

SC133821

Parkburn Limited

Report and Financial Statements

for the 52 weeks ended 26 March 2011

THURSDAY



S00P3FEI

SCT

22/12/2011

#584

COMPANIES HOUSE

Parkburn Limited

Report and financial statements for the 52 weeks ended 26 March 2011

	Page
Directors' report	1 – 6
Independent auditors' report	7 – 8
Consolidated profit and loss account	9
Statement of group total recognised gains and losses	10
Balance sheets	11
Consolidated cash flow statement	12
Notes to the financial statements	13 – 37

Parkburn Limited

Directors' report for the 52 weeks ended 26 March 2011

The Directors present their report and the audited financial statements of the Group (registered number SC133821) for the 52 weeks ended 26 March 2011. The comparative period is for the 52 weeks ended 27 March 2010.

Principal activities

The Company acts as a holding company for Scottish Resources Group Ltd ("SRG") (formally plc) and its subsidiaries and the principal activities of this Group are the surface mining of coal, land development and renewable energy. During the year the company has formed two new 100% owned subsidiaries as the start of building up a wholly owned trading group.

SRG business review and future developments

The results for the Group show a profit on ordinary activities before tax of £497,000 (2010: £18,317,000) for the year and turnover of £209,506,000 (2010: £229,891,000).

Key performance indicators

	2011	2010
Turnover (£ in millions)	209.5	229.9
Coal mined (tonnes in millions)	3.51	3.38
Coal sales (tonnes in millions)	4.02	4.05
Average sales price achieved (£ per GJ)	2.15	2.35

Health and safety

RIDDOR (*) reportable accident frequency rate per employee (including contractors)	0.01849	0.01818
--	----------------	---------

* RIDDOR – The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations.

The coal business had a successful year with coal sales at 4.02 million tonnes compared to 4.05 million tonnes in 2010. This reflects an increase in the level of production from the company's own sites offset by a decrease in the purchase and blending of additional coal sourced from both domestic and foreign producers. Revenue decreased from £229.9 million in 2010 to £209.5 million in the current year due to a lower average sales price. The reduction in operating profit from £22.9 million in 2010 to £7.0 million in 2011 is mainly due to the lower average sales price of £2.15 per GJ (2010: £2.35 per GJ) and increasing costs, in particular fuel which has increased by an average of 13% per litre.

Parkburn Limited

Directors' report for the 52 weeks ended 26 March 2011 (continued)

SRG business review and future developments (continued)

Total own site production was 3.51 million tonnes in 2011, compared to 3.38 million tonnes in 2010. The increase in production is driven by the opening of four new sites during the year all of which reached coaling in 2011. Year on year production growth has been delivered for four consecutive years.

Investment in new sites

Investment in new sites is defined as additions to the surface mine development assets and represents costs incurred prior to coaling at a site. This investment has increased from £5.21 million in 2010 to £17.09 million in 2011. The significant increase in new site investment in the 52 weeks ended 26 March 2011 was principally due to new site openings at Mainshill, Dunstonhill and Ponesk along with the purchase of a permitted coaling site, Blair House, which combined will provide access to over 3.5 million tonnes of reserves over the next few years.

Post balance sheet events are disclosed in note 34.

Health and safety

The Group believes that the health and safety of employees and persons affected by its operations, is of paramount importance and is committed to ensuring that its operating subsidiaries have procedures that exceed the minimum legal and regulatory requirements. This includes SRG playing a leading role in CoalPro in relation to industry-wide initiatives on health and safety standards and policies. SRG is also a member of the Royal Society for the Prevention of Accidents ("ROSPA"). SRG promotes a culture of safety in the workplace and its health and safety policy statement is subject to an annual review and its Board is dedicated to maintaining and enhancing controls and continuous improvement in health and safety performance.

Employees

It is essential for the Group to have a skilled and motivated workforce to ensure the long-term success of the business. The Group aims to attract, retain and motivate the highest calibre of employees within a structure that encourages their development and personal initiative. This includes collectively negotiated terms and conditions with sick pay and pension provisions. There is also a comprehensive occupational health service for all employees.

The Group maintains its policy of maximising the employment of local labour and of redeployment of skilled and experienced employees as sites come to conclusion and new sites open.

Parkburn Limited

Directors' report for the 52 weeks ended 26 March 2011 (continued)

Environmental matters

The Group maintains high environmental standards across all of its operations and is committed to continual improvement in environmental performance to meet both regulatory requirement and public expectations.

Community involvement

The Group recognises that it is part of and has responsibility to the community in which it is working and continues to support those communities, not only in terms of jobs and wealth creation, but in fostering involvement and high standards across a range of areas including sport, education, environment and health. In each area where the Group is actively involved, we have set up a community fund (Minerals Trust Funds) which receives a levy per tonne of coal mined (2011: £871,012 2010: £829,277). The contributions made by the Group during the financial year for charitable purposes were £1,180 (2010: £4,420). There were no donations to political parties in the financial year (2010: £nil). Charitable donations made were predominantly to associations and charities involved with the coal industry and local communities.

Dividends and transfer to reserves

The consolidated profit and loss account for the 52 weeks is set out on page 9. Operations produced a profit before tax on ordinary activities for the year of £497,000 (2010: £18,317,000) on turnover of £209,506,000 (2010: £229,891,000). No dividend is proposed (2010: nil) and the whole amount is transferred to reserves.

Land and buildings

A significant difference between the market value and balance sheet value of land and buildings is noted. Properties where coaling operations have ceased are valued in these accounts at cost but have been fair valued under IAS 40 within the SRG accounts. Had the relevant land and buildings been carried at fair value, rather than cost, an uplift in their carrying value would be noted to £32,598,000 (2010: £30,520,000).

Liquidity and going concern

The Group entered into a new banking facility with Lloyds Banking Group from March 2010 which is considered sufficient to cover forecast cash requirements. Forward sales contracts have been secured for the foreseeable future. On this basis, the Directors have concluded that it is appropriate for their consolidated financial statements for the 52 weeks ended 26 March 2011 to be prepared on a going concern basis.

Parkburn Limited

Directors' report for the 52 weeks ended 26 March 2011 (continued)

Risks and uncertainties

The Group operates in an industry which, by exploiting natural resources, carries inherent operational uncertainty, and is subject to market and other external risks which cannot be fully foreseen, mitigated or insured against. Set out below are some of the principal risks and uncertainties identified by the Directors which exist within the Group and are actively dealt with by the management team but nevertheless, could materially affect the financial condition, performance, strategies and prospects. The following risk information is not intended to be a comprehensive overview of risks inherent within the business nor is it intended to rank the risks in any order of importance or materiality.

Health and safety

In common with other primary industries and the construction sector, mining operations are subject to potential health and safety risks which must be controlled.

As a result, and as referred to above, the Group believes that the health and safety of its employees, and persons affected by its operations, is of paramount importance and is committed to ensure that it does much more than merely comply with all of its obligations and to this end, it promotes an active safety culture.

Global commodity prices

The Group's revenue is mainly derived from the sale of coal at prices linked to international coal prices which can be volatile. A significant proportion of the Group's costs are dependent upon market gasoil prices, as this is a key fuel used in powering the Group's plant fleet.

