

Interim Report
2013

COALFIELD RESOURCES PLC
Interim Report 2013

CfRplc

Key highlights

- Net assets of £46.4m (Dec-12: £47.9m)
- Net assets per share of 15.5 pence (Dec-12: 16.0 pence)
- Focus on 24.9% investment in Harworth Estates Group whose assets include:
 - Investment properties valued at £260.1m (Dec-12: £260.1m); and
 - Net assets of £223.1m (Dec-12: £221.7m)
- Bank facility, up to £5m, secured to cover short term funding
- Rights Issue announced to repay loan and provide additional working capital
 - General meeting to be held on 27 August 2013 to approve
- Loss in the period of £1.7m mainly due to write off of mining debts and restructuring fees not recoverable
- Governance links to mining business relinquished allowing sole focus on property interests

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Chairman's statement

Introduction

Coalfield Resources plc started 2013 under the business structure established by the 10 December 2012 solvent restructuring ("Restructuring"). This separated the mining and property businesses and left the Group's principal economic focus on its 24.9% stake in the Harworth Estates Group ("Harworth Estates Property Group Limited and its subsidiaries"). While the Group had no realistic economic value to gain from its shareholding in UK Coal Mine Holdings Limited ("Mine Holdings") it took an active governance role supporting and advising it. After the Daw Mill fire in February 2013 and a further restructuring of the mining business ("Mining Group July 2013 Restructuring") the Group relinquished this governance role.

Harworth Estates Group continues to perform in line with expectations and we expect to be able to report further progress during the second half of 2013. In line with last year, Harworth Estates Group has not undertaken a formal external property valuation at the half year but has confirmed that it does not believe the external property valuation used in the 29 December 2012 financial statements to have materially altered during the 6 months to the end of June 2013. The net asset value of the Harworth Estates Group at 29 December 2012 was £221.7 million, which supported the Group's valuation of its holding at £50.3 million.

Good progress has been made across the operating divisions within the Harworth Estates Group. The focus in the first six months has been to consolidate it as a standalone property business following the Restructuring. For the two years up to the Restructuring the focus of the property business had been to maximise disposal proceeds, which it successfully achieved, to pay down debt and support the mining business.

The major development site at Waverley continues to advance with one of two new Rolls Royce facilities, and two new University of Sheffield buildings, under construction. Harworth Estates Group expects these to be a further catalyst for interest from other companies wishing to locate on this prestigious advanced manufacturing development. On the residential part of the site further interest is being shown from house builders after good sale rates on Phase 1 and further land sales to house builders are expected later this year. A revised planning application has been approved in respect of the residential aspect of the Prince of Wales scheme to improve its deliverability in the current market with determination due in Q3 2013.

The business park portfolio continues to progress and grow with both new tenants and retention of existing tenants in what remains a competitive market. The business continues to exploit existing integral infrastructure, such as high capacity electricity grid connections and rail connectivity, in promoting these sites. Other major rental streams in their natural resources division are in line with expectations including the Rossington and Prince of Wales coal recovery schemes.

As previously reported, the Restructuring legally separated the Group and the Harworth Estates Group from the mining business. A key purpose of the separation was to ensure that the value of the Group and Harworth Estates Group were insulated from any liability to the main mining pension schemes or from volatility of the mining business' operations.

Funding

As a result of the Restructuring a number of agreements were entered into with the mining business. The main agreements were:

1. Mine Holdings agreed to provide the Company with sufficient funds to pay the Company's costs and expenses incurred prior to 31 December 2016 in relation to the Company's on-going interest in the mining business;
2. UK Coal Operations Limited ("UKCOL"), a wholly owned subsidiary of Mine Holdings, indemnified the Company for any costs incurred by the Company in connection with the Restructuring;
3. UKCOL indemnified the Company in respect of any losses and liabilities in connection with the Blenkinsopp pension scheme (the only pension liability the Company retained); and
4. The Company entered into a put and call option agreement with Mine Holdings in relation to shares in Harworth Insurance Company Limited.

Following the catastrophic fire at the Daw Mill colliery on 22 February 2013 the mining business was unable to fully honour its agreements with regard to funding on-going running costs and paying the Restructuring fees.

Whilst the anticipated Restructuring fees had been provided in the results to 29 December 2012 there remained as at May 2013 approximately £3.6 million of Restructuring fees to be paid, and potential further liabilities of approximately £0.9 million should the mining business fail to pay certain other creditors. This led the Group to seek a bank facility to ensure its short term solvency. A £5.0 million short term facility was agreed with Lloyds Bank on 31 May 2013 ("Facility") to enable it to meet its obligations.

The key terms of the Facility were:

- To repay the Facility by raising funds through an equity fundraising;
- The Group's major shareholder, Peel Holdings Limited ("Peel") guaranteed the Facility;
- Peel to underwrite the equity fundraising; and
- Provide Lloyds Bank with a charge over its shares in Harworth Estates Property Group Limited ("HEPGL").

Further details of the Facility are disclosed in note 16.

Chairman's statement

continued

Mining Group July 2013 Restructuring

As a result of the Daw Mill fire, Mine Holdings and UKCOL went into administration on 9 July 2013 and UKCOL subsequently into creditors' voluntary liquidation.

As a result of the Mining Group July 2013 Restructuring, the Group:

- Wrote off its nominal £1 investment in the mining business;
- Provided in full for the outstanding balance of £1.1 million invoiced but not settled by Mine Holdings and UKCOL pursuant to agreements 1 and 2 above; and
- Ended its participation in the shareholder committee which had provided governance to Mine Holdings and was active in supporting Mine Holdings in 2013 following the fire at Daw Mill.

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, and remains secured by charges over certain operating deep mine freehold properties. These properties have been acquired by Harworth Estates Mines Property Limited ("HEMPL"), a company within the Harworth Estates Group, and the charges remain in place with a guarantee from HEMPL to the Company, capped at £3.1 million should UK Coal Production Limited, who lease these properties for their mining operations, fail to meet its obligations under the deed of indemnity.

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

The existing shareholders' agreement between the Company and HEPGL was revised to take account of the Mining Group July 2013 Restructuring. The original agreement, entered into as part of the Restructuring, provided for HEPGL to fund the Company's on-going running costs should the mining business not be able to do so. The revision to this agreement confirms this position with 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 these are funded by indemnity, and for 2015 and 2016 by loan. In addition, HEPGL have indemnified, subject to certain caps, the employment costs of the Company's executive management team without limit in time.

Equity fundraising

On 7 August 2013 the Company published a prospectus and announced a Rights Issue to raise estimated net proceeds of £5.0 million. A general meeting is to be held on 27 August 2013 to seek the consent of shareholders to the Rights Issue. The net proceeds will allow the Group to repay the Facility and to the extent surplus funds remain provide additional working capital for the Group.

If the Rights Issue is not completed, the Board is of the opinion that, the Group does not have sufficient working capital for its present requirements, that is, for at least 12 months from the date of these condensed consolidated interim financial statements. In addition, an event of default may occur under the terms of the Facility, which would be likely to have a material adverse effect on the Group's business and financial condition. However, the Rights Issue is underwritten by Peel and irrevocable undertakings have been received from Peel, Invesco Asset Management Limited, Pelham Capital Management LLP, Steven Underwood and Jonson Cox. Collectively these parties hold 45.01% of the Company's issued share capital. On this basis the Board believe that it is appropriate to adopt the going concern basis for these financial statements.

