HARWORTH GROUP PLC

UNAUDITED PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

Harworth Group plc ("Harworth" or the "Group"), the property regeneration and investment specialist, announces its preliminary results for the year ended 31 December 2015.

Financial Highlights[(1)]

- Strong 2015 financial performance, with reported profits ahead of expectations
  - Net asset value of £297.7m
  - Profit before tax of £77.6m, including the £44.2m gain arising from the successful acquisition of the remaining 75.1% of Harworth Estates Property Group Limited
  - Earnings per share of 3.1p (2014: 0.6p)
  - Final dividend of 0.051p per share (£1.5m in total) announced, in line with the dividend policy

- Robust underlying[(2)] financial performance
  - Significant growth in net asset value to 10.2p per share (2014: 8.6p)
  - EPRA net asset value per share rose to 10.6p per share (2014: 8.8p)
  - Value gains through profit on disposal and asset revaluation of £40.4m (2014: £23.6m)
  - Substantial increase in profit from operations to £2.1m (2014: £0.8m)

Operating and Strategic Highlights

- Exploiting portfolio opportunities by optimising land use and securing planning consents
  - Over 2,000 residential planning permission consents (granted or resolution to grant) secured
  - Commercial sales of c.£18m at Logistics North and development management agreement with M&G signed
  - Further progress with recurring income with nearly £1m of new and renewed leases and 21MW of renewable energy installed with more than 30MW to come on stream in 2016

- Expect momentum gathered in 2015 to be maintained through 2016
  - c.£20m of acquisitions made in 2015, which have already increased in value
  - Low level of loan to value (18.8%), giving financial flexibility to invest in the portfolio
  - Focus on a select number of brownfield sites with higher value enhancement potential
  - Acceleration of sales and investment in the portfolio, with further acquisitions expected from 2016 onwards

Harworth's Chief Executive, Owen Michaelson, said:

"Building on the success of the first half of the year, I am pleased to report that the first nine months of trading as a standalone business have delivered a good performance, resulting in strong growth in net asset value. Both the Capital Growth and Income Generation segments continued to build on the inherent value in the property portfolio reflecting the strength and experience of the in-house teams.

The Group is positioned for further growth in net asset value, through the exploitation of portfolio opportunities by optimising land use and securing planning consents on key sites, and with a renewed focus on a smaller number of brownfield sites with greater enhancement potential. With the growth momentum already established in the business, we anticipate a larger number of sales, increased development spend and further acquisitions in 2016. We have entered the new year with confidence, which is demonstrated by the proposed initiation of our dividend policy."

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Notes to Editors:
Harworth Group plc is a leading property investment company which owns and manages a portfolio of some 27,000 acres of land across approximately 200 sites located throughout the Midlands and North of England. The Group specialises in the regeneration of former coalfield sites and other brownfield land into employment areas, new residential properties and low carbon energy projects.

http://www.harworthgroup.com/

Harworth was relisted on the London Stock Exchange on 24 March 2015, changing its name from Coalfield Resources plc, following the successful acquisition of the remaining 75.1% of Harworth Estates Property Group Limited ("HEPGL") that the Group did not already own and the associated equity capital fundraising.

(1) The 'Financial Highlights' include the effects of accounting for the acquisition of the 75.1% of shares in HEPGL on 24 March 2015, from which date the results of HEPGL were fully consolidated into the Group financial statements. Prior to this date, the results of HEPGL were included in the Group income statements as a share of profit of associate.
(2) The 'Underlying Financial Performance' shows the key results of the Group and its subsidiaries for the year to 31 December 2015, together with the results from the comparative prior-year period. Both sets of figures assume that HEPGL had been 100% owned during each year.

Cautionary Statement
This announcement contains unaudited information and forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts and undue reliance should not be placed on any such statements because they speak only as at the date of this document and are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and Harworth's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. Harworth undertakes no obligation to revise or update any forward-looking statement contained within this announcement, regardless of whether those statements are affected as a result of new information, future events or otherwise, save as required by law and regulations.

Chairman's Statement

I am pleased to report on the first financial year end of the renamed and reconstituted Harworth Group plc. The progress made by the Group during the period exceeded expectations and further built on the successful first half of the year.

Acquisition
In March 2015, Coalfield Resources plc, as the Group was then known, acquired the remaining 75.1 percent of the shares in Harworth Estates Property Group Limited that it did not already own from the Pension Protection Fund for an aggregate consideration of £150m. Upon completion of this acquisition Coalfield Resources plc changed its name to Harworth Group plc to reflect the change to the Group's underlying operations.

Financial Results
Our 2015 results provide clear evidence that the acquisition was a value enhancing course of action for the Group. The strength of the Group is most accurately reflected in the balance sheet with net assets at the end of the year of £297.7m (2014: £58.7m). This increase, of course, reflects the acquisition of HEPGL but on a like-for-like basis the movement in the year would have been £47.4m, reflecting the strong value gains achieved from the portfolio.

Over the course of the year, both our Income Generation and Capital Growth segments delivered strong performances. Revenue from operations grew to £13.2m (2014: £1.5m). Profit before tax amounted to £77.6m (2014: £3.5m).

The acquisition and fundraising of March 2015 did have a one-off consequence on our results for the year with profit before tax increasing by the "gain on bargain purchase" of £44.2m. This was highlighted in our half year statement released in August 2015. The accounting gain, which we are required to recognise in our accounts, arises from the difference between the fair value of the assets acquired against the consideration paid.

On an underlying basis, operating profit increased to £2.1m (2014: £0.8m). The gains in value from disposals and revaluation significantly exceeded expectations with total value gains of £40.4m (2014: £23.6m). This resulted in an operating profit, before exceptional items, of £42.6m (2014: £24.4m).

Dividend
At the time of the acquisition of HEPGL, the Board noted its intention to restore the payment of dividends to shareholders at an initial level of £2 million on an annualised basis with a pro-rata dividend of £1.5 million for 2015 at a rate of 0.051p per share (2014: £nil). The dividend is contingent on the successful completion of the process described below.

Following several years of losses and a very complicated restructuring, the Board recognises that the availability of distributable reserves in the current balance sheet may not be sufficient to pay the current proposed or any future dividends. A resolution will therefore be proposed at the Group's forthcoming AGM in April 2016 for a reduction of capital to facilitate the payment of dividends with the result that for this year the dividend will not be paid until September.

As detailed in the prospectus for the acquisition, it is the Board's intention to adopt a dividend policy which has due regard to sustainable levels of dividend cover and reflects the Directors' view on the outlook for sustainable earnings. The Board aims to grow the dividend broadly in line with earnings. Dividends will be paid from profits arising out of recurring income and from realised gains made from the sale of property. The Board will not distribute unrealised gains recognised on revaluation of property and will retain a proportion of its recurring income and realised gains for reinvestment into the property portfolio.

Share consolidation
The Board recognises that the large number of shares in issue with a nominal value of 1p per share is not practicable for the Group nor for investors. A resolution will be proposed as special business at the AGM for a share consolidation. This will propose that one new ordinary share of 10p is issued in replacement for every 10 existing ordinary shares of 1p (10:1 consolidation). Further details will be included in the notice of meeting to be sent to shareholders in late March 2016.

Incentive Plans
Following the reconstitution of Harworth, the Board proposes a new Long Term Incentive Plan (LTIP) to align key executives with shareholders. The LTIP will be subject to stretching performance conditions and measured over no less than a three-year period. Full details of the LTIP will be included in the Notice of Meeting for this year's AGM.

Board Changes
On the acquisition of HEPGL, Owen Michaelson (CEO), Michael Richardson (FD), Anthony Donnelly and Martyn Bowes (NEDs) joined the Group Board. Jeremy Hague, the former Finance Director of Coalfield Resources plc, stepped down shortly after the completion of the acquisition. At the Interim Results, we also announced that Mike Richardson had chosen to step down from the Board following the release of the results for 2015. I thank Mike and Jeremy for their contribution in bringing the businesses together. Andrew Kirkman joined us on 1 January 2016 as FD and is already making a strong contribution to the Board.

