Annual Report
2013

COALFIELD RESOURCES PLC
Annual Report and Accounts 2013

CfRplc

Contents

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Company Information and Advisers

Chairman
Jonson Cox [2]

Finance Director
Jeremy Hague

Non-Executive Directors
Lisa Clement [1,2,3,5]
Peter Hickson [2,3,4,5]
Steven Underwood [1]

Company Secretary and Registered Office
Theresa Casey
Sheffield Business Centre
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Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Benson House
33 Wellington Street
Leeds
LS1 4JP

Solicitors
Eversheds LLP
Bridgewater Place
Water Lane
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Investec Bank PLC
2 Gresham Street
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Registrars
Equiniti Limited
Aspect House
Spencer Road
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BN99 6DA

Principal Bankers
Lloyds Banking Group PLC
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LS1 4LT

Company Registered Number
2649340

Share price information
The Company's Ordinary Shares are traded on the London Stock Exchange.
SEDOL number 0719072
ISIN number GB0007190720
Reuters ticker CRES.L
Bloomberg ticker CRES:LN

Definitions and Abbreviations used
Harworth Estates – Harworth Estates Property Group Ltd and its subsidiaries

CfR or Group – Coalfield Resources plc and its subsidiaries

Company – Coalfield Resources plc

[1] Audit Committee
[2] Nomination Committee
[3] Remuneration Committee
[4] Senior Independent Non-Executive Director
[5] Independent Non-Executive Director

2013 Highlights

Coalfield Resources plc is an investment holding company. Its only significant investment is a 24.9% stake in Harworth Estates Property Group Limited in which it takes an active investment management role.

CfR key points:

- Profit from continuing operations £3.3m (2012: loss of £0.3m).
- £5m Rights Issue successfully completed to repay 2012 Restructuring debts due from former mining companies.
- Net assets of £55.2m (2012: £47.9m).
- Net assets per share of 9.1p (2012: 16.0p), reflecting the deeply discounted Rights Issue required to fund liabilities from the 2012 Restructuring, offset in part by gains from Harworth Estates investment.

Harworth Estates key points:

- Net assets increased to £235m (2012: £222m) on a property portfolio value of £279m (2012: £260m).
- Reduction in asset value of £18m against potential mining events.
- Contingency planning to protect and mitigate against potential impact of a further mining insolvency or closure.
- Waverley site further land sale (238 plots).
- Logistics North (near Bolton) resolution to grant outline planning consent to create 4 million sq ft of high-quality employment space for distribution and manufacturing businesses.
- Prince of Wales site remediation, to deliver 900 residential plots, has commenced; and a new relief road connecting the M18 to Rossington site (1,200 new homes) is now under construction.

Harworth Estates is a leading property and development company owning and managing around 31,370 acres across some 200 projects, with consent for 8,000 new homes. It specialises in regenerating coalfields and brownfield land for industrial and commercial opportunities, low carbon energy projects, residential developments and leisure uses.

Chairman's Statement

I am pleased to report on the first full year of Coalfield Resources plc, following the de-merger in December 2012 of the former UK Coal plc's mining and property businesses (the 2012 Restructuring).

Since the 2012 Restructuring, our shareholding in Harworth Estates, a brownfield property developer, has been the principal source of value. Our focus has been our role as active, minority investor, working alongside the majority Pension Fund investor. Our small team provides Board leadership, and financial, legal and governance services to Harworth Estates on behalf of both investors. Both investors are entirely aligned as long term seekers of value from the property portfolio.

Context and History

In March 2012, the Board determined that mining performance was once again threatening the survival of the UK Coal group. The principal economic stakeholders in the group – the banks, electricity generators, the pension fund and the shareholders – worked together on the solvent 2012 Restructuring to separate the group's mining and property interests. We understand that the complexity of stakeholder interests made this one of the most challenging restructurings of recent years. The 2012 Restructuring was completed on 10 December 2012.

As a result of the 2012 Restructuring, the mining business was left free of bank debt and with control transferred to a new Employee Benefit Trust. All surplus cash flow from mining operations was allocated to pay down the pension deficit. In consideration for relinquishing any claim it may have had as a creditor of Harworth Estates and providing £30m of development funding, the Pension Funds took a 75.1% shareholding in Harworth Estates. All bank debt was secured on the property business. Shareholders in CfR secured a 24.9% shareholding in Harworth Estates.

Harworth Estates

Harworth Estates has performed strongly in its first year of trading as an independent property development company. Net assets increased to £235m (2012: £222m) on a property portfolio value of £278m (2012: £260m). A return of £33m was delivered on the opening property portfolio of £260m, with £24.5m from increases in valuation at year end, £8.3m by way of profit on its £19m of asset sales in the year, and £1.4m from operating activities.

Results of Harworth Estates (un-audited)

	£m	£m
Profit from operations		**1.4**
Profit on disposals		**8.3**
Gross valuation gain	**24.5**	
Impairment for restoration on reversion of mining leasehold obligations	**(8.9)**	
Net valuation increase		**15.6**
Profit from ordinary business		**25.3**
Exceptional provision		**(9.1)**
Profit before interest		**16.2**
Interest		**(3.3)**
Profit before tax		**12.9**

Harworth Estates has benefitted from improved confidence in the housing market across the North and the Midlands.

- On its flagship Waverley development, sales to date have exceeded management's expectations with land sales for 238 new homes.
- The Logistics North development achieved outline planning consent in 2013 and will provide 4 million sq ft of distribution and manufacturing space.
- Re-development has begun on the Prince of Wales site which will deliver 900 new homes and a country park in Pontefract, West Yorkshire.
- Construction has commenced on the infrastructure for the Rossington site which will provide 1,200 new homes.
- A number of loans from public bodies have been secured to fund accelerated infrastructure works, including over £11m on the Waverley site.

Further Mining Group Restructuring

Within three months of the 2012 Restructuring, a catastrophic fire at Daw Mill colliery forced the closure of that mine and brought about the subsequent insolvency and restructuring of the mining business in July 2013.

The insolvency of UK Coal Mine Holdings Ltd and subsidiaries left CfR with £5m of potential liabilities, including restructuring fees from the 2012 Restructuring, which had been due to be

Chairman's Statement
continued

reimbursed by the mining businesses. The Board of CfR secured an emergency loan from Lloyds Bank to enable it to pay these fees while it undertook a Rights Issue which was successfully completed in September 2013. All the 2012 Restructuring fees have now been paid and the bank loan fully repaid. The 2012 Restructuring provided that on insolvency of the mining business, the obligation for CfR's running costs transferred to Harworth Estates, with an accompanying obligation that CfR's efforts are focused on delivering value from Harworth Estates.

A necessary condition of the 2012 Restructuring was that Harworth Estates owned most of the mining freeholds, with vacant possession reverting to Harworth Estates following closure and restoration of the mines, providing the opportunity for future redevelopment. Certain defined bonding facilities were also provided to the mining businesses. Given the insolvency of the mines in 2013 ("Mining Group July 2013 Restructuring"), the historical issues in the deep mining business, the negative outlook for coal prices and ongoing operational difficulties within the UK coal industry, Harworth Estates has undertaken contingency planning to protect and mitigate the potential impact of further mining difficulties including closure. In light of these factors and the impact on Harworth Estates assets, it has reduced its asset value by £18m.

Using its core skills in brownfield regeneration, Harworth Estates has managed the closure of the Daw Mill colliery in association with the Coal Authority. Harworth Estates has now acquired the surface freehold of the 120 acre site for redevelopment, and will look to develop this site, taking advantage of its railhead links and industrial infrastructure.

A consequence of the Mining Group July 2013 Restructuring is that the 75.1% shareholding in Harworth Estates held by the Pension Funds is expected to transfer in due course to the Pension Protection Fund. CfR is establishing an effective working relationship with both parties.

Strategy

Following the 2012 Restructuring, CfR is entirely focussed on increasing value in the Harworth Estates business for the Pension Funds and shareholders of CfR. The Board is acutely aware of the discount to NAV inherent in CfR's share price (34% discount as at 28 December 2013) and sees a material opportunity to grow value in the Harworth Estates business.

Following a successful first year of independent operation for Harworth Estates, the shareholders and prospective owners of the Pension Funds' interest have jointly supported a strategic review, currently underway, to define the capital structure which would optimise value and efficiency and create an ongoing sustainable, specialist property business. The parties are all fully aligned in seeking full value over the long term for both shareholders.

Board

The Board of CfR consists of three non-executives, together with the Chairman and the Finance Director. In 2013 the Board undertook to continue to make available the listed company as one of a number of options for a future efficient financial structure of Harworth Estates, with liquidity and the ability to finance growth. It is expected to be clearer by the end of 2014 what role the listed company may play in an optimal capital structure for Harworth Estates. At the conclusion of those discussions, the Board will review its appropriate composition. The Chairman and the Finance Director devote most of their time to the Harworth Estates business.

Outlook

We have seen a recovery of interest in the property sector in the last 12 months. Harworth Estates is a beneficiary of this, through the increased demand and improved prices for commercial and residential land. This can be seen in both the valuation gains it has achieved and also the disposals it has made. Notwithstanding the challenges inherent in moving forward from its mining heritage, the Board is confident of the ability of our underlying asset, Harworth Estates, to deliver and grow shareholder value from the redevelopment of the former coalfields and other former industrial sites.

Jonson Cox
Chairman

28 March 2014

Financial Review

2013 has been the first full year of trading of the Group following the 2012 Restructure.

Income Statement

We are pleased to report a profit attributable to shareholders of £1.7m for 2013 (2012: loss of £6.3m). This arises principally from our investment in Harworth Estates.

The principal revenue reported is generated from recharging management time and running costs of the business to Harworth Estates. Some revenue was generated from similar recharges to the mining business prior to the Mining Group July 2013 Restructuring referred to above taking place. Since then all revenue has been from Harworth Estates under the amended shareholder agreement which provides for the business' running costs to be met. A small pre-exceptional operating loss is reported in the year, mainly due to expensing an historic share-based payment scheme, which as a non-cash cost, is not recoverable under the shareholder agreement and hence shows as a loss.

Following the Mining Group July 2013 Restructuring we secured a charge on the land associated with two deep mine sites. This was in addition to a charge on the Daw Mill site surface as security against the Blenkinsopp pension obligation. Harworth Estates also entered into an agreement to guarantee the payment of this obligation up to a value of £3.1m. Taking this into account, the liability previously disclosed is now secured and as such we have recognised an asset equal to the IAS 19 liability value. This has resulted in an exceptional gain being shown in the Income Statement for the year ended 28 December 2013 of £683k (2012: £nil).

We incurred £252k of financing costs in respect of interest and fees associated with the emergency loan taken out in May 2013 to pay certain 2012 Restructuring creditors. This loan was fully repaid in September 2013 following receipts from the Rights Issue.

Following the successful first year of independent trading from Harworth Estates we have recorded a profit of £3.1m on our 24.9% shareholding in this associate.

The events of the Mining Group July 2013 Restructuring which included the administration of various mining companies gave rise to a £1.6m loss from discontinued operation, in relation to both debts not settled and additional restructuring fees.

Balance Sheet

Net assets have increased to £55.2m (2012: £47.9m). This is mainly as a result of the increase in the investment in Harworth Estates which is now £53.4m (2012: £50.3m) and the Rights Issue.

Trade payables and provisions have reduced significantly during the year. These mainly related to restructuring fees due to professional advisers arising from the 2012 Restructuring. These were paid in part from the emergency bank loan and in part from the proceeds of the Rights Issue in September 2013.

Our cash balance at the end of 2013 was £1.4m (2012: £0.1m) which includes the balance of the cash raised from the Rights Issue after repaying the 2012 Restructuring fees and the bank loan.

Blenkinsopp Pension Scheme

As mentioned above we have recognised an asset of £683k to offset the liability in respect of the Blenkinsopp pension scheme. The IAS 19 valuation of the liability has reduced slightly during the year to £683k (2012: £720k). Valuation assumptions used have remained consistent with last year.

Harworth Insurance Company Limited (HICL)

CfR retains a 100% shareholding in an insurance business, HICL, which is classified as held for sale as there is a put and call option over its shares. The assets held for sale are £21.7m (2012: £21.3m) and the liabilities held for sale are £17.1m (2012: £16.7m) and an amount in respect of deferred income in trade and other payables of £4.6m (2012: £4.6m). It is expected the sale of the insurance business will be completed in late 2014 to a major UK insurer.

The put and call option over the shares of HICL are now held by the administrators of Ocanti No.1 Limited (formerly UK Coal Mine Holdings Ltd). CfR is in discussion with the administrators of Ocanti No.1 Limited regarding the appropriate further consideration due to the Group from this sale, following the events of the Mining Group July 2013 Restructuring.

Cash Flow

The cash balance was £1.4m at the year-end (2012: £0.1m). The increase in cash is mainly due to the balance of funds raised from the Rights Issue in September 2013 after settling liabilities in respect of fees from the 2012 Restructuring.

Financial Review
continued

Net Asset Per Share

	28 December 2013 £m	28 December 2013 Pence per share	29 December 2012 £m	29 December 2012 Pence per share
Harworth Estates Group				
Investment properties	**278.5**	**–**	260.1	–
Other assets and liabilities	**(43.8)**	**–**	(38.4)	–
Net assets	**234.7**	**–**	221.7	–
Coalfield Resources plc				
24.9% share in Harworth Estates Group	**58.4**	**9.6**	55.3	18.5
£5.0 million dividend restriction	**(5.0)**	**(0.8)**	(5.0)	(1.7)
Carrying value of investment	**53.4**	**8.8**	50.3	16.8
Other assets and liabilities	**1.8**	**0.3**	(2.4)	(0.8)
Net assets	**55.2**	**9.1**	47.9	16.0
Number of shares in issue	**605,456,480**		299,298,160	

Note – December 2012 shares in issue were pre the Rights Issue in 2013.

Discount to Net Asset Value

At 27 December 2013, the closing price of CfR's shares was 6.0p per share compared to a net asset value of 9.1p per Ordinary Share, a discount of 34%. This compares to a discount of 58% based on the share price of 6.75p per share, being the closing price on 28 December 2012.

Taxation

There has been no corporation tax charged in the period (2012: credit of £10k). At 28 December 2013 the Group had neither any recognised deferred tax assets nor deferred tax liabilities (2012: £nil).

Directors and Key Employees

There have been no changes in Directors during the year or up to the date of signing the financial statements.

Jonson Cox
Jonson was appointed as Chairman with effect from 15 November 2010. He was formerly Group Chief Executive of Anglian Water Group from January 2004 until March 2010. For the same period he was Chairman of Anglian Water Services Limited and Morrison plc. He is a non-executive Director of Wincanton plc. In November 2012 he was appointed as non-executive Chairman of the Water Services Regulation Authority (Ofwat).

Peter Hickson
Peter is the Senior Independent Director and was appointed as a non-executive Director and Chairman of the Remuneration Committee with effect from 1 July 2011. He is currently Chairman of Communisis plc and Chairman of Chemring Group plc. He was Chairman of Anglian Water Group from 2003 to 2009, and served as Finance Director of Powergen plc between 1996 and 2002. He was a non-executive Director of Kazakhmys plc from 2009 to 2011, Scottish Power plc from 2006 to 2007, Marconi Corporation plc from 2004 to 2007 and RAC plc from 1994 to 2002. He was also Senior Independent Director of London & Continental Railways Ltd between 2007 and 2011. He is a trustee and Board member of Orbis Charitable Trust, the international sight saving charity, and a Fellow of the Institute of Chartered Accountants.

Lisa Clement
Lisa is a Chartered Accountant and was appointed as a non-executive Director and Chair of the Audit Committee with effect from 15 December 2011. She was formerly Chief Financial Officer of Sea Containers Limited, Managing Director of Capita Learning and Development and has held senior divisional roles at Cendant Inc. and BPP Holdings Plc. Lisa is a director of Everything But The Cow Limited.

Steven Underwood
Steven is Chief Executive of the Peel Group of companies, and was appointed to the Board as a non-executive Director with effect from 1 August 2010. He is also currently a non-executive Director of Pinewood Shepperton PLC, and an alternate Director of Intu plc (formerly Capital Shopping Centres Group plc).

Jeremy Hague
Jeremy was appointed as the Finance Director with effect from 1 January 2013 following the 2012 Restructuring. Jeremy joined the finance function of RJB Mining plc, a predecessor of UK Coal and Coalfield Resources, in May 1994 and has served in various capacities, most recently as the Finance Director of the Harworth Estates business where he continues to provide close support to that business as part of his current role. Jeremy is a Chartered Management Accountant.

Theresa Casey
Theresa is General Counsel and Company Secretary. Theresa joined CfR on 1 July 2013 having previously held the position as Head of Legal and Company Secretary at Brown Shipley & Co Limited. She has previously worked with Redcats UK Plc, GUS plc and the Co-operative Bank plc. Theresa is qualified as a solicitor.

Strategic Report

The Directors present the Strategic Report for the year ended 28 December 2013. This report is included in the Annual Report for CfR for the first time following changes to the UK Companies Act. Some items which form part of the Strategic Report such as, for example, a commentary on changes to the Group over the year and its future prospects are included in the Strategic Report by reference to other parts of this Annual Report. These include the Chairman's Statement and the Financial Review.

Objective

The objective of the Group is to actively manage its investment and to deliver sustainable value to both of Harworth Estates' shareholders.

Strategy

To ensure its investment in Harworth Estates is actively managed and is able to exploit growth opportunities which will deliver sustainable value to all shareholders.

Business Model

To continue to manage its single investment and to utilise its main market listing.

Key performance Indicators

The Key Performance Indicators remain in line with those stated in last year's report and these are focused on its investment in Harworth Estates. The Group does not control Harworth Estates but is an active investor, and while property metrics would be appropriate for Harworth Estates, they are not appropriate for the Group as a non-controlling investor.

The Key Performance Indicator for the Group is now the net asset value of its investment in Harworth Estates. As stated in the accounts this is £53.4m as at 28 December 2013. The net asset value is monitored by the Group on a regular basis as it has two Directors on the board of Harworth Estates. As such they are briefed regularly and able to enter into discussion with Harworth Estates concerning business performance and strategy.

Principal Risks and Uncertainties

The Group's performance, including the current or future value of its assets, will depend on macro property market conditions that affect its investment in Harworth Estates. The Group has two Directors on the board of Harworth Estates to monitor its investment and ensure where possible its business strategy minimises these risks. The risks are principally:

Sales value risk

The sale of remediated brownfield land to house builders and commercial developers is an important source of revenue and the gaining of residential and commercial planning consents is an important source of valuation growth for Harworth Estates. As such any decline in general property market conditions including (i) the market for residential and commercial land and/or residential and commercial property not functioning properly; (ii) a decline in market values; and/or (iii) a decline in the availability and/or an increase in the cost of credit for residential and commercial buyers, may have an adverse impact on the Harworth Estates results, financial condition and/or prospects, which may then in turn have a negative impact on the Group in terms of the value of its investment in Harworth Estates. These risks are not controllable by the Group.

Planning risk

Harworth Estates' continued progress with its projects for future delivery is dependent on the continued success of its applications for planning permissions. Current or future planning applications may not result in the desired outcome or may be granted on unduly onerous terms. Failure to obtain such permissions may reduce the speed Harworth Estates can implement its strategy and have an adverse impact on its business, which may in turn have a negative impact on the Group's investment in Harworth Estates.