The Board believe that the Rights Issue is in the best interests of all shareholders and will enable the Group to realise the value inherent in the properties of the former coalfields managed by the Harworth Estates Group.

The basis of the Rights Issue is 1 New Ordinary Share at 2 pence per New Ordinary Share, for every 1 Existing Ordinary Share held on 22 August 2013 by qualifying shareholders.

Subject to shareholder approval of the required resolutions at the general meeting it is expected that dealings in the New Ordinary Shares will commence nil paid at 8.00am on 28 August 2013 and fully paid at 8.00am on 12 September 2013.

Results

Continuing operations

The Group's revenue in the period of £0.8 million consists of the amounts invoiced to Harworth Estates Group and Mine Holdings in respect of on-going running costs. As these agreements only came into force on 10 December 2012 the comparative figure for the first half of 2012 is £nil and for the full year to 29 December 2012 £8,000. Due to the Mining Group July 2013 Restructuring no further revenue will be generated from Mine Holdings.

The operating loss in the period was £196,000 compared to a H1 2012 profit of £361,000 (FY 2012: profit of £116,000).

The main reason for the operating loss is the net non-cash cost in the period which is not recoverable. During 2012 the Company's total costs were recharged to the discontinued operations, whereas in 2013 the amounts invoiced to the mining business and Harworth Estates Group are based on recovering only the cash costs of the Company.

The Group's share of profit from its investment in Harworth Estates Group in the first half of the year is £0.3 million (H1 2012: £nil, FY 2012: £nil). No property valuation gains or losses are included in this result.

The Group made a loss before tax from continuing operations in the period of £65,000 (H1 2012: profit of £16,000, FY 2012: loss of £339,000).

Discontinued operations

The Restructuring completed on 10 December 2012 resulted in the mining, property and insurance businesses being treated as discontinued operations in the year to 29 December 2012. The H1 2012 results have been restated to reflect this treatment.

The loss from discontinued operations in the period was £1.7 million (H1 2012: £20.6 million, FY 2012: £6.0 million).

The Mining Group July 2013 Restructuring led to a full provision for the balance outstanding of £1.1 million at 29 June 2013 due from Mine Holdings and UKCOL relating to on-going and Restructuring costs which had been invoiced but not settled. In addition, as UKCOL are unable to honour the indemnity to pay Restructuring costs, a further provision of £0.6 million is required in the period 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 £1.7 million has been charged to discontinued operations in the period.

The Group made an overall loss of £1.7 million in the period (H1 2012: £20.6 million, FY 2012: £6.3 million).

Outlook

The Group will now focus on achieving medium and long term value realisation from its investment in the Harworth Estates Group, for the benefit of the Group's shareholders.

Harworth Estates Group continues to perform well and achieved a profit for H1 2013 of £1.4 million, of which the Group's share is £0.3 million, without any valuation gains. The combination of the immaturity, in planning terms, of the brownfield sites with their strong strategic location, including transport and utilities infrastructure, means that a considerable amount of value can be added by the work performed in advancing the sites through the planning process. As previously, Harworth Estates Group intends to carry out an external valuation on its property portfolio in December, the results of which will be incorporated into the Group's results for the 2013 year end.

Following the Mining Group July 2013 Restructuring we believe that in due course the 75.1% majority interest in Harworth Estates Group will be held by the Pension Protection Fund. We will continue to work with our joint shareholder in Harworth Estates Group to create value within the property business and to explore opportunities which may unlock or realise value for its shareholders.

Jonson Cox

Chairman

15 August 2013

Financial review

Financial performance

Group revenues of £0.8 million (H1 2012: £nil, FY 2012: £8,000) in the period are significantly higher than the comparatives as the revenues reflect the agreements entered into with the mining business and Harworth Estates Group on 10 December 2012 as part of the Restructuring.

During the period approximately £0.4 million was invoiced to the mining business in respect of the on-going costs of the Company, but following the Mining Group July 2013 Restructuring no further amounts will be invoiced to the mining business. As part of the Mining Group July 2013 Restructuring a revised agreement was concluded with HEPGL to confirm its funding of 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 these are funded by indemnity and for 2015 and 2016 by loan. In addition HEPGL have indemnified, subject to certain caps, the employment costs of the Company's executive management team without limit in time.

Net operating expenses in the first half year of £1.0 million compares to H1 2012 net income of £0.4 million (FY 2012: £0.1 million). Administrative costs include a non-cash charge for share based remuneration of £288,000 in the period (H1 2012: £513,000, FY 2012: £1,544,000). Whilst administrative expenses in the period of £1.1 million are £1.2 million lower than H1 2012, reflecting the lower cost base of the Group, these costs are not offset by recharges to discontinued operations. This contrasts with recharges to discontinued operations of £2.7 million and £4.9 million in H1 2012 and FY 2012 respectively. Any recharges in 2013 are covered under the agreements mentioned above and included in revenue.

The Group's 24.9% share of profit from its associate, Harworth Estates Group, in the period was £0.3 million (H1 2012: £nil, FY 2012: £nil). No property valuation movements are included in the profit for the period but Harworth Estates Group intends to carry out an external valuation on its property portfolio in December, the results of which will be incorporated into the Group's results for the 2013 year end.

The finance costs for the period of £202,000 includes arrangement and legal fees of £193,000 in respect of the Facility entered into on 31 May 2013. The finance costs of £345,000 and £465,000 for H1 2012 and FY 2012 respectively represent the fees due on the Peel financing facility which terminated in December 2012.

The loss from continuing operations was £65,000 (H1 2012: profit £16,000, FY 2012: loss of £339,000).

The loss from discontinued operations in the period was £1.7 million (H1 2012: £20.6 million, FY 2012: £6.0 million).

The discontinued operations loss in the period related to the following costs:

- A provision of £1.1 million against the amounts invoiced, but not settled, to Mine Holdings and UKCOL in respect of the agreements to fund the Company's on-going running costs and indemnify the Company in respect of Restructuring costs; and
- Additional Restructuring costs of £0.6 million.

To be consistent with the accounting treatment in 2012 the £1.7 million has been charged to discontinued operations in the period.

The Group's loss for the period was £1.7 million (H1 2012: £20.6 million, FY 2012: £6.3 million).

Group net debt

Between the date of the Restructuring and 31 May 2013 the Group did not have any bank facilities as the Group's debt had been transferred to the Harworth Estates Group and the mining business as part of the Restructuring.

Due to the difficulties the mining business faced following the fire at the Daw Mill colliery it was unable to fully honour its indemnity for the Restructuring fees. Therefore the Facility was entered into with Lloyds Bank on 31 May 2013 which gave the Group the ability to pay the outstanding Restructuring costs of approximately £3.6 million.

It also provided for the Group to pay certain other creditors which might have become due should the mining business have failed to pay them. Following the Mining Group July 2013 Restructuring these liabilities have fallen away.

The Facility was agreed on the basis that the Group raised at least £5.0 million from an equity fundraising and the funds so raised were to be used to repay the Facility. Peel, the Group's largest shareholder, was required to guarantee the Facility and to agree to underwrite the equity fundraising.

At 29 June 2013 £2.9 million was drawn under the Facility. Total borrowings at June 2012 was £141.8 million and £nil at December 2012.

The Group's cash and cash equivalents at 29 June 2013 was £0.7 million (H1 2012: £27.5 million, FY 2012: £51,000).

Should the Rights Issue proceed, the net proceeds will be used to repay the amount drawn under the Facility and the Facility will be terminated.

