

Company Registration No. 6403480

Lubel Coal Company (UK) Limited

Annual Report and Accounts

31 December 2008

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Lubel Coal Company (UK) Limited

Annual Report and Accounts 2008

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Lubel Coal Company (UK) Limited

Annual Report and Accounts 2008

Officers and professional advisers

Directors

Graham Mascal
Grant Sinitsin
David Swan

Secretary

David Swan

Registered Office

1st Floor
14 Golden Square
London
W1F 9JF

Bankers

HSBC
16 King Street
London WC2E 8JF

Solicitors

Mayer Brown International LLP
201 Bishopsgate
London EC2M 3AF

Auditors

Deloitte LLP
Chartered Accountants
London

Lubel Coal Company (UK) Limited

Directors' report

The directors present their annual report on the affairs of Lubel Coal Company (UK) Limited ("the company"), together with the financial statements and auditors' report, for the 14 month period ended 31 December 2008.

Principal activities

The principal activities of the company comprise providing management services to the parent company and other group undertakings ("group entities").

The company was incorporated on 18 October 2007.

Going Concern

The company's business activities, key financial risks, performance and position are set out in this report. The financial position of the company is set out in the financial statements and related notes.

The members consider that the financial resources from the parent company available to Lubel Coal Company (UK) Limited are adequate to meet its operational needs for the foreseeable future. The company has also received a letter of financial support from the parent company.

After making enquiries, and taking account of the above, the directors have a reasonable expectation that the company has resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Financial risk

The most significant financial risk the company is exposed to is the foreign exchange rate risk arising from the US dollar loans held by the company. The company considers that this exchange rate risk doesn't threaten the existence of the company as the loan is with the ultimate controlling entity within the group and any future foreign exchange loss that the company incurs can be met by further funding from the ultimate controlling company. Therefore the company does not seek to manage this risk through foreign exchange rate derivatives.

In addition the company is exposed to credit risk in relation to receivables. The credit risk exposure is reduced as the company primarily transacts with other group companies.

The company's exposure to liquidity risk is reduced as it is a 100% subsidiary of Lubel Coal Company Ltd. The parent company has agreed to continue to support the company financially (see Going Concern section above).

Directors

The directors, who served throughout the period except as noted, were as follows:

Graham Mascall	(appointed 18 October 2007)
Richard Round	(appointed 18 October 2007, resigned 31 July 2009)
Grant Sinitsin	(appointed 18 October 2007)
David Swan	(appointed 31 July 2009)

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

Lubel Coal Company (UK) Limited

Directors' report (continued)

Post balance sheet events

There have been no subsequent events of a material or unusual nature since the balance sheet date. This has also been disclosed in note 15.

Auditors

Each of the persons who is a director at the date of approval of this report confirms that:


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

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

This directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the Companies Act 1985.

Approved by the Board and signed on its behalf by:



David Swan

Director

18 August 2009

Registered office:

1st Floor
14 Golden Square
London W1F 9JF

Lubel Coal Company (UK) Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The 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 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 company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report to the members of Lubel Coal Company (UK) Limited

We have audited the financial statements of Lubel Coal Company (UK) Limited for the period commencing 18 October 2007 to 31 December 2008 which comprise the profit and loss account the balance sheet and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (Effective January 2007).

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 auditors' 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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.

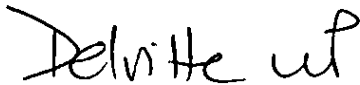
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 Lubel Coal Company (UK) Limited (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31 December 2008 and of its loss for the period 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.

A handwritten signature in black ink, appearing to read 'Deloitte LLP', is written over the printed name of the firm.

Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

18 August 2009

Lubel Coal Company (UK) Limited

Company profit and loss account Period ended 31 December 2008

	Notes	2008 £
Other operating expenses	2	(1,531,937)
Operating loss		<u>(1,531,937)</u>
Loss on ordinary activities before finance charges		(1,531,937)
Finance charges (net)	3	<u>(521,258)</u>
Loss on ordinary activities before taxation	4	(2,053,195)
Tax on loss on ordinary activities	7	<u>-</u>
Loss on ordinary activities after taxation		<u><u>(2,053,195)</u></u>

All activities are due from Company Operations

There are no recognised gains and losses or movements in equity shareholders' funds for the current period other than as stated in the profit and loss account and therefore no other separate statement of total recognised gains and losses or reconciliation of movement in equity shareholder's funds is presented.

Lubel Coal Company (UK) Limited

Company balance sheet At 31 December 2008

	Notes	2008 £
Fixed assets		
Tangible assets	8	118,526
		<u>118,526</u>
Current assets		
Debtors	9	171,286
Cash at bank and in hand		312,869
		<u>484,155</u>
Creditors: amounts falling due within one year	10	<u>(211,830)</u>
Net current assets		<u>272,325</u>
Total assets less current liabilities		390,851
Creditors: amounts falling due after more than one year	11	<u>(2,444,044)</u>
Net liabilities		<u>(2,053,193)</u>
Capital and reserves		
Called-up share capital	12	2
Profit and loss account	13	(2,053,195)
		<u>(2,053,193)</u>
Shareholders' deficit		<u>(2,053,193)</u>

These accounts have been prepared in accordance with the special provisions relating to small companies under s246 Companies Act 1985.

The financial statements were approved by the board of directors and authorised for issue on 18 August 2009. They were signed on its behalf by:



David Swan
Director

Lubel Coal Company (UK) Limited

Notes to the accounts

Period ended 31 December 2008

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the period 18 October 2007 to 31 December 2008.

Basis of accounting

These financial statements have been prepared in accordance with the special provisions relating to small companies within Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective January 2007).

Going concern

The financial statements have been prepared on the going concern basis as set out in the Directors' Report.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Office Equipment	3years
Fixtures and Fittings	3years
Computer Equipment	3years
Leasehold Improvements	3years

The leasehold improvements are depreciated on a straight line basis over three years, (break period of the lease), rather than the five year life of the lease, as it is anticipated that the company will end the lease at the break period. Residual value is calculated on prices prevailing at the date of acquisition.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only 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.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

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 a non-discounted basis.

Lubel Coal Company (UK) Limited

Notes to the accounts (continued) Period ended 31 December 2008

1. Accounting policies (continued)

Turnover

Whilst during the current year no management fees were charged or expenses recharged to other group entities, Lubel Coal Company (UK) Limited are currently negotiating an agreement with other group companies and fees and recharges are expected to arise in subsequent years.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are included in the profit and loss account.

Leases

Rentals under operating leases are charged on a straight-line basis over the break period of the lease, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Finance costs

Finance costs of financial liabilities are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

2. Other operating expenses

	2008
	£
Other operating expenses	<u>1,531,937</u>

Admin expenses include salary and staff costs of £730,141, office costs of £156,845, legal and professional fees of £242,497 and consulting fees of £194,349.

Lubel Coal Company (UK) Limited

Notes to the accounts (continued) Period ended 31 December 2008

3. Finance charge (net)

	2008 £
Interest payable and similar charges	-
Interest receivable	(3,533)
Foreign exchange losses	524,791
	<u>521,258</u>

4. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	2008 £
Depreciation of tangible fixed assets	31,572
Operating lease rentals for office	95,950
	<u></u>

The audit fee for the period was £5,000 and non-audit fees were £nil. In 2008, amounts payable to Deloitte LLP and their associates by the Company in respect of non-audit services were £nil.

5. Staff costs

Under Company's Act 1985 s246(3)(b)(ai) the company is exempt from disclosing this information in the financial statements.

6. Directors' remuneration and transactions

	2008 £
Directors' remuneration	
Emoluments	619,603
	<u></u>
	2008 £
Remuneration of the highest paid director:	
Emoluments	432,306
Company contributions to money purchase schemes	-
	<u></u>

No pension schemes are provided by the company to the directors.