Further, Harworth Estates development operations are contingent upon an effectively functioning planning system. Changes in law or policy affecting planning, infrastructure, environment (including waste disposal) and/or sustainability issues could adversely affect the timing or costs associated with development opportunities. This could lead to reduction in value or delays in delivering project values with an adverse effect on Harworth Estates which may in turn have a negative impact on the Group's investment in Harworth Estates.

Property valuation movements and liquidity

Properties, including those in which Harworth Estates has invested, or may invest in the future, can be relatively illiquid investments. This lack of liquidity may affect Harworth Estates ability to realise its valuation gains, vary its portfolio or dispose of, or liquidate part of its portfolio in a timely fashion and/or at satisfactory prices. The valuation of property is subject to uncertainty and cash generated on disposal may be different from the value on Harworth Estates balance sheet. This may mean that the value ascribed by Harworth Estates to its properties may not reflect the value realised on sale. Valuations may fluctuate as a result of factors such as changes in regulatory requirements and applicable laws (including taxation and planning), political conditions, the condition of financial markets, interest and inflation fluctuations. Each of these factors may have an adverse effect on Harworth Estates which may in turn have a negative impact on the Group's investment in Harworth Estates.

Minority shareholding and single investment

The Group has only a 24.9% shareholding in Harworth Estates and whilst it does maintain significant influence over Harworth Estates, as such it does not have any control over this company. The ownership and control of the remaining 75.1% shareholding is owned by the Pension Trustees of the Industry Wide Mineworkers and Staff Pension Schemes and it is expected this will ultimately be transferred to the Pension Protection Fund.

The shareholders' agreement between the Company and the Pension Trustees contains drag along rights pursuant to which the Company may be required, by other holders of shares in Harworth Estates (''the Drag Sellers'') who propose to transfer a controlling interest (as defined in the shareholders' agreement) to a third party on bona fide arm's length terms, to sell all of its shares in Harworth Estates to such third party on the same or equivalent terms as those agreed between the Drag Sellers and the third party purchaser.

Under the terms of the shareholders' agreement and Harworth Estates Articles, if the Pension Trustees or the Company wish to transfer any of their shares in Harworth Estates to a third party purchaser, they must first grant the other party a right of first offer before selling such shares to a third party purchaser. If the Pension Trustees subsequently seek to transfer a controlling interest in Harworth Estates to a third party purchaser, the Company is also granted a right to match the highest price submitted by a third party purchaser.

If the Company does not or cannot purchase the shares representing a controlling interest in Harworth Estates pursuant to its right of first offer or its matching right within the required timescale and the Pension Trustees subsequently sell such a controlling interest to a third party purchaser, the Pension Trustees may insist that the Company also sells its entire shareholding to such third party purchaser on the same terms pursuant to the drag along provisions summarised above.

Consequently, the drag provisions may not give the Company sufficient time to maximise the value of its Harworth Estates shareholding for shareholders. This would fundamentally alter its key revenue stream from both dividends and recharged expenses.

Funding of the Company's on-going running costs

The on-going running costs and employee costs are met by Harworth Estates under an agreement entered into as part of the 2012 Restructuring and varied as part of the Mining Group July 2013 Restructuring. This agreement covers the Company's full cash costs based on current expectations until 31 December 2016. From 1 January 2017, other than for the employment costs of the executive team which are indemnified, subject to limits, indefinitely by Harworth Estates, CfR will have to fund its on-going running costs from cash reserves or from dividends from Harworth Estates.

Treasury policy and liquidity

The Group has no borrowings and has cash balances estimated to be sufficient to cover forecast cash requirements. Details of financial risks in respect of credit risk and liquidity risk are set out in the relevant note to the accompanying financial statements.

Strategic Report
continued

Going Concern
The Directors have prepared cash flow statements and carefully reviewed the Group's current financial resources, both cash at bank and forecast income receipts, and the projected expenses of the Group for the 12 months from the date of these financial statements.

The key factors that have been considered in this regard are:

- Income is predominantly in respect of management services supplied to Harworth Estates. This income is covered by contractual agreements;
- Costs are mainly in relation to management and those costs associated with the administration of the Group including maintaining the CfR Stock Exchange listing; and
- The Group has a liability for the Blenkinsopp pension scheme; current contribution rates are £0.2m per annum. This liability is currently paid by UK Coal Production Ltd but the Group also has a charge against certain assets owned by Harworth Estates and a guarantee from Harworth Estates which would cover this liability should UK Coal Production Ltd cease to pay this contribution.

On the basis of this review the Directors are satisfied that the Group's resources are adequate to continue in business for the foreseeable future, and that, accordingly, it is appropriate to prepare the Group's financial statements on a going concern basis.

Environmental and Social Issues
The Group manages a single investment in Harworth Estates. It has only four employees and three non-executive Directors and no operating business. The Group is run out of a leased serviced office in Sheffield. As a consequence, it has no direct impact on the environment or on the communities in which it carries on its activities. As the Group only holds a minority stake in a single investment, it does not have an investment policy which includes socially responsible investment.

Directors and Employees
Currently, the Board comprises the Chairman, four Directors and a Company Secretary, four of whom are male and two female. All Directors stand for re-election on a three year rotation. In accordance with the Articles of Association, Steven Underwood will retire by rotation and seek re-appointment at the 2014 Annual General Meeting. The Board unanimously recommends his re-election. Steven Underwood is not independent due to being a director of companies which are part of Peel Holdings Group Limited which is a subsidiary of Goodweather Holdings, CfR's largest shareholder. The Board is committed to appointing the most suitable candidates based on their knowledge, expertise and experience and regardless of gender or other measures of diversity. It does not have any set targets on diversity to report against.

The Finance Director and the Company Secretary have service contracts which may be terminated by the Company on not more than six months' notice. For all non-executive Directors the notice period is three months with the exception of Peter Hickson, Senior Independent Director, whose appointment is subject to six months' notice. There are no Directors on fixed term contracts. There are no contractual clauses that give any of the Directors an entitlement to compensation exceeding their due payment in lieu of notice.

The Company has one further employee.

It is the Group's policy to employ the highest calibre of management and staff and encourage the highest standards of personal integrity. Recruitment procedures are designed to identify and reward high calibre individuals.

Ethical Policy
The Group is committed to working with its employees, customers and suppliers to promote responsible working and trading practices.

Future Prospects
The outlook for the Group is described in the Chairman's Statement and Financial Review.

Additional Information
Additional information on the Group as well as copies of corporate documents, including the September 2013 Rights Issue, and information on Board committees can be found on CfR's website www.coalfieldresources.com. Additional information on Harworth Estates, can be found on their website www.harworthestates.co.uk.

By order of the Board

Theresa Casey
Company Secretary

28 March 2014

Directors' Report

The Directors submit their annual report together with the audited consolidated financial statements of the Group for the period ended 28 December 2013. The Directors serving during the year were Jonson Cox, Peter Hickson, Lisa Clement, Steven Underwood and Jeremy Hague. Their short biographies have been provided earlier in this report.

Results and Dividend

The net assets attributable to shareholders of the Group increased to £55.2m over the financial year to 28 December 2013. The Group's net asset value rose by 15% during the period. The results for the Group are reviewed in the Chairman's Statement and Financial Review and set out in the financial statements which accompany this report.

No dividends have been received from the Group's investment during 2013. Under Harworth Estates current banking facilities it is not permitted to pay dividends without the express permission of its banks. In addition, the first £5m of dividends which would otherwise be due to the Group will be paid to the Pension Funds. Currently, cash generated from asset sales by Harworth Estates is required under its facilities to be used to make mandatory repayment of its loans.

There was no interim dividend paid during the year (2012: £nil). The Directors are not recommending the payment of a final dividend in respect of the 2013 financial year (2012: £nil).

Substantial Shareholders

The Directors have been notified of the following substantial shareholdings as at 28 December 2013:

Company	Number of shares	% of issued share capital
Goodweather Holdings Ltd*	**196,468,940**	**32.45%**
Invesco Perpetual	**65,952,160**	**10.89%**
Pelham Capital Management	**51,753,120**	**8.55%**

* Member of Peel Holdings Group Limited.

Share Capital, Voting Rights and Transfer of Shares

Details of the structure of the Group's share capital and changes in the share capital during the year are disclosed in the relevant note to the financial statements. The rights and obligations attaching to the Group's ordinary shares are set out in the Articles of Association, copies of which can be obtained from Companies House in the UK or by writing to the Company Secretary. In particular, subject to particular statutes and the Articles of Association, shares may be issued with such rights or restrictions as the Board may determine.

Shareholders are entitled to attend, speak and vote at general meetings of the Company, to appoint one or more proxies and, if they are corporations, to appoint corporate representatives. On a show of hands at a general meeting every holder of ordinary shares present in person shall have one vote and every proxy present who has been duly appointed by a member entitled to vote on the resolution has one vote and on a poll, every member present in person or by proxy, shall have one vote for every ordinary share held. Further details regarding voting, including deadlines for voting, at the Annual General Meeting can be found in the notes to the Notice of the Annual General Meeting.

No person is, unless the Board decides otherwise, entitled to attend or vote either personally or by proxy at a general meeting or to exercise any other shareholder rights if he or any person with an interest in shares has been sent a notice under section 793 of the Companies Act 2006 and has failed to supply the Company with the requisite information within the prescribed period.

Shareholders may receive a dividend and on a liquidation may share in the assets of the Company. The Company has one class of ordinary shares which carry equal voting rights and no contractual right to receive payment.

The instrument of transfer of a certificated share may be in any usual form or in any other form which the Board may approve.

The Board may refuse to register any instrument of transfer of a certificated share which is not fully paid, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis. The Board may also refuse to register a transfer of certificated share unless the instrument of transfer: (i) is lodged, duly stamped (if stampable), at the registered office of the Company or any other place decided by the Board accompanied by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; (ii) is in respect of only one class of shares; and (iii) is in favour of not more than four transferees. Transfers of uncertificated shares must be carried out using the relevant system and the Board can refuse to register a transfer of an uncertificated share in accordance with the regulations governing the operation of the relevant system and with UK legislation. Restrictions may also be imposed on certain Company employees who are required to seek approval from the Company before dealing in shares in accordance with the requirements of the Listing Rules of the United Kingdom Listing Authority.

Directors' Report
continued

There are no other limitations on the holding of ordinary shares in the Company and the Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

Details of major shareholdings are shown in the table above. Details of employee share schemes can be found in the Directors' Remuneration Report.

Mandatory Carbon Reporting

In its current state the Group has no operations and holds a single investment. As such the Group does not have greenhouse gas emissions to report from its operations, and it does not have responsibility for any other emissions producing entities as defined under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group 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 Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Directors' Confirmation Statement

Each of the Directors, whose names and functions are detailed in the Company information and advisers section, confirm that to the best of their knowledge:

- The Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- The Management Report, which comprises the Chairman's Statement, Financial Review, Strategic Report (including risk factors) and the financial instruments note included in the financial statements includes a fair review of the development and performance of the business and position of the Company and the Group, together with the principal risks and uncertainties that they face.

Each Director confirms that at the date of approval of this report that so far as they are aware, there is no relevant audit information of which the Group's auditor is unaware and that they have taken all steps they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Having taken advice from the Audit Committee, the Directors consider that the annual report and financial statements taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy. The Directors have reached these conclusions through a process which is described in the Report of the Audit Committee.

Independent Auditors

PricewaterhouseCoopers LLP has indicated its willingness to continue in office. In accordance with Section 489 of the Companies Act 2006, resolutions will be proposed at the forthcoming Annual General Meeting to re-appoint PricewaterhouseCoopers LLP as independent auditor, and to authorise the Directors to determine the auditor's remuneration for the ensuing year.

Financial Statements

These financial statements have been prepared under International Financial Reporting Standards as adopted by the European Union for groups of companies.

Annual General Meeting

The Annual General Meeting of the Group will be held at 1pm on 27 May 2014 at AMP Technology Centre, Advanced Manufacturing Park, Brunel Way, Rotherham, S60 5WG. The resolutions to be proposed are set out in the notice calling the meeting which is enclosed with this report but briefly these include:

Ordinary Business

Shareholders will be asked to consider and vote upon the following:

Resolution 1 – Adoption of Report and Accounts

Resolution 2 – Re-election of Director

Resolution 3 – Approval of the Directors' Remuneration Report

Resolution 4 – Approval of the Directors' Remuneration Policy

Resolutions 5 and 6 – Reappointment of Auditors and auditors remuneration

Resolution 7 – Allotment of Shares

Special Business

Shareholders will be asked to consider and vote upon the following:

Special Resolution 8 – Disapplication of pre-emption rights

Special Resolution 9 – Authority to purchase own shares

Special Resolution 10 – General Meetings at Short Notice

Recommendation

The Directors recommend that shareholders vote in favour of all resolutions being put to the Annual General Meeting, as they themselves intend to do in respect of their own beneficial shareholdings numbering 7,516,788 Ordinary Shares.

Corporate Governance

Information on the corporate governance of the Company is given in the Corporate Governance Statement which forms part of this Directors' Report.

By order of the Board

Theresa Casey

Company Secretary

28 March 2014

Corporate Governance

The Company recognises the importance of, and is committed to, high standards of Corporate Governance and the following sections explain how both the Company and the Group has applied the main and supporting principles set out in the UK Corporate Governance Code ("Code"), issued by the Financial Reporting Council in September 2012, a copy of which is publicly available at www.frc.org.uk/corporate/ukcgcode.cfm. The Board confirms that the Group has complied with the provisions set out in the Code throughout the year ended 28 December 2013, except for the following matters:

- There is no Group Chief Executive but the role of Chairman was undertaken by Mr J Cox during the year.
- The Audit Committee comprises of one independent non-executive Director and one non-independent non-executive Director.

The Board

The Company is headed by a Board of Directors, now made up of the Chairman, Finance Director and three non-executive Directors, two of whom are determined by the Board to be independent. The Board recognises that Steven Underwood, who is a Director and representative of Peel Holdings, which is the major shareholder in the Company, is not independent. It is considered that his skills and experience are relevant to the business and he contributes to the realisation of the Group's strategy. Given the size and complexity of the Company, the Board deems that the current balance of independent and non-independent Board members is appropriate. This will be kept under review.

The Company's principal focus is as an active investor in Harworth Estates, which includes the provision of legal and governance support to the Chief Executive Officer of Harworth Estates. As such the Board has determined that, at this time, no Chief Executive Officer is required by the Company. This decision will be kept under review.

The Chairman has overall leadership of the Company, with responsibility for ensuring the development and implementation of the Board's strategies and policies. He is also responsible for the running of the Board including, but not limited to, ensuring that a fixed schedule of matters is exclusively retained for the Board's review and approval, and that a framework exists to allow the clear and timely dissemination of relevant information to all Directors for such review to occur. The Senior Independent Director is Peter Hickson.

The Board of the Company is responsible for setting the Group's objectives and policies and for the stewardship of the Group's resources. The Board is responsible to the shareholders for the overall management of the Company and its 24.9% investment in Harworth Estates.

The Board considers its non-executive Directors bring judgement, knowledge and experience to the Board's deliberations. They have no financial or contractual interests in the Group, other than interests in ordinary shares as disclosed in the Remuneration Report. Non-executive Directors are offered the opportunity to attend meetings with major shareholders and would attend them if requested by major shareholders. All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with. The appointment and removal of the Company Secretary are matters for the Board as a whole. The Board has established a procedure under which any Director, wishing to do so in furtherance of his/her duties, may take independent advice at the Company's expense.

The Company maintains an appropriate level of directors' and officers' insurance in respect of legal action against the Directors. The interests of the Directors in the shares of the Company are shown in the Remuneration Report.

All executive Directors have service contracts, which may be terminated by the Company on not more than twelve months' notice; for all non-executive Directors the notice period is three months with the exception of Peter Hickson, Senior Independent Director, whose appointment is subject to six months' notice. There are no Directors on fixed term contracts. There are no contractual clauses that give any of the Directors an entitlement to compensation exceeding their due payment in lieu of notice. The interests of the Directors in the shares of the Company are set out in the Remuneration Report.

In accordance with the Articles of Association of the Company, the appointment of non-executive Directors and any subsequent re-appointment is subject to election or re-election by shareholders at the Annual General Meeting.

Board Performance

Performance evaluation

A meeting of the non-executive Directors, chaired by the Senior Independent Director (without the Chairman), takes place at least annually, to appraise the Chairman's performance.

The performance of the Board and its committees is considered and reviewed by the Board throughout the financial year with matters requiring attention identified and addressed. The Chairman holds responsibility for the appraisal of the performance of the non-executive Directors together with responsibility to conduct a performance evaluation of executive Directors and key employees of the Company.

Directors' development

All Directors receive induction on joining the Company and access to further training is made available. The Company provides the necessary internal and external resources to enable Directors to develop and update their knowledge and capabilities.

Committees of the Board

The Group's governance structure ensures that all decisions are made by the most appropriate people, in such a way that the decision making process itself does not unnecessarily delay progress.

The Board delegated specific responsibilities to the Nomination, Remuneration and Audit Committees, as described below. Each committee has terms of reference that the whole Board has approved. Following the 2012 Restructuring the terms of reference have been reviewed in line with the revised circumstances of the Group. The current terms of reference for the Nomination, Remuneration and Audit Committees can be found on the Company's website and are summarised below. Board and committee papers are circulated in advance of each meeting so that all Directors are fully briefed. Papers are supplemented by reports and presentations to ensure that Board members are supplied in a timely manner with the information they need.

Nomination Committee

The Nomination Committee leads the process for Board appointments by making recommendations to the Board about filling Board vacancies and appointing additional persons to the Board. The Committee also considers and makes recommendations to the Board on its composition, balance and membership and on the re-appointment by shareholders of any Director under the retirement by rotation provisions in the Company's Articles of Association. The Committee's members are the independent non-executive Directors (currently Peter Hickson and Lisa Clement) and the Chairman. Although the Chairman is also Chairman of the Committee, he will not chair the Committee when it deals with the appointment of a successor to the chairmanship. The Nomination Committee evaluates the balance of skills, knowledge and experience on the Board and, in the light of this evaluation, prepares a description of the roles and capabilities required for a particular appointment. The Nomination Committee considers succession planning for appointments to the Board and to senior management positions so as to maintain an appropriate balance of skills and experience both on the Board and in the Company.

Remuneration Committee

The members of the Remuneration Committee are Peter Hickson (Chairman) and Lisa Clement. The terms of reference of the Remuneration Committee provide for it to determine and agree with the Board a policy for the remuneration of the Company's executive Directors and key managers. The remuneration of non-executive Directors is a matter for the Chairman and the Finance Director. No Director or manager may be involved in any decisions as to their own remuneration.

Audit Committee

Lisa Clement chairs the Audit Committee. Steven Underwood, a non-independent Director, is a member of the Audit Committee. Other individuals such as the Chairman of the Board, the Finance Director and other Directors may be invited to attend committee meetings as and when appropriate and necessary. The terms of reference of the Audit Committee include consideration of matters relating to the appointment of the Group's auditors and the independence of the auditors, reviewing the integrity of the Group's annual and interim reports, preliminary results announcements and any other formal announcements relating to its financial performance. The Committee also reviews the effectiveness of the Group's system of internal control and compliance procedures. Further information on the Audit Committee is given in the Report of the Audit Committee which forms part of this report.

