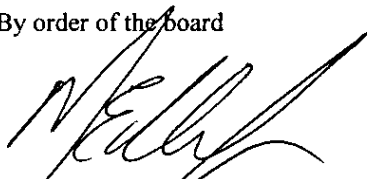
### Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



**MER Llewellyn**  
Secretary

9 Beddau Way  
Castlegate Business Park  
Caerphilly  
CF83 2AX

4 September 2009

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the Directors' 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 group and company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The group and parent company financial statements are required by law to 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



KPMG LLP

Marlborough House  
Fitzalan Court  
Fitzalan Road  
Cardiff  
CF24 0TE  
United Kingdom

## **Independent auditors' report to the members of Celtic Mining Group Limited**

We have audited the group and parent company financial statements (the "financial statements") of Celtic Mining Group Limited for the year ended 31 March 2009 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Independent auditors' report to the members of Celtic Mining Group Limited** *(continued)*

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 March 2009 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

### **Emphasis of matters – carrying value of goodwill and impact of oil prices on the restoration provisions**

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in notes 11 and 19 respectively concerning the following matters:

- The possible outcome of the Public Inquiry against the refusal of the Group's planning application for an extension of the Margam mine. The ultimate outcome cannot presently be determined and no provision has been made for the impairment of the Group's goodwill that would result from the application being turned down at Inquiry; and
- The sensitivity of the restoration provision, and the amount of the related fixed asset "Opencast sites", to the cost of diesel oil, which has a significant bearing on management's estimate. This has been subject to very significant fluctuations during the last year as it is driven by world oil prices and exchange rates, about which significant uncertainty remains, over the expected restoration period. The provision assumes a price for diesel oil of 40 pence per litre. An increase/decrease of 10 pence per litre from this amount would increase/decrease the provision by £8.3m, would increase/decrease fixed assets by £3.5m and would decrease/increase the operating profit for the year by £4.8m.

*KPMG LLP*

**KPMG LLP**

*Chartered Accountants  
Registered Auditor*

*4 September* 2009

**Consolidated profit and loss account**  
*for the year ended 31 March 2009*

	<i>Note</i>	<b>2009</b> <b>£000</b>	<b>2008</b> <b>£000</b>
Turnover from continuing activities	2	69,573	50,983
Cost of sales – including exceptional net costs – <i>see note 6</i>		(60,081)	(43,906)
Gross profit		9,492	7,077
Operating expenses		(7,425)	(7,219)
Group operating profit / (loss) from continuing activities		2,067	(142)
Profit on sale of land		-	4,500
Profit on ordinary activities before interest and taxation		2,067	4,358
Interest receivable and similar income	7	1,670	1,525
Interest payable and similar charges	8	(133)	(227)
Other finance costs	8	(2,876)	(2,949)
Profit on ordinary activities before taxation	3	728	2,707
Tax on profit on ordinary activities	9	(597)	(465)
Profit for the financial year	21	131	2,242

**Consolidated statement of total recognised gains and losses**  
*for the year ended 31 March 2009*

	<b>2009</b> <b>£000</b>	<b>2008</b> <b>£000</b>
Profit for the financial year	131	2,242
Actuarial gain recognised in the pension scheme (net of deferred tax)	(436)	612
Total recognised gains / (losses) since the last annual report	(305)	2,854

**Consolidated and company balance sheets**  
*at 31 March 2009*

	<i>Note</i>	<b>Group 2009 £000</b>	<b>Company 2009 £000</b>	<b>Group 2008 £000</b>	<b>Company 2008 £000</b>
<b>Assets</b>					
<b>Fixed assets</b>					
Intangible fixed assets	11	25,643	-	28,920	-
Tangible assets	12	62,785	-	60,067	-
Investments	13	-	-	-	-
		<u>88,428</u>	<u>-</u>	<u>88,987</u>	<u>-</u>
<b>Current assets</b>					
Stocks	14	4,431	-	3,989	-
Debtors	15	16,069	2,735	14,392	2,778
Cash at bank and in hand	16	49,290	5	36,009	-
		<u>69,790</u>	<u>2,740</u>	<u>54,390</u>	<u>2,778</u>
<b>Total assets</b>		<u><b>158,218</b></u>	<u><b>2,740</b></u>	<u><b>143,377</b></u>	<u><b>2,778</b></u>
<b>Liabilities</b>					
<b>Capital and reserves</b>					
Called up share capital	20	-	-	-	-
Profit and loss account	21	2,922	(45,787)	3,227	(45,987)
		<u>2,922</u>	<u>(45,787)</u>	<u>3,227</u>	<u>(45,987)</u>
<b>Surplus/(deficit) on shareholders' funds</b>	22	<b>2,922</b>	<b>(45,787)</b>	<b>3,227</b>	<b>(45,987)</b>
<b>Provisions for liabilities and charges</b>					
Pension liability	27	915	-	808	-
Creditors: amounts falling due within one year	17	10,808	1,104	11,796	1,212
Creditors: amounts falling due after more than one year	18	1,707	47,423	1,533	47,553
		<u>158,218</u>	<u>2,740</u>	<u>143,377</u>	<u>2,778</u>
<b>Total liabilities</b>		<u><b>158,218</b></u>	<u><b>2,740</b></u>	<u><b>143,377</b></u>	<u><b>2,778</b></u>