Peter Hickson has decided to retire from the Board and therefore will not be seeking re-election at the AGM. Peter joined the then UK Coal as Senior Independent Director and Chairman of the remuneration committee to help us lead the restructuring of the Group and navigate our way to today's very focussed business. We would all like to thank Peter for his unwavering support and wide-ranging counsel. Lisa Clement will take the position of Senior Independent Director. A search is on-going for one additional independent director.

Finally, Geoff Mason who originally joined as Company Secretary in the summer of 2012 to facilitate the restructuring that year and re-joined in the summer of 2014 to help deliver the acquisition of HEPGL, will also step down following the AGM. I thank Geoff too for his support and advice through challenging events. His successor will be announced in due course.

Our people
We have a small team of some fifty dedicated people many of whom have stayed the course with us through the last five years to create the business we have today. I thank them all for their contribution.

Outlook
The equity fundraising in March 2015 has provided additional capital and simplified the ownership structure, as well as improving access to new capital in the future. Our objective is to deliver value to shareholders over the medium term by being well positioned to pursue new growth opportunities in the redevelopment of brownfield land and to accelerate the execution of existing investment opportunities.

Jonson Cox
Chairman
24 February 2016

Chief Executive's Review and Operational Report

During the year, we successfully built on the growth momentum established in the first half of the year, to deliver full year results with reported profits ahead of expectations. Both the Capital Growth and Income Generation segments continued to build on the inherent value in the property portfolio and the strength and experience of the in-house teams.

The strategic focus for the business continues to lie in both the generation of income to meet the operating costs of the business but more importantly in the growth of net asset value in our landholdings. Our core skill is to create a strategic vision and planning for brownfield sites which, when brought to market with planning permission for housing or industry, or indeed with speculative build commercial units, creates value. The strategic imperative for the business is therefore to continue the pipeline of value growth and to replenish the portfolio with further former industrial land.

During the year, demand for new houses within our regions remained strong, which was reflected in our rate of sale achieved by our housebuilding partners. In addition, there remains an undersupply of new commercial properties coming to market, particularly those under 100,000 sq. ft. We do not expect this to change in the immediate future. While a lack of a clear national energy policy, as demonstrated by the changes in renewable incentives during the year, is unhelpful, it is manageable and we continue to monitor subsidy mechanisms.

The location of our business, which is essentially in the former mining areas of central and northern England, provides an obvious synergy with the Government's plans for a Northern Powerhouse. This is a useful concept in supporting our ambitions and the associated investment in new infrastructure to support growth is strongly welcomed.

Capital Growth

The Capital Growth segment of the business focuses on delivering value by developing the underlying portfolio, and includes planning and development activity, value engineering, proactive asset management and strategic land acquisitions. During the year, outline planning consents were granted for an additional 1,454 residential plots, together with resolutions to grant a further 570 plots, bringing the total number of consented residential plots in the portfolio to 10,308. These outline planning consents were geographically well spread, including in Yorkshire (Flass Lane, 560 plots), the North East (Ellington, 400 plots) and the Midlands (Gedling, 150 plots).

We plan the disposals of properties carefully to extract maximum value from our land portfolio with gains achieved over book value on all major sites. The cash realised is used for reinvestment. A total of 645 plots were sold for residential uses, on eight major development sites, to national and regional housebuilders. The average price per plot achieved was c.£36,000.

Planning consent was also granted for 198,000 sq. ft of commercial development at Gateway 36, near Barnsley, at the site of the former Rockingham Colliery. Development funding from Sheffield City Region has been utilised to undertake the construction of 65,000 sq. ft of pre-let commercial property, which commenced in April 2015.

Disposals for commercial use in 2015 were underpinned by three large plot sales at Logistics North, reflecting its position as an important manufacturing and logistics hub for the north of England. Joy Global, the global mining services company, purchased 8.3 acres in June, whilst Exeter Property Group purchased 18.3 acres in September.

In December 2015, a development funding agreement was signed with M&G Real Estate whereby it purchased 20.45 acres to construct 400,000 sq. ft of prime commercial space and we agreed to undertake the construction and development management. This deal reflects the strength of the North West logistics sector as well as the capabilities of the Group.

In response to improving sales prospects, capital investment at Logistics North and at the Advanced Manufacturing Park in Rotherham has been brought forward, ensuring that there is land available for immediate occupation on the next phases of these developments. This strategic infrastructure investment also delivers multiple sale points thereby diversifying risk across the portfolio.

Income Generation

The Income Generation segment of the business focuses on generating rental returns from the business park portfolio, rental returns and royalties from energy generation, environmental technologies and the agricultural portfolio, and income generating streams from recycled aggregates and secondary coal products.

Strong progress was made on renewables in 2015, with a total of 52.4MW of capacity now installed on our land as a result of 21.2MW of capacity being energised in the year. Whilst further schemes are in the pipeline for 2016, Government changes to renewables subsidies in the second half of 2015 has rendered some pipeline solar projects unviable currently, or resulted in some developers dropping projects if they could not be connected to the grid by 31 March 2016. We continue to monitor subsidy mechanisms and the cost of solar panel installation to see when these mothballed sites will become viable again.

We also made further progress with income generation from our Business Parks, with 30 new and renewed commercial lettings signed in 2015 with an annualised rent roll of £0.9m. The largest of these was to Barnsley Metropolitan Borough Council at Gateway 36. Practical completion of this project was achieved on 29 January 2016. Other new tenancies included Network Rail, Amec Foster Wheeler and Siniat Limited.

Rental income in 2015, on an underlying basis, was over £3.2m (2014: £2.8m) and is expected to increase further in 2016 as a result of the new leases signed. The weighted average unexpired lease term across the Business Parks is 8.3 years.

As we anticipated, and planned for, the market for coal fines will reduce over the next few years as a result of plant closures and the Government's announced policy that all coal-fired plants will be shut by 2025. This revenue stream will decrease over the next few years but we are intending to replace it by further income from renewable energy projects and rental income from Business Parks.

Acquisitions

An important aspect of our strategy is to replenish our strategic land portfolio. In 2015, six acquisitions were made, four of which were significant and three of which are worth commenting upon here. The first acquisition was that of the former Alcan smelter site at Lynemouth, Northumberland, which completed in April 2015. This 320 acre brownfield site will be developed for commercial usage including the retention of several existing units to lease.

The 41 acre Sinfin Lane Industrial Park in Derby was purchased in September 2015, comprising an existing 471,500 sq. ft of commercial space and a further six acres for future housing development. The £6.95m acquisition cost represented a 9% yield on passing rent.

The final acquisition of the year was that of the 112 acre former McCormick Tractor site in Doncaster, which already benefits from an outline planning consent for 800 new homes, 200,000 sq. ft of commercial space and a variety of other uses. The existing masterplan for the site will now be refreshed and promoted as a major mixed-use development later this year.

Market outlook

We continue to see solid interest in the property sector in our core regions and we are optimistic that we can benefit from this, through improved prices for well-located commercial land and steady sales for residential land within our regions. As usual, however, we would anticipate property sales to be second half weighted.

As stated, a key aspect of our strategy is replenishing our portfolio and we will seek to continue to do this throughout 2016. Our focus remains on larger, mainly former industrial, sites in the Midlands and the North of England, where our core skill set lies, and where we believe there is significant enhancement potential.

In addition, we will continue with our stated strategy of exploiting portfolio opportunities by optimising land use and securing planning consents on key sites. We do approach this with a renewed focus however, which will concentrate on a smaller number of brownfield sites with greater enhancement potential. Lower value sites, mainly agricultural land, with little development potential will be sold freeing up management time to concentrate on our larger, more value enhancing sites.

With growth momentum now established, and by drawing on the financial and managerial resources available within the business, we anticipate a larger number of sales with increased development spend in 2016, plus further acquisitions. We are confident in our ability to deliver and grow shareholder value and our start to 2016 has been positive.

Owen Michaelson
Chief Executive Officer
24 February 2016

Financial Review

The Group achieved excellent results in the financial year with both our Income Generation and Capital Growth segments delivering strong performances. Revenue from operations grew to £13.2m (2014: £1.5m) and profit before tax, including the gain on bargain purchase, amounted to £77.6m (2014: £3.5m). As described below, the re-acquisition of 75.1% of the shares in HEPGL resulted in complicated financial results for the year and comparatives. Consequently, our results are set-out below on both a statutory and underlying basis.

