Interim Report
2014

COALFIELD RESOURCES PLC
Interim Report 2014

CfRplc

Key highlights

- Net assets of £58.4m (FY13: £55.2m)
- Net assets per share of 9.6 pence (FY13: 9.1 pence)
- Focus on 24.9% investment in Harworth Estates whose assets include:
  - Investment properties valued at £283.7m (FY13: £278.5m); and
  - Net assets of £247.3m (FY13: £234.7m)
- No debt, positive cash balance
- Profit from continuing operations before tax in the period of £3.2m (HY13: loss of £0.1m, FY13: profit of £3.3m) principally from the Group's investment in Harworth Estates

Contents

Chairman's statement

Overview

In the first half of 2014, Coalfield Resources plc ('CfR' or 'Group') recorded a profit of £3.2 million as we continued to focus our efforts on delivering value from our investment in Harworth Estates Property Group Limited ('Harworth Estates').

Harworth Estates continues to perform in line with expectations and we expect to be able to report further progress during the second half of 2014. In line with last year, Harworth Estates has not undertaken a formal external property valuation at the half year. It has however, carried out an internal management review to assess progress made during the first six months of 2014. This resulted in a revaluation gain of £10.4 million in addition to a profit on disposals of £3.1 million. Overall profit before tax was £12.6 million. The net asset value of Harworth Estates at 30 June 2014 was £247.3 million, which supported the Group's valuation of its holding at £56.6 million.

As reported on 8 August 2014, the 75.1% shareholding in Harworth Estates formerly owned by mineworkers' pension schemes has now transferred to the Pension Protection Fund. We believe this is good news as it will enable us to carry out further discussions on an appropriate capital structure to fully exploit value and create a sustainable business model for Harworth Estates. We believe further value can be created for both Harworth Estates shareholders through a simpler shareholder structure. While we explore these possibilities with our mutual shareholder we will continue to provide board leadership and drive growth from Harworth Estates underlying property assets to realise value for the benefit of all shareholders.

Results

The Group's revenue in the period of £0.8 million consists of the amounts invoiced to Harworth Estates in respect of CfR's on-going running and employee costs. The operating profit in the period was £15,000 (H1 2013: loss of £196,000, FY 2013: profit of £436,000, (FY 2013: operating profit (pre exceptional items) was loss of £247,000)).

This operating profit reflects the funding agreement with Harworth Estates.

The Group's share of profit from its investment in Harworth Estates in the first half of the year was £3.1 million (H1 2013: £0.3 million, FY 2013: £3.1 million). This includes profit on disposals and a revaluation gain based on a Harworth Estates management review of property valuation movements in the first half of 2014.

The Group made a profit from continuing operations before tax of £3.2 million (H1 2013: loss £0.1 million, FY 2013: £3.3 million).

Outlook

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

Harworth Estates continues to perform well and achieved a profit for H1 2014 of £12.6 million, of which the Group's share is £3.1 million. These first half results demonstrate the value that is inherent within its property portfolio. While the majority of the portfolio remains relatively immature in planning terms, the mixture of brownfield sites with strong strategic locations, including transport and utilities infrastructure, means that a considerable amount of value can still be added by the work performed in advancing the sites through the planning process. As last year, Harworth Estates 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 2014 year end. We welcome the transfer of the majority shareholding in Harworth Estates to the Pension Protection Fund and look forward to working with them to deliver value from the portfolio for our stakeholders.

Jonson Cox
Chairman

13 August 2014

Operational review

Harworth Estates

Good progress has been made across all the operating divisions of Harworth Estates. The past 18 months has seen Harworth Estates transition to become a standalone property business with its core strategy moving from a focus of property disposals to repay its inherited bank debt to one of delivering and maximising value across its portfolio. The first half of 2014 has continued to show the benefits of this transition and the value that can be delivered from its business. While there is still a long way to go in fully realising the potential of its land portfolio, during this first 18 months as a standalone business, the Harworth Estates team has laid secure foundations for continued value realisation. We continue to believe that further value can be added for shareholders, above that already inherent in its portfolio, if a capital structure can be introduced which allows the business to both grow organically and also to add value through further selective property development and acquisitions which utilise its skill set, particularly in brownfield site development.