These financial statements were approved by the board of directors on 4 September 2009 and were signed on its behalf by:



**RJ Walters**  
*Director*

**Consolidated cash flow statement**  
*for the year ended 31 March 2009*

	<i>Note</i>	<b>2009</b> <b>£000</b>	<b>2008</b> <b>£000</b>
Net cash inflow from operating activities	24	15,430	7,747
Returns on investments and servicing of finance	26	1,741	1,004
Taxation		(465)	-
Capital expenditure and financial investment	26	(5,670)	6,414
Acquisitions and disposals	26	(277)	(419)
Net cash inflow before use of liquid resources and financing		10,759	14,746
Financing	26	641	(2,841)
Increase in cash in the year	25	11,400	11,905

**Reconciliation of net cash flow to movement in net funds**  
*for the year ended 31 March 2009*

	<i>Note</i>	<b>2009</b> <b>£000</b>	<b>2008</b> <b>£000</b>
Increase in cash in the year		11,400	11,905
Cash outflow from decrease in finance leases		748	2,480
Repayment of other loans		-	361
New finance leases		(1,389)	-
Movement in net funds		10,759	14,746
Net funds at beginning of year		28,710	13,964
Net funds at end of year	25	39,469	28,710

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements. The amendment to FRS 17 'Retirement benefits' has been adopted in these financial statements for the first time and the disclosures it requires have been presented for both the current and comparative period. The amendment to FRS 17 also requires that quoted securities are valued at their current bid-price rather than their mid-market value, which has not had a significant impact on the financial statements.

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and under historical cost accounting rules.

#### *Use of estimates*

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts shown in the financial statements. Actual amounts could differ from those estimates.

#### *Basis of consolidation*

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 March 2009. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

#### *Related party transactions*

The exemption given under Financial Reporting Standard 8 from the requirement to disclose transactions with group companies where 90% or more of the equity is controlled has been adopted.

#### *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 period. 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.

#### *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 opencast sites and charged to the profit and loss account over the coaling life of the site on a unit of production basis.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Acquisitions and disposals*

On the acquisition of a business, including an interest in an associated undertaking, fair values are attributed to the group's share of separable assets and liabilities acquired. Where the cost of acquisition exceeds the values attributable to such assets and liabilities, the difference is treated as purchased goodwill. For acquisitions since the incorporation of the company, purchased goodwill is capitalised and amortised through the profit and loss account over its estimated economic life, normally over a period of up to twenty years.

In attributing fair values, long term monetary assets and liabilities are discounted to their net present value and the difference is charged/credited to the profit and loss account at a constant rate on the amount outstanding.

The profit or loss on the disposal of a previously acquired business includes the attributable amount of any purchased goodwill relating to that business.

#### *Tangible fixed assets*

Depreciation is not provided on freehold land. On other assets it is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	- 2% per annum
Plant and machinery – fixed *	- 10% per annum
Plant and machinery – mobile *	- 12.5% to 20% per annum
Surface works	- 10% per annum
Computer equipment	- 33% per annum
Motor vehicles	- 33% per annum
Opencast site preparation, restoration, rehabilitation and pre-coaling costs	- unit of production basis

\* Mobile plant and machinery is depreciated on a straight line basis as disclosed above. However, depreciation of plant is absorbed into work in progress based on the total forecast site depreciation and the current stage of the site's completion (percentage of coal mined basis). The corresponding credit offsets the original depreciation charge in cost of sales.

#### *Investments*

Investments in subsidiary undertakings in the parent company balance sheet are stated at cost less a provision to reduce the carrying value to equate to the net assets of the relevant subsidiaries.

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value. Cost includes production and preparation costs appropriate to the relevant stage of production.

#### *Leases and hire purchase agreements*

Assets held under finance leases and hire purchase agreements are capitalised at their fair value on the inception of the agreement and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding.

All other leases are treated as operating leases and rentals are charged to the profit and loss account in equal annual amounts over the lease term.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Capital instruments*

Capital instruments are accounted for and classified as equity or non-equity share capital and debt according to their form.

Finance costs including issue costs, interest, dividends and redemption premiums are charged to the profit and loss account over the anticipated term of the instrument at a constant rate on the amount outstanding.