The acquisition and fundraising of March 2015 did have a one-off consequence on our results for the year with profit before tax increasing by the gain on bargain purchase of £44.2m. This was highlighted in our half year statement released in August 2015. The accounting gain arises from the difference between the fair value of the assets acquired against the consideration paid.

Reflecting the acquisition of HEPGL, net assets at the year-end were £297.7m (2014: £58.7m). On a like for like basis, net assets increased £47.4m on the prior year, reflecting the strong value gains achieved from the portfolio.

Operating results

The Group's operating profit, excluding exceptional items, was £37.1m (2014: £nil). This included valuation gains of £24.1m (2014: £nil) and profits from disposals of investment properties and options of £11.4m (2014: £nil). Within the profits from disposal, there was a gain of £3.2m (2014: £nil) in the first half of the year from the surrender of an option on the Chevington wind farm project (Peel Wind Farms (Blue Sky Forest) Limited).

The Group's operating profit, before exceptional items, is reconciled to the underlying operating performance for the year to 31 December 2015 as follows:

	Harworth Group plc underlying	Harworth Group plc underlying Pre Acquisition	Fair Value Adjustments	Harworth Group plc
	£m	£m	£m	£m
Profit from operations	2.1	(0.3)	(0.3)	1.5
Valuation gain	28.9	(4.8)	-	24.1
Profit from disposals	11.5	(0.1)	-	11.4
Pension credit	0.1	-	-	0.1
Operating profit, before exceptionals	42.6	(5.2)	(0.3)	37.1

In the year, there were exceptional items of £2.9m comprising £2.4m of transaction costs related to the acquisition of HEPGL and a £0.5m impairment of the joint venture investment. Operating profit after exceptional items for the year was £34.2m (2014: £nil).

Underlying Harworth Group plc operating performance

	Capital Growth	Income generation	Central overheads	2015 Total	2014 Total
	£m	£m	£m	£m	£m
Profit from operations	(1.9)	8.4	(4.4)	2.1	0.8
Valuation gain	18.4	10.5	-	28.9	15.7
Profit from disposals	7.3	4.2	-	11.5	7.9
Pension credit	-	-	0.1	0.1	-
Operating profit, before exceptionals	23.8	23.1	(4.3)	42.6	24.4

The underlying profit from operations amounted to £2.1m (2014: £0.8m). The Group recorded revenues of £16.7m (2014: £13.9m) comprising rental and royalty income together with the sales of coal fines and salvage. Cost of sales were £7.8m (2014: £5.2m) reflecting increased activity. Total overheads, which include the overhead costs of the Capital Growth and Income Generation segments and central costs, amounted to £6.8m (2014: £8.0m). Central costs were lower than the prior year due to the synergies of combining the Group and HEPGL offices and lower professional fees.

Revenues and cost of sales in the year both included £1.3m of amounts in respect of contract work performed at the end of the year relating to the M&G construction contract at Logistics North. Further amounts for revenue and cost of sales will be recognised in 2016 and profit will be recognised when certain milestones have been achieved.

Valuation gains in the year, both pre and post-acquisition, are set out in the table below:

	Pre-acquisition £m	Post-acquisition £m	Total £m
Major Developments	0.3	15.1	15.4
Business Parks	0.9	5.7	6.6
Strategic Land	3.6	(0.6)	3.0
Agricultural Land	-	2.5	2.5
Natural Resources	-	1.4	1.4
Total	4.8	24.1	28.9

The valuation gains in the year across the divisions were:

- Major Developments – Ongoing progress with planning consents, cost engineering and proven sales evidence;
- Business Parks – Up-lifts at Asfordby and Gascoigne driven by new and renewed rentals along with progress at Gateway 36;
- Strategic Land – Planning consents at Gedling and Flass Lane, offset by acquisition costs;
- Agricultural Land – Uplifts reflect evidence from surplus land sales, and aftercare advances; and
- Natural Resources – Progress with solar and wind projects.

In the first half of the year, Harworth relinquished an option to purchase 50% of the share capital of Peel Wind Farms (Blue Sky Forest) Limited in return for a consideration of £4.4m. Profits from disposals of investment property and the above mentioned option amounted to £11.5m (2014: £7.9m).

The proceeds from disposals were £51.1m, of which £23.2m was for residential development, £18.4m for commercial development, £4.4m for the relinquished Peel Wind Farms option and £5.1m for other sundry disposals. All material disposals achieved a gain over book value.

The resulting underlying operating profit for the Group, before exceptionals, was £42.6m (2014: £24.4m).

Firm Placing and Placing and Open Offer

The acquisition of HEPGL in March 2015, was funded by a Firm Placing and Placing and Open Offer, which raised gross proceeds of approximately £115.0 million. This was achieved through the issue of, in aggregate, 1,586,566,912 new ordinary shares of 1p. As at 31 December 2015, including the 730,674,465 shares issued to the Pension Protection Fund for the acquisition, the Group had a total of 2,922,697,857 Ordinary Shares in issue.

Net assets

	31 December 2015 £m	31 December 2014 £m
Harworth Group plc		
Investment properties (including assets held for sale)	**343.7**	-
Other investments	**0.8**	-
24.9% share in HEPGL, up to 24 March 2015	**-**	56.9
Carrying value of investments	**344.5**	56.9
Other assets and liabilities	**(46.8)**	1.8
Net assets	**297.7**	58.7
Number of shares in issue	**2,922,697,857**	605,456,480
Net assets per share	**10.2p**	9.7p
HEPGL		
Investment properties	**343.7**	289.6
Other asset and liabilities	**(59.7)**	(41.0)
Net assets	**284.0**	248.6
Coalfield Resources plc		
Cash		2.3
Other net liabilities		(0.6)
Net assets (excluding the investment in HEPGL)		1.7
Underlying Harworth Group		250.3

Net assets increased to £297.7m at 31 December 2015 from £250.3m at 31 December 2014 as a result of a combination of the operating profit, before pension credit, of £42.5m and the cash raised on placing after acquisition of £15.1m less interest costs of £3.0m, tax of £4.5m and other movements, including transaction fees, of £2.7m. All figures are on an underlying basis.

Funding Strategy

On 13 February 2015, HEPGL entered into a £65m, 5-year term, non-amortising, revolving credit facility with The Royal Bank of Scotland, replacing amortising facilities with the Lloyds Banking Group and Barclays Bank. This new facility provides the stability and flexibility to support the growth of the Group. Infrastructure funding, provided by pubic bodies to promote the development of major sites for employment and housing needs, continues to feature in our funding strategy. The latest such transaction was the use of a Sheffield City Region JESSICA fund loan to construct three units at Gateway 36, described in the Chief Executive's Review and Operational Report.

Going forward, the Group intends to maintain the positive momentum created by using disposal proceeds, particularly as it focuses the portfolio on brownfield sites with greater enhancement potential, to fund investment spend on developments and further acquisitions to replenish the portfolio. The Group's gearing of 18.8% loan to value at 31 December 2015 also gives flexibility to invest for the future.

Cash and net debt

The Group's cash and cash equivalents at 31 December 2015 were £27.6m (2014: £1.5m plus £0.8m contained in assets held for sale).

The Group had borrowing and loans of £64.5m at 31 December 2015 (2014: £nil), including a bank loan of £49.0m and infrastructure loans of £15.5m.

Taxation
The charge for taxation in the year was £3.5m (2014: £nil) reflecting a deferred tax charge on forecast future capital gains arising on the investment property portfolio.

At 31 December 2015, the Group had deferred tax liabilities of £11.4m (2014: £nil), related to unrealised gains on investment properties, and no deferred tax assets (2014: £nil).

Dividends
The Board has proposed a full year dividend of £1.5 million, payable at a rate of 0.051p per share (2014: £nil). This is subject to shareholder approval for a reduction of capital, effected through the cancellation of the share premium account, which will be sought at the AGM.

This capital reduction will require an application to the courts following the AGM. The Board expects this to be a matter of formality, however, company law requires that a set of accounts showing adequate distributable reserves has to be filed with the Registrar of Companies before the dividend can be paid. Accordingly the dividend will not be paid until early September, once the interim accounts have been filed with the Registrar.