The Group mitigates to a certain extent its exposure to the volatility of international coal prices by using a mix of shorter term fixed price contracts and longer term contracts linked to international prices. In addition, a number of these contracts contain floors, 'cap and collar' mechanisms, indexation and fuel pass through clauses.

Surface mine operational risks

Operational risks are minimised by the highly experienced staff that are directly employed by the Group.

Interest rate risk

To provide some certainty as to the level of interest cost, it is the Group's policy to manage interest rate exposure through an appropriate mix of fixed and floating rate debt. Derivative financial instruments may be used where appropriate to generate the desired interest rate profile.

Credit risk

The Group is exposed to credit risk through its counterparty position with customers. The majority of the Group's customers are highly rated electricity generators where the Group believe credit risk is lower. Credit insurance is maintained for a number of customers outside this core customer group and additionally, letters of credit may be requested to provide additional security.

Parkburn Limited

Directors' report for the 52 weeks ended 26 March 2011 (continued)

Risks and uncertainties (continued)

Liquidity risk

The Group monitors its liquidity requirements through the use of short and long-term cash flow forecasts. Liquidity is provided through maintaining appropriate bank facilities and asset finance facilities.

Directors

The Directors who served during the 52 weeks ended 26 March 2011 and up to the date of signing the financial statements, were as follows:-

Colin Cornes
Darren Paul Mullinder

Statement of Directors' responsibilities

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 prepared the Group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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 the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Parkburn Limited

Directors' report for the 52 weeks ended 26 March 2011 (continued)

Disclosure of information to auditors

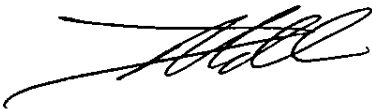
In the case of each Director in office at the date the Directors' Report is approved, that:

- (a) so far as the Director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the annual general meeting.

By order of the Board



Darren P Mullinder
Company Secretary
21 December 2011

Parkburn Limited

Independent auditors' report to the members of Parkburn Limited

We have audited the Group and parent company financial statements ("the financial statements") of Parkburn Limited for the 52 weeks ended 26 March 2011, which comprise the consolidated profit and loss account, the statement of Group total recognised gains and losses, the parent company and Group balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

In addition we read all the financial and non-financial information in the Directors Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and parent company's affairs as at 26 March 2011 and of the Group's loss and cash flows for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

2000

Parkburn Limited

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Caroline Roxburgh (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh

21 December 2011

Parkburn Limited

Consolidated profit and loss account for the 52 weeks ended 26 March 2011

	Note	2011 £'000	2010 £'000
Turnover	2	209,506	229,891
Cost of sales		(193,097)	(197,450)
Gross profit		16,409	32,441
Operating expenses	3	(6,184)	(8,398)
Exceptional operating expenses	4	(3,222)	(1,118)
Total operating expenses		(9,406)	(9,516)
Operating profit	5	7,003	22,925
Interest payable and similar charges	8	(4,863)	(3,267)
Other finance costs	9	(1,643)	(966)
Exceptional other finance costs	10	-	(375)
Total other finance costs		(1,643)	(1,341)
Profit on ordinary activities before tax		497	18,317
Tax on profit on ordinary activities	11	(1,835)	(5,678)
(Loss) / profit for the financial year		(1,338)	12,639
Minority interest	13	244	(4,119)
Retained (loss) / profit for the year	25	(1,094)	8,520

There is no difference between the profit on ordinary activities before taxation and the retained (loss) / profit for the year stated above, and their historical cost equivalents.

All amounts relate to continuing operations.

Parkburn Limited

Statement of group total recognised gains and losses for the 52 weeks ended 26 March 2011

	Note	2011 £'000	2010 £'000
Retained (loss) / profit for the financial year		(1,094)	8,520
Actuarial gain / (loss) on pension scheme	32	1,227	(10,178)
Deferred tax on actuarial movement	22	(476)	2,852
Corporation tax on excess pension contributions		-	650
Deferred tax on excess pension contributions	22	-	(650)
Total recognised (loss) / gain relating to the financial year		<u>(343)</u>	<u>1,194</u>

Parkburn Limited

Balance sheets as at 26 March 2011

	Notes	Group		Company	
		2011 £'000	2010 £'000	2011 £'000	2010 £'000
Assets					
Fixed assets					
Intangible assets	14	5,018	5,575	-	-
Tangible assets	15	196,746	173,810	-	-
Investments	16	-	-	19,187	19,186
		<u>201,764</u>	<u>179,385</u>	<u>19,187</u>	<u>19,186</u>
Current assets					
Stocks	17	7,175	10,148	-	-
Debtors: amounts falling due after more than one year	18	24,991	26,164	-	-
Debtors: amounts falling due within one year	18	11,455	10,730	3	4
Cash at bank and in hand		<u>5,169</u>	<u>6,045</u>	<u>2</u>	<u>-</u>
		48,790	53,087	5	4
Creditors: amounts falling due within one year	19	<u>(42,500)</u>	<u>(49,654)</u>	<u>(397)</u>	<u>(7)</u>
Net current assets / (liabilities)		6,290	3,433	(392)	(3)
Total assets less current liabilities		<u>208,054</u>	<u>182,818</u>	<u>18,795</u>	<u>19,183</u>
Creditors: amounts falling due after more than one year	20	<u>(86,658)</u>	<u>(66,184)</u>	<u>(16,778)</u>	<u>(16,748)</u>
Provisions for liabilities and charges	21	<u>(75,176)</u>	<u>(67,285)</u>	<u>-</u>	<u>-</u>
Net assets: excluding pension liability		46,220	49,349	2,017	2,435
Pension liability	32	<u>(7,684)</u>	<u>(10,225)</u>	<u>-</u>	<u>-</u>
Net assets		<u>38,536</u>	<u>39,124</u>	<u>2,017</u>	<u>2,435</u>
Capital and reserves					
Called up share capital	23	2,500	2,501	2,500	2,501
Revaluation reserve	24	34,892	34,892	-	-
Profit and loss account	24	<u>(23,382)</u>	<u>(23,039)</u>	<u>(483)</u>	<u>(66)</u>
Shareholders' funds	25	14,010	14,354	2,017	2,435
Minority interest	26	24,526	24,770	-	-
Total capital employed		<u>38,536</u>	<u>39,124</u>	<u>2,017</u>	<u>2,435</u>

The financial statements on pages 9 to 37 were approved by the Board of Directors on 21 December 2011 and were signed on its behalf by:-



Darren P Mullinder
Finance Director

Parkburn Limited

Consolidated cash flow statement for the 52 weeks ended 26 March 2011

	Notes	2011 £'000	2010 £'000
Net cash inflow from operating activities	27	<u>18,461</u>	<u>46,107</u>
Returns on investments and servicing of finance			
Interest paid		(4,863)	(3,642)
Purchase of own shares		(1)	-
Net cash outflow from returns on investments and servicing of finance		<u>(4,864)</u>	<u>(3,642)</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(17,745)	(17,500)
Sale of tangible fixed assets		5,737	838
Net cash outflow from capital expenditure and financial investment		<u>(12,008)</u>	<u>(16,662)</u>
Net cash inflow before financing		<u>1,589</u>	<u>25,803</u>
Financing			
Capital payments under finance leases		(16,132)	(7,996)
Proceeds from bank loan		13,667	26,500
Repayment of term bank loan		-	(30,500)
Net cash outflow from financing		<u>(2,465)</u>	<u>(11,996)</u>
(Decrease) / increase in cash	28	<u>(876)</u>	<u>13,807</u>

Parkburn Limited

Notes to the financial statements for the 52 weeks ended 26 March 2011

1. Principal accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The principal financial risk factors have been discussed within the Directors' Report.