Further confirmation that Harworth Estates has transitioned into a standalone property company has come from its two banking partners, both of whom have moved it from business support into their regular property business. As part of this, both banks have allowed loan repayment holidays, again reflecting their confidence in the Harworth Estates business, allowing the business to invest additional cash and add value to its portfolio. In the first half of 2014 the business also secured a further infrastructure loan, in this instance from the Homes and Communities Agency, to allow accelerated infrastructure works on its Waverley site.

The major developments division has continued its progress on bringing the larger consented sites to market. On the flagship Waverley development, disposals of a further three parcels of land have taken place including a pre-sold design and build for 52,000 sq ft of buildings on the AMP R-evolution phase. Following the sale of the first six phases to house builders over the past 24 months we are still seeing demand for further phases and these will be progressed in the second half. At Logistic North (a regionally significant North West distribution and manufacturing park) the first land disposal has been completed to Aldi who are constructing a 450,000 sq ft distribution hub. We expect further progress on sales at this site during the second half of the year. Remediation works continue on the Prince of Wales sites and marketing to house builders is showing demand at this location.

The strategic land division has continued to invest in planning applications to deliver the next stream of sites for major developments, or to realise full value through disposals. We expect to be able to report further success on new planning approvals during the second half of 2014 and beyond.

The business park portfolio continues to provide a solid revenue stream and progress has been made in both attracting new tenants and lease renewals, in what remains a competitive market. The business continues to exploit existing integral infrastructure of the former mining sites, such as high capacity electricity grid connections and rail connectivity, in promoting these sites. Other major rental streams continue from the natural resources division, including the Rossington and Prince of Wales coal recovery schemes. The first half of 2014 saw the first solar park scheme commence construction on the Welbeck site and the commencement of reclamation of the Rufford site, which will include recovery, and sale, of coal fines. These operations provide a good income stream to support the operational costs of the business.

Financial review

Financial Performance

Operating results

Group revenues of £0.8 million (H1 2013: £0.8 million, FY 2013: £1.5 million) were in respect of funding agreements with Harworth Estates. Cost of employees and running the plc business amounted to £0.8 million (H1 2013: £1.0 million, FY 2013: £1.8 million). As such the operating profit in the period (pre-exceptional items) was £15,000 (H1 2013: loss of £196,000, FY 2013: loss of £247,000).

Investment in Harworth Estates

The Group's 24.9% share of profit from its associate, Harworth Estates, in the period was £3.1 million (H1 2013: £0.3 million, FY 2013: £3.1 million). This included £3.4 million (being CfR's share) of property valuation and disposal gains during the first half of 2014. The half year valuation review was carried out by Harworth Estates management. Harworth Estates 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 2014 year end.

Results of Harworth Estates (un-audited) to 30 June 2014

		Half Year to 30 June 2014		Full Year to 28 December 2013
		£m		£m
Profit from operations		**0.8**		1.4
Profit on disposals		**3.1**		8.3
Gross valuation gain	**10.4**		24.5	
Impairment for restoration on reversion of mining leasehold obligations	–		(8.9)	
Net valuation increase		**10.4**		15.6
Profit from ordinary business		**14.3**		25.3
Exceptional provision		–		(9.1)
Profit before interest		**14.3**		16.2
Interest		**(1.7)**		(3.3)
Profit before tax		**12.6**		12.9

Overall the Group's profit for the period was £3.2 million (H1 2013: loss of £1.7 million, FY 2013: profit of £1.7 million).

Net assets

Principally as a result of the profit from its investment in Harworth Estates, net assets increased by £3.2 million in the first half of the year to £58.4 million from £55.2 million at the start of the year.

The table below shows the net asset value per share:

	30 June 2014		28 December 2013	
	£m	**Pence per share**	£m	Pence per share
Harworth Estates				
Investment properties	**283.7**	–	278.5	–
Other assets and liabilities	**(36.4)**	–	(43.8)	–
Net assets	**247.3**	–	234.7	–
Coalfield Resources plc				
24.9% share in Harworth Estates	**61.6**	**10.1**	58.4	9.6
£5.0 million dividend restriction	**(5.0)**	**(0.8)**	(5.0)	(0.8)
Carrying value of investment	**56.6**	**9.3**	53.4	8.8
Other assets and liabilities	**1.8**	**0.3**	1.8	0.3
Net assets	**58.4**	**9.6**	55.2	9.1
Number of shares in issue	**605,456,480**		605,456,480	

Financial review
continued

Discount to net assets

At 30 June 2014, the closing price of CfR's shares was 6.0p per share compared to a net asset value of 9.6p per share, a discount of 38%. This compares to a discount of 34% at 28 December 2013.