Lubel Coal Company (UK) Limited

Notes to the accounts (continued) Period ended 31 December 2008

7. Tax on loss on ordinary activities

The tax charge comprises:

	2008 £
Current tax	
UK corporation tax at 28.5%	-
Factors affecting tax charge for the period	
Loss on ordinary activities before tax	(2,053,195)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28.5%	(585,161)
Effects of:	
Expenses not deductible for tax purposes	370
Depreciation in excess of capital allowances	(15,858)
Current year losses unutilised	600,649
Current tax charge for the year	-

8. Tangible fixed assets

	Leasehold improvements £	Fixtures and fittings £	Computer and office equipment £	Total £
Cost				
At 18 October 2007	-	-	-	-
Additions during the period	80,091	18,250	51,757	150,098
At 31 December 2008	80,091	18,250	51,757	150,098
Accumulated depreciation				
At 18 October 2007	-	-	-	-
Charge for the period	20,160	5,576	5,836	31,572
At 31 December 2008	20,160	5,576	5,836	31,572
Net book value				
At 31 December 2008	59,931	12,674	45,921	118,526

Lubel Coal Company (UK) Limited

Notes to the accounts (continued) Period ended 31 December 2008

9. Debtors

	2008 £
Amounts falling due within one year:	
VAT	3,892
Loan to director (note 16)	44,600
Prepayments and accrued income	17,328
	<hr/> 65,820 <hr/>
Amounts falling due after more than one year:	
Lease deposit	105,466
Total	<hr/> 171,286 <hr/>

Operating lease deposit is equivalent to one year rent £89,758 plus VAT of 15,708. The full deposit is repayable on termination of the lease and is held by Savills (the landlord) in their books

10. Creditors: amounts falling due within one year

	2008 £
Trade creditors	1,989
Other taxation and social security	21,045
Other creditors	57,100
Accruals	131,696
	<hr/> 211,830 <hr/>

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

	2008 £
Other creditors	
Amounts owed to Group undertakings	2,444,044
	<hr/> 2,444,044 <hr/>

The inter company balances represent amounts paid to the company to meet its operating costs or costs paid by other group companies on behalf of the company.

Lubel Coal Company (UK) Limited

Notes to the accounts (continued) Period ended 31 December 2008

12. Called-up share capital

The authorised share capital of the company is 1,000 shares

	2008 £
Allotted, called up and fully paid	
Two ordinary shares of £1 each	<u>2</u>

All shares were issued in the period.

13. Reserve movements

The only movement in reserves during the period arose from the loss on operating activities (£2,053,195).

14. Financial commitments

Financial commitments are as follows:

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

	Land and buildings £
Company	
Expiry date	
- within one year	-
- between two and five years	105,465
- after five years	-
	<u>105,465</u>

15. Subsequent events

There have been no subsequent events since the balance sheet date.

16. Related party transactions

Directors' transactions

Loan to director:

An unsecured loan, repayable on the earlier of the first date on which the borrower is able to sell sufficient shares in the (parent) company to repay the loan and three years from the agreement date of 20 March 2008, made to Graham Mascall, was outstanding during the year. The amount of the liability to the company at the beginning of the year was £nil, the maximum during the year was £44,600 and at the end of the year was £44,600. During the year £nil of the loan was repaid.

Other related party transactions

Amounts owed to group undertakings are disclosed in note 11 and relate to funding from group undertakings to support the company.

Lubel Coal Company (UK) Limited

Notes to the accounts (continued) **Period ended 31 December 2008**

17. Controlling party

The company is wholly owned by Lubel Coal Company Limited, a private company incorporated in the British Virgin Islands (Company number 1056038) and which prepares consolidated financial statements. The registered address of the company is Geneva Place, Waterford Drive, PO Box 3469, Road Town, Tortola, British Virgin Islands.