Attendance at Board Meetings

Attendance by individual Directors at Board meetings (including those convened and held as conference calls) and at Committees during 2013 is shown in the table below. Attendance by non-committee members at Committee meetings is not included.

	Board		Audit		Remuneration		Nomination	
	Possible	**Actual**	**Possible**	**Actual**	**Possible**	**Actual**	**Possible**	**Actual**
J Cox	14	14	n/a	n/a	n/a	n/a	–	–
L Clement	14	13	5	5	3	3	1	1
P Hickson	14	14	n/a	n/a	3	3	1	1
S Underwood	14	14	5	5	n/a	n/a	n/a	n/a
J Hague	14	14	n/a	n/a	n/a	n/a	n/a	n/a

Corporate Governance
continued

Internal Controls
Review of processes and controls are regularly undertaken by the management team. The Board reviewed the operation and effectiveness of the system of internal controls during the period and assesses and manages these key risks on an on-going basis. A key element of the system of controls adopted by the Board is the employment of third-parties to provide services to the Company, and the establishment of clearly defined responsibilities and reporting procedures between the Company and those third-parties.

These controls are supplemented by on-going dialogue between the Board and the directors of Harworth Estates for monitoring risks with its investment.

The principal controls of the Company are:

Cash management
Treasury actions of the Company are limited and controlled jointly by the Finance Director, Chairman and Company Secretary who are responsible for placing deposits, for arranging borrowings and for making payments.

Insurance risk
The Company holds insurance cover for all employer liability and public liability claims.

Disclosure and Transparency Rules
The Company voluntarily applies the UK Corporate Governance Code and therefore prepares a Corporate Governance Report. Other information required to be disclosed by the Disclosure and Transparency Rules of the Financial Conduct Authority is included in the Directors Report and Remuneration Report.

Communication with Shareholders
The Group maintains on-going dialogue with major shareholders through regular presentations and meetings to outline the Company's performance and objectives and also offers them the opportunity to meet non-executive Directors. The Senior Independent Director is available to all shareholders and the Chairman, Finance Director and Company Secretary make themselves available as and when required to address shareholder queries. Copies of shareholder presentations and communications are available on the Company's website.

Annual General Meeting
The Board encourages shareholders to exercise their right to vote at the Annual General Meeting. The notice calling the meeting and related papers are sent to shareholders at least 20 working days before the meeting and separate resolutions are proposed on each substantially separate issue.

All shareholders are encouraged to attend and participate through a question and answer session and individual Directors or, where appropriate, the Chairman of the relevant committee, respond to those questions directly. Shareholders have the opportunity to talk informally to the Directors before and after the formal proceedings.

Proxy Voting Announcement
Rather than reading out proxy voting figures at general meetings, printed summaries of all proxy voting on all resolutions will be made available at the meeting and will also be posted on the Company's website after the meeting.

Remuneration Reports

**Denotes auditable elements of the Remuneration Reports.*

Introduction
These reports comprise the Directors' Remuneration Policy and the Annual Report on Remuneration. Together, they provide information which evidences the link between the Company's strategy and performance and remuneration. The reports have been prepared in accordance with the Enterprise and Regulatory Reform Act 2013, the relevant requirements of the Listing Rules and, except where otherwise clearly explained, has complied with the provisions set out in The UK Corporate Governance Code relating to remuneration matters.

The Remuneration Policy and the Remuneration Report will be submitted to shareholders for their approval at the Annual General Meeting on 27 May 2014. The Remuneration Policy is also available to view on the Company's website.

Remuneration Committee
Responsibility for reviewing Group remuneration strategy and policy, recommending any changes and approving individual remuneration packages for senior executives, the Chairman and executive Directors rests with the Remuneration Committee (the "Committee"). The Committee consists of independent non-executive Directors and meets on at least two occasions each year.

The members of the Committee throughout the year were and continue to be:

- Peter Hickson – Committee Chairman; and
- Lisa Clement

The Committee may seek any information it requires from any employee or Director, and all employees and Directors are required to co-operate with any request made by the Committee. Jeremy Hague (Finance Director), Geoff Mason (Company Secretary to July 2013) and Theresa Casey (Company Secretary since July 2013), provided information to the Committee during the year.

No Director participates in discussions relating to their own remuneration. The Committee liaises with the Audit Committee where appropriate; this includes confirmation of the Group's financial performance to assist in determining whether performance targets and measures have been achieved and to ensure that the structure for incentive arrangements are appropriate from a risk perspective.

The Committee has terms of reference, approved by the Board, which are available from the Company Secretary and via the Group's website.

During the year the Committee met on 3 occasions; Peter Hickson and Lisa Clement attended all meetings.

Remuneration Policy
The policy for the period under review as well as the current period for the remuneration and incentivisation of the Chairman, Finance Director and other senior executives is as follows:

- To ensure that individual rewards and incentives are aligned with the performance of the Company and interests of shareholders;
- To ensure that performance-related elements of remuneration constitute an appropriate proportion of an executive's remuneration package; and
- To maintain a competitive remuneration package which enables the Company to attract, retain and motivate high calibre executives.

The Committee reviews executive remuneration and implements incentive arrangements to support the objective of rewarding those individuals who deliver shareholder value. In developing these arrangements the Committee and its advisers consider current best and market practice.

Details of the Chairman's remuneration are set out below. The Finance Director's remuneration comprises a base salary, an annual performance bonus, participation in a long term incentive plan or arrangement, a car allowance plus fuel, pension contributions to a defined contribution pension scheme or a pension allowance, life assurance and health insurance. Bonus payments and benefits in kind are not pensionable. An appropriate balance is maintained between fixed remuneration and performance-related remuneration.

The following paragraphs explain the operation of the main constituents of the remuneration policy.

Recruitment
In determining remuneration on recruitment, regard is had to the level of fixed pay required to attract individuals of appropriate calibre, using external comparators for roles of equivalent size and complexity. Variable elements, such as annual bonus and long term incentives are set with regard to the expected levels of performance of the individual and their ability to contribute to the overall performance of the Company. Contractual terms are designed to attract, retain and motivate individuals of the quality required to manage the Company.

Base Salaries
Executive salaries are normally reviewed by the Remuneration Committee on an annual basis. In determining salary levels for executives the Committee has, principally, had regard to external comparators for roles of equivalent size and complexity. Following a review of executive salary levels, no increase was made during the year ended 28 December 2013.

Remuneration Reports
continued

Annual Bonus for Executive Directors

The Finance Director and Company Secretary participate in an annual bonus arrangement. The Committee sets both the performance measures and targets based on the Company's business priorities. These targets ensure that incentives are payable only for Company and individual performance.

Long Term Incentive Plan ("2010 LTIP")

Under the 2010 LTIP an annual award of up to 100% of base salary is conditionally allocated to each executive Director (excluding the Chairman); awards granted in August 2010 were due to vest on 26 August 2013. The Remuneration Committee wrote to each of the Directors in June 2012 confirming that, due to business difficulties at the time and the proposed restructuring, it did not consider it was appropriate to award further shares under the 2010 LTIP at this time. Since that date the Remuneration Committee has confirmed that vesting conditions were not met. Awards granted in April 2011 and August 2011 are due to vest on 20 April 2014 and 31 August 2014 respectively (before any adjustment to counter the dilutory effect of the Rights Issue is made).

Shareholding Guideline

An executive shareholding guideline applies for executive Directors and other selected senior executives who are awarded shares under the LTIP. Individuals are required to retain no less than 50% of the net of tax value of the shares until a holding equivalent to 100% of salary is attained (50% of salary for other senior executives).

Other Terms and Conditions of Service

The executive Directors' service contracts, including arrangements for early termination, are considered carefully by the Committee. The Committee considers that a notice period of no more than one year is appropriate. It is the Company's policy not to enter into service contracts that provide written notice of more than one year.

In respect of Jonson Cox, employment will continue until terminated by the Company giving not less than twelve months' written notice, or by Mr Cox giving the Company not less than six months' written notice. Jeremy Hague's and Theresa Casey's contracts shall continue until either the individual or the Company terminates it by not less than 6 months' notice in writing.

When calculating termination payments, the Committee takes into account a variety of factors including individual and Group performance, the obligation of the executive Director to mitigate his own loss (for example by gaining new employment) and the best interests of the Group. Should the Company terminate the contract of an executive Director, compensation for loss of office is limited to the amounts payable under these notice periods. There are no special provisions for payments on a change of control. The only recruitment undertaken during the period was the appointment of Theresa Casey as Company Secretary on terms which comply with this policy.

Chairman

Mr Cox, Chairman, was recruited in November 2010 on a base salary of £350,000 per annum on the basis he provided three days per week. Following the December 2012 Restructuring , Mr Cox's time commitment was reduced by agreement to 2 days per week and his fee reduced broadly commensurately. As part of his role, Mr Cox also chairs the board of Harworth Estates.

In connection with the Chairman's appointment and, instead of his participation in the annual bonus and long term incentive plan, share based awards were designed to reflect the specific challenges of the role. A Share Award Agreement and an Annual Bonus Plan Award Agreement, both dated 4 February 2011 granted awards to Mr Cox to acquire 2,800,000 Ordinary Shares and 1,520,000 Ordinary Shares respectively. Both awards vested at the third anniversary of his appointment on 15 November 2013. In order to take account of the dilutory effect on the awards of the 1:1 Rights Issue in 2013, and as provided for under the terms of the awards, the Committee approved the adjustment of the awards. Consequently, upon the vesting of the awards on 15 November 2013, Mr Cox acquired 6,860,160 Ordinary Shares of 1p each in the Company at a price of 6.5 pence per share. This brought Mr Cox's total shareholding to 7,204,050 (net of the sale of 1,000,000 shares to meet a portion of the tax liability arising on vesting), including shares bought personally by Mr Cox in support of the Rights Issue. Mr Cox is required to retain half of the vested shares as long as he continues to serve the Company.

There are no existing arrangements for future bonus or long term incentive plan for Mr Cox.

Non-Executive Directors
The Board aims to recruit non-executive Directors of a high calibre with broad commercial and other relevant experience. Non-executive Directors are appointed for an initial three year period. The terms of their engagement are set out in a letter of appointment. The initial appointment and any subsequent re-appointment is subject to election or re-election by shareholders at the Annual General Meeting. The letters of appointment contain three months' notice periods, with the exception of Peter Hickson, Senior Independent Director, whose appointment is subject to six months' notice.

Compensation for loss of office is limited to the amounts payable under these notice periods. The Board considers these notice periods appropriate given the skills and expertise of the Directors.

Peter Hickson, Senior Independent Director, is paid a fee of £65,000 per annum; this includes his responsibilities as Chairman of the Remuneration Committee. Other non-executive Directors are paid a basic fee of £40,000 per annum with an additional fee of £6,000 per annum payable for chairing a committee.

Non-executive Directors are not eligible to participate in any of the Company's share schemes, incentive schemes or pension schemes.

Other Employees
The Company has two employees who are not also Directors. Pay is commensurate with the roles of those individuals.

Application of Remuneration Policy
Individuals are recruited on a salary at the relevant market rate for the position being filled, with reference to external comparators and the demands, required qualifications and experience of the role. Bonus levels are aligned with the strategy of the Company to reward individual performance and Company performance.

Shareholder Views
As the Remuneration Policy has not previously been submitted for shareholder approval, there are no shareholder views to report.

Future Policy Table
In addition to the general policies described in this report under the Remuneration Policy section, which applies to both current and future policy, this table provides more specific details.

Type of remuneration	Detail of policy
Salary/fees	Salaries are normally reviewed by the Remuneration Committee on an annual basis. In determining salary levels for executives the Committee has, principally, had regard to external comparators for roles of equivalent size and complexity. Following a review of executive salary levels a 2.5% increase was proposed for the Finance Director for 2014, effective from 1 January. Normally salary increases are only made annually and are effective from 1 January. In addition to a base fee non-executives receive an additional fee of £6,000 per annum for chairing a committee.
Allowances	Allowances are paid in lieu of providing a company car. These payments reflect amounts offered for equivalent comparator roles. These payments are not pensionable.
Bonus	Annual bonus levels and targets are set by the Committee and reflect both personal and corporate targets. The only Director who receives a bonus is the Finance Director whose bonus is limited to 50% of basic salary. Bonus is normally paid in March of the following year. The Finance Director participates in a long term bonus plan based on achieving growth in the Company's investment in Harworth Estates over a five year period ending December 2017, payable after the bonus period. Bonus is not pensionable.
Benefits	The Chairman and Finance Director receive payments for car fuel used, life assurance and health insurance.
Compensation	The compensation payment policy remains as detailed in this report under the "Other Terms and Conditions of Service" section.
Pension	Amounts in respect of pension contributions are made either to a defined contribution plan or paid as a cash supplement. Future pension contribution levels are expected to be in line with those currently paid.
Expenses	Expenses are not classed as remuneration but expenses for travel or other reasonable out-of-pocket expenses incurred by the Directors in the performance of their duties are reimbursed upon submission of appropriate receipts.

Remuneration Reports
continued

Annual Report on Remuneration
Directors' Service Contracts and Letters of Appointment

	Contract date	Unexpired term (as at December 2013)	Notice period
Chairman			
Jonson Cox	15.11.10	Rolling 1 year	1 year
Executive Director			
Jeremy Hague	02.01.13	n/a	6 months
Non-Executive Directors			
Peter Hickson	30.06.11	6 months	6 months
Lisa Clement	29.11.11	11 months	3 months
Steven Underwood	27.07.10	2 years 7 months	3 months

There are no liabilities in respect of Directors' service contracts that require disclosure. Copies of Directors' service contracts and agreements are available to shareholders for inspection at the Company's registered office by application to the Company Secretary.

Directors' Emoluments for the Year Ended December 2013*

	Salary/fees[5] £000	Allowances £000	Annual bonus £000	Benefits in kind[2] £000	Compens-ation payment £000	Total 2013 £000	Total 2012 £000
Chairman							
Jonson Cox[1]	311	17	–	4	–	**332**	639
Executive Directors							
Jeremy Hague[1]	115	10	45	4	–	**174**	–
Former Executive Directors							
David Brocksom[4] (Resigned 31.12.12)						–	815
Owen Michaelson (Resigned 07.12.12)						–	447
Gareth Williams (Resigned 07.12.12)						–	299
Non-Executive Directors							
Peter Hickson	65	–	–	–	–	**65**	65
Lisa Clement	46	–	–	–	–	**46**	46
Steven Underwood[3]	40	–	–	–	–	**40**	40
Keith Heller[6]	–	–	–	–	–	–	42

1 Jonson Cox and Jeremy Hague receive a car allowance of £10,000 per annum which is included in Allowances above.

2 Benefits in kind comprise car benefits, life assurance and health insurance.

3 Fees payable for the services provided by Steven Underwood are paid to Peel Management Limited.

4 David Brocksom received an additional compensatory payment in 2013 as explained later in this report under "Compensation payments".

5 Salary and fees includes the amounts paid in respect of pension contributions. The comparatives for 2012 have been amended to include the relevant prior year figure.

6 Fees payable for the services provided by Keith Heller were paid to S/Dolo Inc.

Pension Contributions*

The Chairman and Finance Director are entitled to receive an annual pension contribution at the rate of 30% and 20% respectively of base salary. Pension contributions on behalf of Directors were as follows:

	Pension contributions 2013 £000	Pensions contributions 2012 £000
Jonson Cox	**81**	141
Jeremy Hague	**23**	n/a
David Brocksom	–	73
Owen Michaelson	–	65
Gareth Williams	–	66
	104	345

Long Term Incentive Plan*

	Interest at Dec 2012 No. of shares	Interest exercised during the year No. of shares	Interest lapsed No. of shares	Interest at Dec 2013 No. of shares	Vesting date	End of performance period
Jonson Cox	4,320,000	6,860,160*	–	–	15.11.13	Dec 2012
Jeremy Hague	142,737	–	47,124	95,613	20.04.14	Dec 2013
Total	**4,462,737**	**6,860,160**	**47,124**	**95,613**		

* As adjusted by the Remuneration Committee in accordance with the rules of the LTIP in order to take account of the dilutory effect of the Rights Issue.

Compensation Payments

David Brocksom stood down from the Board on 31 December 2012 having led the 2012 Restructuring jointly with the Chairman. His employment with the Company was terminated under a compromise agreement dated 11 January 2013 under which he received a mitigated sum of 75% of his contractual notice and benefits equivalent to £246,192. In addition, having to the satisfaction of the Remuneration Committee completed the 2012 Restructuring, Mr Brocksom became entitled to his bonus for 2012 of 100% of base salary and the vesting of an earlier retention award equivalent to 250,000 shares*. Following the completion of the 2012 Restructuring and to assist the handover of responsibilities, Mr Brocksom continued to provide part-time assistance to the Company for the period up to 30 April 2013 under a consultancy agreement through a third party.

* Subsequently commuted to a £10,000 cash settlement.

Directors' Interests in Ordinary Shares*

The Directors' beneficial interests in Ordinary Shares of the Company and its subsidiaries at the end of the financial year were as set out below. None of the Directors had an interest in shares of the Company's subsidiaries during the year.

	Beneficial interest in ordinary shares at Dec 2013 **No. of shares**	Beneficial interest in ordinary shares at Dec 2012 No. of shares
Jonson Cox	**7,204,050**	196,945
Peter Hickson	**–**	–
Lisa Clement	**–**	–
Steven Underwood	**62,738**	31,369
Jeremy Hague	**250,000**	125,000

There have been no changes in Directors' interests in shares between the end of the year and 28 March 2014.

The market value of the Company's Ordinary Shares during the year ranged from 7.72 pence to 2.90 pence. The market value on 28 December 2013 was 6.0 pence.

External Appointments

The Remuneration Committee recognises the importance of allowing executive Directors to take non-executive Director roles elsewhere. Mr Cox's business interests include a non-executive directorship of Wincanton PLC for which he received (and retained) fees of £45,000 in 2013.

This report has been approved by the Board for submission to shareholders at the 2014 Annual General Meeting, and signed on behalf of the Board by Peter Hickson.

On behalf of the Board

Peter Hickson
Chairman
Remuneration Committee

28 March 2014

Report of the Audit Committee

As Chairman of the Company's Audit Committee (the "Committee"), I am pleased to present the Committee's report for the year ended 28 December 2013. Following changes to the Companies Act 2006 and the UK Corporate Governance Code (the "Code") this is the first time that a formal report to shareholders from the Committee has been required.

The Roles of the Committee

The principal roles of the Committee are to consider the appropriateness of the Group's accounting policies, to review the Group's half-year and annual financial statements before recommending them to the Board for approval and to oversee the external audit process.

Under the Code, the Committee is now required to report on the effectiveness of the external audit process and on any significant issues and areas of audit risk in respect of the Group's annual report and accounts that were identified in the course of the audit. The Committee is also required to advise the Board as to whether the Group's annual report, taken as a whole, is fair, balanced and understandable and provides shareholders with the information they need to assess the Group's business model, strategy and performance.