Basis of preparation

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The Group operates a 4, 4, 5 weeks quarterly reporting cycle for its financial reporting, with reporting periods ending on a Saturday. Accordingly this set of annual results has been prepared for the 52 weeks ended 26 March 2011. The comparative period is for the 52 weeks ended 27 March 2010.

Basis of consolidation

The consolidated profit and loss account, balance sheet and cash flow statement include the financial statements of Parkburn Limited ("the Company") and its subsidiary undertakings, together ("the Group") for the 52 weeks ended 26 March 2011.

Subsidiaries are entities over which the Company has power to govern the financial and operating policies. Control is presumed to exist where the Company owns more than half of the voting rights. The consolidated financial statements includes all the assets, liabilities, revenues, expenses and cash flows of the parent and its subsidiaries, after eliminating inter-company balances and transactions. The result of subsidiaries sold or acquired are included in the consolidated profit and loss account up to, or from, the date control passes.

The Company uses the purchase method of accounting to consolidate subsidiaries. On acquisition, the identifiable assets, liabilities and contingent liabilities being acquired are measured at their fair values at the date of acquisition. Accounting policies are changed where necessary to bring them into line with those adopted by the Group.

Turnover

Turnover comprises sales (excluding intra-group sales) of coal and aggregates and property rental income.

Coal transactions

A large proportion of the Group's production is sold under medium to long-term contracts to UK power generators. Turnover is only recognised on individual sales when all of the significant risks and rewards of ownership have been transferred to a third party. The sales contracts generally allow for an adjustment to sales price based on a survey of the coal by the customer and accordingly the sales turnover is based on the most recently determined estimate of product specifications.

Aggregate sales

Turnover is recognised when delivery is made to the customer.

Parkburn Limited

Notes to the financial statements for the 52 weeks ended 26 March 2011 (continued)

1. Principal accounting policies (continued)

Turnover (continued)

Property rental income

Rental income for both Estates and Renewables are recognised during the period in which rents due to the Group accrue.

Goodwill

Goodwill arising represents the excess of fair value of the net assets acquired. In accordance with FRS10, "Goodwill and intangible assets", the existing balance of the goodwill reserve was set against the consolidated profit and loss account reserve. Any future goodwill arising will be capitalised in the year of acquisition and amortised on a systematic basis over its useful economic life. The carrying value of goodwill will be reviewed as necessary for impairment and a write-down in carrying value is made where impairment is identified. For goodwill currently on the balance sheet, the useful life has been estimated at 10 years.

Tangible fixed assets and depreciation

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended life.

The costs of heavy surface mining and other plant and equipment are depreciated at varying rates depending upon their expected usage. The costs of land and buildings and all other plant, machinery and motor vehicles, less estimated residual value, are written off on a straight-line basis over the asset's expected useful life. Residual values and useful lives are reviewed, and adjusted if indicators of impairment are evident, at each balance sheet date. Changes to the estimated residual values or useful lives are accounted for prospectively.

Depreciation is recorded over the estimated useful life of the asset, or over the expected remaining life of the mine if shorter, as follows:-

	Basis
Freehold land	Not depreciated
Operating properties (excluding land)	50 years
Plant, machinery and motor vehicles	2 to 12 years
Surface mine development	Units of production

Leased operating properties are amortised over 50 years or, if shorter, the period of the lease.

Surface mine development costs

The directly attributable costs incurred prior to coaling are referred to as 'surface mine development' and are capitalised within tangible fixed assets. These costs principally comprise:

- Removal of overburden and other surface mine material to expose the coal deposit a process referred to as 'development stripping';
- The costs associated with achieving necessary planning consents; and
- Drilling, geology and mine design costs.

Capitalisation of surface mine development ceases when saleable coal is produced for a particular area of a surface mine. This asset is amortised to the profit and loss account over the coaling life of the site on a coal extraction basis.

Parkburn Limited

Notes to the financial statements for the 52 weeks ended 26 March 2011 (continued)

1. Principal accounting policies (continued)

Deferred stripping costs

Stripping commences at the time that saleable coal begins to be extracted from the surface mine and normally continues throughout the life of a surface mine. The costs of stripping are charged to the profit and loss account at a constant rate as operating costs when the ratio of overburden to coal extracted for an area of interest is expected to be constant throughout its estimated life. When the ratio of overburden to coal is not expected to be constant, stripping costs are deferred and accounted for as follows:-

- When the cumulative ratio of overburden to coal is greater than the estimated life-of-mine ratio, a portion of the operating costs is deferred;
- In subsequent years when the cumulative ratio of overburden to coal is less than the estimated life-of-mine ratio, a portion of deferred costs is released to the profit and loss account as operating costs.

The amount of operating costs deferred or released in a financial year is determined so that the stripping expense for the financial year reflects the estimated life-of-mine ratio. Changes to the estimated life-of-mine ratio are accounted for prospectively from the date of change.

Investments

Fixed asset investments relate to the Company's investment in SRG and Parkburn Limited's subsidiaries.

Investments are stated at cost less any provisions for impairment. Impairment is tested on an annual basis by an appropriate individual within the finance department.

Finance leases and hire purchase agreements – as lessee

Leases which transfer substantially all the risks and rewards of ownership to the Group are treated as finance leases. Assets held under hire purchase and finance lease arrangements are capitalised and are depreciated over the lower of either their useful life or the term of the lease. The outstanding capital obligations are included in financial liabilities - borrowings. Interest is allocated to accounting periods over the hire purchase or lease term to reflect a constant rate of charge on the remaining balance of the obligation.

Finance leases are capitalised at the commencement of each lease at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Operating leases – as lessee

All other leases are treated as operating leases. Costs in respect of the operating leases are charged to the profit and loss account as incurred on a straight line basis over the term of the leases.

Operating leases – as lessor

The Group grants leases over land and buildings in the course of its property business. These do not substantially transfer the risks and rewards of ownership to the lessee, and therefore they are accounted for as operating leases.

Parkburn Limited

Notes to the financial statements for the 52 weeks ended 26 March 2011 (continued)

1. Principal accounting policies (continued)

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is primarily on the basis of average site operating costs or, with regard to purchased coal, cost of acquisition, and includes transport and port costs where applicable. Appropriate provisions are made for slow-moving and obsolete items/stocks.

Restoration and rehabilitation costs

The mining and extraction activities of the Group normally give rise to obligations for site restoration or rehabilitation. Restoration and rehabilitation works can include site decommissioning and dismantling and site and land rehabilitation. The extent of work required and the associated costs are dependent on the requirements of relevant authorities and the Group's environmental policies.