Harworth Insurance Company Limited ("HICL")
Agreement has been reached with the administrators of the former UK Coal Mine Holdings Limited (Ocanti No 1 Limited) over the exercise of their option to acquire the shares of HICL. The agreement reflected the efforts of the Group in securing the restructure of the former insurance company to permit the transfer of the shareholding to a company in administration. Value is expected to the Group from the value realised by the administrators in the liquidation of the assets of HICL and is capped at £0.5m based on the value of the balance sheet of that company in September 2015.

The final sum, however, is as yet undetermined but will be verified by the receivers on HICL's liquidation, and is expected to be paid to the Group in the first quarter of 2016. Accordingly, as at 31 December 2015, there are no assets or liabilities in respect of HICL recognised in the Group balance sheet. Movements in cash held by HICL have been shown in the cash flow statement as discontinued operations.

Andrew Kirkman
Finance Director
24 February 2016

Unaudited Consolidated Income Statement
for the year ended 31 December 2015

	Note	**Year ended 31 December 2015 £000**	Year ended 31 December 2014 £000
Revenue	3	**13,172**	1,458
Cost of sales		**(6,013)**	-
Gross profit		**7,159**	1,458
Other operating income and expenses			
Administrative expenses		**(5,731)**	(1,653)
Increase in fair value of investment properties		**24,060**	-
Profit on sale of investment properties		**8,180**	-
Other gains		**3,208**	-
Other operating income		**176**	196
Operating profit before exceptional items		**37,052**	1
Exceptional items	5	**(2,859)**	-
Operating profit		**34,193**	1
Finance income	4	**62**	10
Finance costs	4	**(1,803)**	-
Share of profit of associate	10	**856**	3,454
Gain on bargain purchase	2	**44,244**	-
Profit before tax		**77,552**	3,465
Tax charge	6	**(3,508)**	-
Profit for the financial year		**74,044**	3,465

Profit per share from continuing operations attributable to the owners of the Group during the year

Earnings per share from operations	Note	**pence**	pence
Basic and diluted earnings per share	8	**3.1**	0.6

Unaudited Consolidated Statement of Comprehensive Income
for the year ended 31 December 2015

	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Profit for the financial year	**74,044**	3,465
Other comprehensive expense - *items that will not be reclassified to profit or loss:*		
Re-measurements of Blenkinsopp Pension Scheme	**(3)**	(8)
Total other comprehensive expense	**(3)**	(8)
Total comprehensive income for the financial year	**74,041**	3,457

Unaudited Balance Sheet
as at 31 December 2015

	Note	As at 31 December 2015 £000	As at 31 December 2014 £000
ASSETS			
Non-current assets			
Other receivables		**650**	-
Blenkinsopp pension asset		**-**	564
Investment in associates	10	**-**	56,890
Investment properties	9	**334,617**	-
Investment in joint ventures		**768**	-
		336,035	57,454
Current assets			
Inventories	11	**1,092**	-
Trade and other receivables	12	**19,906**	659
Cash and cash equivalents	14	**27,564**	1,489
Assets classified as held for sale	13	**9,128**	5,119
		57,690	7,267
Total assets		**393,725**	64,721
LIABILITIES			
Current liabilities			
Trade and other payables	16	**(17,369)**	(5,035)
Borrowings	15	**(400)**	-
Liabilities classified as held for sale	13	**-**	(469)
		(17,769)	(5,504)
Net current assets		**39,921**	1,763
Non-current liabilities			
Trade and other payables	16	**(2,280)**	-
Borrowings	15	**(64,119)**	-
Deferred income tax liabilities	6	**(11,379)**	-
Retirement benefit obligations		**(435)**	(564)
		(78,213)	(564)
Total liabilities		**(95,982)**	(6,068)
Net assets		**297,743**	58,653
SHAREHOLDERS' EQUITY			
Capital and reserves			
Called up share capital	17	**29,227**	6,055
Share premium account		**129,121**	32,911
Fair value reserve		**24,060**	-
Capital redemption reserve		**257**	257
Merger reserve		**45,667**	-
Retained earnings		**69,411**	19,430
Total equity		**297,743**	58,653

Unaudited Consolidated Statement of Changes in Equity
for the year ended 31 December 2015

	Note	Called up share capital £000	Share premium account £000	Merger Reserve £000	Fair Value Reserve £000	Capital Redemption Reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2014		**6,055**	**32,911**	**-**	**-**	**257**	**15,973**	**55,196**
Profit for the financial year to 31 December 2014		-	-	-	-	-	3,465	3,465
Other comprehensive expense:								
Re-measurement of post retirement benefits		-	-	-	-	-	(8)	(8)
Total comprehensive income for the year ended 31 December 2014		-	-	-	-	-	3,457	3,457
Balance at 31 December 2014		**6,055**	**32,911**	**-**	**-**	**257**	**19,430**	**58,653**
Transactions with owners:								
Shares issued	17	15,865	99,160	-	-	-	-	115,025
Costs relating to share issue		-	(2,950)	-	-	-	-	(2,950)
Shares issued in lieu of consideration	17	7,307	-	45,667	-	-	-	52,974
		23,172	96,210	45,667	-	-	-	165,049
Comprehensive income for the year ended 31 December 2015								
Profit for the financial year to 31 December 2015		-	-	-	-	-	74,044	74,044
Fair value gain on revaluation of investment properties		-	-	-	24,060	-	(24,060)	-
Other comprehensive expense:								
Re-measurement of post retirement benefits		-	-	-	-	-	(3)	(3)
Total comprehensive income for the year ended 31 December 2015		-	-	-	24,060	-	49,981	74,041
Balance at 31 December 2015		**29,227**	**129,121**	**45,667**	**24,060**	**257**	**69,411**	**297,743**

Unaudited Statement of Cash Flows
for the year ended 31 December 2015

	Note	**Year ended 31 December 2015 £000**	Year ended 31 December 2014 £000
Cash flows from operating activities			
Profit before tax for the financial year		**77,552**	3,465
Net interest payable/(receivable)	4	**1,741**	(10)
Share of post-tax profit from associate		**(856)**	(3,454)
Gain on bargain purchase	2	**(44,244)**	-
Fair value increase in investment properties	9	**(24,060)**	-
Profit on disposal of investment properties		**(8,180)**	-
Other gains		**(3,208)**	-
Impairment of investment in joint venture		**465**	-
Pension contributions in excess of charge		**(132)**	(7)
Operating cash outflows before movements in working capital		**(922)**	(6)
Increase in inventories		**(781)**	-
Decrease in receivables		**9,881**	23
(Decrease)/increase in payables		**(10,512)**	34
Cash (used in)/generated from operations		**(2,334)**	51
Loan arrangement fees paid		**(170)**	-
Interest paid		**(1,101)**	-
Cash generated from/(used) by discontinued operations		**228**	(120)
Cash used in operating activities		**(3,377)**	(69)
Cash flows from investing activities			
Interest received		**62**	10
Acquisition of subsidiary, net of cash acquired	2	**(87,823)**	-
Proceeds from disposal of investment properties and option		**42,302**	-
Expenditure on investment properties		**(41,215)**	-
Cash (used by)/generated from discontinued operations		**(1,068)**	1,275
Cash (used in)/generated from investing activities		**(87,742)**	1,285
Cash flows from financing activities			
Net proceeds from issue of ordinary shares		**112,075**	-
Proceeds from other loans		**13,455**	-
Repayment of bank loans		**(400)**	-
Repayment of other loans		**(8,776)**	-
Cash used by discontinued operations		**-**	(3,278)
Cash generated from/(used in) financing activities		**116,354**	(3,278)
Increase/ (decrease) in cash		**25,235**	(2,062)
At 1 January			
Cash		**1,489**	1,428
Cash and cash equivalents classified as held for sale		**840**	2,963
		2,329	4,391
Increase in cash		**26,075**	61
Decrease in cash and cash equivalents classified as held for sale		**(840)**	(2,123)
		25,235	(2,062)
At 31 December			
Cash		**27,564**	1,489
Cash and cash equivalents classified as held for sale		**-**	840
Cash and cash equivalents	14	**27,564**	2,329

Notes to the Financial Statements
for the year ended 31 December 2015

1. 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.