Composition and Meetings of the Committee

The Committee comprises Steven Underwood and me. The Board is satisfied that we have recent and relevant financial experience but recognise that Steven Underwood is not an independent non-executive Director. The Chairman, Finance Director and the external auditors are invited to attend meetings. The minutes of meetings of the Committee are circulated to all Directors. Going forward the Committee will meet at least twice a year to review the Group's accounting and financial reporting practices, the work of external auditors and compliance with policies, procedures and applicable legislation. The Committee also reviews the half year and annual financial statements before submission to the Board. During the period under review the Committee reviewed the scope, remit and effectiveness of internal audit provision and the effectiveness of the Group's internal control systems. It also reviewed "whistle-blowing" arrangements by which employees of the Group may, in confidence, raise concerns about possible financial or other improprieties. Following the restructure and the consequent reduction in the size and complexity of the Company's reporting and systems of control it has been agreed that there is currently no need for an internal audit or whistle-blowing arrangement within the Company. The terms of reference of the Committee are available to shareholders on request and are also available on the Company's website.

The External Auditors

The auditors throughout 2013 have been PricewaterhouseCoopers LLP, and costs are detailed below:

Audit services	2013 £000	2012 £000
Fees payable to the Company auditors for the audit of the Parent Company and the consolidated accounts	30	135
Additional 2012 audit fees	17	–
Fees payable to the Company auditors and its associates for other services:		
– The audit of the Company's subsidiaries pursuant to legislation	40	195
– Audit related assurance services	14	130
– All other assurance related services	78	47
– Tax advisory services	13	790
– Tax compliance services	17	80
– All other non-audit services	127	2,330
	336	3,707

The Board recognises the importance of safeguarding auditor objectivity and has taken the following steps to ensure that auditor independence is not compromised:

- The Committee reviews the audit appointment periodically;
- It is Group policy that the external auditors will not, as a general rule, provide consulting services to the Group. The external auditors provide audit-related services such as regulatory and statutory reporting as well as work relating to shareholder and other circulars. In 2013 this included work in relation to the Rights Issue;

- The external auditors may undertake due diligence reviews and provide assistance on tax matters given their knowledge of the Group's businesses. Such provision will, however, be assessed on a case by case basis so that the best placed adviser is retained. The Committee monitors the application of the policy in this regard and keeps the policy under review;
- The Committee reviews on a regular basis all fees paid for audit, and all other fees, with a view to assessing reasonableness of fees, value of delivery, and any independent issues that may have arisen or may potentially arise in the future; and
- The independent auditors' report to the Directors and the Committee confirming their independence in accordance with Auditing Standards.

Significant Issues Considered in Respect of the Annual Report and Accounts

- The carrying value of the Company's investment in Harworth Estates. The significant judgements and issues within the accounts of Harworth Estates for the year ended 28 December 2013 have been discussed. Two Directors of the Company sit on the board of Harworth Estates and receive regular and full updates on its operational and financial progress. This coupled with the comfort taken from the full external valuation of Harworth Estates property portfolio, which drives the value of the Company's investment, gives reassurance as to the carrying value of the investment. The Committee has also been made aware of the potential impacts of an insolvency event in the mining business which came out of the Mining Group July 2013 Restructuring. The mining business remains a debtor of Harworth Estates and leases a number of sites from Harworth Estates for its mining operations. As mentioned in the Chairman's Statement Harworth Estates has undertaken contingency planning to protect and mitigate against the potential impact of a further mining insolvency or closure. The Committee has been informed of the nature of provision and impairments that Harworth Estates have made for this event in their 2013 balance sheet and having discussed these with the two Directors of the Company who sit on the board of Harworth Estates are satisfied as to the nature and quantum of these. The Committee has also considered the impact of such an event on the financing of Harworth Estates and the availability of funding to it, and again assurance from the two Company Directors who sit on the board of Harworth Estates that this had been properly considered in arriving at Harworth Estates' going concern statement. Taking these factors into consideration the potential impact is correctly reflected in the carrying value of the Company's investment in Harworth Estates.
- Going concern basis. This is discussed in the Strategic Report.

Conclusions in Respect of Annual Report and Accounts

The production and external audit of the Group's annual report and financial statements involves a number of parties including, in addition to the external auditor, the Finance Director, Company Secretary, actuary and tax accountants. The Committee has reviewed the controls which are in place to ensure the completeness and accuracy of the Company's financial records. The Committee has also noted the reviews that are undertaken during this process by the various parties including the external auditor to ensure consistency and balance in the presentation of the annual report and financial statements.

As a result, the Committee has concluded that the annual report for the year ended 28 December 2013, when taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's business model, strategy and performance. The Committee has reported to the Board and the Board's conclusions are set out in the Statement of Directors' Responsibilities included in the Directors' Report which forms part of this annual report.

Re-appointment of the External Auditor

Having reviewed the services provided by the external auditor, including any non-audit work provided to the Company, the Committee is satisfied as to the independence of the external auditor. As such it recommends their re-appointment at the forthcoming Annual General Meeting. Details of non-audit fees paid to the external auditor are as set out in this report.

Lisa Clement
Chairman
Audit Committee

28 March 2014

Independent Auditors' Report to the Members of Coalfield Resources plc

Our Opinion

In our opinion:

- The financial statements, defined below, give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 28 December 2013 and of the Group's profit and of the Group's and Parent Company's cash flows for the year then ended;
- The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- The Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have Audited

The Consolidated and Parent Company financial statements (the "financial statements"), which are prepared by Coalfield Resources plc, comprise:

- the Group and Parent Company balance sheets as at 28 December 2013;
- the Group income statement and statement of comprehensive income for the year then ended;
- the Group and Parent Company statements of changes in equity and statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union and, as regards the Parent Company, as applied in accordance with the provisions of the Companies Act 2006.

Certain disclosures required by the financial reporting framework have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

What an Audit of Financial Statements Involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Overview of Our Audit Approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the Group financial statements as a whole to be £0.5 million, being approximately 1% of total assets less assets held for sale, which we believe is the most relevant measure of the Group's performance.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £25,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the Scope of Our Audit

The Group has a 24.9% investment in Harworth Estates Property Group Limited, a property business, and 100% interest in Harworth Insurance Company Limited, which is classified as 'held for sale' in the balance sheet. The remaining Group entities perform the head office function.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at each entity within the Group and within the group headed by

Harworth Estates Property Group Limited by us, as the group engagement team, or component auditors within PwC UK operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those entities to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

We determined that Harworth Estates Property Group Limited and Harworth Insurance Company Limited required an audit of their complete financial information, given their significance to the financial statements.

Areas of particular audit focus

In preparing the financial statements, the Directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on page 25.

Area of focus	How the scope of our audit addressed the area of focus
Valuation of Harworth Estates Property Group Limited We focused on this area because the carrying amount of the Group's associate investment, Harworth Estates Property Group Limited, which is a significant balance in the context of the Group balance sheet, is impacted both by the valuation of its underlying investment property portfolio, which is inherently volatile and subjective and the financial difficulties of a debtor of Harworth Estates Property Group Limited. There is also the related risk of impairment of the Parent Company's investment in its associate	We tested the valuations of the investment properties owned by Harworth Estates Property Group Limited by reading the property valuations obtained by the Directors and checking that the methodology used in those valuations and the assumptions on which they were based were consistent with our independently formed expectations. We also considered the impact of the financial difficulties of a debtor of the associate might have on the business and tested the basis on which the Directors concluded that the amount at which the investment in associate is recognised in the balance sheet is appropriate.
Risk of management override of internal controls ISAs (UK & Ireland) require that we consider this.	We assessed the overall control environment of the Group, including the arrangements for staff to "whistle-blow" inappropriate actions, and interviewed senior management. We examined the significant accounting estimates and judgements relevant to the financial statements for evidence of bias by the Directors that may represent a risk of material misstatement due to fraud. We also tested a selection of manual journal entries.
Going concern We focused on this area because, in the prior year, the Group had entered into negotiations but not secured sufficient funding to meet both its running costs and its liabilities falling due. Hence, in 2012 there was material uncertainty that may have cast significant doubt over the Group's and the Parent Company's ability to continue as a Going Concern. During 2013, the Group entered into a rights issue and secured further bank finance.	We evaluated the Directors' cash flow forecasts and projections for a period until June 2015. We evaluated the ability of Harworth Estates Property Group Limited to continue funding the Group. Our conclusion on Going Concern is stated on page 28.

Independent Auditors' Report to the Members of Coalfield Resources plc
continued

Going Concern

The Directors have voluntarily complied with Listing Rule 9.8.6(R)(3) of the Financial Conduct Authority and provided a statement in relation to going concern, set out on page 12, required for companies with a premium listing on the London Stock Exchange.

The Directors have requested that we review the statement on going concern as if the Parent Company were a premium listed company. We have nothing to report having performed our review.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to prepare the Group's and Parent Company's financial statements using the going concern basis of accounting. The going concern basis presumes that the Group and Parent Company have adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and the Parent Company's ability to continue as a going concern.

Opinions on Other Matters Prescribed by the Companies Act 2006

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Matters on which we are Required to Report by Exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' Remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

Corporate Governance Statement

The Directors have chosen to voluntarily comply with the UK Corporate Governance Code (the "*Code*") as if the Company were a premium listed company.

On page 14 of the Annual Report, as required by the Code Provision C.1.1, the Directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy. On page 25, as required by C.3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the Directors is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

Other Information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Parent Company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Matters on which we have Agreed to Report by Exception

Directors' remuneration

The Parent Company voluntarily provides the disclosures relating to Directors' remuneration required by the Listing Rules of the Financial Conduct Authority as if it were a premium listed company and the Directors have requested that we review the elements of the report to shareholders by the Board on Directors' remuneration specified for auditor review by the Listing Rules. We have nothing to report having performed our review.

Corporate governance statement

The Parent Company prepares a corporate governance statement in accordance with the Disclosure Rules and Transparency Rules of the Financial Conduct Authority and has chosen voluntarily to comply with the UK Corporate Governance Code. The Directors have requested that we review the parts of the Corporate Governance Statement relating to the Parent Company's compliance with the nine provisions of the UK Corporate Governance Code specified for auditor review by the Listing Rules of the Financial Conduct Authority as if the Parent Company were a premium listed company. We have nothing to report having performed our review.

Responsibilities for the Financial Statements and the Audit

Our Responsibilities and those of the Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 14, the Directors are responsible for the preparation of the Group and Parent Company financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Group and Parent Company financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Ian Marsden (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Leeds

28 March 2014

Consolidated Income Statement
for the year ended 28 December 2013

Continuing operations	Note	Year ended 28 December 2013 £000	Year ended 29 December 2012 £000
Revenue		**1,535**	8
Cost of sales		**–**	–
Gross profit		**1,535**	8
Other operating income and expenses			
Excluding exceptional items	4	**(1,782)**	108
Exceptional item:			
Recognition of Blenkinsopp pension asset	12	**683**	–
Other operating income and expenses after exceptional item		**(1,099)**	108
Operating profit	3	**436**	116
Finance costs	6	**(252)**	(465)
Share of profit of associate	15	**3,148**	–
Profit/(loss) before tax		**3,332**	(349)
Tax credit	8	**–**	10
Profit/(loss) for the year from continuing operations		**3,332**	(339)
Discontinued operations			
Loss for the year from discontinued operations (attributable to the owners of the Parent)	2	**(1,589)**	(5,986)
Profit/(loss) for the financial year		**1,743**	(6,325)

Profit/(loss) per share from continuing and discontinued operations attributable to owners of the Parent during the year		pence	pence
Basic and diluted earnings/(loss) per share			
From continuing operations	11	**0.6**	(0.1)
From discontinued operations	11	**(0.3)**	(1.2)
Basic and diluted earnings/(loss) per share	11	**0.3**	(1.3)

The notes on pages 35 to 61 are an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income
for the year ended 28 December 2013

	Note	Year ended 28 December 2013 £000	Year ended 29 December 2012 £000
Profit/(loss) for the financial year from continuing operations		**3,332**	(339)
Other comprehensive income – items that will not be reclassified to profit or loss:			
Remeasurements of post-retirement benefits	25	**(104)**	(290)
Total other comprehensive loss (continuing operations)		**(104)**	(290)
Total comprehensive income/(loss) for the financial year (continuing operations)		**3,228**	(629)
Loss for the year from discontinued operations		**(1,589)**	(5,986)
Other comprehensive income – items that will not be reclassified to profit or loss:			
Remeasurements on industry wide pension schemes		–	(79,175)
Remeasurements on concessionary fuel reserve		–	(5,803)
Movement on deferred tax asset relating to retirement benefit obligations	8	–	(8,125)
Revaluation of property transferred from operating to investment properties	14	–	100
Total other comprehensive loss (discontinued operations)		–	(93,003)
Total comprehensive loss for the financial year (discontinued operations)		**(1,589)**	(98,989)
Total comprehensive income/(loss) for the financial year		**1,639**	(99,618)

The notes on pages 35 to 61 are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

	Note	Ordinary shares £000	Share premium account £000	Other reserves £000	Retained earnings £000	Total equity £000
Balance at January 2012		**2,993**	**30,756**	**192,537**	**(80,283)**	**146,003**
Loss for the financial year to December 2012		–	–	–	(6,325)	(6,325)
Other comprehensive income:						
Remeasurement of post-retirement benefits	25	–	–	–	(85,268)	(85,268)
Fair value profit on revaluation of investment properties	14	–	–	16,188	(16,188)	–
Property revaluation on transfer to investment properties	14	–	–	100	–	100
Movement on deferred tax asset in relation to retirement benefit obligations	8	–	–	–	(8,125)	(8,125)
Transfer of realised gain on disposed properties	29	–	–	(208,568)	208,568	–
Total comprehensive loss for the period ended December 2012		–	–	(192,280)	92,662	(99,618)
Transactions with owners:						
Accrual for long term incentive plan liabilities	26	–	–	–	1,544	1,544
		–	–	–	1,544	1,544
Balance at December 2012		**2,993**	**30,756**	**257**	**13,923**	**47,929**
Profit for the financial year to December 2013		–	–	–	1,743	1,743
Other comprehensive income:						
Remeasurement of post-retirement benefits	25	–	–	–	(104)	(104)
Total comprehensive profit for the period ended December 2013		–	–	–	1,639	1,639
Transactions with owners:						
Shares issued in Rights Issue	26	2,993	2,993	–	–	5,986
Costs relating to Rights Issue	26	–	(838)	–	–	(838)
Shares issued under LTIP	26	69	–	–	(69)	–
Accrual for long term incentive plan liabilities	26	–	–	–	480	480
		3,062	2,155	–	411	5,628
Balance at December 2013		**6,055**	**32,911**	**257**	**15,973**	**55,196**

Company Statement of Changes in Equity

	Note	Ordinary shares £000	Share premium account £000	Other reserves £000	Retained earnings £000	Total equity £000
Balance at January 2012		**2,993**	**30,756**	**257**	**313,645**	**347,651**
Loss for the financial year		–	–	–	(302,437)	(302,437)
Other comprehensive income:						
Remeasurements of post-retirement benefits	25	–	–	–	(290)	(290)
Transactions with owners:						
Accrual for long term incentive plan liabilities	26	–	–	–	1,544	1,544
Balance at December 2012		**2,993**	**30,756**	**257**	**12,462**	**46,468**
Profit for the financial year		–	–	–	1,747	1,747
Other comprehensive income:						
Remeasurements of post-retirement benefits	25	–	–	–	(104)	(104)
Transactions with owners:						
Shares issued in Rights Issue	26	2,993	2,993	–	–	5,986
Costs relating to Rights Issue	26	–	(838)	–	–	(838)
Shares issued under LTIP	26	69	–	–	(69)	–
Accrual for long term incentive plan liabilities	26	–	–	–	480	480
Balance at December 2013		**6,055**	**32,911**	**257**	**14,516**	**53,739**

Balance Sheets
at 28 December 2013

	Note	**Group As at 28 December 2013 £000**	Group As at 29 December 2012 £000	**Company As at 28 December 2013 £000**	Company As at 29 December 2012 £000
ASSETS					
Non-current assets					
Blenkinsopp pension asset	12	**683**	–	**683**	–
Investment in subsidiaries	15	**–**	–	**3,374**	3,374
Investment in associates	15	**53,436**	50,288	**53,436**	50,288
		54,119	50,288	**57,493**	53,662
Current assets					
Trade and other receivables	17	**682**	3,903	**550**	3,903
Cash and cash equivalents	19	**1,428**	51	**1,428**	51
Assets classified as held for sale	18	**21,702**	21,303	**–**	–
		23,812	25,257	**1,978**	3,954
Total assets		**77,931**	75,545	**59,471**	57,616
LIABILITIES					
Current liabilities					
Trade and other payables	21	**(5,000)**	(9,697)	**(5,049)**	(9,882)
Provisions	22	**–**	(546)	**–**	(546)
Liabilities classified as held for sale	18	**(17,052)**	(16,653)	**–**	–
		(22,052)	(26,896)	**(5,049)**	(10,428)
Net current assets/(liabilities)		**1,760**	(1,639)	**(3,071)**	(6,474)
Non-current liabilities					
Retirement benefit obligations	25	**(683)**	(720)	**(683)**	(720)
		(683)	(720)	**(683)**	(720)
Total liabilities		**(22,735)**	(27,616)	**(5,732)**	(11,148)
Net assets		**55,196**	47,929	**53,739**	46,468
SHAREHOLDERS' EQUITY					
Capital and reserves					
Called up share capital	26	**6,055**	2,993	**6,055**	2,993
Share premium	28	**32,911**	30,756	**32,911**	30,756
Revaluation reserve	29	**–**	–	**–**	–
Capital redemption reserve	29	**257**	257	**257**	257
Fair value reserve	29	**–**	–	**–**	–
Retained earnings	27	**15,973**	13,923	**14,516**	12,462
Total shareholders' equity		**55,196**	47,929	**53,739**	46,468

The financial statements on pages 30 to 61 were approved by the Board of Directors on 28 March 2014 and were signed on its behalf by:

J Cox
Chairman

J Hague
Finance Director

Company Registered Number 2649340

Statements of Cash Flows

for the year ended 28 December 2013

	Note	**Group Year ended 28 December 2013 £000**	Group Year ended 29 December 2012 £000	**Company Year ended 28 December 2013 £000**	Company Year ended 29 December 2012 £000
Cash flows from operating activities					
Profit/(loss) for the financial year		**1,743**	(6,325)	**1,747**	(302,438)
Depreciation/impairment of property, plant and equipment	13	**–**	119,556	**–**	–
Amortisation of surface mine development and restoration assets	13	**–**	15,818	**–**	–
Net fair value increase in investment properties	14	**–**	(16,188)	**–**	–
Net interest payable and unwinding of discount on provisions		**252**	17,165	**248**	465
Net charge for share-based remuneration		**480**	1,544	**480**	1,544
Share of post-tax profit from associate		**(3,148)**	–	**(3,148)**	–
Share of post-tax loss from joint ventures		**–**	900	**–**	–
Dividend income from subsidiary undertakings		**–**	–	**–**	(90,814)
(Loss)/profit on disposal of businesses		**–**	(143,095)	**–**	3,920
Losses arising on Restructuring		**–**	–	**–**	78,636
Profit on disposal of investment properties		**–**	428	**–**	–
Impairment of investment		**–**	–	**–**	8,757
Impairment of investment in subsidiary undertaking		**–**	–	**–**	296,936
Loss on disposal of operating property, plant and equipment		**–**	(2,051)	**–**	–
(Decrease)/increase in provisions		**(546)**	19,522	**(546)**	546
Recognition of Blenkinsopp pension asset		**(683)**	–	**(683)**	–
Pension contributions (in excess of)/below charge		**(141)**	2,819	**(141)**	(162)
Tax charge	8	**–**	22,281	**–**	–
Operating cash (outflows)/ inflows before movements in working capital		**(2,043)**	32,374	**(2,043)**	(2,610)
Decrease in inventories		**–**	3,630	**–**	–
Decrease/(increase) in receivables		**3,221**	(10,472)	**3,357**	(14,619)
(Decrease)/increase in payables		**(4,697)**	24,178	**(4,833)**	16,826
Cash (used in)/generated from operations		**(3,519)**	49,710	**(3,519)**	(403)
Loan arrangement fees paid		**(193)**	(2,019)	**(193)**	–
Interest paid		**(65)**	(11,950)	**(65)**	(465)
Cash (used in)/generated from operating activities		**(3,777)**	35,741	**(3,777)**	(868)
Cash flows from investing activities					
Interest received		**6**	369	**6**	–
Net receipt from insurance and subsidence security funds		**–**	23,589	**–**	–
Dividends received from subsidiary undertakings		**–**	–	**–**	11,102
Proceeds on disposal of businesses		**–**	20,000	**–**	–
Cash and cash equivalents transferred on disposal of business		**–**	(19,898)	**–**	–
Cash and cash equivalents transferred to assets classified as held for sale		**–**	(14,973)	**–**	–
Fees payable on restructure of business		**–**	(15,215)	**–**	–
Proceeds on disposal of investment properties		**–**	21,496	**–**	–
Proceeds on disposal of operating property, plant and equipment		**–**	3,498	**–**	–
Acquisition of investment		**–**	–	**–**	(7,263)
Loan made to subsidiary undertakings		**–**	–	**–**	(3,339)
Development costs of investment properties		**–**	(5,263)	**–**	–
Pre-coaling expenditure for surface mines and deferred stripping costs		**–**	(22,961)	**–**	–
Purchase of operating property, plant and equipment		**–**	(19,816)	**–**	–
Cash generated from/(used in) investing activities		**6**	(29,174)	**6**	500
Cash flows from financing activities					
Net proceeds from issue of ordinary shares		**5,148**	–	**5,148**	–
Net proceeds from/(repayment) of bank loans	20	**–**	28,541	**–**	–
Net repayment of generator loans and prepayments		**–**	(33,508)	**–**	–
Repayments of obligations under hire purchase and finance leases		**–**	(3,238)	**–**	–
Cash generated from/(used in) financing activities		**5,148**	(8,205)	**5,148**	–
Increase/(decrease) in cash		**1,377**	(1,638)	**1,377**	(368)
At January					
Cash		**51**	1,689	**51**	419
Cash equivalents		**–**	23,589	**–**	–
		51	25,278	**51**	419
Decrease in cash equivalents (net receipt from insurance and subsidence security funds)		**–**	(23,589)	**–**	–
Increase/(decrease) in cash		**1,377**	(1,638)	**1,377**	(368)
		1,428	51	**1,428**	51
At December					
Cash		**1,428**	51	**1,428**	51
Cash equivalents		**–**	–	**–**	–
Cash and cash equivalents	19	**1,428**	51	**1,428**	51

Notes to the Financial Statements
for the year ended 28 December 2013

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.

Basis of Preparation

These consolidated financial statements have been prepared in accordance with European Union ("EU") Endorsed International Financial Reporting Standards ("IFRSs"), IFRIC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

Trading Financial Statements within the Group are made up to the last Saturday in December each year. For 2013, trading is shown for the year ended on 28 December 2013 (2012: year ended 29 December 2012).

Where a major line of business has been disposed of, or has been classified as held-for-sale, the business activity has been treated as a discontinued operation. Further to the sale of the Group's power generation business in October 2012 and the Group restructure that occurred in December 2012, the Group's mining, property, power generation and insurance businesses were treated as discontinued operations. The post-tax profit or loss of discontinued operations, together with the post-tax gain or loss on disposal of discontinued operations, are presented as a single line on the Consolidated Income Statement.

General Information

The Company is a public limited company, which is listed on the London Stock Exchange and incorporated and domiciled in the UK. The address of its registered office is: Coalfield Resources plc, Sheffield Business Centre, Europa Link, Sheffield, S9 1XZ.

Going Concern

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 to income streams and costs required to fulfil its objectives. The resulting cash flows are then compared to cash resources and available funding; both committed funding and funding which the Board reasonably expects to be available to the Group in a timeframe such that it meets any shortfall in the expected cash flows.

The key factors that have been considered in this regard relate to the funding of the on-going running costs of the Group:

- Revenue is predominately generated under the Shareholders' Agreement with the Pension Trustees and Harworth Estates which provides for the running costs of the Group to be met by Harworth Estates by way of indemnity until 31 December 2014, and also for Harworth Estates to indemnify the Group for the employment costs of its executive team up to certain capped amounts for an open ended period.

- For the calendar years 2015 and 2016, the Shareholders' Agreement provides that the Group may request loans from Harworth Estates to fund the Group's running costs. If such loans are advanced, dividends payable by Harworth Estates to the Group equal to an amount of such loans shall be directed to the Pension Trustees so such cash will not be received by the Group. The employment costs of the Group's executive team will continue to be met under the agreement with Harworth Estates.

- The Company shows a net current liability of £3,071,000 (2012: £6,474,000) at 28 December 2013. Included in trade and other payables is an amount of £4,650,000 representing deferred income on an option to sell Harworth Insurance Company Limited, as disclosed in note 18. This is a non cash item. For the reasons stated above the Board reasonably expects funds to be available to the Company in a timeframe such that it meets any shortfall in expected cash flows.

Changes in Accounting Policy and Disclosures

(a) New and amended standards adopted by the Group and Company

The following new standards and amendments to standards and interpretations are effective for the first time for the financial year beginning on or after 1 January 2013:

- Amendment to IAS 1, "Financial statement presentation" regarding other comprehensive income. The main change resulting from this amendment is a requirement for entities to group items presented in "other comprehensive income" (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The impact of its adoption is not considered to be significant.
- IFRS 13, "Fair value measurement", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The impact of its adoption is not considered to be significant.
- IAS 19, "Employee benefits", was amended in June 2011. The impact on the Group will be as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The impact of its adoption is not considered to be significant.

Notes to the Financial Statements

for the year ended 28 December 2013: continued

1. ACCOUNTING POLICIES: continued

Changes in Accounting Policy and Disclosures: continued

(a) New and amended standards adopted by the Group and Company: continued

- Amendment to IAS 12, "Income taxes". Currently IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, "Income taxes: recovery of revalued non-depreciable assets", would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn. The impact of its adoption is not considered to be significant.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2016, subject to endorsement by the EU. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.
- IFRS 10, "Consolidated financial statements", builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the Parent Company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2014.
- IFRS 11, "Joint arrangements", is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint venturer has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group is yet to assess IFRS 11's full impact and intends to adopt IFRS 11 no later than the accounting period beginning on or after 1 January 2014.
- IFRS 12, "Disclosures of interests in other entities", includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2014.

Accounting Policies

Accounting policies that are applicable are shown below:

Consolidation

The consolidated financial statements incorporate the financial statements of Coalfield Resources plc ("the Company") and its subsidiaries, together "the Group".

Subsidiaries are entities over which the Group has power to govern the financial and operating policies. Control is presumed to exist where the Group owns more than half of the voting rights, unless in exceptional circumstances where it can be demonstrated that ownership does not constitute control. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Parent and its subsidiaries, after eliminating intercompany balances and transactions. The results of subsidiaries sold or acquired are included in the consolidated income statement up to, or from, the date control passes.

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

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

1. ACCOUNTING POLICIES: continued

Accounting Policies: continued

Consolidation: continued

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 periods, 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.

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Associates are those entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 per cent and 50 per cent of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is originally measured at cost, and the carrying amount is increased or decreased to recognise the investors' share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

Where the Group holds more than 20 per cent of the voting power of an entity, but the Directors can demonstrate that the Group does not have significant influence over that entity, the investment is classified as available for sale.

Where the Directors have agreed to the sale of a business prior to the balance sheet date, but the completion date for the transaction is after the balance sheet date, the assets and liabilities of that business are presented as held for sale.

Investments

Investments held by the Company in subsidiary undertakings are carried at cost less impairments to write them down to their recoverable amount. An impairment to the carrying value of investments is made if there is an indication at the balance sheet date that the carrying value is not recoverable.

Revenue

Revenue from continuing operations arises from management services invoiced at the end of each month the service is provided to related parties.

Borrowing Costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Trade Receivables

Trade receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method, less provisions for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group or Company will not be able to collect all amounts due. Indicators of impairment would include financial difficulties of the customer, likelihood of the customer's insolvency, default in payment or a significant deterioration in credit worthiness. Any impairment is recognised in the consolidated income statement within "other operating income and expenses". When a trade receivable is uncollectible, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against "other operating income and expenses" in the consolidated income statement.

Trade Payables

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

Cash and Cash Equivalents

In the preparation of the Group's and Company's cash flow statements, cash and cash equivalents represent short term liquid investments which are readily realisable. Cash which is subject to restrictions, being held to match certain liabilities, is included in cash and cash equivalents in the consolidated balance sheet.

Employee Benefits

Pension obligations

The Group contributes to defined contribution schemes for its current employees. The cost of this is charged to the consolidated income statement as incurred.

Following completion of the 2012 Restructuring, the Company continues to have certain residual liabilities in respect of the Blenkinsopp Section of the Industry Wide Mineworkers' Pension Scheme (which has an IAS 19 (revised) deficit of £683,000 at 28 December 2013) and which is indemnified by UK Coal Production Limited and is also guaranteed up to a cap of £3,100,000 by Harworth Estates Mines Property Limited. In addition the Group retains capped charges over certain operating deep mines land against this liability which are limited to an aggregate limit of £3,100,000.

Notes to the Financial Statements
for the year ended 28 December 2013: continued

1. ACCOUNTING POLICIES: continued

Employee Benefits: continued

Pension obligations: continued

The assets of the Scheme are held separately from those of the Group, being funds administered by Trustees of the Scheme. A qualified actuary assesses the cost of current service and revalues the scheme annually under the provisions of IAS 19 (revised) using the Projected Unit Credit Method. A full valuation for funding purposes is carried out by the Scheme's actuaries triennially. The Group accounts for pensions and similar benefits under IAS 19 (revised) "Employee benefits". In respect of defined benefit plans, obligations are measured at discounted present value and plan assets are recorded at fair value. Certain additional benefits may become payable dependent upon the funding levels of the Scheme being at "sustainable levels". These liabilities are only provided if it is reasonably certain that the Scheme's funding, investment policy and growth assumptions mean that it is likely that the Scheme Actuary will be in a position, at a future date, to certify that the Scheme is at a "sustainable" level of funding. Service costs are charged systematically over the service lives of employees and financing costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised in the Consolidated Statement of Comprehensive Income.

Due to the likelihood that the Blenkinsopp pension liability will be reimbursed by a third party a non-current asset is recognised in the consolidated balance sheet equal to the IAS 19 (revised) liability and any change in value of this asset is taken to the consolidated income statement.

Share-based payments

The fair value of share plans is recognised as an expense in the consolidated income statement over the expected vesting period of the grant. The fair value of share plans is determined at the date of grant taking into account any market based vesting conditions attached to the award. Non-market based vesting conditions (e.g. earnings per share targets) are taken into account in estimating the number of awards likely to vest. The estimate of the number of awards likely to vest is reviewed regularly and the expense charged adjusted accordingly. The fair value of employee share option plans is calculated using a generally accepted simulation model.

The proceeds received net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium (any increment) when the options are exercised.

Tax

Current tax

The charge or credit for current tax is based on the results for the year adjusted for items that are either not subject to taxation or for expenditure which cannot be deducted in computing the tax charge or credit. The tax charge or credit is calculated using taxation rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax

Deferred tax is recognised using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax is recognised in respect of all taxable temporary timing differences, with certain limited exceptions:

- deferred tax is not provided on the initial recognition of an asset or liability in a transaction that does not affect accounting profit or taxable profit and is not a business combination; and
- deferred tax assets are only recognised if it is probable that there will be sufficient profits from which the future reversal of the underlying timing differences can be deducted. In deciding whether future reversal is probable, the Directors review the Group's forecasts and make an estimate of the aggregate deferred tax asset that should be recognised. This aggregate deferred tax asset is then allocated into the different categories of deferred tax.

Deferred tax is calculated at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the consolidated income statement, except where it applies to items credited or charged to equity, in which case the deferred tax is also dealt with in equity.

Share Capital

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

Dividend Distribution

Dividend distribution to the Company's shareholders is recognised in the financial statements in the year in which the dividends are paid (in the case of interim dividends) or approved by the Company's shareholders (in the case of final dividends).

Segment Reporting

The Group has only one operating activity, that of an investment holding company, and consequently no segmental analysis has been presented in respect of the Group's continuing operations.

1. ACCOUNTING POLICIES: continued

Exceptional Items

Items that are both material and non-recurring and whose significance is sufficient to warrant separate disclosure and identification within the consolidated financial statements are referred to as exceptional items and disclosed within their relevant income statement category. Exceptional items relating to restructuring and discontinued operations are shown within note 2, "Restructuring and Discontinued Operations". Items that may give rise to classification as exceptional items include, but are not limited to, significant and material restructuring closures and reorganisation programmes, asset impairments, and profits or losses on the disposal of businesses.

Exceptional items are divided into non-trading and trading exceptional items, depending upon the impact of the event giving rise to the cost or income on the ongoing trading operations and the nature of the costs or income involved. Non-trading exceptional items include costs and income arising from closure, rationalisation and business disposals.

Profit or Loss on Disposal

Where a major line of business or subsidiary undertaking is sold, profit or loss on disposal is calculated by deducting the net carrying value of assets disposed of from the net proceeds (being the purchase consideration less costs of disposal), and is recognised in the income statement within profit or loss from discontinued operations.

Financial Instruments and Derivatives

The Group recognises financial instruments when it becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual right to receive the cash flows expire or it has transferred the financial asset and the economic benefit of the cash flows. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Financial instruments are used to support the Group's operations. Interest is charged to the consolidated income statement as incurred or earned. Issue costs for instruments subsequently recorded at amortised cost are netted against the fair value of the related debt instruments on initial recognition and are charged to the consolidated income statement over the term of the relevant facility.

Financial instruments are recorded initially at fair value. Subsequent measurement depends on the designation of the instrument, as follows:

a) Financial assets/liabilities held for short term gain, including derivatives other than hedging instruments, are measured at fair value and movements in fair value are credited/charged to the consolidated income statement in the period.

b) Loans and receivables/payables and non-derivative financial assets/liabilities with fixed or determinable payments that are not quoted in an active market, are measured at amortised cost. These are included in current assets/liabilities except for instruments that mature after more than 12 months which are included in non-current assets/liabilities.

The Group holds derivative financial instruments ("derivatives") to manage exposure to fluctuations in interest rates. Derivatives are designated as hedges, when applicable, and treated as such from the inception of the relevant contracts. Amounts payable or receivable in respect of interest rate swap agreements are recognised as adjustments to the interest expense over the period of the contracts.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity, and the ineffective portion is recognised immediately in the income statement as a finance cost. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in recognition of an asset or a liability, amounts deferred in equity are recognised in the consolidated income statement in the same period in which the hedged item affects net profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the consolidated income statement in the period.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised immediately in the consolidated income statement as a finance cost.

Provisions

Redundancy

Provision is made for the estimated present value of redundancy costs when there is a demonstrable commitment to terminate the employment of either an employee or group of employees. The expected amounts of redundancy payments, including any amounts in respect of ex gratia payments, are provided where the employment terminations have been communicated to employees. These costs are charged to the consolidated income statement. Movements in the provisions are presented as an operating cost.

Notes to the Financial Statements

for the year ended 28 December 2013: continued

1. ACCOUNTING POLICIES: continued

Judgements in Applying Accounting Policies and Key Sources of Estimation Uncertainty

Many of the amounts included in the financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimation is contained in the accounting policies and/or the notes to the financial statements, and the key areas summarised below.

Areas of judgement and sources of estimation uncertainty that have the most significant effect on the amounts recognised in the financial statements are:

Carrying value of investment in Harworth Estates Property Group Limited (the Property business) as an associate

The Group accounts for its 24.9 per cent investment in Harworth Estates Property Group Limited as an associate and values its investment based on its share of net assets, subject to a reduction in the carrying value of £5,000,000 to reflect the fact that the first £5,000,000 of shareholders' dividend income, which would otherwise be due to the Group, will be paid to the Pension Schemes. The carrying value of the investment in Harworth Estates Property Group Limited is linked to the underlying value of the property assets within that company, and so any reduction in property values will lead to a fall in the carrying value of the investment in the Group's financial statements.

Classification of investments in Harworth Estates Property Group Limited

The Group has used its judgement in classifying its investment in Harworth Estates Property Group Limited as an associate. Further details are given in note 15 (Investments).

Estimation of post-retirement benefit obligations

Retirement benefits represent obligations that will be settled in the future and require assumptions to project benefit obligations and fair values of plan assets. Retirement benefit accounting is intended to reflect the recognition of future benefit costs over the employee's approximate service period, based on the terms of the plans and the investment and funding decisions made by the Group. These are subject to actuarial estimates of, amongst other items, rate of return on investments, rate of price inflation, the cost of funding future liabilities and post-retirement life expectancy. Details of the significant estimates used are set out in note 25.

Recognition of the Blenkinsopp Pension asset

Following the 2012 Restructuring the Group's only defined benefit pension liability was for the Blenkinsopp Section of the Industry-Wide Mineworkers Pension Scheme (the Blenkinsopp scheme). Indemnities and guarantees in favour of the Group with third parties, agreed at that time and subsequently, result in the likelihood that the pension obligations falling under the Blenkinsopp scheme will be met by those third parties. The Group has therefore recognised a pension asset equal to the pension obligation. Further details are set out in note 12.

2. RESTRUCTURING AND DISCONTINUED OPERATIONS

a) Restructuring of the Company's Business ("2012 Restructuring")

Summary

On 10 December 2012 the Company announced that it had restructured into two separate businesses comprising the Mining Division (under a newly incorporated company UK Coal Mine Holdings Limited, now called Ocanti No1 Limited – In Administration, ("UKCMHL")) and the Property Division (under a newly incorporated company Harworth Estates Property Group Limited ("Harworth Estates")). Control of the Mining Division passed to a newly established Employee Benefit Trust ("EBT") which held shares representing 67 per cent of the voting, and 10 per cent of the economic rights in UKCMHL for the benefit of current and future employees of the Mining Division. The Company retained 90 per cent of the economic, and 33 per cent of the voting, rights in Mine Holdings, but the Company's and EBT's shareholding both ranked behind the debt to the UK Coal Mining Limited ("UKCML") section of each of the Industry-Wide Coal Staff Superannuation Scheme and the Industry-Wide Mineworkers' Pension Scheme ("Pension Funds").