Debt instruments are stated at their net issue proceeds, plus accrued finance costs less payments made in respect of the instrument.

#### *Pensions and other post retirement benefits*

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

In respect of the defined benefit scheme, contributions are paid to the scheme in accordance with the recommendations of independent actuaries to enable the trustees to meet from the scheme the benefits accruing in respect of current and future service.

Pension scheme assets are measured using market value. For quoted securities the current bid price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the group's defined benefit pension scheme expected to arise from employee service in the period is charged to operating profit. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in other finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

The pension scheme surplus, to the extent that it is considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of the related deferred tax.

In respect of defined contribution schemes, contributions are charged to the profit and loss account as they become payable in accordance with the scheme rules.

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

#### *Taxation*

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Deferred tax assets are recognised to the extent that they are regarded as recoverable. They are regarded as recoverable to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

#### *Turnover*

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers during the year. Turnover is recognised when the significant risks and rewards of ownership have been transferred to the customer.

## Notes (continued)

### 1 Accounting policies (continued)

#### Exploration costs

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

#### Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability on that date to the extent that they are appropriately authorised and are no longer at the direction of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

#### Grant income

Revenue grants receivable are credited to the profit and loss account to match the period over which the related expenditure is incurred. Capital grants in respect of expenditure on fixed assets are treated as deferred income and recognised in the profit and loss account over the expected useful economic lives of the related assets.

#### 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 Analysis of turnover

Turnover is entirely derived from opencast mining and associated activities in the United Kingdom:

	2009	2008
<i>Analysis of turnover by geographical market</i>	<b>£000</b>	<b>£000</b>
United Kingdom	61,760	45,340
Rest of Europe	7,813	5,643
	<b>69,573</b>	<b>50,983</b>

## Notes (continued)

### 3 Profit on ordinary activities before taxation

	2009 £000	2008 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Auditors' remuneration:		
Audit of these financial statements	5	8
Audit of financial statements of subsidiaries	45	50
Other services relating to taxation	25	11
Depreciation and other amounts written off tangible fixed assets:		
Owned	3,942	7,262
Leased	671	711
Goodwill amortisation	3,295	3,295
Operating lease rentals:		
Plant and machinery	10,339	9,886
Other	123	137
Redundancy and employment termination costs	9	146
Movement in operating provisions (see note 6)	8,853	(787)
Rents receivable from property	(31)	(47)
Profit on sale of tangible fixed assets	(480)	(252)
Profit on sale of land	-	(4,500)
	<u>          </u>	<u>          </u>

### 4 Remuneration of directors

	2009 £000	2008 £000
Aggregate emoluments and benefits	786	1,082
Sums paid to a third party for the services of a director	400	400
Company contributions to money purchase pension schemes	4	15
	<u>          </u>	<u>          </u>
	1,190	1,497
	<u>          </u>	<u>          </u>

The emoluments of the highest paid director were £786,000 (2008: £1,082,000) including company pension contributions of £4,000 (2008: £15,000).

No other directors are accruing benefits under company pension schemes.

### 5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the period, analysed by category, was as follows:

	2009	2008
	<b>Number of employees</b>	
Mining operations	272	234
Technical support	2	2
Selling	4	4
Management and administration	11	13
	<u>          </u>	<u>          </u>
	289	253
	<u>          </u>	<u>          </u>

## Notes (continued)

### 5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2009 £000	2008 £000
Wages and salaries	9,936	8,400
Social security costs	512	819
Other pension costs (see note 27)	951	497
Redundancy and employment termination costs	9	146
	<u>11,408</u>	<u>9,852</u>

### 6 Exceptional items

#### *Year ended 31 March 2009*

##### *Operating provisions*

During 2009 the directors reviewed certain of the operating provisions held for the restorations and rehabilitations of opencast sites, and in particular, the timing and value of future cash flows, in the light of recent cost experience. As a result, provisions were increased by £13,039,000 of which £8,853,000 was charged against profits and £4,186,000 was added to tangible fixed assets. This increase principally reflects managements developing knowledge of the mines together with a net increase in plant related operating costs.

#### *Year ended 31 March 2008*

##### *Operating provisions*

During 2008 the directors reviewed certain of the operating provisions held for the restorations and rehabilitations of opencast sites, and in particular, the timing and value of future cash flows, in the light of recent cost experience. As a result, provisions were increased by £8,173,000, of which £787,000 was credited against profits and £8,960,000 was added to tangible fixed assets.