Further details of the Facility are described in note 16.

Taxation

There has been no corporation tax charge in the period (H1 2012: £nil, FY 2012: £10,000).

At 29 June 2013 and 29 December 2012 the Group had neither deferred tax assets nor deferred tax liabilities.

At 30 June 2012 the Group had recognised a deferred tax asset of £31.5 million, being the amount expected to be recovered based on forecasts of future taxable profits, offset by a deferred tax liability of £1.2 million in respect of revaluation gains on investment properties expected to be recovered through future use. The net balance of £30.3 million was extinguished through charging £22.2 million to discontinued operations in the consolidated income statement and £8.1 million to the consolidated statement of comprehensive income in the second half of 2012.

Retirement benefit obligations

The Restructuring left the Group and Company only liable for the Blenkinsopp pension scheme.

Annual contributions are currently £0.2 million and the deficit at 29 June 2013 on an IAS 19, 'Employee benefits', basis was £0.7 million (June 2012: £0.6 million, December 2012: £0.7 million).

UKCOL indemnified the Company against the liabilities, including paying the annual contributions, of this scheme as part of the Restructuring.

As part of the Mining Group July 2013 Restructuring this agreement was novated to UK Coal Production Limited, part of the new mining group, and remains secured by charges over certain operating deep mine freehold properties. HEMPL, part of the Harworth Estates Group, own these properties, and have provided a guarantee to the Company, capped at £3.1 million, should UK Coal Production Limited, who lease these properties for their mining operations, fail to honour the deed of indemnity.

At June 2012 the Group still retained the liabilities of the main pension schemes and the IAS 19 liability at that date was £160.6 million. These liabilities were transferred to the mining business as part of the Restructuring.

Net assets

Principally as a result of the loss for the period of £1.7 million the Group's net assets fell in the first half of the year from £47.9 million at the start of the year to £46.4 million.

The table below shows the net asset value per share:

	29 June 2013		29 December 2012	
	£m	Pence per share	£m	Pence per share
Harworth Estates Group				
Investment properties	260.1	–	260.1	–
Other asset and liabilities	(37.0)	–	(38.4)	–
Net assets	223.1	–	221.7	–
Group				
24.9% share in Harworth Estates Group	55.6	18.6	55.3	18.5
£5.0 million dividend restriction	(5.0)	(1.7)	(5.0)	(1.7)
Carrying value of investment	50.6	16.9	50.3	16.8
Other assets and liabilities	(4.2)	(1.4)	(2.4)	(0.8)
Net assets	46.4	15.5	47.9	16.0
Number of shares in issue	299,298,160		299,298,160	

Key risks and uncertainties

The key risks and uncertainties of the Group are shown below.

Absent net proceeds from the completion of the Rights Issue, the Group does not have sufficient working capital for its present requirements

If the Rights Issue does not take place, the Board is of the opinion that, the Group does not have sufficient working capital for its present requirements, that is, for at least 12 months from the date of these condensed consolidated interim financial statements.

The Group intends to use the net proceeds of the Rights Issue to repay the Facility and any surplus will be used to provide additional working capital for the Group. If the Rights Issue is not completed, an event of default may occur under the terms of the Facility, which would be likely to have a material adverse effect on the Group's business and financial condition.

The Group is a minority shareholder of HEPGL, the Group's principal investment

The Group has only a 24.9% shareholding in HEPGL and whilst it does maintain significant influence over HEPGL, as such it does not have any control over this company. The ownership, and therefore intentions and control, of the remaining 75.1% shareholding are uncertain following the Mining Group July 2013 Restructuring. It is likely that the 75.1% shareholding in HEPGL owned by the pension trustees of the Industry Wide Mineworkers Pension Scheme ("Pension Trustees") 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 HEPGL ("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 HEPGL 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 HEPGL's Articles, if the Pension Trustees or the Company wish to transfer any of their shares in HEPGL 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 HEPGL 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 HEPGL 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 HEPGL shareholding for shareholders. This would fundamentally alter its key revenue stream from both dividends and recharged expenses.

The value of the Group's investment in HEPGL is dependent upon the success of HEPGL realising value from the development of its property holdings

The Group's performance will depend on general real estate market conditions that affect its investment in HEPGL.

These risks are inter alia:

- Lack of demand for land and new properties;
- Planning risk; and
- Property valuation movements and liquidity.

Funding of the Company's on-going running costs

The Company's on-going running costs and employee costs are met by HEPGL under an agreement entered into as part of the 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 Company's executive team which are indemnified, subject to limits, indefinitely by HEPGL, the Company will have to fund its on-going running costs from cash reserves or from dividends from HEPGL.

Blenkinsopp pension scheme

The Group and Company is liable for the Blenkinsopp pension scheme. The scheme had an IAS 19 deficit of £673,000 at 29 June 2013. The last actuarial valuation undertaken as at 31 December 2009, which was signed off in November 2011, showed an estimated past service deficit of £2,674,000. Although there has not been any subsequent actuarial valuation, the Directors believe that the deficit under this scheme is likely to have increased to approximately £3.1 million as at 31 December 2011.

Under the Mining Group July 2013 Restructuring, this uncapped indemnity was novated to UK Coal Production Limited. Additionally a new guarantee was entered into under which HEMPL guarantees the obligations of an amount up to £3.1 million. HEMPL is a company in the Harworth Estates Group, which owns the freehold land of the deep mines operated by UK Coal Production Limited. Further, the Company retains charges over the deep mine land owned by HEMPL against this liability but there is no guarantee that the value of these assets would cover the liability, and the amount recoverable under such security is limited to the cap of £3.1 million, being the maximum amount recoverable under the guarantee from HEMPL.

Responsibility statement of the Directors in respect of the interim financial report

The Directors confirm that this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.10, namely:

- An indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements and a description of the key risks and uncertainties for the remaining six months of the financial year; and
- Material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

The Directors of Coalfield Resources plc are as listed in the Coalfield Resources plc Annual Report and Accounts 2012. A list of current Directors is maintained on the Coalfield Resources plc website www.coalfieldresources.com.

By order of the Board

Jonson Cox
Chairman

15 August 2013

Jeremy Hague
Finance Director

15 August 2013

Consolidated income statement

	Note	Unaudited 6 months ended 29 June 2013 £000	Unaudited 6 months ended 30 June 2012 (Restated) £000	Audited year ended 29 December 2012 £000
Revenue		843	–	8
Cost of sales		–	–	–
Gross profit		843	–	8
Other operating income and expenses	4	(1,039)	361	108
Operating (loss)/profit		(196)	361	116
Net finance costs	5	(202)	(345)	(465)
Share of profit of associates		333	–	–
(Loss)/profit before tax		(65)	16	(349)
Tax credit	6	–	–	10
(Loss)/profit from continuing operations		(65)	16	(339)
Discontinued operations				
Loss from discontinued operations	3	(1,661)	(20,575)	(5,986)
Loss for the period		(1,726)	(20,559)	(6,325)
Loss attributable to:				
Owners of the Parent		(1,726)	(20,559)	(6,325)
Loss per share from continuing and discontinued operations attributable to owners of the Parent		pence	pence	pence
Basic and diluted				
From continuing operations		–	–	(0.1)
From discontinued operations		(0.6)	(6.9)	(2.0)
Loss for the period	8	(0.6)	(6.9)	(2.1)