The Company owned 24.9 per cent of Harworth Estates, with 75.1 per cent having passed to the Pension Funds in return for a £30,000,000 cash contribution by the Pension Funds into Harworth Estates and their agreement to defer deficit contributions for 2012 and 2013 representing approximately £40,000,000 of support to the Mining Division.

Separation of the Company's Business

The Company's pension funding deficit was isolated as a liability of the Mining Division and ring-fenced from the Property Division's assets and liabilities. Save for finance lease debt of approximately £7,000,000, a £10,000,000 loan that was provided by Harworth Estates to provide the Mining Division with additional working capital headroom (to be secured by second ranking security over certain freehold deep mines) and security granted over a cash account in respect of the property and cash backed bonding facility, the Mining Division was left free of bank debt and bank security and with an amended pension deficit repayment schedule. This was expected to create a more stable platform, more likely to release the value in the Mining Division.

As part of the 2012 Restructuring, the Pension Trustees no longer had a claim on the assets of the Property Division and lost the benefit of statutory Parent Company guarantees from the Company, UK Coal Holdings Limited, Harworth Group Limited and Harworth Power Limited. Following the 2012 Restructuring, the UK Coal Operations Limited, now called Ocanti Opco Limited – In Liquidation, ("UKCOL") section of each of the Industry-Wide Coal Staff Superannuation Scheme and the Industry-Wide Mineworkers' Pension Scheme ("Mining" Sections) had the benefit of a statutory parent company guarantee only from companies in the Mining Division.

2. RESTRUCTURING AND DISCONTINUED OPERATIONS: continued

a) Restructuring of the Company's Business ("2012 Restructuring"): continued

Property Division

As part of the plan to address the pension deficit, the Pension Trustees received a direct stake of 75.1 per cent in the Property Division (through a shareholding in Harworth Estates) in consideration for a £30,000,000 cash contribution and agreement to defer deficit contributions for 2012 and 2013 representing approximately £40,000,000 of support to the Mining Division.

The cash contribution was intended to ensure that the property operations had adequate funding to enable the release of the latent undeveloped value in the property portfolio. The Company is entitled to the benefit of the remaining 24.9 per cent. This stake no longer guarantees the pension liability. In addition, the first £5,000,000 of shareholders' dividend income which would otherwise be due to the Company will be paid to the Pension Trustees.

Mining Division

The legal structure necessary to facilitate the ring-fencing of the Company's pension deficit from the Property Division required that the Company retained less than one third of the voting power at any general shareholders meeting of the holding company of the Mining Division, UKCMHL. Consequently 67 per cent of the voting rights in UKCMHL and 10 per cent of its economic rights were transferred to the EBT for nominal consideration. The remaining 33 per cent of the voting rights in UKCMHL and 90 per cent of its economic rights were held by the Company until the Mining Group July 2013 Restructuring (see d).

Pension Scheme Changes

The Company operated several different pension schemes. The two main schemes are Pension Funds. The 2012 Restructuring had a significant impact on the Pension Funds by amending the Mining Division's statutory funding plans so that only the Mining Division is liable to fund the Company's defined benefit pension liabilities.

The pension aspects of the 2012 Restructuring involved a "bulk transfer", on a without consent basis, of all of the assets and liabilities of the Pension Funds (including deferred and pensioner liabilities) to the Mining Sections. The principal employer (and only participating employer) in the Mining Sections was UKCOL. UKCML's liability in respect of the Pension Funds was reduced to zero as a result of this "bulk transfer", which, as a consequence, also reduced the Company's liability in respect of its guarantee relating to the Pension Funds to zero.

The Mining Division remained liable to the Company in respect of the Blenkinsopp Section of the Industry-Wide Mineworkers' Pension Scheme (secured over certain deep mine sites owned by UKCOL).

The Company

Following completion of the 2012 Restructuring, the Company continued to have certain residual liabilities in respect of the Mining Division. These included the Blenkinsopp Section (which had an IAS 19 deficit of £720,000 at 28 December 2012 and which is secured by first ranking security over certain deep mine sites owned by UKCOL), certain guarantees in respect of liabilities in certain mining leases of approximately £4,000,000 at completion of the 2012 Restructuring (which fell away during 2013) and costs and expenses incurred prior to the 2012 Restructuring.

Treatment of Mining and Property Activities in the Financial Statements

In accounting for the 2012 Restructuring, the transfer of the Mining and Property activities of the Group to UKCMHL and Harworth Estates was treated as a disposal. The subsequent acquisition of 24.9 per cent of Harworth Estates by the Company was accounted for as an acquisition of an associated undertaking, and of the Company's interest in UKCMHL as an available for sale investment for the reasons outlined in note 15.

b) Disposal of Harworth Power (Generation) Limited

On 1 October 2012 the Company announced that its wholly owned subsidiary, Harworth Power Limited, had completed the disposal of its subsidiary undertaking Harworth Power (Generation) Limited ("HPGL") to Red Rose Infrastructure Limited for aggregate consideration of £20,000,000. The Group realised a £13,200,000 profit on disposal after deduction of fees.

c) Harworth Insurance Company Limited

On 7 December 2012 the Company granted a put and call option to UKCMHL to acquire the entire issued share capital of Harworth Insurance Company Limited, and UKCMHL granted the Company a put option to require UKCMHL to acquire Harworth Insurance Company Limited. The consideration for the call option was £4,650,000. Exercise of the call option is conditional on obtaining Prudential Regulatory Authority (PRA) and Financial Conduct Authority (FCA) consent or the parties agreeing that such consent is no longer legally required. Since the call option has not been exercised at the year end, the assets and liabilities relating to Harworth Insurance Company Limited have been presented as held for sale. At December 2013 the conditions to complete the option have not been met. It is highly probable that the conditions will be fulfilled during 2014.

d) Mining Group July 2013 Restructuring

The fire at Daw Mill colliery in February 2013 which led to its subsequent closure resulted in the mining business being unable to fully honour its agreements with the Company with regard to funding on-going running costs and paying the 2012 Restructuring fees which arose from the 2012 Restructuring completed on 10 December 2012 and which is further described in note 2.

This consequently led to a number of changes to the 2012 Restructuring agreements and further finance being sought by the Company as described on page 42.

Notes to the Financial Statements
for the year ended 28 December 2013: continued

2. RESTRUCTURING AND DISCONTINUED OPERATIONS: continued

d) Mining Group July 2013 Restructuring: continued

Whilst the anticipated 2012 Restructuring fees had been provided in the results to 29 December 2012 there remained at May 2013 approximately £3,600,000 of 2012 Restructuring fees to be paid, which together with potential liabilities of approximately £900,000 should the mining business fail to pay these liabilities led the Company to seek a bank facility.

The new facility was agreed with Lloyds Bank on 31 May 2013 for £5,000,000. The facility allowed the Company to pay 2012 Restructuring fees up to £3,600,000, pay, if required, the £900,000 of potential liabilities and pay the fees and interest relating to the facility.

The bank facility was agreed with Lloyds Bank on the understanding that the Company would repay the facility by raising funds from an equity fundraising. A Rights Issue announced on 7 August 2013 to raise approximately a net £5,000,000 was approved by shareholders on 27 August 2013. The facility was repaid in September 2013.

On 9 July 2013 UKCMHL and UKCOL went into administration and UKCOL subsequently creditors voluntary liquidation ("Mining Group July 2013 Restructuring"). The Company has written off its £1 investment in the mining business and the balance outstanding from UKCMHL and UKCOL of £1,017,000 relating to on-going and 2012 Restructuring costs which had been invoiced to them but not settled. To be consistent with the accounting treatment in 2012 the £1,017,000 write off has been charged to discontinued operations (note 2).

The deed of indemnity in respect of the Blenkinsopp pension scheme was novated from UKCOL to UK Coal Production Limited, a member of the new mining group. In addition Harworth Estates Mines Property Limited, a subsidiary of HEPGL, have provided a guarantee to the Company, capped at £3,100,000 should UK Coal Production Limited fail to meet its obligations.

The put and call option over the shares of Harworth Insurance Company Limited remains in force but is now held by the administrators of UKCMHL.

The Mining Group July 2013 Restructuring also ended the Company's participation in the Shareholder Committee which provided advice and governance to UKCMHL and was very active in supporting UKCMHL in 2013 following the fire at Daw Mill.

In light of the difficulties of the mining business a revised agreement was sought with HEPGL to amend HEPGL's funding arrangements with the Company. The revised agreement provides for HEPGL to fund, subject to certain limits and restrictions, the Company's on-going running costs up to 31 December 2016. Up to 31 December 2014 this is by way of indemnity and for 2015 and 2016 by way of loan. In addition HEPGL have indemnified, subject to certain limitations, the employment costs of the Company's executive management team without limit in time.

e) Discontinued Operations and Profit on Disposal

The combined cash flows of the discontinued operations noted above were as follows:

Group	**2013 £000**	2012 £000
Operating cash flows	**(1,589)**	36,610
Investing cash flows	–	(29,675)
Financing cash flows	–	(8,205)
Total cashflows	**(1,589)**	(1,270)

Analysis of discontinued operations, and the results recognised on the remeasurement of assets of disposal group are as follows:

Discontinued operations 2013	**Mining £000**
Expenses	(1,589)
Operating loss from discontinued operations	(1,589)
Tax	–
Loss after tax from discontinued operations	(1,589)

The Mining Group July 2013 Restructuring led to a write off of the balance outstanding of £1,017,000 due from UKCMHL and UKCOL relating to on-going and 2012 Restructuring costs which had been invoiced to them but not settled. In addition, as UKCOL are unable to honour the indemnity to pay 2012 Restructuring costs, a further provision of £572,000 is required in the year in addition to that provided within discontinued operations in the results to 29 December 2012.

To be consistent with the accounting treatment in 2012 the £1,589,000 has been charged to discontinued operations in the period.

2. RESTRUCTURING AND DISCONTINUED OPERATIONS: continued

e) Discontinued Operations and Profit on Disposal: continued

Discontinued operations 2012	**Mining £000**	**Property £000**	**Insurance £000**	**Power Generation £000**	**Total £000**
Revenue	360,178	6,484	–	2,111	**368,773**
Expenses	(486,450)	(6,892)	721	(1,530)	**(494,151)**
Change in fair value of investment properties	–	16,188	–	–	**16,188**
Operating (loss)/profit from discontinued operations	(126,272)	15,780	721	581	**(109,190)**
Finance costs					**(16,700)**
Share of post-tax loss from joint ventures					**(900)**
Tax					**(22,291)**
Loss after tax from discontinued operations					**(149,081)**
Pre-tax profit on disposal					**150,877**
Remeasurement loss on insurance business					**(7,782)**
Tax					**–**
Post-tax profit on disposal					**143,095**
Loss for the year from discontinued operations					**(5,986)**

The remeasurement loss £7,782,000 relating to the insurance discontinued operation represents the difference between the net assets of the insurance business of £12,432,000 and the fair value of the business based on the consideration received from UKCMHL of £4,650,000 for the granting of a call option to acquire the entire issued share capital of Harworth Insurance Company Limited.

The consideration received and fair value of the assets and liabilities of the discontinued operations disposed of during 2012 and the resulting profit or loss on disposal, is shown below:

Consideration	**Mining £000**	**Property £000**	**Power Generation £000**	**Total £000**
Cash	–	–	20,000	**20,000**
Fair value of equity interest retained	–	50,288	–	**50,288**
Release of the Company pension obligation	–	138,000	–	**138,000**
Total consideration	–	188,288	20,000	**208,288**
Recognised amounts of identifiable assets and liabilities disposed				
Property, plant and equipment (note 13)	136,437	–	4,936	**141,373**
Investment properties (note 14)	–	273,357	–	**273,357**
Investment in joint ventures (note 15c)	–	2,079	–	**2,079**
Inventories	31,125	–	–	**31,125**
Trade and other receivables	21,841	15,359	–	**37,200**
Restricted cash	8,985	–	–	**8,985**
Cash	7,430	1,907	1,576	**10,913**
Borrowings	(62,920)	(76,249)	–	**(139,169)**
Corporation tax	(100)	29	–	**(71)**
Trade and other payables	(109,593)	(17,233)	(1,075)	**(127,901)**
Provisions	(94,418)	(6,748)	–	**(101,166)**
Derivative financial instruments	–	(458)	–	**(458)**
Retirement benefit obligations (note 25)	(94,071)	–	–	**(94,071)**
Total identifiable net (liabilities)/assets	(155,284)	192,043	5,437	**42,196**
Profit/(loss) on disposal	155,284	(3,755)	14,563	**166,092**
Costs associated with disposal				**(15,215)**
Profit on disposal after costs associated with disposal				**150,877**

Costs associated with disposal comprise legal and adviser fees, refinancing fees and salary and personnel costs. 2012 Restructuring fees relating to the disposal of the Mining, Property and Insurance businesses all arose from the 2012 Restructuring and it has not been possible to allocate these costs to specific disposal groups. Disposal costs associated with the Power Generation business amounted to £1,374,000.

Notes to the Financial Statements
for the year ended 28 December 2013: continued

3. OPERATING PROFIT

	Note	**Year ended December 2013 £000**	Year ended December 2012 £000
Operating profit before tax is stated after charging:			
Staff costs – continuing operations	5	**1,306**	3,828

4. OTHER OPERATING INCOME AND EXPENSES

	Year ended December 2013 £000	Year ended December 2012 £000
Administrative expenses	**(1,971)**	(4,839)
Other operating income	**189**	4,947
Other operating income and expenses	**(1,782)**	108

5. EMPLOYEE INFORMATION

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

	Group	
	Year ended December 2013 Number	Year ended December 2012 Number
Deep mining	**–**	1,946
Surface mining	**–**	455
Property	**–**	34
Other	**4**	32
	4	2,467

The average number of employees in 2012 relates to both continuing and discontinued operations.

Total staff costs for continuing activities were:

	Group	
Staff costs (including the Board of Directors) – continuing activities only	**Year ended December 2013 £000**	Year ended December 2012 £000
Wages and salaries	**899**	1,448
Social security costs	**173**	210
Pension and post-retirement benefit costs	**30**	80
Share-based payments	**480**	1,544
	1,582	3,282

Termination costs of £546,000 were provided in 2012 of which only £270,000 was paid in 2013. The remaining provision of £276,000 was credited to the Consolidated Income Statement in 2013.

Directors' Remuneration and Interests

Detailed information relating to Directors' remuneration and their interests in share options is indicated by * in the Directors' Remuneration Reports and forms part of these financial statements. The only other key management cost was £68,000.

6. FINANCE COSTS

	Year ended December 2013 £000	Year ended December 2012 £000
Net interest expense		
– Bank borrowings	**(59)**	–
– Facility fees	**(193)**	(465)
Finance costs	**(252)**	(465)

7. AUDITORS' REMUNERATION

During the year the Group obtained the following services from its auditors, PricewaterhouseCoopers LLP, at costs as detailed below:

	Year ended December 2013 £000	Year ended December 2012 £000
Audit services		
Fees payable to the Company auditors for the audit of the Parent Company and the consolidated accounts:		
– Audit fee	**30**	135
– Additional 2012 audit fees	**17**	–
Fees payable to the Company auditors and its associates for other services:		
– The audit of the Company's subsidiaries pursuant to legislation	**40**	195
– Audit related assurance services	**14**	130
– All other assurance related services	**78**	47
– Tax advisory services	**13**	790
– Tax compliance services	**17**	80
– All other non-audit services	**127**	2,330
	336	3,707

In 2012 the other non-audit services related predominately to the refinancing and restructuring that took place in 2012.

From time to time, the Group employs PricewaterhouseCoopers LLP on assignments additional to their statutory audit duties where their expertise and experience with the Group are important. They are awarded assignments on a competitive basis. The Audit Committee reviews non-audit assignments quarterly, and approves all assignments above a predetermined cost threshold.

8. TAX

Analysis of tax (credit)/charge in the year	**Year ended December 2013 £000**	Year ended December 2012 £000
Corporation tax – current year	–	–
Deferred tax – prior year	–	(10)
Tax charge/(credit)	–	(10)

The tax for the year is different to the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%). The differences are explained below:

	Year ended December 2013 £000	Year ended December 2012 £000
Profit/(loss) before tax on continuing operations	**3,332**	(349)
Profit/(loss) before tax multiplied by rate of corporation tax in the UK of 23.25% (2012: 24.5%)	**775**	(86)
Effects of:		
Share of associated company profit not recognised	**(732)**	–
Expenses not deducted and income not chargeable for tax purposes	**160**	143
Deferred tax not recognised	**(203)**	(40)
Group relief not paid for	–	(17)
Prior year deferred tax movement	–	(10)
Total tax charge/(credit)	–	(10)

Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 20% (2012: 23%). A reduction in the UK corporation tax rate from 24% to 23% (effective from 1 April 2013), and further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were enacted as part of the Finance Act 2013. The potential deferred tax assets are therefore shown at 20%.

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. The Group had neither deferred tax assets nor deferred tax liabilities at December 2013 or 2012.

Notes to the Financial Statements
for the year ended 28 December 2013: continued

8. TAX: continued
Deferred tax: continued

The movement on the net deferred tax asset is shown below:

	Year ended December 2013 £000	Year ended December 2012 £000
At the beginning of the year	**–**	30,338
Amounts charged to the consolidated income statement (discontinued operations)	**–**	(22,213)
Amounts charged to the consolidated statement of comprehensive income	**–**	(8,125)
At the end of the year	**–**	–

Deferred tax assets have not been recognised owing to the uncertainty as to their recoverability. If these deferred tax assets were recognised, the total asset would be £2,351,000 (2012: £3,387,000) as set out below:

	As at December 2013 Total amount recognised £000	**As at December 2013 Total potential asset £000**	As at December 2012 Total amount recognised £000	As at December 2012 Total potential asset £000
Other timing differences	**–**	**–**	–	683
Tax losses	**–**	**2,351**	–	2,538
Retirement benefit liabilities	**–**	**–**	–	166
Net deferred tax asset	**–**	**2,351**	–	3,387

The movement on the deferred tax asset charged to equity during the year is as follows:

	2013 £000	2012 £000
Movement on deferred tax asset relating to retirement benefit liabilities in the period	**–**	(8,125)
Movement on deferred tax asset relating to cash flow hedges in the period	**–**	–
Deferred tax asset movement charged to equity	**–**	(8,125)

The Company has no recognised deferred tax in 2013 (2012: none), but has a potential deferred tax asset of £2,351,000 in respect of unused tax losses.

9. LOSS FOR THE FINANCIAL YEAR FOR THE PARENT ENTITY
As permitted by section 408 of the Companies Act 2006, the Company's income statement and statement of comprehensive income have not been included separately in these financial statements. The profit for the financial year was £1,747,000 (2012: loss of £302,437,000).

10. DIVIDENDS
No dividends have been paid or proposed in relation to 2013 or 2012.

11. PROFIT/(LOSS) PER SHARE
Profit/(loss) per share has been calculated by dividing the profit/(loss) attributable to ordinary shareholders by the weighted average number of shares in issue and ranking for dividend during the year.