Group cash and net debt

The Group's cash and cash equivalents at 30 June 2014 was £1.5 million (H1 2013: £0.7 million, FY 2013: £1.4 million).

The Group had no debt or drawn facilities as at 30 June 2014 (H1 2013: £2.9 million, FY 2013: £nil).

Taxation

There is no corporation tax charge in the period (H1 2013: £nil, FY 2013: £nil).

At 30 June 2014 and 28 December 2013 the Group had neither deferred tax assets nor deferred tax liabilities.

Dividends

The Board is not proposing an interim dividend be paid (H1 2013: £nil, FY 2013: £nil).

Harworth Insurance Company Limited ('HICL')

CfR retains a 100% shareholding in HICL, an insurance business, which is classified as held for sale as there is a put and call option over its shares. At 30 June 2014, the assets held for sale were £20.9 million (H1 2013: £22.3 million, FY 2013: £21.7 million) and the liabilities held for sale were £16.3 million (H1 2013: £17.6 million, FY 2013: £17.1 million) and an amount in respect of deferred income in trade and other payables of £4.6 million (H1 2013: £4.6 million, FY 2013: £4.6 million). The sale of the insurance business to Royal & Sun Alliance Insurance plc completed on 31 July 2014 and the regulatory process to de-authorise HICL is expected to be completed in late 2014.

Key risks and uncertainties

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

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 Protection Fund.

The shareholders' agreement between CfR and the Pension Trustees, now novated to the Pension Protection Fund, contains drag along rights pursuant to which CfR 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 Protection Fund or CfR 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 Protection Fund subsequently seek to transfer a controlling interest in Harworth Estates to a third party purchaser, CfR is also granted a right to match the highest price submitted by a third party purchaser.

If CfR 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 Protection Fund subsequently sell such a controlling interest to a third party purchaser, the Pension Protection Fund may insist that CfR 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 CfR 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.

Key risks and uncertainties
continued

Funding of CfR's on-going running costs

The on-going running costs and employee costs are met by Harworth Estates under a shareholder agreement. This agreement covers CfR's full cash costs based on current expectations until 31 December 2016. For the period from 1 January 2015 to 31 December 2016 the running cost element is provided by way of a loan which is repayable from future dividends from Harworth Estates. From 1 January 2017, other than for the employee costs of the executive team which are indemnified, subject to limits, indefinitely by Harworth Estates, then 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.

Directors responsibility

Statement of the Directors' responsibilities

The Directors confirm that to the best of their knowledge:

- the condensed consolidated interim financial information has been prepared in accordance with IAS 34 'Interim Management Reporting' as adopted by the European Union; and
- the condensed consolidated interim financial information include a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, 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 principal risk and uncertainties facing the business are referred to on pages 5 to 6.

The Directors of Coalfield Resources plc are as listed in the Coalfield Resources plc Annual Report and Accounts 2013. A list of current Directors is maintained on the Coalfield Resources plc website: *www.coalfieldresources.com*.

By order of the Board

Jonson Cox
Chairman

13 August 2014

Jeremy Hague
Finance Director

13 August 2014

Consolidated income statement

	Note	Unaudited 6 months ended 30 June 2014 £000	Unaudited 6 months ended 29 June 2013 £000	Audited year ended 28 December 2013 £000
Revenue		**767**	843	1,535
Cost of sales		**–**	–	–
Gross profit		**767**	843	1,535
Other operating income and expense				
Excluding exceptional item	4	**(752)**	(1,039)	(1,782)
Exceptional item:				
Recognition of Blenkinsopp pension asset	9	**–**	–	683
Other operating income and expenses after exceptional item		**(752)**	(1,039)	(1,099)
Operating profit/(loss)		**15**	(196)	436
Finance credit/(cost)	5	**5**	(202)	(252)
Share of profit of associates		**3,136**	333	3,148
Profit/(loss) before tax		**3,156**	(65)	3,332
Tax	6	**–**	–	–
Profit/(loss) from continuing operations		**3,156**	(65)	3,332
Discontinued operations				
Loss from discontinued operations	3	**–**	(1,661)	(1,589)
Profit/(loss) for the period		**3,156**	(1,726)	1,743
Profit/(loss) attributable to:				
Owners of the Parent		**3,156**	(1,726)	1,743