### 7 Interest receivable and similar income

	2009 £000	2008 £000
Bank interest receivable	<u>1,670</u>	<u>1,525</u>

**Notes (continued)**

**8 Interest payable and similar charges and other finance costs**

	2009 £000	2008 £000
<i>Interest payable and similar charges:</i>		
Finance charges payable in respect of finance leases and similar hire purchase contracts	133	227
<i>Other finance costs:</i>		
Expected return on pension scheme assets	(428)	(389)
Expected return on pension scheme assets	491	436
	63	47
Unwinding of discount on provisions (see note 19)	2,838	2,861
Unwinding of discount on deferred consideration (see note 18)	(25)	41
	2,876	2,949

**9 Taxation**

	2009 £000	2008 £000
<i>Current year taxation</i>		
Corporation tax at 28% (2008:30%)	472	465
Adjustment in respect of previous years	-	-
Total current tax charge	472	465
<i>Deferred tax</i>		
Origination and reversal of timing differences	125	-
Total tax charge for the year	597	465

## Notes (continued)

### 9 Taxation (continued)

#### Factors affecting the tax charge for the current year

The current tax charge for the year is lower than the standard rate of corporation tax in the UK of 28% (2008:30%). The differences are explained below:

	2009 £000	2008 £000
<b>Current tax reconciliation</b>		
Profit on ordinary activities before tax	728	2,707
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008: 30%)	204	812
<b>Effects of</b>		
Expenses not deductible for tax purposes	1,035	1,141
Income not subject to tax	(135)	(1,350)
Difference between capital allowances and depreciation	1,325	240
Provisions not allowed until paid	(1,034)	54
Utilisation of losses brought forward	(46)	-
Movement in losses carried forward	(877)	(432)
<b>Total current tax charge for the year</b>	<b>472</b>	<b>465</b>

#### Factors that may affect future tax charges

The Group has losses available to carry forward of approximately £ 31.8 million (2008: £35.3 million) which will be available to set against trading and other profits arising in future years.

The recognised and unrecognised deferred tax assets, excluding the deferred tax asset deducted in arriving at the net pension liability on the balance sheet, calculated under the liability method, at 28% (2008: 28%), are shown below:

	Group 2009 £000	Company 2009 £000	Group 2008 £000	Company 2008 £000
Difference between accumulated depreciation and amortisation and capital allowances	(281)	-	(84)	-
Other timing differences	7,315	-	7,080	-
Tax losses carried forward	8,900	-	9,882	-
Total potential deferred tax asset	15,934	-	16,878	-
Less provision for recoverability	(11,934)	-	(12,878)	-
Deferred tax asset recognised (see note 15)	4,000	-	4,000	-

## Notes (continued)

### 10 Profit for the financial year

As permitted by Section 230 of the Companies Act 1985, the parent undertaking's profit and loss account has not been included separately in these financial statements. The profit for the financial year relating to the parent undertaking is £200,000 (2008: £188,000).

### 11 Intangible fixed assets

Group	Goodwill £000
<i>Cost</i>	
At beginning of year	43,182
Adjustment	18
	<hr/>
At year end	43,200
	<hr/>
<i>Accumulated amortisation</i>	
At beginning of year	(14,262)
Charge for year	(3,295)
	<hr/>
At end of year	(17,557)
	<hr/>
<i>Net book value</i>	
At 31 March 2009	25,643
	<hr/>
At 1 April 2008	28,920
	<hr/>

Goodwill represents amounts arising on the acquisition of Celtic Group Holdings in July 2004. The goodwill is being amortised on a straight-line basis over 13 years, being the period over which the directors estimate that the value of the underlying business acquired is expected to exceed the value of the underlying assets.

#### Planning Application to extend Margam surface mine

In May 2007 an application was submitted to extend the Margam surface mine. In January 2008, this application was refused by Bridgend and Neath Port Talbot Borough Councils, principally for reasons of visual intrusion and the cumulative impact of visual impact, noise and dust. The Group has appealed against this decision and the matter was the subject of a Public Inquiry, which took place in February 2009. The Board have taken advice on this matter and concluded that in view of the broader economic and commercial benefits accruing from this extension and the ability of the Group to address the reasons for rejection, the appeal will be successful. However as at the date of approval of these financial statements no decision has yet been forthcoming.

If, having followed all steps available to them, the Group is not able to secure an extension to the mine the Board would need to consider how best to utilise the remaining mines and to achieve the restoration of all of the mines in view of the reduced cashflows. In view of this management cannot, at this stage, quantify the effect on the financial statements, which would be an impairment in the carrying value of the goodwill in the group balance sheet.

**Notes (continued)**

**12 Tangible fixed assets**

	Freehold land and buildings £000	Plant and machinery £000	Surface works £000	Opencast sites £000	Computer equipment and motor vehicles £000	Total £000
<b>Cost</b>						
At beginning of year	8,996	28,736	2,080	194,262	193	234,267
Additions	576	3,302	-	8,775	28	12,681
Disposals	(214)	(2,008)	(1,736)	-	-	(3,958)
At end of year	9,358	30,030	344	203,037	221	242,990
<b>Depreciation</b>						
At beginning of year	374	23,098	1,555	149,060	113	174,200
Charge for year	32	1,562	52	7,874	43	9,563
Disposals	(23)	(2,005)	(1,530)	-	-	(3,558)
At end of year	383	22,655	77	156,934	156	180,205
<b>Net book value</b>						
At 31 March 2009	8,975	7,375	267	46,103	65	62,785
At 1 April 2008	8,622	5,638	525	45,202	80	60,067

Included in the cost of freehold land and buildings is £2,379,000 (2008: £1,650,000) in respect of depreciable assets.