There is no dilutive effect of share options potentially issuable under the Group's employee share option plans.

	Year ended December 2013 £000	Year ended December 2012 £000
Profit/(loss) from continuing operations attributable to owners of the Parent	**3,332**	(339)
Loss from discontinued operations attributable to owners of the Parent	**(1,589)**	(5,986)
Profit/(loss) for the year	**1,743**	(6,325)
Weighted average number of shares used for basic earnings per share calculation	**507,705,496**	475,884,074
Dilutive effect of share options	**–**	–
Weighted average number of shares used for diluted earnings per share calculation	**507,705,496**	475,884,074
Basic and diluted profit/(loss) per share (pence)	**0.3**	(1.3)

The weighted average number of shares for both 2013 and 2012 include the adjustments necessary to reflect the Rights Issue undertaken in 2013.

12. BLENKINSOPP PENSION ASSET

Following the 2012 Restructuring the Group's only defined benefit pension liability was for the Blenkinsopp Section of the Industry-Wide Mineworkers Pension Scheme. The liability of the Group to make contributions was indemnified by UKCOL. UKCOL went into Creditors Voluntary Liquidation following the Mining Group July 2013 Restructuring but as part of this restructuring the indemnity was novated to a new company, UK Coal Production Limited.

Additionally a new guarantee was entered into under which Harworth Estates Mines Property Limited (HEMPL) guarantees obligations of an amount up to £3,100,000. HEMPL is a company in the Harworth Estates Group and owns the deep mines operated by UK Coal Production Limited. Further the Group retains capped charges over certain operating deep mines land against this liability but there is no guarantee that these assets would cover the liability, and the amount recoverable under such security is limited to the cap of £3,100,000.

During the year to December 2013 all contributions have been paid to the pension fund by UKCOL or UK Coal Production Limited.

Due to the likelihood that the Blenkinsopp pension liability will be reimbursed by a third party a credit equal to the IAS 19 (revised) liability of £683,000 has been recognised in 2013 as a non-trading exceptional item in the consolidated income statement and a debit for the same amount as a non-current asset in the consolidated balance sheet.

13. OPERATING PROPERTY, PLANT AND EQUIPMENT

Following the restructuring in December 2012 the Group did not hold any operating property or plant and equipment.

Details of these assets, including their movements for 2012, are shown below:

Group	Operating properties £000	Deep mines including surface works £000	Plant and equipment £000	Sub total £000	Surface mine development and restoration assets £000	Total £000
Cost:						
At January 2012	19,727	889,008	80,822	989,557	61,227	1,050,784
Additions	47	18,284	1,485	19,816	22,961	42,777
Disposals	(688)	(45,304)	(17,552)	(63,544)	–	(63,544)
Transfer from investment properties (note 14)	3,109	–	–	3,109	–	3,109
Transfer to investment properties (note 14)	(21,000)	–	–	(21,000)	–	(21,000)
Disposal of Power Generation business (note 2)	–	–	(12,460)	(12,460)	–	(12,460)
Disposals arising from Group Restructuring (note 2)	(1,195)	(861,988)	(52,295)	(915,478)	(84,188)	(999,666)
At December 2012	–	–	–	–	–	–
Accumulated depreciation:						
At January 2012	4,607	694,247	67,208	766,062	35,482	801,544
Charge for the year (discontinued operations)	149	39,599	1,792	41,540	15,818	57,358
Impairment charge (discontinued operations)	–	78,016	–	78,016	–	78,016
Disposals	(688)	(45,304)	(16,105)	(62,097)	–	(62,097)
Transfer to investment properties (note 14)	(4,068)	–	–	(4,068)	–	(4,068)
Disposal of Power Generation business (note 2)	–	–	(7,524)	(7,524)	–	(7,524)
Disposals arising from Group Restructuring (note 2)	–	(766,558)	(45,371)	(811,929)	(51,300)	(863,229)
At December 2012	–	–	–	–	–	–
Net book amount:						
At December 2012	**–**	**–**	**–**	**–**	**–**	**–**

Notes to the Financial Statements
for the year ended 28 December 2013: continued

14. INVESTMENT PROPERTIES

Following the restructuring in December 2012 the Group did not hold any investment properties.

Details of these assets, including their movements, for 2012 are shown below:

At valuation – Group	As at December 2013 £000	As at December 2012 £000
At the beginning of the year	–	250,640
Additions	–	5,263
Disposals	–	(7,224)
Fair value increase	–	16,188
Transfer from operating property, plant and equipment at net book amount (note 13)	–	16,932
Transfer to operating property, plant and equipment at net book amount (note 13)	–	(3,109)
Transfer to non-current assets held for sale (note 18)	–	(5,433)
Revaluation of property transferred to investment properties	–	100
Disposal of investment properties on Restructuring of Group (note 2)	–	(273,357)
At the end of the year	–	–

Upon Restructuring investment properties were transferred to Harworth Estates.

15. INVESTMENTS

(a) Investment in subsidiaries

Company	Year ended December 2013 £000	Year ended December 2012 £000
Cost:		
At January	**473,224**	473,224
Additions	–	250,779
Disposals	–	(250,779)
At December	**473,224**	473,224
Provision for impairment:		
At January	**469,850**	172,914
Additions	–	296,936
At December	**469,850**	469,850
Net book amount:		
At December	**3,374**	3,374

During 2012 the Company entered into the following transactions involving its subsidiary undertakings:

(i) its indirect subsidiary undertaking, Harworth Power Limited, disposed of 100% of its interest in Harworth Power (Generation) Limited for consideration of £20,000,000.

(ii) as part of the 2012 Restructuring, disposed of its direct and indirect interest in the following principal subsidiary undertakings:

Harworth Group Ltd
Mining Services Limited
UK Coal Mining Ltd
Centechnology (UK) Ltd
EOS Inc. Ltd
Harworth Estates (Agricultural Land) Limited
Harworth Estates (Waverley Prince) Ltd
Potland Burn Limited

15. INVESTMENTS: continued

(a) Investment in subsidiaries: continued

(iii) additionally the Company granted a put and call option to UKCMHL to acquire the entire issued share capital of its subsidiary undertaking Harworth Insurance Company Limited, and UKCMHL has granted the Company a put option to require UKCMHL to acquire Harworth Insurance Company Limited. Exercise of the call option is conditional upon obtaining PRA and FCA consent or the parties agreeing that such consent is no longer required.

Investments in subsidiaries are stated at cost less provision for impairment. As permitted by section 616 of the Companies Act 2006, where the relief afforded under section 612 of the Companies Act 2006 applies, cost is the aggregate of the nominal value of the relevant number of the Company's shares and the fair value of any other consideration given to acquire the share capital of the subsidiary undertakings.

Particulars of the Group undertakings at December 2013 are as follows:

Company name	Activity	Description of shares held	Proportion of nominal value of issued share capital held by the Company %
Harworth Insurance Company Limited*	Insurance	Ordinary	100
Harworth Properties Limited**	Property investment	Ordinary	100
Coalfield Estates Ltd (formerly UK Coal Holdings Limited)	Non-trading	Ordinary	100
Harworth Guarantee Company Ltd	Non-trading	Ordinary	100
Harworth Trustees Limited	Dormant	Ordinary	100
Harworth Secretariat Services Limited (formerly UK Coal Secretariat Services Limited)	Company secretarial services	Ordinary	100

* see (iii) above – the Company has granted a call option to UKCMHL to acquire this entity.

The Group owns 100% of the issued share capital and voting rights of all of the above companies, except those marked ** where the holding is indirect.

All of the above companies are incorporated in England and Wales. They are all included in the Group's consolidated results.

(b) Investment in associates

	Group		Company	
	Year ended December 2013 £000	Year ended December 2012 £000	**Year ended December 2013 £000**	Year ended December 2012 £000
Cost				
At January	**50,288**	–	**50,288**	–
Share of profit	**3,148**	–	**3,148**	–
Additions	**–**	50,288	**–**	50,288
At December	**53,436**	50,288	**53,436**	50,288

In December 2012, as part of the 2012 Restructuring, the Company acquired a 24.9% interest in Harworth Estates Property Group Limited, a private company incorporated in England and Wales, at a fair value of £50,288,000 (see note 2). The Group did not record its 24.9% share of losses in the three week period post-2012 Restructuring to 29 December 2012 on the grounds of materiality. The Group accounts for its investment in Harworth Estates Property Group Limited as an associate because it considers that it has significant control over that entity due to its 24.9% shareholding and representation on the Harworth Estates board.

The Group's share of net assets of Harworth Estates has been reduced by £5,000,000 to reflect the fact that, under the terms of the Shareholder Agreement, the first £5,000,000 of dividend income due to the Company will be paid to the Pension Schemes.

The results and assets (including goodwill and liabilities) of its associate are as follows:

	Country of incorporation	Assets £000	Liabilities £000	Revenues £000	Profit £000	Interest held at period end %
2013						
Harworth Estates Property Group Limited	England and Wales	315,412	(80,731)	12,364	12,879	24.9
2012						
Harworth Estates Property Group Limited	England and Wales	313,177	(91,451)	–	–	24.9

Notes to the Financial Statements
for the year ended 28 December 2013: continued

15. INVESTMENTS: continued

(c) Investment in joint ventures

Up until the date of 2012 Restructuring, the Group held 50% of the issued ordinary shares in UK Strategic Partnership Limited as a joint venture company with Strategic Sites Limited for the development of certain investment properties.

The Group also held 50% of the issued ordinary shares in Bates Regeneration Limited as a joint venture company with Banks Property Limited for the development of an investment property at Blyth, Northumberland.

	2013 £000	2012 £000
At the beginning of the year	–	2,979
Share of loss	–	(900)
Disposal of joint ventures upon restructuring (note 2)	–	(2,079)
At the end of the year	–	–

The Group's share of the results of its joint ventures, which are included within discontinued operations, and its share of the assets (including goodwill and liabilities) for 2012 are as follows:

	Country of incorporation	**Assets £000**	**Liabilities £000**	**Revenues £000**	**Profit/(loss) £000**	**Interest held %**
2012						
UK Strategic Partnership Limited	England and Wales	–	–	493	286	–
Bates Regeneration Limited	England and Wales	–	–	–	(1,186)	–
Total		–	–	493	(900)	

The joint venture companies are unlisted.

(d) Available for sale investments

In December 2012, as part of the 2012 Restructuring, the Company acquired a 33% of the voting rights, and 90% of the economic rights, of UKCMHL, a company incorporated in England and Wales, at a fair value of £1.

Ordinarily it is presumed that where an investor holds 20% or more of the voting power of an entity, it has significant power over that entity. Management concluded that post-restructuring it had no control or significant influence over UKCMHL and therefore accounted for the investment as an available for sale investment rather than as an investment in an associate under IAS 39, "Financial instruments: Recognition and measurement".

UKCMHL went into administration as part of the Mining Group July 2013 Restructuring. The Company has therefore written off its £1 investment.

16. INVENTORIES

The cost of spares and consumables recognised as an expense and included in expenses within discontinued activities amounted to £nil (2012: £39,123,000).

All inventories were transferred to the Mining Division upon the 2012 Restructuring.

17. TRADE AND OTHER RECEIVABLES – CURRENT

	Group		**Company**	
	As at December 2013 £000	As at December 2012 £000	**As at December 2013 £000**	As at December 2012 £000
Trade receivables (note 32)	**336**	–	**336**	–
Less: provision for impairment of trade receivables	**–**	–	**–**	–
Net trade receivables	**336**	–	**336**	–
Other receivables	**346**	336	**10**	336
Prepayments and accrued income	**–**	–	**–**	–
Amounts owed by related parties (note 32)	**–**	3,567	**–**	3,567
Amounts owed by subsidiary undertakings (note 32)	**–**	–	**204**	–
	682	3,903	**550**	3,903

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 and Company's receivables are denominated in sterling.

17. TRADE AND OTHER RECEIVABLES – CURRENT: continued

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables as disclosed in note 23. The Group and Company do not hold any collateral as security.

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

	Group	
	2013 £000	2012 £000
At the beginning of the year	**–**	79
Receivables written off during the year as uncollectable	**(1,017)**	–
Provided for in the year	**1,017**	–
Unused amounts transferred upon Restructuring	**–**	(79)
At the end of the year	**–**	–

The creation and releases of the provision for impaired receivables in 2013 have been included in discontinued operations in other operating income and expenses in the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of any additional recoveries.

The other classes of assets within trade and other receivables do not contain impaired assets.

Amounts owed by related parties at December 2012 includes £3,567,000 due from UKCMHL and its subsidiaries,

As of December 2013, there were provisions against trade receivables of £nil (2012: £nil) which were impaired.

As of December 2013, trade receivables of £336,000 (2012: £nil) were fully performing.

As of December 2013 or December 2012, no trade receivables were past due but not impaired.

18. ASSETS CLASSIFIED AS HELD FOR SALE

a) Assets of disposal group classified as held for sale

	Group	
	As at December 2013 £000	As at December 2012 £000
Investment properties	**–**	5,433
Assets in the course of disposal	**828**	–
Trade and other receivables	**1,448**	897
Reinsurance assets	**8,910**	–
Available for sale financial assets	**7,753**	–
Cash and cash equivalents	**2,763**	14,973
Total	**21,702**	21,303

b) Liabilities of disposal group classified as held for sale

	Group	
	As at December 2013 £000	As at December 2012 £000
Trade and other payables	**7,465**	600
Provisions	**8,985**	8,271
Remeasurement loss on carrying value of Harworth Insurance Company Limited	**602**	7,782
Total	**17,052**	16,653

The assets and liabilities of the disposal group held for sale at the year-end relate to Harworth Insurance Company Limited. As described in note 2, the Company granted a call option to UKCMHL to acquire the entire issued share capital of its subsidiary undertaking, Harworth Insurance Company Limited, and UKCMHL has granted the Company a put option to require UKCMHL to acquire Harworth Insurance Company Limited. Exercise of the call option is conditional upon obtaining PRA and FSA consent or the parties agreeing that such control is no longer required. The consideration for the call option was £4,650,000.

Notes to the Financial Statements
for the year ended 28 December 2013: continued

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	As at December 2013 £000	As at December 2012 £000	**As at December 2013 £000**	As at December 2012 £000
Cash held and other cash balances	**1,428**	51	**1,428**	51

20. BORROWINGS

At the 2012 Restructuring all bank loans were transferred to the Property Division and all finance lease and generator loans were transferred to the Mining Division.

The fire at Daw Mill colliery in February 2013 which led to its subsequent closure resulted in the mining business being unable to fully honour its agreements with the Group with regard to funding on-going running costs and paying the 2012 Restructuring fees. Therefore on 31 May 2013 the Group entered a twelve month £5,000,000 term loan facility with Lloyds Bank to enable the Group to pay the outstanding 2012 Restructuring fees and other potential liabilities.

The bank facility was agreed with Lloyds Bank on the understanding that the Company would repay the facility by raising funds from an equity fundraising.

Interest on the facility accrued at a margin of 4.50 per cent. above LIBOR and the usual mandatory regulatory costs until 31 July 2013, with a margin of 9.00 per cent. per annum applied thereafter.

The outstanding loan drawn of £2,990,000 was repaid in September 2013 from the proceeds of the Rights Issue and the facility was terminated and the related security released.

21. TRADE AND OTHER PAYABLES

	Group		Company	
	As at December 2013 £000	As at December 2012 £000	**As at December 2013 £000**	As at December 2012 £000
Current				
Trade payables	**52**	1,281	**52**	1,281
Amounts owed to subsidiary undertakings (note 32)	**–**	–	**49**	185
Taxation and social security	**57**	344	**57**	344
Accruals and deferred income	**4,891**	8,072	**4,891**	8,072
	5,000	9,697	**5,049**	9,882
Non-current				
Trade payables	**–**	–	**–**	–

Included in accruals and deferred income in both years is £4,650,000 relating to the deferred income on the option for Harworth Insurance Company Limited.

22. PROVISIONS

Group	**At January 2013 £000**	**Provided in the year £000**	**Released in the year £000**	**Utilised in the year £000**	**At December 2013 £000**
Redundancy	546	–	(276)	(270)	**–**
Company					
Redundancy	546	–	(276)	(270)	**–**

Redundancy

Provision is made for current estimated future costs of redundancy and ex-gratia payments to be made where this has been communicated to those employees concerned.

23. FINANCIAL INSTRUMENTS AND DERIVATIVES

The Group's principal financial instruments during the year included trade and other receivables, cash and cash equivalents, interest bearing borrowings and trade and other payables.

Prior to the 2012 Restructuring, the Group used interest rate swaps in order to fix the interest payable on a large proportion of its variable rate borrowings. The fair value of derivative financial instruments was valued, where possible, using quoted market prices. There are no existing swaps in place after the 2012 Restructuring.

Under IFRS 7 "Financial Instruments: Disclosures" all derivative financial instruments were classed as level 2 as they were not traded in an active market and the fair value is therefore determined through discounting future cash flow.

Hedging Relationships

As at December 2013 the Group had no cash flow hedges. Prior to the 2012 Restructuring the Group had cash flow hedges in place up to July 2012. None of these hedging relationships were effective for hedge accounting purposes.

The movement in the fair value of contracts which were not effective for hedge accounting purposes, or which were not designated as cash flow hedges, being a gain of £nil (2012: £550,000) in the year is presented within finance costs in discontinued operations (see note 2).

In 2010, the Group entered into a notional principal £40,000,000 fixed interest cap agreement at a rate of 4.75% effective between 29 July 2011 and 31 July 2013. The terms of the agreement provided that the initial notional principal was amortised by £20,000,000 per year. At the 2012 year end, the notional principal was £nil. The agreement was terminated upon the 2012 Restructuring.

In 2011, the Group entered into a fixed interest/interest rate cap agreement with a total initial notional principle of £46,000,000, amortising down to £16,500,000 in May 2013. The average fixed interest rate swap element over the lifetime of the agreement was 38%. The agreement was terminated upon the 2012 Restructuring.

The Group has no fixed interest rate swaps.

The Company has no interest rate swaps.

Other Financial Assets and Liabilities

	December 2013		December 2012	
Group	**Book value £000**	**Fair value £000**	Book value £000	Fair value £000
Assets				
Cash and cash equivalents	**1,428**	**1,428**	51	51
Trade and other receivables	**682**	**682**	3,903	3,903
Liabilities				
Trade and other payables	**4,943**	**4,943**	9,353	9,353

In accordance with IAS 39, the Group classifies the assets and liabilities in the analysis above as "loans and receivables" and "other financial liabilities", respectively. At the 2013 and 2012 year ends, the Group did not have any "held to maturity" or "available for sale" financial assets or "held for trading" financial assets and liabilities as defined by IAS 39.

At the year end, the Company held cash and cash equivalents of £1,428,000 (2012: £51,000).

For other financial assets and liabilities, which are all short-term in nature, the carrying value approximates to fair value.

Included in trade and other payables is deferred income in both years of £4,650,000 relating to the deferred income on the option for Harworth Insurance Company Limited. On completion of the option this deferred income will be offset against the net position of the assets and liabilities held for sale of £4,650,000 relating to Harworth Insurance Company Limited as shown in note 18.