Provisions for the cost of each site restoration and rehabilitation are recognised at the commencement of site mining activities. When the anticipated level of mining activity increases over the life of an operation, the provision is increased accordingly. Costs included in the provision encompass all restoration and rehabilitation activity expected to occur progressively over the life of the operation and at the time of restoration in connection with surface mining activity at the reporting date.

The timing of the actual restoration and rehabilitation expenditure is dependent upon a number of factors such as the life and nature of the site, the operating licence conditions and the environment in which the mine operates. Expenditure may occur before and after closure and can continue for an extended period of time dependent on closure and rehabilitation requirements.

Restoration and rehabilitation provisions are measured at the expected value of future cash flows, discounted to their present value applying an appropriate risk adjusted rate and determined according to the probability of alternative estimates of cash flows occurring for each site. Significant judgements and estimates are involved in forming expectation of future activities and the amount and timing of the associated cash flows. Those expectations are formed based on existing planning requirements or management's future development plans which give rise to a constructive obligation.

When provisions for restoration and rehabilitation are initially recognised, the corresponding cost is capitalised as an asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalised cost of restoration and rehabilitation activities is recognised as 'restoration assets' within property, plant and equipment before being released to the profit and loss account on a coal extraction basis over the life of the site. The value of the provision is progressively increased over time as the effect of discounting unwinds, creating an expense recognised in 'other finance costs'.

Parkburn Limited

Notes to the financial statements for the 52 weeks ended 26 March 2011 (continued)

1. Principal accounting policies (continued)

Restoration and rehabilitation costs (continued)

Restoration and rehabilitation provisions are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalised cost, except where a reduction in the provision is greater than the unamortised capitalised cost of the related assets, in which case the capitalised cost is reduced to nil and the remaining adjustment is recognised in the profit and loss account. In the case of closed sites, changes to estimated costs are recognised immediately in the profit and loss account. Changes to the capitalised cost result in an adjustment to future amortisation and financial charges. Adjustments to the estimated amount and timing of future restoration and rehabilitation cash flows are a normal occurrence in light of the significant judgements and estimates involved. Factors influencing those changes include:

- Revisions to estimated reserves, resources and lives of sites;
- Planning requirements and management's development plans;
- Changes in the estimated extent and costs of anticipated activities, including the effects of inflation;
- Movements in interest rates and yield of government bonds or gilts affect the discount rate applied.

Taxation

Current taxation for the period is based on the profit or loss for the period as adjusted for disallowable items.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Bank loans

Loans are recognised initially at fair value, net of transaction costs incurred. Loans are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowing using the effective interest method.

Parkburn Limited

Notes to the financial statements for the 52 weeks ended 26 March 2011 (continued)

1. Principal accounting policies (continued)

Pension costs

The Group contributes, in respect of those employees transferred from The British Coal Corporation, to two closed pension schemes providing benefits based on final pensionable pay, the Industry Wide Coal Staff Superannuation Scheme (IWCSSS) for non-industrial staff and the Industry Wide Mineworkers' Pension Scheme (IWMPs) for other industrial employees. The assets of the schemes are held separately from those of the Group, being funds administered by Trustees to the schemes. A qualified actuary updates the costs of the Schemes annually under the provisions of FRS 17 and carries out a full valuation triennially. In respect of defined benefit plans, obligations are measured at discounted present value and plan assets are recorded at fair value. Service costs are charged systematically over the service lives of employees and financing costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised in the statement of group total recognised gains and losses.

The Group operates a defined contribution scheme for the majority of staff not transferred from The British Coal Corporation. Pension contributions are expensed to the profit and loss account in the year in which they become payable. The assets of the pension scheme are held separately from those of the Group in independently administered funds.

2. Turnover

The Directors consider that turnover arises from coal mining, property management, renewables and the provision of management services. All turnover is located within the United Kingdom.

	2011 £'000	2010 £'000
Coal mining	208,589	229,045
Property rental income	515	508
Other income	402	338
	<u>209,506</u>	<u>229,891</u>

3. Operating expenses

	2011 £'000	2010 £'000
Administrative expenses	5,627	7,841
Amortisation of intangible fixed assets (note 14)	557	557
Total operating expenses	<u>6,184</u>	<u>8,398</u>

4. Exceptional operating expenses

For the year ended 26 March 2011, exceptional costs of £3,222,000, were incurred in respect of professional and other costs associated with the proposed Initial Public Offering (IPO) of SRG, redundancy and other compensation payments made during the year. For the year ended 27 March 2010 the exceptional costs of £1,118,000 were in respect of a health and safety incident (£101,000) and transaction services in relation to the proposed IPO.

Parkburn Limited

Notes to the financial statements for the 52 weeks ended 26 March 2011 (continued)

5. Operating profit

	2011 £'000	2010 £'000
Operating profit is stated after charging:-		
Charged to cost of sales:		
Depreciation (note 15):-		
Tangible fixed assets under finance leases	7,107	4,979
Tangible owned fixed assets	2,981	4,903
Amortisation of surface mine development	5,510	4,693
Amortisation of deferred stripping costs and Restoration assets	12,082	9,281
Loss on sale of fixed assets	241	43
Staff costs	42,069	37,866
Hire of plant and machinery	9,368	11,274
Operating lease charges – plant and machinery	13,136	9,855
Inventory movement in cost of sales	(3,660)	(3,698)
Costs of coal purchased from third parties	11,778	34,299
Non cash movements in restoration provisions	(5,192)	(718)
Charged to operating expenses		
Amortisation of intangible fixed asset (note 14)	557	557
Staff costs	4,280	3,481
Auditors' remuneration for:-		
Audit of Company and consolidated accounts	7	6
Audit of subsidiary accounts	137	140
Taxation services	7	66
Advisory services	360	557
Other services	26	81

Advisory services were incurred in 2011 and 2010 primarily for transaction services in relation to a financial project, the costs of which have been charged to exceptional operating expenses.

Other services are in respect of pension advisory services and IT services.

6. Employee information

The average monthly number of persons (including executive Directors) employed by the Group during the year was:-

By activity	2011 No.	2010 No.
Mining operations	961	862
Land and renewables	4	6
Administrative staff	103	90
	<u>1,068</u>	<u>958</u>

The Company did not have any employees during the period (2010: nil), other than the Directors of the Company (note 7).

Parkburn Limited

Notes to the financial statements for the 52 weeks ended 26 March 2011 (continued)

6. Employee information (continued)

	2011 £'000	2010 £'000
Staff costs		
Wages and salaries	40,214	35,933
Social security costs	4,239	3,721
Pensions (note 32)	2,007	1,693
	<u>46,460</u>	<u>41,347</u>

7. Directors' emoluments

The Directors did not receive any remuneration for their services to the Company during the financial year (2010: nil). Details of the remuneration received by key management and the directors of the principal subsidiaries of the group are disclosed within the SRG consolidated financial statements.