Consolidated statement of comprehensive income

	Unaudited 6 months ended 29 June 2013 £000	Unaudited 6 months ended 30 June 2012 £000	Audited year ended 29 December 2012 £000
(Loss)/profit for the period from continuing operations	(65)	16	(339)
Other comprehensive income – items that will not be reclassified to profit or loss:			
Remeasurements of Blenkinsopp pension scheme	(42)	(53)	(290)
Total other comprehensive loss (continuing operations)	(42)	(53)	(290)
Total comprehensive loss for the period (continuing operations)	(107)	(37)	(629)
Loss for the period from discontinued operations	(1,661)	(20,575)	(5,986)
Other comprehensive income – items that will not be reclassified to profit or loss:			
Remeasurements of industry wide pension schemes	–	(15,349)	(79,175)
Remeasurements of concessionary fuel reserve	–	(1,271)	(5,803)
Movement on deferred tax asset relating to retirement benefit obligations	–	–	(8,125)
Revaluation of property transferred from operating to investment properties	–	–	100
Total other comprehensive loss (discontinued operations)	–	(16,620)	(93,003)
Total comprehensive loss for the period (discontinued operations)	(1,661)	(37,195)	(98,989)
Total comprehensive loss for the period	(1,768)	(37,232)	(99,618)
Attributable to:			
Owners of the Parent	(1,768)	(37,232)	(99,618)

The notes on pages 12 to 25 are an integral part of the condensed consolidated interim financial statements.

Consolidated statement of changes in shareholders' equity

	Ordinary shares £000	Share premium account £000	Other reserves £000	Retained earnings £000	Total equity £000
Balance at January 2012 (audited)	2,993	30,756	192,537	(80,283)	146,003
Loss for the six months to June 2012	–	–	–	(20,559)	(20,559)
Other comprehensive income:					
Remeasurements of post-retirement benefits	–	–	–	(16,673)	(16,673)
Fair value profit on revaluation of investment properties	–	–	3,070	(3,070)	–
Transfer of realised gain on disposed properties	–	–	(9,815)	9,815	–
Total comprehensive loss for the period ended June 2012	–	–	(6,745)	(30,487)	(37,232)
Transactions with owners:					
Accrual for long term incentive plan liabilities	–	–	–	513	513
Balance at June 2012 (unaudited)	2,993	30,756	185,792	(110,257)	109,284
Profit for the six months to December 2012	–	–	–	14,234	14,234
Other comprehensive income:					
Remeasurements of post-retirement benefits	–	–	–	(68,595)	(68,595)
Fair value profit on revaluation of investment properties	–	–	13,118	(13,118)	–
Property revaluation on transfer to investment properties	–	–	100	–	100
Transfer of realised gain on disposed properties	–	–	(198,753)	198,753	–
Movement on deferred tax asset in relation to retirement benefit obligations	–	–	–	(8,125)	(8,125)
Total comprehensive loss for the period ended December 2012	–	–	(185,535)	123,149	(62,386)
Transactions with owners:					
Accrual for long term incentive plan liabilities	–	–	–	1,031	1,031
Balance at December 2012 (audited)	2,993	30,756	257	13,923	47,929
Loss for the six months to June 2013	–	–	–	(1,726)	(1,726)
Other comprehensive income:					
Remeasurements of post-retirement benefits	–	–	–	(42)	(42)
Total comprehensive loss for the period ended June 2013	–	–	–	(1,768)	(1,768)
Transactions with owners:					
Accrual for long term incentive plan liabilities	–	–	–	288	288
Balance at June 2013 (unaudited)	2,993	30,756	257	12,443	46,449

Consolidated balance sheet

	Note	Unaudited 6 months ended 29 June 2013 £000	Unaudited 6 months ended 30 June 2012 £000	Audited year ended 29 December 2012 £000
ASSETS				
Non-current assets				
Operating property, plant and equipment	9	–	212,595	–
Surface mine development and restoration assets	9	–	29,703	–
		–	242,298	–
Investment properties	10	–	252,084	–
Investment in associates	11	50,622	–	50,288
Investment in joint ventures	12	–	3,040	–
Deferred tax asset		–	31,509	–
Other receivables		–	7,025	–
		50,622	535,956	50,288
Current assets				
Inventories		–	33,799	–
Trade and other receivables		731	40,897	3,903
Cash and cash equivalents	14	668	27,492	51
Assets classified as held for resale	15	22,284	6,316	21,303
		23,683	108,504	25,257
Total assets		74,305	644,460	75,545
LIABILITIES				
Current liabilities				
Borrowings – bank loans, overdrafts and finance leases	16	(2,908)	(5,156)	–
– Generator loans and prepayments	16	–	(40,223)	–
Trade and other payables		(6,641)	(130,612)	(9,697)
Provisions	17	–	(12,638)	(546)
Liabilities classified as held for resale	15	(17,634)	–	(16,653)
		(27,183)	(188,629)	(26,896)
Net current liabilities		(3,500)	(80,125)	(1,639)
Non-current liabilities				
Borrowings – bank loans, overdrafts and finance leases	16	–	(64,418)	–
– Generator loans and prepayments	16	–	(32,014)	–
Derivative financial instruments		–	(3,447)	–
Trade and other payables		–	(498)	–
Deferred tax liabilities		–	(1,171)	–
Provisions	17	–	(83,799)	–
Retirement benefit obligations	18	(673)	(161,200)	(720)
		(673)	(346,547)	(720)
Total liabilities		(27,856)	(535,176)	(27,616)
Net assets		46,449	109,284	47,929
SHAREHOLDERS' EQUITY				
Ordinary shares		2,993	2,993	2,993
Share premium		30,756	30,756	30,756
Revaluation reserve		–	115,846	–
Capital redemption reserve		257	257	257
Fair value reserve		–	69,603	–
Amounts recognised in reserves relating to non-current assets held for sale		–	86	–
Retained earnings/(loss)		12,443	(110,257)	13,923
Total shareholders' equity		46,449	109,284	47,929