Opencast sites represents capitalised costs of site preparation, restoration and rehabilitation.

Included in the total net book value at 31 March 2009 is £3,958,000 (2008: £3,560,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £672,000 (2008: £711,000).

## Notes (continued)

### 13 Fixed asset investments

Company	Interests in subsidiary undertakings £000
<i>Cost</i>	
At beginning and end of year	64,030
<i>Provisions</i>	
At beginning and end of year	(64,030)
<i>Net book value</i>	
At 31 March 2009	-
At 31 March 2008	-

Details of subsidiary undertakings at the year end are as follows:

Name	Activity	Shares held	Proportion of nominal value of issued share capital held by group	Proportion of nominal value of issued share capital held by company
<i>Subsidiary undertakings</i>				
Celtic Mining Operations Group Limited	Holding company	Ordinary	100%	100%
Celtic Group Holdings	Holding company	Ordinary	100% *	-
Celtic Energy Limited	Opencast mining	Ordinary	100% *	-
Celtic Mining Limited	Dormant during the year	Ordinary	100% *	-

All of the above companies are incorporated in Great Britain and registered in England and Wales.

\*Held by intermediary holding companies.

### 14 Stocks

	Group 2009 £000	Company 2009 £000	Group 2008 £000	Company 2008 £000
Coal stocks	4,431	-	3,989	-

## Notes (continued)

### 15 Debtors

	Group 2009 £000	Company 2009 £000	Group 2008 £000	Company 2008 £000
Trade debtors	11,593	40	9,292	282
Prepayments and accrued income	476	200	1,100	184
Amounts owed by subsidiary undertakings	-	2,495	-	2,312
	<hr/>	<hr/>	<hr/>	<hr/>
Total debtors due within one year	12,069	2,735	10,392	2,778
Deferred tax asset (see note 9)	4,000	-	4,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total debtors	16,069	2,735	14,392	2,778
	<hr/>	<hr/>	<hr/>	<hr/>

### 16 Cash at bank and in hand

	Group 2009 £000	Company 2009 £000	Group 2008 £000	Company 2008 £000
Cash at bank and in hand	42,103	5	30,703	-
Restricted cash deposits	7,187	-	5,306	-
	<hr/>	<hr/>	<hr/>	<hr/>
	49,290	5	36,009	-
	<hr/>	<hr/>	<hr/>	<hr/>

Restricted cash deposits are held in separate bank accounts which are formally charged and whose release is restricted dependent on the group meeting certain performance criteria.

## Notes (continued)

### 17 Creditors: amounts falling due within one year

	Group 2009 £000	Company 2009 £000	Group 2008 £000	Company 2008 £000
Trade creditors	3,444	-	3,442	-
Loan notes	-	-	100	100
Obligations under finance leases and hire purchase contracts	927	-	590	-
Retentions from contractors	15	-	14	-
Corporation tax	472	-	465	-
Other taxes and social security	1,358	20	1,177	47
Accruals and deferred income	4,371	863	5,740	797
Deferred consideration	221	221	268	268
	<u>10,808</u>	<u>1,104</u>	<u>11,796</u>	<u>1,212</u>

Deferred consideration is settled through the issue of loan notes which are redeemable at any time more than six months from the date of issue, such loan notes being unsecured, guaranteed by the group's bankers, and bearing interest at 1% less than the rate earned on an equivalent value deposit held with the group's bankers.

### 18 Creditors: amounts falling due after more than one year

	Group 2009 £000	Company 2009 £000	Group 2008 £000	Company 2008 £000
Deferred consideration	-	-	130	130
Obligations under finance leases and hire purchase contracts	1,707	-	1,403	-
Amounts owed to subsidiary undertaking	-	47,423	-	47,423
	<u>1,707</u>	<u>47,423</u>	<u>1,533</u>	<u>47,553</u>

The maturity of the loan notes, deferred consideration, other loans, finance leases and hire purchase contracts, as at the balance sheet date, is as follows:

2009	Amounts falling due			Total £000
	Within one year £000	In one to two years £000	In two to five years £000	
Deferred consideration	221	-	-	221
<b>Company</b>				
Finance leases and hire purchase contracts	927	887	820	2,634
<b>Group</b>	<u>1,148</u>	<u>887</u>	<u>820</u>	<u>2,855</u>