Profit/(loss) per share from continuing and discontinued operations attributable to owners of the Parent		**pence**	pence	pence
Basic and diluted				
From continuing operations		**0.5**	–	0.6
From discontinued operations		**–**	(0.4)	(0.3)
Profit/(loss) for the period	8	**0.5**	(0.4)	0.3

The notes on pages 12 to 17 are an integral part of these condensed consolidated interim financial statements.

Consolidated statement of comprehensive income

	Unaudited 6 months ended 30 June 2014 £000	Unaudited 6 months ended 29 June 2013 £000	Audited year ended 28 December 2013 £000
Profit/(loss) for the period from continuing operations	**3,156**	(65)	3,332
Other comprehensive income – *items that will not be reclassified to profit or loss:*			
Remeasurements of post-retirement benefits	–	(42)	(104)
Total other comprehensive income (continuing operations)	–	(42)	(104)
Total comprehensive income for the period (continuing operations)	**3,156**	(107)	3,228
Loss for the period from discontinued operations	–	(1,661)	(1,589)
Total comprehensive income for the period (discontinued operations)	–	(1,661)	(1,589)
Total comprehensive income for the period	**3,156**	(1,768)	1,639
Attributable to:			
Owners of the Parent	**3,156**	(1,768)	1,639

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 2013 (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**
Profit for the six months to December 2013	–	–	–	3,469	3,469
Other comprehensive income:					
Remeasurements of post-retirement benefits	–	–	–	(62)	(62)
Total comprehensive profit for the period ended December 2013	–	–	–	3,407	3,407
Transactions with owners:					
Shares issued in Rights Issue	2,993	2,993	–	–	5,986
Costs relating to Rights Issue	–	(838)	–	–	(838)
Shares issued under LTIP	69	–	–	(69)	–
Accrual for long term incentive plan liabilities	–	–	–	192	192
Balance at December 2013 (audited)	**6,055**	**32,911**	**257**	**15,973**	**55,196**
Profit for the six months to June 2014	–	–	–	3,156	3,156
Balance at June 2014 (unaudited)	**6,055**	**32,911**	**257**	**19,129**	**58,352**

Consolidated balance sheet

	Note	**Unaudited 6 months ended 30 June 2014 £000**	Unaudited 6 months ended 29 June 2013 £000	Audited year ended 28 December 2013 £000
ASSETS				
Non-current assets				
Blenkinsopp pension asset	9	**588**	–	683
Investment in associates	10	**56,572**	50,621	53,436
		57,160	50,621	54,119
Current assets				
Trade and other receivables		**633**	732	682
Cash and cash equivalents	11	**1,503**	668	1,428
Assets classified as held for sale	12	**20,914**	22,284	21,702
		23,050	23,684	23,812
Total assets		**80,210**	74,305	77,931
LIABILITIES				
Current liabilities				
Borrowings – bank loans	13	**–**	(2,908)	–
Trade and other payables		**(5,006)**	(6,641)	(5,000)
Liabilities classified as held for sale	12	**(16,264)**	(17,634)	(17,052)
		(21,270)	(27,183)	(22,052)
Net current assets/(liabilities)		**1,780**	(3,499)	1,760
Non-current liabilities				
Retirement benefit obligations	14	**(588)**	(673)	(683)
		(588)	(673)	(683)
Total liabilities		**(21,858)**	(27,856)	(22,735)
Net assets		**58,352**	46,449	55,196
SHAREHOLDERS' EQUITY				
Ordinary shares		**6,055**	2,993	6,055
Share premium		**32,911**	30,756	32,911
Capital redemption reserve		**257**	257	257
Retained earnings		**19,129**	12,443	15,973
Total shareholders' equity		**58,352**	46,449	55,196