24. FINANCIAL RISK MANAGEMENT

The Group's overall risk management programme focuses on credit and liquidity risks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out centrally under policies approved by the Board of Directors. The Board discusses and agrees courses of action to cover material risk management areas, including credit risk and investment of excess liquidity.

The Group's on-going running costs are funded under a Shareholders' Agreement with the Pension Trustees and Harworth Estates which provides for the running costs of the Group to be met by Harworth Estates by way of indemnity until 31 December 2014, and also for Harworth Estates to indemnify the Group for the employment costs of its executive team up to certain capped amounts for an open ended period.

Notes to the Financial Statements
for the year ended 28 December 2013: continued

24. FINANCIAL RISK MANAGEMENT: continued

For the calendar years 2015 and 2016, the Shareholders' Agreement provides that the Group may request loans from Harworth Estates to fund the Group's running costs. If such loans are advanced, dividends payable by Harworth Estates to the Group equal to an amount of such loans shall be directed to the Pension Trustees so such cash will not be received by the Group. The employment costs of the Group's executive team will continue to be met under the agreement with Harworth Estates.

Credit Risk

The Group is subject to credit risk arising from outstanding receivables and committed cash and cash equivalents and deposits with banks and financial institutions. The Group's policy is to manage credit exposure to trading counterparties within defined trading limits.

The Group is exposed to counterparty credit risk on cash and cash equivalent balances. The Group and Company hold all of their cash deposits with their principal bankers.

Liquidity Risk

The Group is subject to the risk that it will not have sufficient liquid resources to fund its on-going business. The Group manages its liquidity requirements with the use of both short and long-term cash flow forecasts.

The Group had no net debt at either the 2013 or 2012 year ends. The Group used cash from operating activities and investing activities for the year of £3,771,000 (2012: generated £6,567,000).

The table below analyses the Group's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the gross contractual undiscounted cash flows.

	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000
At December 2013			
Trade and other payables (including deferred income)	4,943	–	–
At December 2012			
Trade and other payables (including deferred income)	9,353	–	–

Capital Risk Management

The Group is subject to the risk that its capital structure will not be sufficient to support the growth of the business. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

25. RETIREMENT BENEFIT OBLIGATIONS

Defined Contribution Pension Schemes

The Group pays defined contribution payments to pension insurance plans. Contributions to defined contribution schemes in the year amounted to £27,000 (2012: £1,257,000). The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an expense when they are due.

Defined Benefit Obligations

Prior to the 2012 Restructuring that was completed on 10 December 2012, the Group had three pension schemes providing benefits based on final pensionable pay. Under the Protected Persons Regulations established on privatisation the Company was, as a wholly owning Parent Company, a statutory guarantor of UK Coal Mining Limited's liabilities to the scheme. The majority of the employees within defined benefit schemes were members of one or other of the two industry wide schemes. Separately the Group and Company has defined benefit obligations in respect of the Blenkinsopp Section of the Industry-Wide Mineworkers' Pension Scheme (the Blenkinsopp scheme). This scheme is closed to new members.

Under the terms of the 2012 Restructuring, all of the assets and liabilities of the pension schemes (with the exception of the Blenkinsopp scheme) were transferred to the UKCOL section of each of the Industry-Wide Coal Staff Superannuation Scheme and the Industry-Wide Mineworkers' Pension Scheme. The only principal employer in respect of these two schemes was UKCOL, a subsidiary of UK Coal Holdings Limited which is not, and never has been, a subsidiary of the Company. Consequently the Company has no liability in respect of the liability of UKCOL. As all of the liabilities of UKCML have been transferred, whilst the Company continues to guarantee the liabilities these are now of £nil value.

25. RETIREMENT BENEFIT OBLIGATIONS: continued

Defined Benefit Obligations: continued

Prior to the 2012 Restructuring the Group operated a concessionary fuel arrangement in the United Kingdom. Provision for concessionary fuel was made to cover the future retirement costs for those employees who were benefiting as part of their regular terms of employment, or former employees who were benefiting in retirement. Upon the 2012 Restructuring all obligations in respect of concessionary fuel benefits transferred to UKCOL and are therefore no longer liabilities of the Group. They were never liabilities of the Company.

The balance sheet amounts in respect of retirement benefit obligations are:

	Group		Company	
	As at December 2013 £000	As at December 2012 £000	**As at December 2013 £000**	As at December 2012 £000
Relating to continuing activities				
Blenkinsopp	**683**	720	**683**	720
	683	720	**683**	720

Contributions to the Blenkinsopp scheme were £189,300 (2012:£215,000) and were paid under an indemnity by UKCOL and UK Coal Production Limited. It is expected that contributions of the same amount will be paid under this indemnity or the Harworth Estates guarantee in 2014. At December 2013, no contributions remained unpaid (2012: £nil).

The pension scheme is valued annually by a qualified independent actuary for the purposes of IAS 19 (revised) and the preparation of financial statements. The assumptions which usually have the most significant effect on the results of the valuation are the discount rate, which is based on bond yields, and the rates of increase in pensions. There are no active members of this scheme. The main assumptions underlying the valuation of the Blenkinsopp scheme:

	As at 28 December 2013	As at 8 December 2012
Discount rate	**4.4% p.a.**	4.3% p.a.
Rate of pension increases	**2.4% p.a.**	2.0% p.a.
Rate of price inflation (RPI)	**3.4% p.a.**	2.8% p.a.
Rate of price inflation (CPI)	**2.4% p.a.**	2.0% p.a.
Rate of cash commutation	**20.0%**	20.0%-25.0%

	Year ended December 2013	Year ended December 2012
Longevity at age 60 for current pensioners (years)	**18.9-22.3**	18.4-21.6
Longevity at age 60 for future pensioners (years)	**20.5-24.4**	19.8-23.3

The assumed pension increases depend on the period of service accrual (before April 1997: no increases, after 1997: in line with statutory minimum increases based on consumer price inflation).

The overall expected rate of return on assets is based on an historic view of the yields from equities and the rates prevailing on applicable bonds at the balance sheet date.

The amounts recognised in the consolidated balance sheet are as follows:

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Fair value of plan assets	**1,393**	1,282	1,106	807	672
Present value of funding obligations	**(2,076)**	(2,002)	(1,698)	(1,659)	(1,753)
Net liability recognised in the balance sheet	**(683)**	(720)	(592)	(852)	(1,081)

The Blenkinsopp scheme does not own any shares in the Company.

Notes to the Financial Statements

for the year ended 28 December 2013: continued

25. RETIREMENT BENEFIT OBLIGATIONS: continued

The amounts recognised in the consolidated income statement are:

	Year ended December 2013 £000	Year ended December 2012 £000
Expenses	**(21)**	(15)
Interest cost	**(27)**	(38)
	(48)	(53)

A further £104,000 loss (2012: £290,000 loss) has been reflected in the statement of comprehensive income in the year. This represents the net effect of experience and actuarial gains and losses on the scheme in the year.

Change in assets	Year ended December 2013 £000	Year ended December 2012 £000
Fair value of plan assets at the start of the year	**1,282**	1,106
Interest income	**57**	43
Actual return on scheme assets excluding interest income	**(24)**	11
Employer contributions	**189**	215
Expenses	**(21)**	(15)
Benefits paid	**(90)**	(78)
Fair value of plan assets at the end of the year	**1,393**	1,282

The major categories of the schemes' assets are as follows:

	As at December 2013 £000	As at December 2012 £000
Equity securities	**–**	–
Debt securities	**1,393**	1,282
	1,393	1,282

Change in defined benefit obligations	Year ended December 2013 £000	Year ended December 2012 £000
Present value of defined benefit obligation at the start of the year	**(2,002)**	(1,698)
Current service cost	**–**	–
Interest cost	**(84)**	(81)
Actuarial loss arising from changes in demographic assumptions	**(44)**	–
Actuarial loss arising from changes in financial assumptions	**(36)**	(238)
Experience losses arising on liabilities	**–**	(63)
Benefits paid	**90**	78
Present value of defined benefit obligation at the end of the year	**(2,076)**	(2,002)

Analysis of the movement of the balance sheet liability	Year ended December 2013 £000	Year ended December 2012 £000
At the start of the year	**(720)**	(592)
Total amounts recognised in the income statement	**(48)**	(53)
Contributions	**–**	–
Employer contributions	**189**	215
Net actuarial loss recognised in the year	**(104)**	(290)
At the end of the year	**(683)**	(720)

25. RETIREMENT BENEFIT OBLIGATIONS: continued

Cumulative actuarial gains and losses recognised in equity	Year ended December 2013 £000	Year ended December 2012 £000
At the start of the year	**327**	617
Net actuarial loss in the year	**(104)**	(290)
At the end of the year	**223**	327

Experience gains and losses	Year ended December 2013 £000	Year ended December 2012 £000
Actual return on scheme assets excluding interest income	**(24)**	11
Actuarial loss arising from changes in demographic assumptions	**(44)**	–
Actuarial loss arising from changes in financial assumptions	**(36)**	(63)
Experience losses on liabilities	**–**	(238)
Net actuarial loss	**(104)**	(290)

In the year ended December 2012 the actuarial loss charged to the statement of comprehensive income was £85,268,000 and included £84,978,000 relating to discontinued operations.

Contributions are determined by a qualified actuary on the basis of triennial valuations, using the projected credit unit method. The most recent valuations for the purpose of determining contributions were at 31 December 2009, which were agreed in September 2011. This showed an estimated past service deficit of £2,674,000.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Year ended December 2013 £000	Year ended December 2012 £000
Change in discount rate by 0.1%	**33**	32
Change in price inflation (and associated assumptions) by 0.1%	**17**	16
Increase in life expectancy by 1 year	**35**	34

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice some of the assumptions may be correlated. No changes have been made to the method and types of assumptions from those in the previous period.

26. CALLED UP SHARE CAPITAL

	2013		2012	
Group and Company	**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				
January	**299,298,160**	**2,993**	299,298,160	2,993
Shares issued in Rights Issue	**299,298,160**	**2,993**	–	–
Shares issued under LTIP	**6,860,160**	**69**	–	–
December	**605,456,480**	**6,055**	299,298,160	2,993

On 11 September 2013 the Company issued 299,298,160 ordinary shares at 2.0 pence each to qualifying shareholders, pursuant to the 1 for 1 fully underwritten Rights Issue announced by the Company on 7 August 2013. Net proceeds raised after costs of £838,000, was £5,148,000.

Notes to the Financial Statements
for the year ended 28 December 2013: continued

26. CALLED UP SHARE CAPITAL: continued

Long Term Incentive Plan

A Long Term Incentive Plan was introduced in 2000 for executive Directors and Senior Executives. Details of the plan are set out in the Directors' Remuneration Report. During the year, nil (2012: 4,477,801) shares were granted under the LTIP. The shares are awarded at an exercise price of £nil. Shares outstanding at December 2013 are as follows:

	2013 Number	2012 Number
Exercisable from 2013	–	7,871,837
Exercisable from 2014	**1,676,478**	4,477,801

A reconciliation of option movements over the year to December 2013 is shown below:

	Year ended December 2013 Number	Year ended December 2012 Number
Outstanding at the start of the year	**12,349,638**	8,725,806
Granted	–	4,477,801
Adjustment in respect of Rights Issue	**2,540,160**	–
Exercised	**(6,860,160)**	–
Expired	**(6,353,160)**	(853,969)
Outstanding at the end of the year	**1,676,478**	12,349,638

Cessation of Employment

If an award holder ceases to be employed within the Group by reason of injury, ill health or disability (evidenced to the satisfaction of the Remuneration Committee), redundancy, retirement, or upon the sale or transfer out of the Group or the Company or undertaking employing the award holder (each "a Good Reason" and such an award holder, a "Good Leaver"), then:

As regards awards for which the vesting date has not by then occurred, he or she must normally wait until the normal vesting date in respect of the award before being permitted to exercise it (save that the Remuneration Committee will have the discretion instead to allow the award holder to exercise some or all of such unvested awards within the period of 12 months, or such shorter period as is determined by the Remuneration Committee, following the date of cessation of employment); and

Ordinarily, where an award holder ceases to be employed within the Group (or gives notice to terminate his or her employment) for any reason other than a Good Reason, any awards held by him or her (whether vested or not) will lapse and cease to be exercisable. However, the Remuneration Committee will have the discretion, subject to such additional conditions as it determines (including a power to reduce the number of shares under award whether such award has vested or not), to permit the award holder to exercise some or all of his or her awards on the same basis as a Good Leaver.

The leavers who transferred out of the Company as a result of the restructure in 2012 were considered to be Good Leavers. All vesting associated with these awards were therefore accelerated and expensed in the Consolidated Income Statement within continuing operations in 2012.

The total charge for the year relating to employee share-based payment plans was £480,000 (2012: £1,544,000) all of which related to equity settled share-based payment transactions.

27. RETAINED EARNINGS

Group	Note	2013 £000	2012 £000
At January		**13,923**	(80,283)
Profit/(loss) for the financial year		**1,743**	(6,325)
Remeasurement of post-retirement benefits	25	**(104)**	(85,268)
Movement on deferred tax asset relating to retirement benefit liability	8	**–**	(8,125)
Fair value loss on revaluation of investment properties	14	**–**	(16,188)
Transfer of realised gain on disposed properties	29	**–**	208,568
Negative premium for shares issued under LTIP		**(69)**	–
Accrual for long term incentive plan liabilities	26	**480**	1,544
At December		**15,973**	13,923

Company	Note	2013 £000	2012 £000
At January		**12,462**	313,645
Profit/(loss) for the financial year		**1,747**	(302,437)
Remeasurement of post-retirement benefits	25	**(104)**	(290)
Negative premium for shares issued under LTIP		**(69)**	–
Accrual for long term incentive plan liabilities	26	**480**	1,544
At December		**14,516**	12,462

28. SHARE PREMIUM ACCOUNT

Group and Company	2013 £000	2012 £000
At January	**30,756**	30,756
Premium on shares issued in Rights Issue	**2,993**	–
Costs relating to Rights Issue	**(838)**	–
At December	**32,911**	30,756

29. OTHER RESERVES

Group	Note	Revaluation reserve £000	Capital redemption reserve £000	Assets held for sale £000	Fair value reserve £000	Total £000
At January 2012		113,097	257	14,190	64,993	192,537
Revaluation on recognition of investment properties	14	100	–	–	–	100
Transfer of realised gain on disposed properties	27	(113,197)	–	(14,190)	(81,181)	(208,568)
Fair value gain on revaluation of investment properties	14	–	–	–	16,188	16,188
At January 2013		–	257	–	–	257
At December 2013		**–**	**257**	**–**	**–**	**257**

Company	Capital redemption reserve £000	Total £000
At January 2012 and 2013 and December 2012 and 2013	**257**	**257**

The capital redemption reserve did not represent realised reserves at either the 2013 and 2012 year ends.

Notes to the Financial Statements

for the year ended 28 December 2013: continued

30. CAPITAL AND OTHER FINANCIAL COMMITMENTS

Capital expenditure contracted for at 28 December 2013 is £nil (2012: £nil).

31. OPERATING LEASE COMMITMENTS

Neither the Group nor the Company had any interest in any operating leases (2012: £nil).

32. RELATED PARTY TRANSACTIONS

Group

The remuneration of the Directors is disclosed in the Directors' Remuneration Report. The only other key manager is the Company Secretary whose remuneration is disclosed in note 5.

Harworth Estates Group

Revenue includes £1,168,000 (2012: £4,000) in respect of recharges to the Harworth Estates Group for on-going costs of the Company and secretarial services provided. Note 2 provides details of the changes to the agreement under which these recharges operates.

The Harworth Estates Group at 28 December 2013 owed £336,000 (2012: £4,000) to the Company.

Mining business

Revenue includes £367,000 (2012: £4,000) in respect of recharges to the mining business, prior to the Mining Group July 2013 Restructuring for on-going costs of the Company and secretarial services provided. In 2012 the Group recharged £3,557,000 of legal and professional fees to the mining business as part of the 2012 Restructuring. At the date of the Mining Group July 2013 Restructuring the amount due, net of bad debt relief, from the mining business, was £1,017,000. This balance is not expected to be recovered and has been written off.

The mining business paid contributions to the Blenkinsopp pension scheme of £95,000 in the period under the indemnity agreement entered into at the 2012 Restructuring. Following the Mining Group July 2013 Restructuring this deed of indemnity was transferred to UK Coal Production Limited a member of the new mining group. UK Coal Production Limited is not a related party.

Company

The Company carried out the following transactions with subsidiary undertakings.

Management charges

During the year the Company raised management charges of £nil on subsidiary undertakings (2012: £5,008,000).

Dividends received

During the year the Company received dividends of £nil (2012: £90,815,000) from subsidiary undertakings.

Interest

During the year the Company received interest of £5,000 (2012: £nil) from and paid interest of £1,000 (2012: £2,000) to subsidiary companies that form part of the continuing operations.

During 2012 the Company received interest income of £7,434,000 from subsidiary undertakings and paid interest of £7,055,000 to subsidiary undertakings that form part of the discontinued businesses.

All transactions occurred whilst the related parties were subsidiary undertakings.

32. RELATED PARTY TRANSACTIONS: continued

Company: continued

Receivables and indebtedness

The Company transferred a third party receivable to Coalfield Estates Limited during the year.

During 2012 the Company wrote off £179,497,000 as part of the 2012 Restructuring process.

Details of the Company's receivables and indebtedness are set out in notes 17 and 21 and amounts due from or owed to related parties are set out below:

Owed to:	**As at December 2013 £000**	As at December 2012 £000
Coalfield Estates Limited (formerly UK Coal Holdings Limited)	**–**	(137)
Harworth Guarantee Co. Limited	**(49)**	(48)
	(49)	(185)

Owed by:	**As at December 2013 £000**	As at December 2012 £000
UK Coal Operations Limited	**–**	3,557
UK Coal Mine Holdings Limited	**–**	5
Harworth Estates Property Group Limited	**336**	5
Coalfield Estates Limited (formerly UK Coal Holdings Limited)	**204**	–
	540	3,567

Peel Group

The Peel Group through Goodweather Holdings Limited hold over 30 per cent of the ordinary shares of the Company and are therefore a related party.

Peel were required by Lloyds Bank to provide a guarantee to Lloyds Bank for the facility entered into by the Company on 31 May 2013. At the same time the Company entered into a counter indemnity with Peel which enabled Peel to claim against the Company should Lloyds Bank make a claim under the guarantee. In addition Peel was also required to undertake to underwrite an equity placing to raise at least £5,000,000 as part of the security package. Both the facility and counter indemnity have since been terminated.

On 7 August 2013 Peel entered into an underwriting agreement with the Company to fully underwrite the Rights Issue. The underwriting agreement provided for Peel to be paid by the Company a commission of the greater of (i) one per cent. of the aggregate value at the issue price of the underwritten shares or (ii) £50,000. A payment of £50,000 was subsequently paid.

Peel entered into an irrevocable undertaking with the Company on 7 August 2013, pursuant to which they agreed to procure the take up of their respective entitlement under the Rights Issue in full and to procure to vote in favour of the Rights Issue resolutions, to the extent they were permitted by law to do so. Peel subsequently met these undertakings.

During the year Peel invoiced £40,000 (2012: £40,000) in respect of Steven Underwood's fees and £1,300 (2012: £nil) for the rental of office space.

CfRplc

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