8. Interest payable and similar charges

	2011 £'000	2010 £'000
Interest payable on bank loans and overdrafts	1,633	1,085
Interest payable on hire purchase contracts	2,993	2,182
Other interest payable	237	-
	<u>4,863</u>	<u>3,267</u>

9. Other finance costs

	2011 £'000	2010 £'000
Pension charges (note 32)	283	519
Unwinding of discount on provisions (note 21)	1,360	447
	<u>1,643</u>	<u>966</u>

10. Exceptional other finance costs

For the year ended 26 March 2010 the costs relate to bank charges and interest in respect of the restructuring of the Group's borrowing activities. A new revolving credit facility was entered into with Lloyds Banking Group, resulting in exceptional one-off break fees.

Parkburn Limited

Notes to the financial statements for the 52 weeks ended 26 March 2011 (continued)

11. Tax on profit on ordinary activities

	2011 £'000	2010 £'000
Current tax:		
UK corporation tax on profits for the period	-	650
Deferred tax:		
- Origination and reversal of temporary differences (note 22)	1,835	5,028
Total tax charge	<u>1,835</u>	<u>5,678</u>

The current tax assessed for the year is lower (2010: lower) than the standard rate applying in the UK 28% (2010:28%). The differences are explained below:-

	2011 £'000	2010 £'000
Profit on ordinary activities before tax	<u>497</u>	<u>18,317</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2010: 28%)	139	5,129
Effects of:-		
Expenses not deductible for tax purposes	-	518
Depreciation in excess of capital allowances	-	(2,904)
Other timing differences	(139)	(2,093)
Tax charge for year	<u>-</u>	<u>650</u>

12. Loss for the year

As permitted by Section 408 of the Companies Act 2006, the Company's profit and loss account has not been included in these financial statements. The Company's loss was £417,000 (2010: £39,000).

13. Minority interest

	2011 £'000	2010 £'000
(Loss) / profit on ordinary activities after taxation	(1,338)	12,639
Add back goodwill amortisation	<u>557</u>	<u>557</u>
	(781)	13,196
Minority interest	<u>244</u>	<u>(4,119)</u>

Parkburn Limited

Notes to the financial statements for the 52 weeks ended 26 March 2011 (continued)

14. Intangible assets

Group	Goodwill £'000
Valuation	
At 27 March 2010 and 26 March 2011	<u>11,136</u>
Amortisation	
At 27 March 2010	5,561
Charge for year	<u>557</u>
At 26 March 2011	<u>6,118</u>
Net book value	
At 26 March 2011	<u>5,018</u>
At 27 March 2010	<u>5,575</u>

The Company has no intangible assets.

15. Tangible assets

Group	Land and buildings £000	Plant, machinery and motor vehicles £000	Surface mine development £000	Deferred stripping costs and restoration Assets £000	Total £000
Cost					
As at March 2010	73,126	86,454	48,107	63,778	271,465
Additions	4,762	14,868	17,089	19,889	56,608
Disposals	(548)	(9,834)	-	-	(10,382)
At 26 March 2011	<u>77,340</u>	<u>91,488</u>	<u>65,196</u>	<u>83,667</u>	<u>317,691</u>
Depreciation					
At 27 March 2010	2,859	39,554	34,644	20,598	97,655
Provided during the year	116	9,986	5,510	12,082	27,694
Disposals	(108)	(4,296)	-	-	(4,404)
At 26 March 2011	<u>2,867</u>	<u>45,244</u>	<u>40,154</u>	<u>32,680</u>	<u>120,945</u>
Net book amount					
At 26 March 2011	<u>74,473</u>	<u>46,244</u>	<u>25,042</u>	<u>50,987</u>	<u>196,746</u>
At 27 March 2010	<u>70,267</u>	<u>46,900</u>	<u>13,463</u>	<u>43,180</u>	<u>173,810</u>

Parkburn Limited

Notes to the financial statements for the 52 weeks ended 26 March 2011 (continued)

15. Tangible assets (continued)

Deferred stripping costs and restoration assets net book amount (NBA) includes deferred stripping costs NBA of £20,307,000 (2010: £17,683,000) and restoration NBA of £30,680,000 (2010: £25,497,000). These are depreciated over the estimated recoverable reserves.

Assets held under finance leases and capitalised in plant, machinery and motor vehicles:-

	2011 £'000	2010 £'000
Cost	49,969	41,504
Aggregate depreciation	(13,280)	(9,285)
	<u>36,689</u>	<u>32,219</u>

The Company has no tangible fixed assets.

In November 2007, Parkburn Limited acquired 5,750,000 Ordinary "A" shares in SRG, for consideration of £11,500,000, increasing the Company's investments in SRG from 66.07% to 68.79%. Parkburn Limited has reflected the increase in the fair value of the land and associated mineral rights of SRG since September 2006 in land and buildings. Parkburn Limited's share of this increase is included as a revaluation reserve, with the remainder recognised as minority interest (note 26).

16. Fixed assets investments

Fixed asset investments relate to the Company's investment in SRG and its own subsidiaries.

	2011 £'000	2010 £'000
Investment in Group undertakings	<u>19,187</u>	<u>19,186</u>

The Company holds 68.79% (2010: 68.79%) of the nominal value of SRG shares, being ordinary 50p shares.

The following companies are wholly owned subsidiaries of SRG as at 26 March 2011.

Name of principal undertakings	Incorporated	Shares
SRGH Limited	Scotland	Ordinary £1 shares
The Scottish Coal Company Limited	Scotland	Ordinary £1 shares
Castlebridge Plant Limited	Scotland	Ordinary £1 shares
SRG Estates Limited	Scotland	Ordinary £1 shares

SRGH Limited operates principally in Scotland. It currently does not trade and acts as a holding company for the Group's subsidiaries. This company was incorporated on 18 March 2010.

Parkburn Limited

Notes to the financial statements for the 52 weeks ended 26 March 2011 (continued)

16. Fixed assets investments (continued)

The Scottish Coal Company Limited operates principally in Scotland. Its principal business activity is surface mining and sale of coal.

Castlebridge Plant Limited operates principally in Scotland. Its principal business is plant ownership and maintenance with primarily all activities supporting The Scottish Coal Company Limited.

SRG Estates Limited operates principally in Scotland. Its principal business is to manage, regenerate, develop and sell property and land assets owned by the Group.

The following companies are wholly owned subsidiaries of Parkburn Limited;

Parkhill Resources Limited operates principally in the UK. Its principal business activity is that of Management services. It was incorporated in November 2006 but remained dormant until 1 July 2010. On 12 July 2010 it changed its name to Parkhill Resources Limited from Hartlepool Coal Terminal Limited.

Parkhill Reclamation & Regeneration Limited operates principally in the UK. The principal activity of the company is of site development and regeneration. The company was incorporated on 8 July 2010 as Parkhill Reclamation Limited and changed its name on 25 January 2011 to Parkhill Reclamation & Regeneration Limited.

The Company also holds 7,624 shares in Alarm Protection Limited.

The Directors believe that the carrying value of the investments is supported by their underlying assets.

17. Stocks

Group	2011 £'000	2010 £'000
Coal stocks	2,636	6,296
Spares and consumables	4,539	3,852
	<u>7,175</u>	<u>10,148</u>

In addition to the above the Group held consignment stock amounting to £736,401 (2010: £1,011,718) on behalf of suppliers. Consignment stock is held for fast moving stock items and the stocking requirement is reviewed annually with suppliers. There is no obligation to purchase stock items that may not be required.