Consolidated statement of cash flows

	Unaudited 6 months ended 30 June 2014 £000	Unaudited 6 months ended 29 June 2013 £000	Audited year ended 28 December 2013 £000
Cash flows from operating activities			
Profit/(loss) for the period	**3,156**	(1,726)	1,743
Net interest (receivable)/payable	**(5)**	202	252
Net charge for share-based remuneration	**–**	288	480
Share of post-tax profit from associates	**(3,136)**	(333)	(3,148)
Decrease in provisions	**–**	(546)	(546)
Pension contributions in excess of charge	**(95)**	(89)	(141)
Movement/(recognition) of Blenkinsopp pension asset	**95**	–	(683)
Operating cash inflows/(outflows) before movements in working capital	**15**	(2,204)	(2,043)
Decrease in receivables	**49**	3,172	3,221
Increase/(decrease)in payables	**6**	(3,066)	(4,697)
Cash generated from/(used in) operations	**70**	(2,098)	(3,519)
Loan arrangement fees paid	**–**	(193)	(193)
Interest paid	**–**	–	(65)
Cash generated from/(used in) operating activities	**70**	(2,291)	(3,777)
Cash flows from investing activities			
Interest received	**5**	–	6
Cash generated from investing activities	**5**	–	6
Cash flows from financing activities			
Net proceeds from issue of ordinary shares	**–**	–	5,148
Net proceeds from bank loan	**–**	2,908	2,908
Net repayment of bank loan	**–**	–	(2,908)
Cash generated from financing activities	**–**	2,908	5,148
Increase in cash	**75**	617	1,377
At January			
Cash	**1,428**	51	51
Cash equivalents	**–**	–	–
	1,428	51	51
Increase in cash	**75**	617	1,377
	1,503	668	1,428
At period end			
Cash	**1,503**	668	1,428
Cash equivalents	**–**	–	–
Cash and cash equivalents	**1,503**	668	1,428

Notes to the condensed consolidated interim financial statements

for the six months ended 30 June 2014

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 Sheffield Business Centre, Europa Link, Sheffield, S9 1XZ.

The Company is listed on the London Stock Exchange.

The condensed consolidated interim financial statements for the six months ended 30 June 2014 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 28 December 2013 were approved by the Board of Directors on 28 March 2014 and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified.

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 30 June 2014 were approved by the Board on 13 August 2014.

Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2014 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 28 December 2013 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 and carefully reviewed the Group's 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.

On this basis the Board believe that it is appropriate to adopt the going concern basis for these condensed consolidated interim financial statements.

Accounting policies

Except as described below, the accounting policies applied are consistent with those of the Group financial statements for the year ended 28 December 2013, 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. The Mining Group July 2013 Restructuring (note 2) which led to the Group incurring costs in the period to 28 December 2013 was classified as a discontinued operation in line with the classification of costs arising from the restructuring that occurred in December 2012.

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 2014:

- 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 impact of its adoption is not considered to be significant.

- 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 impact of its adoption is not considered to be significant.

- 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 impact of its adoption is not considered to be significant.

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

Changes in accounting policy and disclosures: continued

(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 2014, 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.

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 28 December 2013.

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.

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

A £5.0 million bank facility was agreed with Lloyds in May 2013 on the understanding that the Group would repay the facility from an equity fund raising. The equity fund raising completed in September 2013 raising a net £5.1 million which allowed the Group to repay the £2.9 million borrowed under the bank facility.

On 9 July 2013 UK Coal Mine Holdings Limited, now called Ocanti No1 Limited ('Mine Holdings') and UK Coal Operations Limited, now called Ocanti Opco Limited ('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 from Mine Holdings and UKCOL of £1.0 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 £1.0 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 Harworth Estates Property Group Limited ('HEPGL'), 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.