Consolidated statement of cash flows

	Unaudited 6 months ended 29 June 2013 £000	Unaudited 6 months ended 30 June 2012 £000	Audited year ended 29 December 2012 £000
Cash flows from operating activities			
Loss for the period	(1,726)	(20,559)	(6,325)
Depreciation/impairment of property, plant and equipment	–	21,281	119,556
Amortisation of surface mine development and restoration assets	–	7,897	15,818
Net fair value increase in investment properties	–	(3,070)	(16,188)
Net interest payable and unwinding of discount on provisions	202	11,100	17,165
Net charge for share-based remuneration	288	513	1,544
Share of post-tax loss/(profit) from joint ventures	–	(61)	900
Share of post-tax profit from associates	(333)	–	–
Profit on disposal of businesses	–	–	(143,095)
(Profit)/loss on disposal of investment properties	–	(420)	428
Profit on disposal of operating property, plant and equipment	–	(1,318)	(2,051)
Capitalised surface mine restoration assets	–	(8,905)	–
(Decrease)/increase in provisions	(546)	6,772	19,522
Pension contributions (in excess of)/below charge	(89)	(177)	2,819
Tax charge	–	–	22,281
Operating cash (outflows)/inflows before movements in working capital	(2,204)	13,053	32,374
Decrease in inventories	–	955	3,630
Decrease/(Increase) in receivables	3,172	(12,936)	(10,472)
(Decrease)/increase in payables	(3,066)	15,418	24,178
Cash (used in)/generated from operations	(2,098)	16,490	49,710
Loan arrangement fees paid	(193)	(1,419)	(2,019)
Interest paid	–	(10,806)	(11,950)
Cash (used in)/generated from operating activities	(2,291)	4,265	35,741
Cash flows from investing activities			
Interest received	–	185	369
Net (payment of)/receipt from insurance and subsidence security funds	–	(370)	23,589
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 resale	–	–	(14,973)
Fees payable on restructure of business	–	–	(15,215)
Proceeds on disposal of investment properties	–	11,440	21,496
Proceeds on disposal of operating property, plant and equipment	–	2,379	3,498
Development costs of investment properties	–	(2,606)	(5,263)
Pre-coaling expenditure for surface mines and deferred stripping costs	–	(2,950)	(22,961)
Purchase of operating property, plant and equipment	–	(13,273)	(19,816)
Cash used in investing activities	–	(5,195)	(29,174)
Cash flows from financing activities			
Net proceeds from bank loans	2,908	16,581	28,541
Net repayment of generator loans and prepayments	–	(11,872)	(33,508)
Repayments of obligations under hire purchase and finance leases	–	(1,935)	(3,238)
Cash generated from/(used in) financing activities	2,908	2,774	(8,205)
Increase/(decrease) in cash	617	1,844	(1,638)
At January			
Cash	51	1,689	1,689
Cash equivalents	–	23,589	23,589
	51	25,278	25,278
Decrease in cash equivalents (net receipt from insurance and subsidence security funds)	–	370	(23,589)
Increase/(decrease) in cash	617	1,844	(1,638)
	668	27,492	51
At December			
Cash	668	3,533	51
Cash equivalents	–	23,959	–
Cash and cash equivalents	668	27,492	51

Notes to the condensed consolidated interim financial statements

for the six months ended 29 June 2013

1. Basis of preparation of the condensed consolidated interim financial statements

General information

Coalfield Resources plc (the 'Company') is a limited liability company incorporated and domiciled in the UK. The address of its registered office is Harworth Park, Blyth Road, Harworth, Doncaster, DN11 8DB.

The Company is listed on the London Stock Exchange.

The condensed consolidated interim financial statements for the six months ended 29 June 2013 comprise the Company and its subsidiaries (together referred to as the 'Group').

The condensed consolidated interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The Group financial statements for the year ended 29 December 2012 were approved by the Board of Directors on 30 April 2013 and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified but contained an emphasis of matter paragraph in relation to going concern.

The condensed consolidated interim financial statements have not been reviewed or audited by the auditors.

The condensed consolidated interim financial statements for the period ended 29 June 2013 were approved by the Board on 15 August 2013.

Basis of preparation

The condensed consolidated interim financial statements for the six months ended 29 June 2013 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 'Interim financial reporting' as adopted by the European Union ('EU'). The condensed consolidated interim financial statements should be read in conjunction with the Group financial statements for the year ended 29 December 2012 which have been prepared in accordance with IFRSs as adopted by the EU.

Going concern

This interim report is prepared on the basis that the Group is a going concern. In forming its opinion as to going concern, the Board prepared cash flow forecasts based upon its assumptions as to trading as well as taking into account the net proceeds that would be received if the shareholders approve the fully underwritten Rights Issue in general meeting on 27 August 2013. If the Rights Issue does not take place, the Board is of the opinion that, the Group does not have sufficient working capital for its present requirements, that is, for at least 12 months from the date of these condensed consolidated interim financial statements.

If the Rights Issue is not completed, an event of default may occur under the terms of the Facility, which would be likely to have a material adverse effect on the Group's business and financial condition. However, the Rights Issue is underwritten by Peel and irrevocable undertakings have been received from Peel, Invesco Asset Management Limited, Pelham Capital Management LLP, Steven Underwood and Jonson Cox. Collectively these parties hold 45.01% of the Company's issued share capital. On this basis the Board believe that it is appropriate to adopt the going concern basis for these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements do not include the adjustments that would result if the Group or Company were unable to continue as a going concern.

Accounting policies

Except as described below, the accounting policies applied are consistent with those of the Group financial statements for the year ended 29 December 2012, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected annual earnings.

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 Restructuring that occurred in December 2012, the Group's mining, property, power generation and insurance businesses have been treated as discontinued operations. The post-tax profit or loss of discontinued operations for the preceding period, together with the post-tax gain or loss on disposal of discontinued operations, are presented as a single line on the consolidated income statement. Comparatives have been restated to show as discontinued operations those operations which were classified as discontinued in 2012.

Restatement of comparatives

As noted above, comparatives have been restated in accordance with IFRS 5, 'Non-current assets held for resale and discontinued operations', to show as discontinued operations those operations which were classified as discontinued in 2012. The financial statements and notes impacted are:

Consolidated income statement

Consolidated statement of comprehensive income

Note 4 Other operating income and expenses

Note 5 Finance costs

Note 6 Tax

1. Basis of preparation of the condensed consolidated interim financial statements: continued

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 is 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.
- 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 2015, 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.

Notes to the condensed consolidated interim financial statements

for the six months ended 29 June 2013: continued

1. Basis of preparation of the condensed consolidated interim financial statements: continued

Exceptional items

Items that are both material and non-recurring and whose significance is sufficient to warrant separate disclosure and identification within the condensed consolidated interim financial statements are referred to as exceptional items. Items that may give rise to classification as exceptional items include, but are not limited to, significant and material restructuring, closures and reorganisation programmes and asset impairments.

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 on-going trading operations and the nature of the costs or income involved. Non-trading exceptional items include costs and income arising from rationalisation and closure.

Seasonality

Significant seasonal or cyclical variations in the Group's total revenues are not experienced during the financial year.

Estimates and judgements

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 29 December 2012.

2. Mining Group July 2013 Restructuring

The fire at the 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 Restructuring fees which arose from the Restructuring completed on 10 December 2012 and which is further described in note 3.

This has consequently led to a number of changes to the Restructuring agreements and further finance being sought by the Group as described below.

Whilst the anticipated Restructuring fees had been provided in the results to 29 December 2012 there remained at May 2013 approximately £3.6 million of Restructuring fees to be paid, which together with potential liabilities of approximately £0.9 million should the mining business fail to pay the liabilities led the Group to seek a bank facility.

The Facility was agreed with Lloyds Bank on 31 May 2013 for £5.0 million. The Facility allowed the Group to pay Restructuring fees up to £3.6 million, pay, if required, the £0.9 million of potential liabilities and pay the fees and interest relating to the Facility.

The Facility was agreed with Lloyds Bank on the understanding that the Group would repay the Facility by raising funds from an equity fundraising. The Group's major shareholder, Peel Holdings Limited ("Peel") provided a guarantee to Lloyds Bank as part of the security package. A Rights Issue was announced on 7 August 2013 to raise estimated net proceeds of £5.0 million. The general meeting seeking shareholder approval for this Rights Issue is on 27 August 2013.

On 9 July 2013 Mine Holdings and UKCOL went into administration and UKCOL subsequently into creditors' voluntary liquidation ("Mining Group July 2013 Restructuring"). The Group in its H1 2013 results wrote off its £1 investment in the mining business and provided in full for the balance outstanding at 29 June 2013 from Mine Holdings and UKCOL of £1.1 million relating to on-going and Restructuring costs which had been invoiced but not settled. To be consistent with the accounting treatment in 2012 the £1.1 million provision has been charged to discontinued operations (note 3).

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 £3.1 million, 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 Mine Holdings.