The Company has no stock and work in progress.

Parkburn Limited

Notes to the financial statements for the 52 weeks ended 26 March 2011 (continued)

18. Debtors

Amounts falling due after more than one year

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Deferred tax asset (note 22)	24,991	26,164	-	-

Amounts falling due within one year

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Trade debtors	6,872	7,589	-	-
Other debtors	137	480	3	-
Prepayments and accrued income	4,446	2,661	-	4
	<u>11,455</u>	<u>10,730</u>	<u>3</u>	<u>4</u>

19. Creditors: amounts falling due within one year

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Trade creditors	18,634	19,023	113	5
Other taxation and social security	4,164	4,343	-	-
Other creditors	275	331	-	-
Obligations under finance leases (note 20)	7,823	11,019	-	-
Amounts owed to subsidiary undertakings	-	-	42	-
Accruals and deferred income	11,604	14,938	242	2
	<u>42,500</u>	<u>49,654</u>	<u>397</u>	<u>7</u>

Parkburn Limited

Notes to the financial statements for the 52 weeks ended 26 March 2011 (continued)

20. Creditors: amounts falling due after more than one year

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Bank loan	39,627	25,960	-	-
Obligations under finance leases	30,179	23,476	-	-
Other creditors	16,852	16,748	16,778	16,748
	<u>86,658</u>	<u>66,184</u>	<u>16,778</u>	<u>16,748</u>

The Group entered into a new banking facility with Lloyds Banking Group from March 2010. The Group replaced the existing bank and term debt with a new facility which now comprises a revolving credit facility of £40.0 million less any amount by which the bond facility utilisation exceeds £2.5 million, committed until 31 March 2013, a £5.0 million overdraft facility and a £5.0 million bonding/guarantee facility. The revolving credit facility includes interest initially at LIBOR plus 2.75% but this will be adjusted by EBITDA in future months. Lloyds Banking Group holds a floating charge over the entire assets of Scottish Resources Group.

	2011	2010
	£'000	£'000
In the second to fifth years	39,627	25,960
	<u>39,627</u>	<u>25,960</u>

Obligations under finance leases and hire purchase agreements are repayable over varying years by monthly or quarterly instalments as follows:-

	2011	2010
	£'000	£'000
In the first year (note 19)	7,823	11,019
In the second to fifth years	30,179	23,476
	<u>38,002</u>	<u>34,495</u>

Other creditors are loans and can be analysed as follows:-

	2011	2010
	£'000	£'000
Colin Cornes loan	8,207	8,210
The Colin Cornes Number 3 Personal settlement	1,360	1,382
The Colin Cornes Settlement dated 17/12/2001	3,388	3,388
Sam Cornes	111	111
Parkhill Estates Limited	1,265	1,274
Vogue Holdings	1,200	1,200
Bridgtown Plant Limited	1,186	1,183
Trustees of Emily & Rory Cornes	135	-
	<u>16,852</u>	<u>16,748</u>

Parkburn Limited

Notes to the financial statements for the 52 weeks ended 26 March 2011 (continued)

20. Creditors: amounts falling due after more than one year (continued)

On 23 March 2010 the loans from Parkhill Estates Ltd and Bridgtown Plant Limited became interest bearing at a rate of 0.5% per annum calculated daily. The loan from Vogue Holdings is charged at an interest rate of 4% per annum calculated daily. The loan from the Trustees of Emily & Rory Cornes is charged at an interest rate of 5% per annum calculated daily. The interest is disclosed in note 8 as other interest payable.

21. Provisions for liabilities and charges

	Restoration, closure and claims costs £'000	Provision for surface damage £'000	Other £'000	Total £'000
As at 27 March 2010	62,577	86	4,622	67,285
Released in year	(6,911)	(86)	-	(6,997)
Utilised in year	(5,455)	-	-	(5,455)
Unwinding of discount	1,360	-	-	1,360
Increase in existing provisions	3,858	-	-	3,858
New provisions raised in year	15,125	-	-	15,125
As at 26 March 2011	<u>70,554</u>	<u>-</u>	<u>4,622</u>	<u>75,176</u>

Restoration and closure provision relates to the total costs of reinstatement of soil excavation and of surface restoration such as topsoil replacement and landscaping. Restoration costs will be payable in part progressively during the coaling, and in full following completion of the individual sites. Payments against aftercare liabilities, which follow completion of coaling on individual sites, are expected to be over the next 10 years.

Surface damage provision relates to the Group's liability to repair subsidence damage arising from past mining operations. No future liabilities are expected to occur.

Other provisions include amounts in respect of certain land obligations arising as a result of past events. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligations at the balance sheet date and are discounted to present value where the effect is material.

The Company has no provisions for liabilities and charges.

Parkburn Limited

Notes to the financial statements for the 52 weeks ended 26 March 2011 (continued)

22. Deferred taxation

Group

Deferred taxation assets recognised in the financial statements comprises:-

	2011 £'000	2010 £'000
Capital allowances	23,359	14,971
Losses	-	9,572
On provision and other items	1,632	1,621
Total asset (note 18)	<u>24,991</u>	<u>26,164</u>
Deferred tax on pension liability (note 32)	2,842	3,980
	<u>27,833</u>	<u>30,144</u>

The unprovided amounts of deferred taxation assets for timing differences are as follows:-

	2011 £'000	2010 £'000
On provisions and other items	1,994	1,994
Total asset	<u>1,994</u>	<u>1,994</u>

Analysis of movements in deferred tax provision is as follows:-

	2011 £'000	2010 £'000
Opening balance	30,144	32,970
Profit and loss account (note 11)	(1,835)	(5,028)
Statement of total recognised gains and losses	(476)	2,202
Closing balance	<u>27,833</u>	<u>30,144</u>

Company

No deferred taxation has been provided in the Company's financial statements (2010: nil).

There are no unprovided amounts of deferred taxation for timing differences in the Company's financial statements (2010: nil).

Parkburn Limited

Notes to the financial statements for the 52 weeks ended 26 March 2011 (continued)

23. Called up share capital

Group and Company	2011 £'000	2010 £'000
Issued, called up and fully paid:-		
2,500,002 (2010: 2,500,002) "A" Ordinary shares of £1 each	2,500	2,500
Nil (2010: 101,728) "B" Ordinary shares of 1p each	-	1
	<u>2,500</u>	<u>2,501</u>

The 'B' shares were repurchased by the Company on 22 October 2010 and subsequently cancelled.

With effect from the 1 October 2009, the concept of authorised share capital was abolished in the Companies Act 2006. It is proposed that the Shareholders will pass a written resolution in due course to remove its authorised share capital.