## Notes (continued)

### 18 Creditors: amounts falling due after more than one year (continued)

2008	Amounts falling due			Total £000
	Within one year £000	In one to two years £000	In two to five years £000	
Loan notes	100	-	-	100
Deferred consideration	268	110	20	398
<b>Company</b>	<b>368</b>	<b>110</b>	<b>20</b>	<b>498</b>
Finance leases and hire purchase contracts	590	599	804	1,993
<b>Group</b>	<b>958</b>	<b>709</b>	<b>824</b>	<b>2,491</b>

#### Group and Company

##### Deferred consideration

	£000
At 1 April 2008	398
Settled in year	(150)
Adjustments	(52)
Unwinding of discount (see note 8)	25
<b>At 31 March 2009</b>	<b>221</b>

The deferred consideration is contingent upon the occurrence of specific future events whose timing is uncertain. The fair value of the consideration represents the directors current estimate of the amounts reasonably expected to become payable. All elements of deferred consideration have been discounted from their anticipated settlement date at a rate of 6.75%.

### 19 Provisions for liabilities and charges

Group	At 1 April 2008 £000	Increase in the year £000	Utilised in year £000	Unwinding of discount (see note 8) £000	At 31 March 2009 £000
Concessionary fuel	604	-	(24)	-	580
Operating provisions	125,409	13,039	-	2,838	141,286
	<b>126,013</b>	<b>13,039</b>	<b>(24)</b>	<b>2,838</b>	<b>141,866</b>

## Notes (continued)

### 19 Provisions for liabilities and charges (continued)

#### Concessionary fuel retirement benefits

The Group 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. 11 former workers and widows already receive this benefit and there are 17 current employees who will become eligible for this allowance.

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

	2009	2008
<b>Principal assumptions</b>		
Average retirement age	60 years	60 years
Discount rate	0.5%	3.0%
Pensionable life - male	15 years	15 years
Pensionable life - female	20 years	20 years

#### Operating provisions

Operating provisions include provisions for restoration and rehabilitation of opencast sites and distribution centres.

The timing and amounts of cash flows relating to the reinstatement of soil excavation and of surface restoration, of opencast sites and distribution centres, are 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.

In determining these provisions, management have considered the impact on the provision of the volatility in oil prices over the last year. This has caused very significant fluctuations in the cost of diesel oil, which has a significant bearing on the estimate. This is driven by world oil prices and exchange rates, about which significant uncertainty remains, over the expected restoration period up to 2022. The provision assumes a cost of diesel of 40 pence per litre. An increase/decrease of 10 pence per litre would increase/decrease the provision by £8.3m, would increase/decrease fixed assets by £3.5m and would decrease/increase the operating profit by £4.8m.

The provision is calculated by applying a 'real' discount rate of 2.5% to these cash flows.

### 20 Called up share capital

	2009 £	2008 £
<b>Authorised</b>		
1,000 ordinary shares of £1 each	1,000	1,000
<b>Allotted, called up and fully paid</b>		
1 ordinary share of £1	1	1

## Notes (continued)

### 21 Profit and loss account

	2009 £000
<i>Group</i>	
At beginning of year	3,227
Profit for the year	131
Actuarial loss on pension scheme (net of deferred tax)	(436)
	<hr/>
At end of year	<b>2,922</b> <hr/>
	 £000
<i>Company</i>	
At beginning of year	(45,987)
Profit for the year	200
	<hr/>
At end of year	<b>45,787</b> <hr/>

### 22 Reconciliations of movements in shareholders' funds

	2009 £000	2008 £000
<i>Group</i>		
Profit for the year	131	2,242
Actuarial (loss) / gain on pension scheme (net of deferred tax)	(436)	612
	<hr/>	<hr/>
Net (reduction in) / addition to shareholders' funds	(305)	2,854
Opening shareholders' funds	3,227	373
	<hr/>	<hr/>
Closing shareholders' funds	<b>2,922</b> <hr/>	<b>3,227</b> <hr/>
	 2009 £000	 2008 £000
<i>Company</i>		
Profit for the year	200	188
Opening deficit on shareholders' funds	(45,987)	(46,175)
	<hr/>	<hr/>
Closing deficit on shareholders' funds	<b>(45,787)</b> <hr/>	<b>(45,987)</b> <hr/>

## Notes (continued)

### 23 Commitments

- (i) Capital commitments at the end of the financial period, for which no provision has been made, are as follows:

<i>Group</i>	<b>2009</b> <b>£000</b>	<b>2008</b> <b>£000</b>
Contracted	-	-

The company had no capital commitments at the end of the financial year (2008: £Nil).