The existing shareholder agreement between the Company and HEPGL was revised to take account of the Mining Group July 2013 Restructuring. 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 these are funded by indemnity and for 2015 and 2016 by loan. In addition HEPGL have indemnified, subject to certain limitations, the employment costs of the Company's executive management team without limit in time.

3. Restructuring and discontinued operations

a) Restructuring of the Company's business completed on 10 December 2012 ("Restructuring")

Summary

On 10 December 2012 the Company announced that it had restructured into three separate businesses comprising the mining business (under a newly incorporated company UK Coal Mine Holdings Limited ("Mine Holdings")), the property business (under a newly incorporated company Harworth Estates Property Group Limited ("HEPGL")) and the Company. Control of the mining business passed to a newly established Employee Benefit Trust ("EBT") which holds shares representing 67 per cent of the voting, and 10 per cent of the economic rights in Mine Holdings for the benefit of current and future employees of the mining business. 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 rank 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 owns 24.9 per cent of HEPGL, 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 HEPGL. 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 first £5,000,000 of shareholders' dividend income which would otherwise be due to the Company will be paid to the Pension Funds.

The Company's pension funding deficit, other than for the Blenkinsopp pension scheme, was isolated as a liability of the mining business and ring-fenced from the property business's assets and liabilities.

The mining business provided the Company with an indemnity in respect of the Blenkinsopp pension scheme which was novated to UK Coal Production Limited, a member of the new mining group as part of the Mining Group July 2013 Restructuring.

Treatment of Mining and Property activities in the financial statements

In accounting for the Restructuring, the transfer of the mining and property activities of the Group to Mine Holdings and Harworth Estates Group was treated as a disposal. The subsequent acquisition of 24.9% of HEPGL by the Company was accounted for as an acquisition of an associated undertaking, and of the Company's interest in Mine Holdings as an available for sale investment for the reasons outlined in note 13.

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 £20,300,000, of which £20,000,000 was payable upon completion and payment of the remaining £300,000 would be contingent upon future rights to gas extraction being granted to HEPGL by The Department for Energy and Climate Change. 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 agreed a Put and Call option with Mine Holdings to acquire the entire issued share capital of Harworth Insurance Company Limited. The consideration for the option was £4,650,000. Exercise of the option is conditional on obtaining Financial Conduct Authority and Prudential Regulatory Authority consent or the parties agreeing that such consent is no longer legally required. Since the call option has not been exercised, the assets and liabilities relating to Harworth Insurance Company Limited are presented as held for sale. Notwithstanding Mine Holdings entering into administration on 9 July 2013, they retain the benefit of the Put and Call option.

d) Discontinued operations and profit on disposal

Discontinued operations six months to 29 June 2013

	Mining June 2013 £000
Provision on amounts due from Mine Holdings and UKCOL	1,067
Restructuring fees	594
	1,661

The Mining Group July 2013 Restructuring led to a full provision for the balance outstanding of £1,067,000 at 29 June 2013 due from Mine Holdings and UKCOL relating to on-going and Restructuring costs which had been invoiced to them but not settled. In addition, as UKCOL are unable to honour the indemnity to pay Restructuring costs, a further provision of £594,000 is required in the period 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 £1,661,000 has been charged to discontinued operations in the period.

Notes to the condensed consolidated interim financial statements

for the six months ended 29 June 2013: continued

3. Restructuring and discontinued operations: continued

d) Discontinued operations and profit on disposal: continued

The combined cash flows of the discontinued operations noted in the consolidated statement of cash flows were as follows:

Group	6 months ended June 2013 £000	6 months ended June 2012 £000	Year ended December 2012 £000
Operating cash flows	(1,661)	4,613	36,610
Investing cash flows	–	(5,195)	(29,675)
Financing cash flows	–	2,774	(8,205)
Total cash flows	(1,661)	2,192	(1,270)

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

	Mining £000	Property £000	Insurance £000	Power generation £000	Total £000
Discontinued operations for the six months to 30 June 2012					
Revenue	193,348	3,472	–	1,453	198,273
Expenses	(208,235)	(2,600)	(182)	(207)	(211,224)
Change in fair value of investment properties	–	3,070	–	–	3,070
Operating (loss)/profit from discontinued operations	(14,887)	3,942	(182)	1,246	(9,881)
Finance costs					(10,755)
Share of post-tax loss from joint ventures					61
Tax					–
Loss after tax from discontinued operations					(20,575)

	Mining £000	Property £000	Insurance £000	Power generation £000	Total £000
Discontinued operations for the year to 29 December 2012					
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 of £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 UK Coal Mine Holdings Limited of £4,650,000 for the granting of a call option to acquire the entire issued share capital of Harworth Insurance Company Limited.

3. Restructuring and discontinued operations: continued

d) Discontinued operations and profit on disposal: continued

The consideration received and fair value of the assets and liabilities of the discontinued operations disposed of during the second half of 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	136,437	–	4,936	141,373
Investment properties	–	273,357	–	273,357
Investment in joint ventures	–	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	(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. Restructuring fees relating to the disposal of the mining, property and insurance businesses all arose from the 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.

4. Other operating income and expenses

Group	6 months ended June 2013 £000	6 months ended June (Restated) 2012 £000	Year ended December 2012 £000
Administrative expenses	(1,149)	(2,366)	(4,839)
Other operating income	110	2,727	4,947
	(1,039)	361	108

5. Finance costs

Group	6 months ended June 2013 £000	6 months ended June (Restated) 2012 £000	Year ended December 2012 £000
Interest expense			
– Bank interest	(9)	–	–
– Facility fees	(193)	(345)	(465)
Finance costs	(202)	(345)	(465)

Notes to the condensed consolidated interim financial statements

for the six months ended 29 June 2013: continued

6. Tax

The tax in the period is £nil (June 2012 (Restated): £nil; December 2012: £10,000 credit).

At June 2013 and December 2012 the Group did not recognise any deferred tax assets or deferred tax liabilities. At June 2012 the Group had deferred tax assets of £31,509,000 and deferred tax liabilities of £1,171,000. The balance at June 2012 of £22,213,000 was charged to discontinued operations in the consolidated income statement and £8,125,000 to the consolidated statement of comprehensive income in H2 2012.

7. Dividends

No dividends have been paid or proposed in relation to 2012. No interim dividend is proposed for the six months ended 29 June 2013.

8. Loss per share

Loss per share has been calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of shares in issue and ranking for dividend during the period.

In calculating the diluted (loss)/earnings per share, the weighted average number of ordinary shares is adjusted for the diluting effect of share options potentially issuable under the Group's employee share option plans.