General information

Harworth Group plc (formerly Coalfield Resources plc) (the "Group") is a limited liability company incorporated and domiciled in the UK. The address of its registered office is AMP Technology Centre, Advanced Manufacturing Park, Brunel Way, Rotherham, South Yorkshire S60 5WG. Coalfield Resources plc changed its name to Harworth Group plc on 24 March 2015.

The Group is listed on the London Stock Exchange.

Basis of preparation

The preliminary results for the year ended 31 December 2015 are unaudited. The financial information set out in this announcement does not constitute the Group's IFRS statutory accounts for the years ended 31 December 2015 or 31 December 2014 as defined by Section 434 of the Companies Act 2006.

This financial information has been prepared in accordance with IFRS adopted by the EU, IFRS IC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS and therefore complies with Article 4 of the EU IAS regulations.

The financial information for the year ended 31 December 2014 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors, PricewaterhouseCoopers LLP, reported on those accounts and their report was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 (2) or (3) of the Companies Act 2006.

The statutory accounts for the year ended 31 December 2015 will be finalised on the basis of the financial information presented by the Directors in these preliminary results and will be delivered to the Registrar of Companies following the Annual General Meeting of Harworth Group plc.

The same accounting policies and methods of computation are followed as in the latest published audited accounts for the year ended 31 December 2014, which are available on the Group's website at http://harworthgroup.com/ except for as described below:

Going-concern basis

These financial statements are prepared on the basis that the Group is a going concern. In forming its opinion as to going concern, the Board prepares cash flow forecasts based upon its assumptions as well as taking into account the available borrowing facilities.

The key factor that has been considered in this regard is:

Following the acquisition of Harworth Estates Property Group Limited (HEPGL), the Group has a £65m revolving credit facility with The Royal Bank of Scotland, for a term of five years, on a non-amortising basis. The facility is in the form of a debenture security whereby there is no charge on the individual assets of the Group. The facility is subject to financial and other covenants.

The covenants are based upon gearing, tangible net worth, loan to property values and interest cover. Property valuations affect the loan to value covenants. Breach of covenants could result in the need to pay down in part some of these loans, additional costs, or a renegotiation of terms or, in extremis, a reduction or withdrawal of facilities by the banks concerned.

The Directors confirm their belief that it is appropriate to use the going concern basis of preparation for these financial statements.

1. ACCOUNTING POLICIES continued

Accounting policies

The Group did not early adopt any new or amended standards and does not plan to early adopt any standards issued but not yet effective. Following the acquisition of HEPGL the following accounting policies are in place:

Revenue recognition

Revenue comprises rental, other land related income arising on investment properties and income from construction contracts. Rentals are accounted for on a straight-line basis over the lease term of ongoing leases.

Revenue from the sale of coal slurry is recognised at the point of despatch.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. All such revenue is reported net of discounts and value added and other sales taxes.

Construction Contracts

Contracts for the construction of substantial assets are accounted for as construction contracts. Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion to recognise in a given period. The assessment of the stage of completion is dependent on the nature of the contract, but will generally be based on the estimated proportion of the total contract costs which have been incurred to date. If a contract is expected to be loss making, a provision is recognised for the entire cost.

Interest income and expense

Interest income and expense are recognised within 'Finance income' and 'Finance costs' in the Income Statement using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability.

Other receivables (non-current)

Other receivables (non-current) relate to overages. An overage is the right to receive future payments following the sale of investment properties if specified conditions relating to the site are satisfied. The conditions may be the granting of planning permission for development on the site or practical completion of a development. Overages are initially recorded at fair value and are reviewed annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of overages is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense.

Inventories

Inventories comprise coal slurry that has been processed and is ready for sale. It is stated at the lower of cost and estimated net realisable value. Inventories comprise all the direct costs incurred in bringing the coal slurry to their present state.

Investments in joint ventures

Joint ventures are those entities over whose activities the Group has joint control established by contractual agreement. Interests in joint ventures through which the Group carries on its business are classified as jointly controlled entities and accounted for using the equity method. This involves recording the investment initially at cost to the Group and then, in subsequent years, adjusting the carrying amount of the investment to reflect the Group's share of the joint venture's results less any impairment in carrying value and any other changes to the joint venture's net assets such as dividends.

1. ACCOUNTING POLICIES continued

Investment properties

Investment properties are those properties which are not occupied by the Group and which are held for long term rental yields, capital appreciation or both. Investment property also includes property that is being developed or constructed for future use as investment property. Investment properties comprise freehold land and buildings and are measured at fair value. At the end of a financial year the fair values are determined by obtaining an independent valuation prepared in accordance with the current edition of the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors. External, independent valuation firms having appropriate, recognised professional qualifications and recent experience in the location and category of property being valued are used.

Where the development of investment property commences with a view to sale, the property is transferred from investment properties to inventories at fair value, which is then considered to represent deemed cost.

At each subsequent reporting date, investment properties are re-measured to their fair value. Movements in fair value are included in the Income Statement.

Where specific investment properties have been identified as being for sale within the next twelve months, a sale is considered highly probable and the property is immediately available for sale, their fair value is shown under assets classified as held-for-sale within current assets, measured in accordance with the provisions of IAS 40 'Investment Property'.

Profit or loss on disposal of investment properties

Disposals are accounted for when legal completion of the sale has occurred or there has been an unconditional exchange of contracts. Profits or losses on disposal arise from deducting the asset's net carrying value and where appropriate a proportion of future costs attributable to the development of the overall land area from the net proceeds (being net purchase consideration less any clawback liability arising on disposal) and is recognised in the Income Statement. Net carrying value includes valuation in the case of investment properties.

In the case of investment properties, any fair value reserve, for the property disposed of is treated as realised on disposal of the property and transferred to retained earnings.

Properties in the course of development

Directly attributable costs incurred in the course of developing a property are capitalised as part of the cost of the property. Development costs on investment properties are capitalised and any resultant change in value is therefore recognised through the next revaluation.

Financial assets

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the income statement within 'Other gains' in the period in which they arise.

1. ACCOUNTING POLICIES continued

Provisions

Provisions are recognised when:

- The Group has a present legal or constructive obligation as a result of past events;
- It is probable that an outflow of resources will be required to settle the obligation; and
- The amount can be reliably estimated.

Operating segments

Management has determined the operating segments based upon the operating reports reviewed by the Executive Board of Directors that are used to assess both performance and strategic decisions. Management has identified that the Executive Board of Directors is the Chief Operating Decision Maker in accordance with the requirements of IFRS 8 'Operating Segments'.

Following the acquisition of HEPGL, the Group is now organised into two operating segments: Income Generation and Capital Growth. Group costs are not a reportable segment. However, information about them is considered by the Executive Board in conjunction with the reportable segments.

The Income Generation segment focuses on generating rental returns from the business park portfolio, rental returns and royalties from energy generation, environmental technologies and the agricultural portfolio, and income generating streams from recycled aggregates and secondary coal products. The Capital Growth segment focuses on delivering value by developing the underlying portfolio, and includes planning and development activity, value engineering, proactive asset management and strategic land acquisitions.

All operations are carried out in the United Kingdom.

Segmental operating profit represents the profit earned by each segment including the profit on sale and revaluation of investment properties and is consistent with the measures reported to the Executive Board for the purpose of the assessment of the performance of each segment.

Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated.

1. **ACCOUNTING POLICIES continued**

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

Exceptional items

Exceptional items are material non-recurring items excluded from management's assessment of profit because by their nature they could distort the Group's underlying quality of earnings. These are excluded to reflect performance in a consistent manner and in line with how the business is managed and measured on a day to day basis.

Share capital and reserves

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where shares are issued in direct consideration for acquiring shares in another company, and following which the Group holds at least 90% of the nominal share capital of that company, any premium on the shares issued as consideration is included in a merger reserve rather than share premium.

Changes in accounting policy and disclosures

(a) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual years beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. These have been set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted subject to EU endorsement. The Group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted subject to EU endorsement. The Group is assessing the impact of IFRS 15.