- (ii) Annual commitments under non-cancellable operating leases are as follows:

<i>Group</i>	<b>2009</b>		<b>2008</b>	
	<b>Land and buildings £000</b>	<b>Other £000</b>	<b>Land and buildings £000</b>	<b>Other £000</b>
<i>Operating leases which expire</i>				
Within one year	-	52	-	14
In the second to fifth years inclusive	60	24	55	70
	<u>60</u>	<u>76</u>	<u>55</u>	<u>84</u>

The company had no operating lease commitments at the end of the financial year (2008: £Nil).

### 24 Reconciliation of operating profit to net cash inflow from operating activities

	<b>2009</b> <b>£000</b>	<b>2008</b> <b>£000</b>
Group operating profit/ (loss) from continuing activities	2,067	(142)
Depreciation and other amounts written off tangible fixed assets	1,697	2,130
Amortisation of goodwill	3,295	3,295
Profit on sale of tangible fixed assets	(480)	(252)
Difference between pension cost and cash contributions	(456)	(177)
(Increase)/decrease in stocks	(443)	2,288
Increase in debtors	(1,874)	(3,237)
(Decrease) / increase in creditors	(1,382)	1,381
Increase in provisions	13,006	2,461
Net cash inflow from operating activities	<u>15,430</u>	<u>7,747</u>

## Notes (continued)

### 25 Analysis of net funds

	At 1 April 2008 £000	Cash flows £000	At 31 March 2009 £000
Cash	30,703	11,400	42,103
Finance leases and hire purchase contracts	(1,993)	(641)	(2,634)
Total	<u>28,710</u>	<u>10,759</u>	<u>39,469</u>

Cash excludes restricted cash deposits which are held in separate bank accounts which are formally charged.

### 26 Analysis of cash flow for headings netted in the cash flow statement

	2009 £000	2008 £000
<b>Returns on investments and servicing of finance</b>		
Interest received	1,874	1,271
Interest paid	-	(40)
Finance lease interest paid	(133)	(227)
	<u>1,741</u>	<u>1,004</u>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(3,906)	(759)
(Increase) / decrease in capitalised work in progress and pre-coaling costs	(954)	1,969
Receipts from sales of tangible fixed assets	873	2,018
Increase in restricted cash deposits	(1,683)	(314)
Exceptional receipt from sale of land	-	3,500
	<u>(5,670)</u>	<u>6,414</u>
<b>Acquisitions and disposals</b>		
Redemption of loan notes issued as deferred consideration	(277)	(419)
<b>Financing</b>		
Capital element of finance lease repayments	(748)	(2,480)
Repayment of other loans	-	(361)
New finance leases	1,389	-
	<u>641</u>	<u>(2,841)</u>

## Notes (continued)

### 27 Pension schemes

The group operates defined benefit and defined contribution pension schemes.

Pension costs payable by the group in respect of both defined contribution and defined benefit schemes are shown below:

	2009 £000	2008 £000
Defined benefit schemes	782	320
Defined contribution schemes	169	177
	<hr/> 951	<hr/> 497
	<hr/> <hr/>	<hr/> <hr/>

British Coal employees whose employment transferred to Celtic Energy Limited are members of the Industry Wide Coal Staff Superannuation Scheme ("IWCSSS"), a defined benefit scheme which was set up on privatisation. The assets of the scheme are held in separate trustee administered funds. The scheme is subject to triennial valuation by the Government Actuary's Department, independent professionally qualified actuaries, the most recent valuation being performed as at 31 December 2006.

The valuation was performed by the Scheme Actuary on the Projected Unit Method and reported in accordance with Guidance Note GN9 issued by the Institute of Actuaries and the Faculty of Actuaries.

The main assumption underlying the full actuarial valuation of the scheme as at 31 December 2006 is a long term gross yield on scheme assets of 7% which will exceed the annual rate of increase in pensionable salaries by 5.5% and price inflation by 4%. Pensions are expected to increase in line with price inflation. The aggregate market value of the assets at the valuation date was £3.7 million for the IWCSSS. The aggregate funding level on an ongoing basis was 86%.

Following the actuarial valuation undertaken as at 31 December 2006, a revised contribution rate has applied since November 2007 which together with an additional employer contribution of £462,000 per annum over a five year period is intended to make good the deficit. For members of the IWCSSS, employer contributions are 33% (2006 valuation – 16.6%).

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

	2009 £000	2008 £000
Defined benefit schemes	62	62
Defined contribution schemes	18	17
	<hr/> 80	<hr/> 79
	<hr/> <hr/>	<hr/> <hr/>

## Notes (continued)

### 27 Pension schemes (continued)

#### Defined benefit pension scheme

The group operates a defined benefit pension scheme.

The information disclosed below is in respect of the whole of the plans for which the group is either the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the periods shown.