	6 months ended June 2013 £000	6 months ended June 2012 £000	Year ended December 2012 £000
(Loss)/profit from continuing operations	(65)	16	(339)
Loss from discontinued operations	(1,661)	(20,575)	(5,986)
Loss for the period	(1,726)	(20,559)	(6,325)
Weighted average number of shares used for basic loss per share calculations	299,298,160	299,298,160	299,298,160
Dilutive effect of share awards	4,320,000	–	–
Weighted average number of shares used for diluted loss per share calculations	303,618,160	299,298,160	299,298,160
Basic and diluted loss per share (pence)			
From continuing operations	–	–	(0.1)
From discontinued operations	(0.6)	(6.9)	(2.0)
Loss for the period	(0.6)	(6.9)	(2.1)

9. Operating property, plant and equipment

Net book value	Operating property, plant and equipment £000	Surface mine development and restoration assets £000	Total £000
At January 2012	223,495	25,745	249,240
Additions	13,273	11,855	25,128
Disposals	(1,061)	–	(1,061)
Net transfer to investment properties	3,105	–	3,105
Transfer to non-current assets held for sale re disposal of Power Generation business	(4,936)	–	(4,936)
Depreciation charge (discontinued operations)	(21,281)	(7,897)	(29,178)
At June 2012	212,595	29,703	242,298
Additions	6,543	11,106	17,649
Disposals	(386)	–	(386)
Net transfer to investment properties	(16,928)	–	(16,928)
Net disposals arising from Group Restructuring	(103,549)	(32,888)	(136,437)
Impairment charge (discontinued operations)	(78,016)	–	(78,016)
Depreciation charge (discontinued operations)	(20,259)	(7,921)	(28,180)
At December 2012 and June 2013	–	–	–

10. Investment properties

At valuation	6 months ended June 2013 £000	6 months ended June 2012 £000	Year ended December 2012 £000
At start of period	–	250,640	250,640
Additions	–	2,606	5,263
Disposals	–	(697)	(7,224)
Fair value adjustment	–	3,070	16,188
Net transfer (to)/from operating property, plant and equipment	–	(3,105)	13,823
Transfer to non-current assets held for sale	–	(430)	(5,433)
Revaluation gain on transfer from operating property, plant and equipment to investment properties	–	–	100
Disposal of investment properties on Restructuring of Group	–	–	(273,357)
At end of period	–	252,084	–

In addition to the above, the Group is committed to £nil (June 2012: £1,071,000; December 2012: £nil) expenditure for investment properties.

An internal review of the valuation of investment properties was carried out as at 30 June 2012. The review was undertaken by suitably qualified employees with both appropriate professional qualification (FRICS/MRICS) and a comprehensive knowledge of these properties and associated markets. The valuation basis and assumptions were consistent with those used as at 31 December 2011. Following this review the Directors were of the opinion that, in the current market, the change in the value of the Group's investment property portfolio as at 30 June 2012 was an increase of £3,070,000.

Key assumptions within the basis of fair value are:

- the sites will be cleared of redundant buildings, levelled and prepared ready for development;
- the values are on a basis that no material environmental contamination exists on the subject or adjoining sites, or where this is present the sites will be remediated to a standard consistent with the intended use, the costs for such remediation being separately provisioned; and
- no deduction or adjustment has been made in relation to clawback provisions, or other taxes which may be payable in certain events.

Notes to the condensed consolidated interim financial statements

for the six months ended 29 June 2013: continued

11. Investment in associates

Cost	As at June 2013 £000	As at June 2012 £000	Year ended December 2012 £000
At January	50,288	–	–
Additions	–	–	50,288
Share of profit	333	–	–
At end of period	50,621	–	50,288
Net book amount:			
At end of period	50,621	–	50,288

In December 2012, as part of the Restructuring, the Group acquired a 24.9% interest in Harworth Estates Property Group Limited (“HEPGL”), a private company incorporated in England and Wales, at a fair value of £50,288,000. HEPGL is the parent company of the Harworth Estates Group. The Group accounts for its investment in HEPGL as an associate because it considers that it has significant influence over that entity due to its 24.9% shareholding and representation on the HEPGL board.

The Group’s share of net assets of Harworth Estates Group 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 Group will be paid to the Pension Schemes.

12. Investment in joint ventures

	As at June 2013 £000	As at June 2012 £000	As at December 2012 £000
UK Strategic Partnership Limited	–	627	–
Bates Regeneration Limited	–	2,413	–
	–	3,040	–

The joint ventures were disposed of on 10 December 2012 as part of the Restructuring.

13. Available for sale investments

In December 2012, as part of the Restructuring, the Company acquired 33% of the voting rights, and 90% of the economic rights, of UK Coal Mine Holdings Limited, 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 has concluded that post restructuring it has no control or significant influence over Mine Holdings and therefore has 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’. The main considerations by management were:

- Majority voting is held by the Employee Benefit Trust with the Company retaining limited rights under the Shareholders’ agreement;
- UK Coal Mine Holdings Limited maintains its own independent Board, none of whom has served as Directors of the Company and are explicitly prohibited from acting in the interests of the Company;
- Although the Company holds a 90% economic interest in Mine Holdings, the large pension deficit means Mine Holdings is unlikely to pay dividends in the near future and therefore the economic rights lack substance; and
- There is no economic incentive given that future dividends and investment value are limited until the pension schemes deficits are cleared.

These factors supported the conclusion to value the investment at £1 as an investment available for sale. Following the Mining Group July 2013 Restructuring (see note 2) this investment was written off in the H1 2013 results.

14. Cash and cash equivalents

	As at June 2013 £000	As at June 2012 £000	As at December 2012 £000
Unrestricted cash balances	668	3,533	51
Cash deposited to cover insurance requirements	–	15,021	–
Subsidence security fund	–	8,938	–
Total restricted cash balances	–	23,959	–
Cash and cash equivalents	668	27,492	51

15. Assets classified as held for sale**(a) Assets of disposal group classified as held for sale**

	As at June 2013 £000	As at June 2012 £000	As at December 2012 £000
Operating property, plant and equipment	–	4,936	–
Investment properties	3,618	1,380	5,433
Trade and other receivables	2,507	–	897
Cash and cash equivalents	16,159	–	14,973
Assets classified as held for sale	22,284	6,316	21,303

(b) Liabilities of disposal group classified as held for sale

	As at June 2013 £000	As at June 2012 £000	As at December 2012 £000
Trade and other payables	652	–	600
Provisions	9,152	–	8,271
Remeasurement loss on carrying value of Harworth Insurance Company Limited	7,830	–	7,782
Liabilities classified as held for sale	17,634	–	16,653

On 22 June 2012 the Company announced that it had entered into a conditional contract to sell the entire share capital of its indirectly held subsidiary Harworth Power (Generation) Limited for a total cash consideration of £20,300,000. The net book value of the operating property, plant and equipment held within the property segment relating to this sale is £4,936,000. The conditions for the disposal of the shares were expected to be met during the second half of 2012 and so the fixed assets were treated as assets classified as held for sale at June 2012. The disposal completed on 1 October 2012.

In the period to 30 June 2012, properties with a net book value of £15,650,000 had been sold with gross proceeds of £18,600,000 with a further £430,000 being classified as assets held for sale. The balance remaining of £1,380,000 was sold in July 2012 with proceeds of £1,380,000.

The amount recognised in reserves relating to these properties was £nil (June 2012: £86,000; December 2012: £nil).

The assets and liabilities of the disposal group held for resale at June 2013 and December 2012 relate to Harworth Insurance Company Limited. As part of the Restructuring the Company granted a call option to Mine Holdings to acquire the entire issued share capital of its subsidiary undertaking, Harworth Insurance Company Limited, and Mine Holdings granted the Company a put option to require Mine Holdings to acquire Harworth Insurance Company Limited.

Exercise of the call option is conditional upon obtaining Financial Conduct Authority and Prudential Regulatory Authority consent. The consideration for the call option was £4,650,000.

Notwithstanding Mine Holdings entering into administration on 9 July 2013, they retain the benefit of the Put and Call option.