IFRS 16, 'Leases', replaces the current guidance in IAS 17. IFRS 16 defines a lease as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. Under IFRS 16 lessees have to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for almost all lease contracts. In the income statement lessees will have to present interest expense on the lease liability and depreciation on the right-of-use asset. As under IAS 17, the lessor has to classify leases as either finance or operating, depending on whether substantially all of the risk and rewards incidental to ownership of the underlying asset have been transferred. For both lessees and lessors IFRS 16 adds significant new, enhanced disclosure requirements. IFRS 16 is effective for annual

1. ACCOUNTING POLICIES continued

Changes in accounting policy and disclosures continued

(a) New standards and interpretations not yet adopted continued

reporting periods beginning on or after 1 January 2019. Earlier application is permitted, subject to EU endorsement, but only in conjunction with IFRS 15, ‘Revenue from contracts with customers’.

Estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these financial statements, the significant judgement made by management in applying the Group's accounting policies and the key source of estimation uncertainty is as follows:

Estimation of fair value of Investment Property

The fair value of Investment Property reflects, amongst other things, rental income from our current leases, assumptions about rental income from future leases and the possible outcome of planning applications, in the light of current market conditions. The valuation has been arrived at primarily after consideration of market evidence for similar property, although in the case of those properties where fair value is based on their ultimate redevelopment potential, development appraisals have been undertaken to estimate the residual value of the landholding after due regard to the cost of, and revenue from the development of the property.

The Group has also estimated the extent to which existing mining tenants on investment property owned by the Group would perform their obligations to remediate land at the conclusion of mining activity, and therefore the impact of any restoration obligations which may revert to the Group.

The values reported are based on significant assumptions and a change in fair values could have a material impact on the Group`s results. This is due to the sensitivity of fair value to the assumptions made as regards to variances in development costs compared to Management`s own estimates.

Investment properties are disclosed in Note 9.

2 BUSINESS COMBINATIONS

Acquisition of HEPGL

On 24 March 2015, the Group acquired the remaining 75.1% of the issued share capital of HEPGL, a company incorporated in United Kingdom who heads up a group which is engaged in the regeneration of former coalfield sites and other brownfield land into employment areas, new residential development and low carbon energy projects.

The following table summarises the consideration paid for the HEPGL, the fair value of assets acquired, liabilities assumed and the non-controlling interest held at the acquisition date.

Consideration at 24 March 2015

	£000
Cash	97,026
Equity instruments (730m ordinary shares)	52,974
Total consideration transferred	**150,000**
Fair value of associate interest	57,746
Total consideration	**207,746**

Recognised amounts of identifiable assets acquired and liabilities assumed:

	Attributed Fair Value
	£000
Investment property (Note 9)	299,355
Investments & other non-current receivables	1,883
Cash & cash equivalents	9,203
Inventory	311
Trade and other current receivables	23,054
Financial asset	1,200
Borrowings	(60,407)
Deferred tax liability	(7,871)
Trade and other payables	(14,738)
Fair value of acquired interest in net assets of subsidiary	**251,990**
Gain on bargain purchase	(44,244)
Total consideration	**207,746**

The purchase consideration disclosed above comprises cash and cash equivalents paid to acquire the previous majority shareholder of £150.0m which was satisfied by the payment of £97,026,000 and the allotment and issue of 730,674,465 ordinary shares of £0.01 each in the capital of Harworth Group plc. The share premium arising from the shares issued to the Pension Protection Fund, (PPF) is held within the merger reserve shown in the consolidated balance sheet.

Acquisition related costs of £2.4m have been recognised in the consolidated income statement as an exceptional item. The fair value of the 730m ordinary shares issued as part of the consideration paid for HEPGL (£53.0m) was based upon the price the shares were placed at 7.25 pence. Issuance costs of £2.95m have been netted against the deemed proceeds.

The revenue included in the consolidated income statement since 24 March 2015 contributed by HEPGL was £12.9m and profit before tax was £40.7m. Had HEPGL been consolidated from 1 January 2015, the consolidated income statement would show pro-forma revenue of £16.7m and profit before tax of £39.2m.

2. BUSINESS COMBINATIONS (continued)

The net cash outflow associated with the acquisition was as follows:

	£000
Fair value of acquired interest in net assets of subsidiary	**251,990**
Fair value of associate interest already held	(57,746)
Gain on bargain purchase	(44,244)
Total purchase consideration	**150,000**
Less: cash and cash equivalents of subsidiary acquired	(9,203)
Less: equity instruments issued	(52,974)
Net outflow of cash and cash equivalents on acquisition	**87,823**

3. SEGMENT INFORMATION

31 December 2015 **Group**	**Capital Growth £000**	**Income Generation £000**	**Unallocated Costs £000**	**Total £000**
Revenue	**1,319**	**11,533**	**320***	**13,172**
Operating (loss)/profit before other income and expenses and exceptional items	(1,471)	6,579	(3,680)	**1,428**
Transaction costs	-	-	(2,394)	**(2,394)**
Impairment of investment	(465)	-	-	**(465)**
Increase in fair value of investment properties	14,503	9,557	-	**24,060**
Profit on sale of investment properties	7,111	1,069	-	**8,180**
Other gains	-	3,208	-	**3,208**
Other operating income	-	47	129	**176**
Operating Profit/(Loss)	**19,678**	**20,460**	**(5,945)**	**34,193**
Finance income				**62**
Finance costs				**(1,803)**
Share of profit of associates				**856**
Gain on bargain purchase				**44,244**
Profit before tax				**77,552**

* Unallocated revenues relate to recharges to HEPGL prior to its acquisition by the Group.

Other information				
Investment property additions:				
- Direct acquisitions	14,578	8,255	-	**22,833**
- Subsequent expenditure	17,603	6,360	-	**23,963**

3 SEGMENT INFORMATION continued

Segmental Assets	Capital Growth £000	Income Generation £000	Unallocated Assets £000	Total £000
Total Investment properties	210,004	124,613	-	**334,617**
Assets held for sale	30	9,098	-	**9,128**
Inventories	-	1,092	-	**1,092**
Other receivables	650	-	-	**650**
Investments in joint ventures	768	-	-	**768**
	211,452	**134,803**	**-**	**346,255**
Unallocated assets				
Trade & other receivables	-	-	19,906	**19,906**
Cash & cash equivalents	-	-	27,564	**27,564**
Total assets	**211,452**	**134,803**	**47,470**	**393,725**

Financial liabilities are not allocated to the reporting segments as they are managed and measured on a group basis. There is no segmental analysis available for the prior period as prior to the acquisition of HEPGL, the Group had only one operating segment.

4 FINANCE INCOME AND COSTS

	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Interest expense		
- Bank interest	**(977)**	-
- Facility fees	**(485)**	-
- Other interest	**(341)**	-
Finance costs	**(1,803)**	-
Interest received	**62**	10
Net finance costs	**(1,741)**	10

5 EXCEPTIONAL ITEMS

Operating profit is stated after charging exceptional items of:

	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Costs associated with acquisition of subsidiary	**(2,394)**	-
Write down of investment in joint venture	**(465)**	-
Exceptional items	**(2,859)**	-

Costs associated with the acquisition of subsidiary relates to the costs of the Group's acquisition of 75.1% of the issued share capital of HEPGL (see note 2).

Write down of investment relates to the write down of a joint venture investment held by the group at 31 December 2015 (see note 10)

6 TAX CHARGE

Analysis of tax charge in the year	**Year ended 31 December 2015 £000**	Year ended 31 December 2014 £000
Corporation tax	**-**	-
Deferred tax	**3,508**	-
Tax charge	**3,508**	-

The tax for the year is different to the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%). The differences are explained below:

	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Profit before tax on continuing operations	**77,552**	3,465
Profit before tax multiplied by rate of corporation tax in the UK of 20.25% (2014: 21.5%)	**15,704**	745
Effects of:		
Share of associated company profit not taxable	**(173)**	(742)
Non taxable income	**(7,084)**	-
Expenses not deducted for tax purposes	**436**	4
Gain on bargain purchase	**(8,959)**	-
Revaluation gains	**4,176**	-
Changes in tax rates	**(651)**	-
Deferred tax not recognised	**59**	(7)
Total tax charge	**3,508**	-

Deferred tax

The analysis of deferred tax liabilities is as follows:

	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
No more than twelve months after the reporting period	**-**	-
More than twelve months after the reporting period	**11,379**	-
	11,379	-

The gross movement on the deferred income tax account is as follows:

	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
At 1 January 2015	**-**	-
Acquisition of subsidiary	**7,871**	-
Income statement charge	**3,508**	-
At 31 December 2015	**11,379**	-

6 TAX CHARGE continued

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 18% (2014: 20%). A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017), and further reductions to 18% (effective from 1 April 2020) were enacted as part of the Finance Act 2015. The deferred tax liabilities are shown at 18% being the rate expected to apply to the reversal of the liability.