	2009 £000	2008 £000
Present value of defined benefit obligation	(6,685)	(7,094)
Fair value of plan assets	5,414	5,972
Deficit in the scheme	(1,271)	(1,122)
Related deferred tax asset	356	314
Net pension liability	(915)	(808)

#### Movements in present value of defined benefit obligation

	2009 £000	2008 £000
At 1 April	7,094	8,003
Current service cost	211	291
Interest cost	491	436
Actuarial gains	(939)	(1,502)
Participants' share of current service cost	49	52
Benefits and administration costs paid	(221)	(186)
At 31 March	6,685	7,094

#### Movements in fair value of plan assets

	2009 £000	2008 £000
At 1 April	5,972	5,721
Expected return on plan assets	428	389
Actuarial losses	(1,544)	(519)
Contributions by employer	730	515
Contributions by members	49	52
Benefits and administration costs paid	(221)	(186)
At 31 March	5,414	5,972

## Notes (continued)

### 27 Pension schemes (continued)

#### Expense recognised in the profit and loss account

	2009 £000	2008 £000
Current service cost	211	291
Interest on plan obligation	491	436
Expected return on plan assets	(428)	(389)
Total	274	338

The expense is recognised in the following line items in the profit and loss account:

	2009 £000	2008 £000
Cost of sales	28	26
Operating expenses	183	265
Other finance costs	63	47
	274	338

The total amount recognised in the statement of total recognised gains and losses ("STRGL") in respect of actuarial gains and losses in the year is a loss of £605,000 (2008: gain of £983,000) and is analysed as follows:

	2009 £000	2008 £000
Actual return less expected return on assets	(1,544)	(519)
Experience (loss)/gain on liabilities	(18)	76
Changes in assumptions	957	1,426
Actuarial (loss)/gain recognised in the STRGL	(605)	983

Cumulative actuarial gains/losses reported in the statement of total recognised gains and losses for accounting periods ending on or after 22 June 2002 and subsequently included by prior year adjustment under paragraph 96 of FRS 17, are £1,600,000 (2008: £995,000).

The fair value of the plan assets and the return on those assets were as follows:

	2009 Fair value £000	2008 Fair value £000
Equities	3,161	4,024
Corporate bonds	2,253	1,948
	5,414	5,972
Actual return on plan assets	(1,116)	(130)

## Notes (continued)

### 27 Pension schemes (continued)

The expected long term rates of return were as follows:

	2009 %	2008 %
Equities	6.90	7.60
Corporate bonds	5.10	5.30

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2009 %	2008 %
Discount rate	6.80	6.90
Future salary increases	3.70	4.60
Rate of price inflation	2.70	3.60

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 24.6 years (male), 27 years (female)
- Future retiree upon reaching 65: 25.6 years (male), 27.7 years (female)

#### History of plans

The history of the plans for the current and prior periods is as follows: (Note: The pension scheme assets have been valued using bid price in accordance with FRS 17.95C. Comparative figures are based on mid-market values and have not been restated as the actuary has indicated that any change in the basis of valuation would have a minimal impact in absolute and percentage terms.)

#### Balance sheet

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Present value of scheme liabilities	(6,685)	(7,094)	(8,003)	(7,649)	(6,278)
Fair value of scheme assets	5,414	5,972	5,721	5,207	3,854
Deficit	(1,271)	(1,122)	(2,282)	(2,442)	(2,424)

## Notes (continued)

### 27 Pension schemes (continued)

#### Experience adjustments

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000/%
Experience adjustments on scheme liabilities (as a percentage of scheme liabilities)	(18) (0.3)%	76 1.1%	(280) (3.5)%	137 1.8%	(54) (0.9)%
Experience adjustments on scheme assets (as a percentage of scheme assets)	(1,544) (28.5)%	(519) (8.7)%	(76) (1.3)%	760 14.6%	145 3.8%

The group expects to contribute approximately £462,000 to the defined benefit plan in the next financial year.

### 28 Ultimate controlling party

The directors consider that, at the balance sheet date, 100% of voting shares in the company are controlled by Richard Walters, a director of the company.

### 29 Related party transactions

Transactions during the years to 31 March 2009 and 2008 and balances at 31 March 2009 and 2008, with companies in the G Walters Holdings Limited group of companies, a group within the family interests of the company's ultimate controlling shareholder, Richard Walters, were as follows.

	Sales/(purchases) during the period	Debtor/(creditor) outstanding at period end	Sales/(purchases) during the period	Debtor/(creditor) outstanding at period end
	2009 £000	2009 £000	2008 £000	2008 £000
Sales of assets	475	-	440	-
Purchase of assets	(11)	(5)	(932)	-
Charges for hire or lease of equipment	(15,432)	(2,203)	(10,090)	(1,638)
Charges for services	(2,806)	3	(1,529)	(271)

All of the above transactions were undertaken on an arms length basis and on normal commercial terms.

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

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