24. Reserves

Profit and loss account	Group £'000	Company £'000
At 27 March 2010	(23,039)	(66)
Retained loss for the year after minority interest	(1,094)	(417)
Actuarial gain on pension scheme (note 32)	1,227	-
Deferred tax on actuarial gain	(476)	-
At 26 March 2011	<u>(23,382)</u>	<u>(483)</u>
 Revaluation reserve	 Group £'000	 Company £'000
At 27 March 2010 and at 26 March 2011	<u>34,892</u>	<u>-</u>

Parkburn Limited

Notes to the financial statements for the 52 weeks ended 26 March 2011 (continued)

25. Reconciliation of movements in shareholders' funds

Group	2011 £'000	2010 £'000
(Loss)/profit for the year	(1,094)	8,520
Actuarial gain/(loss) on pension scheme	1,227	(10,178)
Deferred tax on actuarial movement	(476)	2,852
Net (decrease)/increase in shareholders' funds	(343)	1,194
Opening shareholders' funds	14,354	13,160
Buy back of own shares	(1)	-
Closing shareholders' funds	14,010	14,354
Company	2011 £'000	2010 £'000
Opening shareholders' funds	2,435	2,474
Loss for the year	(417)	(39)
Buy back of own shares	(1)	-
Closing shareholders' funds	2,017	2,435

26. Minority interest

	2011 £'000	2010 £'000
Opening balance	24,770	20,651
(Loss) / profit for year apportioned to minority interest (note 13)	(244)	4,119
Closing balance	24,526	24,770

27. Reconciliation of operating profit to net cash flow from operating activities

	2011 £'000	2010 £'000
Operating profit	7,003	22,925
Amortisation of intangible fixed asset	557	557
Depreciation of tangible fixed assets	10,102	9,882
Amortisation of surface mine development, deferred stripping costs and restoration assets	17,592	13,974
Difference between pension charge and cash contributions	(2,735)	(2,844)
Decrease/(increase) in stocks	2,973	(3,347)
Increase in debtors	(725)	(554)
(Decrease)/ increase in creditors	(3,854)	8,875
Decrease in provisions	(12,452)	(3,361)
Net cash inflow from operating activities	18,461	46,107

Parkburn Limited

Notes to the financial statements for the 52 weeks ended 26 March 2011 (continued)

28. Reconciliation of net cash flow to movements in net debt

	2011 £'000	2010 £'000
(Decrease) / increase in cash in the year	(876)	13,807
Cash outflow from change in debt	(17,174)	(796)
Movement in net debt in the year	(18,050)	13,011
Opening net debt	(54,410)	(67,421)
Closing net debt	(72,460)	(54,410)

29. Analysis of net debt

	2010 £'000	Cash Flow £'000	Non cash charges £'000	2011 £'000
Cash at bank and bank overdraft	6,045	(876)	-	5,169
Bank loan due after one year	(25,960)	(13,667)	-	(39,627)
	(19,915)	(14,543)	-	(34,458)
Hire purchase agreements	(34,495)	16,132	(19,639)	(38,002)
Total	(54,410)	1,589	(19,639)	(72,460)

30. Contingent liabilities

	2011 £'000	2010 £'000
Indemnities for restoration bonds	44,188	38,219
Guarantees in favour of The Coal Authority	1,495	1,207
Other guarantees	3,300	4,100
	48,983	43,526

The restoration bonds and guarantees in favour of The Coal Authority consist of restoration and aftercare agreements entered into in the normal course of business. Other guarantees are for SRG parent company guarantees on the restoration bonds.

The Group may be subject to various claims and legal actions in the ordinary course of business, for which provision is made in the financial statements, where appropriate, on the basis of the information currently available. The Directors do not expect that the outcome of such issues will materially affect the financial position.

Parkburn Limited

Notes to the financial statements for the 52 weeks ended 26 March 2011 (continued)

31. Financial commitments

At 26 March 2011 the Group had annual commitments under non-cancellable operating leases for plant and machinery expiring as follows:-

	2011 £'000	2010 £'000
In the first year	11,724	-
Between one to two years	18,417	14,645
Within two to five years	2,162	7,684
	<u>32,303</u>	<u>22,329</u>

32. Pension schemes

Defined contribution scheme

The majority of employees are members of a defined contribution scheme. Pension assets are held separately from those of the Group. The pension cost charge represents contributions payable by the Group to the scheme. The Group has no liability other than to pay their contributions when due. No contributions were outstanding at the year-end (2010: £nil).

	2011 £'000	2010 £'000
Defined contribution scheme	<u>1,583</u>	<u>1,693</u>

Parkburn Limited

Notes to the financial statements for the 52 weeks ended 26 March 2011 (continued)

32. Pension schemes (continued)

Defined benefit scheme

In addition, the Group has two closed defined benefit schemes; the Industry Wide Coal Staff Superannuation Scheme (IWCSSS) and the Industry Wide Mineworkers' Pension Scheme (IWMP), both of which commenced on privatisation following the Coal Industry Act 1994.

Actuarial valuations of each scheme were undertaken by the Scheme Actuary at 31 December 2009 using a projected unit method. The main assumption underlying both schemes is a long-term gross investment return on scheme assets of 5.2%, which will exceed the annual rate of increase in pensionable salaries and price inflation by 0.4% and 1.4% respectively.

The aggregate market value of the assets of The Scottish Coal Company Limited sub-fund at the valuation date was £21.0 million for the IWMP and £22.1 million for the IWCSSS. The aggregate funding level on an ongoing basis was 67% and 61% respectively.

The previous actuary's report on the valuation as at 31 December 2006 was the first to be carried out under the new statutory Scheme Specific Funding regime. The regime requires the scheme trustees to put in place a recovery plan to eliminate any funding shortfall, over a period agreed with the employer. Recovery Plans were subsequently agreed in October 2008 between the Group and the Trustees of both Schemes that set out the following key terms:

- With regard to the IWMP, the payment of 24% of pensionable earnings plus a level amount of £76,000 per month from 1 October 2008 until 30 September 2013;
- With regard to the IWCSSS, the payment of 24.1% of pensionable earnings plus a level amount of £120,333 per month from 1 October 2008 until 30 September 2013.

The deficits relate to the entire sub-funds for both IWMP and IWCSSS of The Scottish Coal Company Limited; this includes some members who were previously employed by The Scottish Coal (Deep Mine) Company Limited.

Full actuarial valuations of each scheme were carried out by the Scheme Actuary at 31 December 2009 using the projected unit method and updated to 26 March 2011, with the following principal assumptions for both schemes:-

IWCSSS and IWMP Combined	2011	2010
Rate of price inflation (RPI)	3.50%	3.45%
Rate of price inflation (CPI)	2.60%	n/a
Rate of increase in salaries	3.50%	4.45%
Rate of increase in pensions in payment	3.50%	3.45%
Discount rate	5.65%	5.60%
IWCSS scheme:		
Life expectancy of current pensioners (from age 60)	24.8	23.9
Life expectancy of future pensioners (from age 60)	25.6	24.9
IWMP scheme:		
Life expectancy of current pensioners (from age 60)	22.0	22.2
Life expectancy of future pensioners (from age 60)	22.8	23.2

Parkburn Limited

Notes to the financial statements for the 52 weeks ended 26 March 2011 (continued)

32. Pension schemes (continued)

The combined assets in the two schemes and the expected rate of return at the financial year end were:-

	2011	Value	2010	Value
	Long term expected rate of return	£'000	Long term expected rate of return	£'000
Equities	7.6%	13,329	8.2%	16,099
Bonds	5.0%	23,987	5.1%	22,711
Alternatives	7.6%	6,607	8.2%	5,816
Property	7.6%	3,940	7.9%	-
Cash	0.5%	1,163	0.5%	538
Total market value of assets		49,026		45,164
Present value of scheme liabilities		(59,552)		(59,369)
Deficit		(10,526)		(14,205)
Related deferred tax asset (note 22)		2,842		3,980
Net pension liability		(7,684)		(10,225)

The expected return on plan assets is based on long-term market expectations at the beginning of the period.