Notes to the condensed consolidated interim financial statements

for the six months ended 29 June 2013: continued

16. Borrowings

	As at June 2013 £000	As at June 2012 £000	As at December 2012 £000
Bank loans, overdrafts and finance leases			
Current	2,908	5,156	–
Non-current	–	64,418	–
	2,908	69,574	–
Generator loans and prepayments			
Current	–	40,223	–
Non-current	–	32,014	–
	–	72,237	–
Total			
Current	2,908	45,379	–
Non-current	–	96,432	–
	2,908	141,811	–

Borrowings at June 2013 are stated after deduction of unamortised borrowing costs of £nil (June 2012: £2,451,000; December 2012: £nil).

At Restructuring all bank loans were transferred to the Harworth Estates Group and all finance lease and generator loans were transferred to the mining business.

Until 31 May 2013 the Group did not have any bank facilities but on this date it entered a twelve month £5,000,000 term loan facility with Lloyds Bank which is divided into five tranches and is to be used for the following purposes:

- The payment of costs and expenses incurred by the Group in connection with the Restructuring of the Group, up to £3,600,000;
- The payment of any claim under a guarantee given to Sandvik Customer Financing GmbH, an equipment supplier of the former mining business in respect of certain assets procured under lease agreements of up to £500,000;
- The payment of amounts owing by the Group to Harworth Insurance Company Limited pursuant to an employer's liability insurance policy maintained by the mining business, up to £400,000;
- The payment of the bank's arrangement fee, up to £100,000; and
- The payment of the bank's commitment and monitoring fees and interest on the loans drawn under the facility, up to £400,000.

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.

All loans drawn under the Facility are repayable on 31 May 2014, but the proceeds of the Rights Issue (after deducting fees, costs and expenses incurred by the Group) must be used to repay such loans to the extent drawn.

The Group's liabilities under the Facility were secured by (i) a debenture which purports to create fixed and floating charges over all of the Group's assets and (ii) a charge over the 6,000 ordinary shares of £0.01 each, held by the Group in Harworth Estates Property Group Limited. Such liabilities were also the subject of a limited guarantee by Peel in favour of Lloyds Bank.

If the Rights Issue proceeds, the proceeds will be used to repay the loan and the Facility terminated, enabling release from the debenture and share charge.

17. Provisions

The nature of the Group's obligations is as disclosed in the Annual Report and Accounts for the year ended 29 December 2012.

Historically the main provisions have been in relation to the mining business which was disposed of as part of the Restructuring completed on 10 December 2012.

Provisions have been allocated between current and non-current as follows:

	As at June 2013 £000	As at June 2012 £000	As at December 2012 £000
Provisions payable within one year	–	12,638	546
Provisions payable after more than one year	–	83,799	–
	–	96,437	546

18. Retirement benefit obligations

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

	As at June 2013 £000	As at June 2012 £000	As at December 2012 £000
Blenkinsopp	673	563	720
Industry wide schemes	–	115,016	–
Concessionary fuel	–	45,621	–
	673	161,200	720

Blenkinsopp

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

	As at June 2013 £000	As at June 2012 £000	As at December 2012 £000
Fair value of plan assets	1,321	1,209	1,282
Present value of funding obligations	(1,994)	(1,772)	(2,002)
Net liability recognised in the balance sheet	(673)	(563)	(720)

The amounts recognised in the consolidated income statement (within continuing operations) are:

	6 months ended June 2013 £000	6 months ended June 2012 £000	Year ended December 2012 £000
Current service cost	(8)	(8)	(15)
Interest costs	(14)	(20)	(38)
	(22)	(28)	(53)

Current service cost and interest costs are part of administration expenses within other operating income and expenses. The net effect of remeasurements on the Blenkinsopp scheme charged to the statement of comprehensive income is £42,000 (June 2012: loss of £53,000; December 2012: loss of £290,000).

Notes to the condensed consolidated interim financial statements

for the six months ended 29 June 2013: continued

18. Retirement benefit obligations: continued

Industry wide schemes

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

	As at June 2013 £000	As at June 2012 £000	As at December 2012 £000
Fair value of plan assets	–	462,640	–
Present value of funding obligations	–	(577,656)	–
Net liability recognised in the balance sheet	–	(115,016)	–

The amounts recognised in the consolidated income statement (within discontinued operations) are:

	6 months ended June 2013 £000	6 months ended June 2012 £000	Year ended December 2012 £000
Current service cost	–	(4,971)	(9,431)
Interest costs	–	(1,830)	(3,623)
	–	(6,801)	(13,054)

Current service cost is charged to cost of sales, with interest costs included as part of administration expenses within other operating expenses. The net effect of remeasurements on the schemes charged to the statement of comprehensive income is £nil (June 2012: loss of £15,349,000; December 2012: loss of £79,175,000).

Concessionary fuel

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

	As at June 2013 £000	As at June 2012 £000	As at December 2012 £000
Net liability recognised in the balance sheet	–	(45,621)	–

The amounts recognised in the consolidated income statement (within discontinued operations) are:

	6 months ended June 2013 £000	6 months ended June 2012 £000	Year ended December 2012 £000
Current service cost	–	(235)	(470)
Interest costs	–	(1,066)	(2,119)
	–	(1,301)	(2,589)

Current service cost is charged to cost of sales and interest costs is included as part of administration expenses within other operating expenses. The net effect of remeasurement on the scheme charged to the statement of comprehensive income is £nil (June 2012: loss of £1,271,000; December 2012: loss of £5,803,000).

19. Related party transactions

Peel Group

Peel were required by Lloyds Bank to provide a guarantee to Lloyds Bank for the Facility. 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.

On 7 August 2013 Peel entered into an underwriting agreement with the Company to fully underwrite the Rights Issue.

The underwriting agreement provides 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.

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 are permitted by law to do so.

Mining business

Revenue includes £367,000 (June 2012: £nil; December 2012: £4,000) in respect of recharges to the mining business for on-going costs of the Company and secretarial services provided.

The mining business paid contributions to the Blenkinsopp pension scheme of £95,000 in the period under the indemnity agreement entered into at the Restructuring.

Further details of dealings with the mining business are shown in note 2.

Harworth Estates Group

Revenue includes £476,000 (H1 2012: £nil; December 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 owed £149,000 (H1 2012: £nil; December 2012: £4,000) to the Company at 29 June 2013.

20. Post balance sheet events

On 9 July 2013 Mine Holdings and UKCOL went into administration and UKCOL subsequently into creditors' voluntary liquidation. Notes 2 and 13 provide further details.

On 7 August 2013 the Company sought the consent of shareholders to support a Rights Issue to raise gross proceeds of £6.0 million. The estimated net proceeds of £5.0 million will allow the Group to repay the Facility and any surplus will provide additional working capital for the Group.

The basis of the Rights Issue is 1 New Ordinary Share at 2 pence per New Ordinary Share, for every 1 Existing Ordinary Share held on 22 August 2013 by qualifying shareholders.

The Rights Issue is underwritten by Peel and irrevocable undertakings have been received from Peel, Invesco Asset Management Limited, Pelham Capital Management LLP, Steven Underwood and Jonson Cox who between them hold 45.01% of the Company's issued share capital.

Subject to shareholder approval of the required resolutions at the general meeting on 27 August 2013 it is expected that dealings in the New Ordinary Shares will commence nil paid at 8.00am on 28 August 2013 and fully paid at 8.00am on 12 September 2013.

CfRplc

Coalfield Resources plc

Harworth Park
Blyth Road
Harworth
Doncaster
South Yorkshire
DN11 8DB

Tel: +44 (0)1302 755 100

Fax: +44 (0)1302 752 797