Deferred tax assets and liabilities are offset when there is a legally enforced right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

7 DIVIDENDS

No dividends have been paid in relation to 2015 or 2014. The company is proposing to recommend a final dividend of 0.051pence per share (£1.5m in total) at the Annual General Meeting. If approved by shareholders the company intends to pay the dividend in September 2016 to shareholders on record on 26 August 2016.

8 EARNINGS PER SHARE

Earnings per share has been calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of shares in issue and ranking for dividend during the year. The weighted average number of shares for 31 December 2015 includes the adjustments necessary to reflect the new shares issued on 24 March 2015.

	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Profit from continuing operations attributable to owners of the parent	**74,044**	3,465
Loss from discontinued operations attributable to owners of the parent	**-**	-
Profit for the year	**74,044**	3,465
Weighted average number of shares used for basic earnings per share calculation	**2,395,763,516**	605,456,480
Dilutive effect of share options	-	-
Weighted average number of shares used for diluted earnings per share calculation	**2,395,763,516**	605,456,480
Basic and diluted profit per share (pence)	**3.1**	0.6

Adjusted basic and diluted earnings per share for the period ended 31 December 2015 were 1.1 pence, being based on profit before tax adjusted for the exceptional gain on bargain purchase of £44,244k, acquisition fees of £2,394k and write down of investments of £465k.

9 INVESTMENT PROPERTIES

Investment property at 31 December 2015 has been measured at fair value. The Group holds five categories of investment property being agricultural land, natural resources, major development, strategic land and business parks in the UK, which sit within the operating segments of capital growth and income generation.

	Agricultural Land	Natural Resources	Business Parks	Major Developments	Strategic Land	Total
	Income Generation	Income Generation	Income Generation	Capital Growth	Capital Growth	
	£000	£000	£000	£000	£000	£000
At 31 December 2014	-	-	-	-	-	-
Acquisition of subsidiaries	22,070	18,574	72,724	139,842	46,145	299,355
Direct acquisitions	-	978	7,277	1,366	13,212	22,833
Subsequent expenditure	604	312	5,444	15,562	2,041	23,963
Increase/(decrease) in fair value	2,477	1,375	5,705	15,075	(572)	24,060
Transfer to assets held for sale	(6,013)	(3,085)	-	-	(30)	(9,128)
Disposals	(2,375)	(1,200)	(254)	(14,256)	(8,381)	(26,466)
At 31 December 2015	16,763	16,954	90,896	157,589	52,415	334,617

Valuation process

The properties were valued in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation – Professional Standards (the red book), by BNP Paribas Real Estates and Savills (2014: BNP Paribas Real Estates, and Smiths Gore) both independent firms acting in capacity of external valuers with relevant experience of valuations of this nature. The valuations are on the basis of Market Value as defined with the Red Book, which RICS considers meets the criteria for assessing Fair Value under International Reporting Standards. The valuations are based on what is determined to be the highest and best use. When considering the highest and best use a valuer will consider, on a property by property basis, its actual and potential uses which are physically, legally and financially viable. Where the highest and best use differs from the existing use, the valuer will consider the cost and the likelihood of achieving and implementing this change in arriving at its valuation. Most of the Group`s properties have been valued on the basis of their development potential which differs from their existing use.

At each financial year end Management:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

The different valuation levels are defined as:

Level 1: valuation based on quoted market prices traded in active markets.

Level 2: valuation based on inputs other than quoted prices included within Level 1 that maximise the use of observable data either directly or from market prices or indirectly derived from market prices.

Level 3: where one or more inputs to valuation are not based on observable market data.
The Directors determine the applicable hierarchy that each investment property falls into by assessing the level of unobservable inputs used in the valuation technique. As a result of the specific nature of each investment property, valuation inputs are not based on directly observable market data and therefore all investment properties were determined to fall into Level 3.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the date of the event or change in circumstance that caused the transfer. There were no transfers between hierarchy in the year ended 31 December 2015 (2014: none).

9 INVESTMENT PROPERTIES continued

Valuation techniques underlying management's estimation of fair value

Agricultural Land

Most of the Agricultural land is valued using the market comparison basis, with an adjustment made for the length of remaining term on the tenancy and the estimated cost to bring the land to its highest and best use. Where the asset is subject to a secure letting, this is valued on a yield basis, based upon sales of similar types of investment.

Natural Resources

Natural resource sites in the portfolio are valued based on a discounted cashflow for the operating life of the asset.

Major Developments

Major development sites are generally valued using residual development appraisals, a form of discounted cash flow which estimates the current site value from future cash flows measured by observable current land and/or completed built development values, observable or estimated development costs, and observable or estimated development returns.

Where possible development sites are valued by direct comparison to observable market evidence with appropriate adjustment for the quality and location of the property asset, although this is generally only a reliable method of measurement for the smaller development sites.

Strategic Land

Strategic land is valued on the basis of discounted cash flows, with future cash flows measured by current land values adjusted to reflect the quality of the development opportunity, the potential development costs estimated by reference to observable development costs on comparable sites, and the likelihood of securing planning consent. The valuations are then benchmarked against observable land values reflecting the current existing use of the land, which is generally agricultural and where available, observable strategic land values.

Business Parks

The Business Parks are valued on the basis of market comparison with direct reference to observable market evidence including rental values, yields and capital values and adjusted where required for the estimated cost to bring the property to its highest and best use. The evidence is adjusted to reflect the quality of the property assets, the quality of the covenant profile of the tenants and the reliability/volatility of cash flows.

10 INVESTMENTS

(a) Investment in associates

Cost	**Year ended 31 December 2015 £000**	Year ended 31 December 2014 £000
At start of period	**56,890**	53,436
Share of profit	**856**	3,454
Purchase of share capital not held	**(57,746)**	-
At 31 December	**-**	56,890

The Group accounted for its investment in HEPGL, a private company incorporated in England and Wales, as an associate up to and including 24 March 2015 because it considered that it had significant influence over that entity due to its 24.9% shareholding and representation on the HEPGL Board.

The Group's share of net assets of HEPGL was reduced by £5,000,000 to reflect the fact that, under the terms of the Shareholder Agreement prior to 24 March 2015, the first £5,000,000 of dividend income payable would be paid to the Pension Protection Fund (PPF).

10 INVESTMENTS continued

(a) Investment in associates continued

On 24 March 2015 Harworth Group plc acquired the remaining 75.1% of HEPGL that it did not own from the PPF. HEPGL therefore ceased to be accounted for as an associate at that date and has been fully consolidated in these accounts.

The results and assets and liabilities of the Group's associates as at the period end are as follows:

	Year ended 31 December 2015	Year ended 31 December 2014
	£'000	£'000
HEPGL		
Country of incorporation		England and Wales
Interest held at period end	**-**	24.9%
Non-current assets	**-**	291,484
Current assets	**-**	35,198
Current liabilities	**-**	(64,436)
Non-current liabilities	**-**	(13,692)
Revenues	**-**	13,934
Profit	**-**	13,984
Total comprehensive income	**-**	13,984

(b) Investment in joint ventures

	£000
At 31 December 2014	-
Arising on acquisition of subsidiaries	1,233
Impairment of investment in joint venture	(465)
At 31 December 2015	**768**

As a result of the acquisition of HEPGL the Group holds 50% of the issued ordinary shares of Bates Regeneration Limited, a joint venture with Banks Property Limited for the development of an investment property at Blyth, Northumberland. At the end of the year the carrying value of the investment was reviewed, the result of which was an impairment of £465k which has been taken through the income statement and disclosed as an exceptional item given its one-off nature.