Analysis of the combined amount charged to operating profit:-

	2011 £'000	2010 £'000
Current service cost	518	371
Less: employee contributions	(95)	(102)
Current service cost (net of employee contributions)	423	269

Analysis of the amount debited to other finance charges:-

	2,999	2,214
Expected return on pension scheme assets	(3,282)	(2,733)
Interest on pension scheme liabilities	(283)	(519)
Net return		

The current service costs and the interest cost less expected return on plan assets is included in operating expenses and finance costs, respectively.

Parkburn Limited

Notes to the financial statements for the 52 weeks ended 26 March 2011 (continued)

32. Pension schemes (continued)

Analysis of amount recognised in statement of total recognised gains and losses (STRGL):-

	2011 £'000	2010 £'000
Actual return less expected return on pension scheme assets	83	6,049
Experience gains / (losses) arising on the scheme liabilities	48	(2,320)
Changes in assumptions underlying the present value of liabilities	1,096	(13,907)
Actuarial gains / (losses) recognised in STRGL	<u>1,227</u>	<u>(10,178)</u>

Movements in the present value of defined benefit obligations and the fair value of the scheme's assets:

	2011 £'000	2010 £'000
Opening defined benefit obligations	59,369	42,087
Current service cost (including employee contributions)	518	371
Past service cost	(1,096)	-
Interest cost	3,282	2,733
Actuarial (gains) / losses	(48)	16,227
Benefits paid	<u>(2,473)</u>	<u>(2,049)</u>
Closing defined benefit obligations	<u>59,552</u>	<u>59,369</u>

Changes in plan assets:-

	2011 £'000	2010 £'000
Opening fair value of plan assets	45,164	35,735
Expected return on plan assets	2,999	2,214
Actuarial gains	83	6,049
Employer contributions	3,158	3,113
Member contributions	95	102
Benefits paid	<u>(2,473)</u>	<u>(2,049)</u>
Closing fair value of plan assets	<u>49,026</u>	<u>45,164</u>

Funding status/net amount recognised	<u>(10,526)</u>	<u>(14,205)</u>
--------------------------------------	-----------------	-----------------

	2011 £'000	2010 £'000
Movement in deficit during the year		
Deficit at beginning of year	(14,205)	(6,352)
Current service cost (including employee contributions)	(518)	(371)
Contributions	3,253	3,215
Other finance charges	(283)	(519)
Actuarial gains / (losses)	<u>1,227</u>	<u>(10,178)</u>
Deficit at end of year	<u>(10,526)</u>	<u>(14,205)</u>

Parkburn Limited

Notes to the financial statements for the 52 weeks ended 26 March 2011 (continued)

32. Pension schemes (continued)

History of gains and losses for the two schemes combined recognised in the STRGL:

	2011	2010	2009	2008	2007
Difference between expected and actual return on scheme assets (£'000)	83	6,049	(7,344)	(2,049)	(729)
Percentage of scheme assets	0.2%	13.4%	20.6%	5.2%	2.0%
Experience loss on scheme liabilities amount (£'000)	48	(2,320)	(1)	(1,759)	(60)
Percentage of scheme liabilities	0.1%	4.0%	0.0%	4.1%	0.1%
Present value of scheme liabilities	(59,552)	(59,369)	(42,087)	(43,247)	(49,505)
Fair value of scheme assets	49,026	45,164	35,735	39,173	37,343
Funding deficit	(10,526)	(14,205)	(6,352)	(4,074)	(12,162)

The contribution expected to be paid to the schemes during the year ending 2011 is approximately £3 million.

The Company has no pension liability.

33. Related party disclosures

The related party transactions for the Group were as follows:-

Related party	Nature of transactions	2011		2010	
		Value of purchases £'000	Payable at year end £'000	Value of purchases £'000	Payable at year end £'000
Bridgtown Plant Ltd	Plant hire, management services and labour charges	938	70	1,020	324
Vogue Holdings	Property rental	-	-	157	60
Parkhill Estates Ltd	Labour, management services and purchase of plant and machinery	761	85	630	246
Alarm Protection Ltd	Security	288	-	239	5
Fernhill Estates Ltd	Property rental	24	9	-	-
Related party	Nature of transactions	2011		2010	
		Value of sales £'000	Receivable at year end £'000	Value of sales £'000	Receivable at year end £'000
Brymbo Developments	Management services	17	9	-	-
Parkhill Estates Ltd	Management services	150	35	-	-
Bridgtown Plant Ltd	Management services	37	10	-	-
Vogue Holdings	Management services	17	5	-	-
Fernhill Estates Ltd	Management services	12	3	-	-
Broseley Fireclay Ltd	Management services	33	9	-	-

The creditor balances are included within trade creditors and the debtor balances are included in trade debtors. All related party loans have been disclosed within Note 20. The above companies are related through the Trustees of the trusts which ultimately own these companies.

Parkburn Limited

Notes to the financial statements for the 52 weeks ended 26 March 2011 (continued)

34. Post balance sheet events

On 6 September 2011 Scottish Resources Group plc re-registered as a private limited company.

In addition to the changes in rates of Corporation tax disclosed above within note 21 (Deferred taxation) a number of further changes to the UK Corporation tax system were announced in the March 2011 UK Budget Statement. A resolution passed by Parliament on 29 March 2011 reduced the main rate of corporation tax to 26% from 1 April 2011. Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 is expected to be included in the Finance Act 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by April 2014. None of these rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The effect of the changes enacted by Parliament on 29 March 2011 is to reduce the deferred tax assets provided at the balance sheet date by £0.9 million. This £0.9 million decrease in deferred tax assets would decrease profit by £0.9 million. The decrease in the deferred tax assets is due to the additional reduction in the corporation tax rate to 26% with effect from 1 April 2011.

The effect of the changes expected to be enacted in the Finance Act 2011 would be to further reduce the deferred tax asset provided at the balance sheet date by an additional £0.7 million. This £0.7 million decrease in the deferred tax assets would decrease profit by £0.7 million. This decrease in the deferred tax assets is due to the reduction in the corporation tax rate from 26% to 25% with effect from 1 April 2012.

The proposed reductions of the main rate of corporation tax by 1% per year to 23% by April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 25% to 23% if these applied to the deferred tax balance at the balance sheet date, would be to further reduce the deferred tax assets by an additional £0.7 million (being £0.4 million recognised in 2013 and £0.3m recognised in 2014). This £0.7 million decrease in the deferred tax assets would decrease profit by £0.7 million. The decrease in the deferred tax assets is due to the additional reduction in the corporation tax rate to 24% and 23% with effect from April 2013 and April 2014 respectively.

35. Ultimate parent undertaking

The Directors consider the Trustees of the Colin Cornes No. 3 Personal Settlement to be the ultimate controlling party.