11 INVENTORIES

	As at 31 December 2015	As at 31 December 2014
	£000	£000
Raw Materials	**-**	-
Work in Progress	**114**	-
Finished Goods	**978**	-
Total Inventories	**1,092**	**-**

Finished goods inventories comprises coal slurry that has been processed and is ready for sale. The cost of inventory recognised as an expense within cost of sales in the year was £1,083,000.

12 TRADE AND OTHER RECEIVABLES

	As at 31 December 2015 £000	As at 31 December 2014 £000
Trade receivables	**1,564**	264
Less: provision for impairment of trade receivables	**(121)**	**-**
Net trade receivables	**1,443**	264
Other receivables	**16,723**	336
Prepayments and accrued income	**1,159**	59
Amounts recoverable on construction contracts	**581**	-
	19,906	659

The carrying amount of trade and other receivables approximate to their fair value due to the short time frame over which the assets are realised. All of the Group's receivables are denominated in sterling.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables. The Group does not hold any collateral as security.

Movements on the Group provisions for impairment of trade receivables are as follows:

	2015 £000	2014 £000
At the beginning of the year	**-**	-
Arising on acquisition of subsidiaries	**(121)**	-
Receivables written off during the year as uncollectable	**-**	-
Provided for in the year	**-**	-
At the end of the year	**(121)**	-

The other classes of assets within trade and other receivables contain assets of £1,055,000; against which a provision of £262,000 is held.

12 TRADE AND OTHER RECEIVABLES continued

As at 31 December 2015 trade receivables of £1,120,000 (2014; £nil) were past due but not impaired. These mainly relate to customers for whom the arrears are being collected through agreed payment plans or where cash has been collected in 2016. The aging of these was as follows:

	2015	2014
	£000	£000
Up to 3 months	**1,095**	-
Over 3 months	**25**	-
At the end of the year	**1,120**	-

As at 31 December 2015 trade receivables of £121,000 (2014; £nil) were impaired. The aging analysis of the impaired trade receivables was as follows:

	2015	2014
	£000	£000
Up to 3 months	**-**	-
Over 3 months	**121**	-
At the end of the year	**121**	-

Provision for impairment charged to the income statement in the year was £nil (2014 £nil).

13 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

a) Assets classified as held for sale

	As at 31 December 2015	As at 31 December 2014
	£000	£000
Investment properties	**9,128**	335
Assets in the course of disposal	**-**	-
Trade and other receivables	**-**	666
Reinsurance assets	**-**	-
Available for sale financial assets	**-**	3,278
Cash and cash equivalents	**-**	840
Total	**9,128**	5,119

b) Liabilities of disposal group classified as held for sale

	As at 31 December 2015	As at 31 December 2014
	£000	£000
Trade and other payables	**-**	263
Provisions	**-**	-
Remeasurement loss on carrying value of Harworth Insurance Company Limited	**-**	206
Total	**-**	469

Assets classified for sale at the year-end relate to investment properties expected to be sold within twelve months. The assets and liabilities of the disposal group held for sale at December 2014 relate to Harworth Insurance Company Limited (‘HICL’).

13 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

Agreement was reached with the administrators of the former UK Coal Mine Holdings Limited (Ocanti No 1 Limited) over the exercise of their option to acquire the shares of HICL. The agreement was to reflect the efforts of the Company securing the restructure of the former insurance company to permit the transfer of the shareholding to a company in administration. The value to the Group achieved will reflect the value realised by the administrators in the liquidation of the assets of HICL after the cost of the liquidation and is capped at £500k based on the value of the balance sheet of that company in September 2015. The share transfer completed on 8 December 2015, however due to the uncertain value and timing of any receivable the Group has not recognised any proceeds in respect of this contingent asset.

14 CASH AND CASH EQUIVALENTS

	As at 31 December 2015 £000	As at 31 December 2014 £000
Cash	**27,564**	1,489
Cash equivalents	**-**	-
Continuing operations	**27,564**	1,489
Cash and cash equivalents classified as held for sale	**-**	840
Cash and cash equivalents in the cash flow statement	**27,564**	2,329

15 BORROWINGS

	As at 31 December 2015 £000	As at 31 December 2014 £000
Bank loans		
Current:		
Secured – bank loans and overdrafts	**-**	-
Secured – other loans	**(400)**	-
	(400)	-
Non-current:		
Secured – bank loans	**(48,968)**	-
Secured – other loans	**(15,151)**	-
	(64,119)	-

Details of the borrowings acquired as part of the acquisition of subsidiary on 24 March 2015 are provided in Note 2.

At 31 December 2015, the Group had bank borrowings of £50.0m (2014: £nil) and a further £15.7m (2014: £nil) of infrastructure loans, which resulted in total borrowings of £65.7m (2014: £nil). The bank borrowings are part of a £65.0m revolving credit facility from The Royal Bank of Scotland. The facility is repayable on 13 February 2020 (five year term) on a non-amortising basis and is subject to financial and other covenants.

The infrastructure loans of £15.7m are provided by public bodies in order to promote the development of major sites. They comprise a £1.2m loan from Leeds LEP in respect of the Prince of Wales site, £10.9m from the Homes and Community Agency in respect of Waverley and £3.6m from Sheffield City Region JESSICA Fund for Rockingham.

The loans are drawn as work on the respective sites is progressed and they are repaid on agreed dates or when disposals are made from the sites.

Current loans are stated after deduction of unamortised borrowing cost of £nil (2014: £nil). Non-current bank and other loans are stated after deduction of unamortised borrowing costs of £1,236k (2014: £nil). The bank loans and overdrafts are secured by way of fixed charges over certain assets of the Group.

16 TRADE AND OTHER PAYABLES

Current Liabilities

	As at 31 December 2015	As at 31 December 2014
	£000	£000
Current		
Trade payables	**875**	28
Taxation and social security	**1,530**	76
Other creditors	**2,920**	-
Accruals and deferred income	**12,044**	4,931
	17,369	5,035

Included in accruals and deferred income is £nil (2014: £4,650,000) relating to the deferred income on the option for Harworth Insurance Company Limited.

Non-Current Liabilities

	As at 31 December 2015	As at 31 December 2014
	£000	£000
Non-Current		
Other creditors	**2,280**	-
	2,280	-

Non-current creditors relate to deferred consideration due on land purchases after one year.

17 CALLED UP SHARE CAPITAL

		2015		2014
Group	**Number of shares**	**£000**	Number of shares	£000
Authorised share capital				
At the start and end of the year				
Ordinary shares of 1 pence each	**Unlimited**	**Unlimited**	Unlimited	Unlimited
Issued and fully paid				
Ordinary shares of 1 pence each				
1 January	**605,456,480**	**6,055**	605,456,480	6,055
Shares issued	**2,317,241,377**	**23,172**	-	-
31 December	**2,922,697,857**	**29,227**	605,456,480	6,055

On 24 March 2015 the Group issued 2,317,241,377 ordinary shares at 7.25 pence each as part of a placing and open offer of which 730,674,465 ordinary shares were issued to the PPF as part of the purchase consideration for the acquisition of 75.1% of the issued share capital of HEPGL.

18 RELATED PARTY TRANSACTIONS

Peel Group

The Peel Group charged £41,875 (2014: £41,666) in respect of fees for Steven Underwood and £8,202 for the rental of office space (2014: £16,000).

The Group relinquished an option to purchase 50% of the share capital of Peel Wind Farms (Blue Sky Forest) Limited in return for £4.4m from Peel Holdings Wind Farms (IOM) Limited. This has resulted in a gain of £3.2m shown in the consolidated income statements within other gains.

HEPGL

Revenue includes £320k for the period up to 24 March 2015 (2014: £1,458k) in respect of recharges to the HEPGL for on-going costs of the company.

HEPGL owed £nil to the Group at 31 December 2015 as the results are now fully consolidated (2014: £261k).

Scratching Cat

Geoff Mason, our Company Secretary, supplies his services through Scratching Cat Limited, a company of which he is a director. During the year charges were made in relation to company secretarial duties of £115k (2014: £32k).