Notes to the condensed consolidated interim financial statements

for the six months ended 30 June 2014: continued

3. Restructuring and discontinued operations

a) 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. The sale of the insurance business to Royal & Sun Alliance Insurance plc completed on 31 July 2014 and as such it remains highly probable that the conditions necessary to enable the option to be exercised will be fulfilled during 2014.

b) Discontinued operations costs (mining)

	6 months ended June 2014 £000	6 months ended June 2013 £000	Year ended December 2013 £000
Expenses	**–**	(1,661)	(1,589)
Operating loss from discontinued operations	**–**	(1,661)	(1,589)
Tax	**–**	–	–
Loss after tax from discontinued operations	**–**	(1,661)	(1,589)

The Mining Group July 2013 Restructuring led to a full provision in 2013 for the balance outstanding due from Mine Holdings and UKCOL relating to on-going and the December 2012 restructuring costs which had been invoiced to them but not settled. In addition, as UKCOL were unable to honour the indemnity to pay the December 2012 restructuring costs, a further provision was required in addition to that provided within discontinued operations in the results to 29 December 2012.

To be consistent with the accounting treatment in 2012 these costs were charged to discontinued operations.

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

Group	**6 months ended June 2014 £000**	6 months ended June 2013 £000	Year ended December 2013 £000
Operating cash flows	**–**	(1,661)	(1,589)
Investing cash flows	**–**	–	–
Financing cash flows	**–**	–	–
Total cash flows	**–**	(1,661)	(1,589)

4. Other operating income and expenses

	6 months ended June 2014 £000	6 months ended June 2013 £000	Year ended December 2013 £000
Administrative expenses	**(847)**	(1,149)	(1,971)
Other operating income	**95**	110	189
	(752)	(1,039)	(1,782)

5. Finance credit/(costs)

	6 months ended June 2014 £000	6 months ended June 2013 £000	Year ended December 2013 £000
Interest expense			
– Bank interest	**–**	(9)	(65)
– Facility fees	**–**	(193)	(193)
Interest received	**5**	–	6
Finance credit/(costs)	**5**	(202)	(252)

6. Tax

The tax in the period is £nil (June 2013: £nil; December 2013: £nil).

The Group did not recognise any deferred tax assets or deferred tax liabilities at any of the period ends covered by this condensed consolidated interim statement.

7. Dividends

No dividends have been paid or proposed in relation to 2013. No interim dividend is proposed for the six months ended 30 June 2014.

8. 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 period. The weighted average number of shares for June and December 2013 include the adjustments necessary to reflect the Rights Issue undertaken in September 2013.

In calculating the diluted earnings/(loss) 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 2014 £000	6 months ended June 2013 £000	Year ended December 2013 £000
Profit/(loss) from continuing operations	**3,156**	(65)	3,332
Loss from discontinued operations	**–**	(1,661)	(1,589)
Profit/(loss) for the period	**3,156**	(1,726)	1,743
Weighted average number of shares used for basic profit/(loss) per share calculations	**605,456,480**	475,884,074	507,705,496
Dilutive effect of share awards	**–**	6,860,160	–
Weighted average number of shares used for diluted profit/(loss) per share calculations	**605,456,480**	482,744,234	507,705,496
Basic and diluted profit/(loss) per share (pence)			
From continuing operations	**0.5**	–	0.6
From discontinued operations	**–**	(0.4)	(0.3)
Profit/(loss) for the period	**0.5**	(0.4)	0.3

9. Blenkinsopp pension asset

The Group's only defined benefit pension liability is 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 and the half year to June 2014 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 is recognised as a non-current asset. This asset was first recognised in H2 of 2013 and £683,000 was recognised as a non-trading exceptional item in the consolidated income statement.

The reduction in the asset in H1 2014 of £95,000 to £588,000 reflect the employer contributions paid by UK Coal Production Limited and is included in 'Other operating income' within the income statement.

Notes to the condensed consolidated interim financial statements
for the six months ended 30 June 2014: continued

10. Investment in associates

Cost	As at June 2014 £000	As at June 2013 £000	As at December 2013 £000
At start of period	**53,436**	50,288	50,288
Share of profit	**3,136**	333	3,148
At end of period	**56,572**	50,621	53,436

The Group accounts for its investment in HEPGL, a private company incorporated in England and Wales, 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 Protection Fund, as provided for as part of the December 2012 restructuring.

11. Cash and cash equivalents

	As at June 2014 £000	As at June 2013 £000	As at December 2013 £000
Cash held and other cash balances	**1,503**	668	1,428

12. Assets classified as held for sale

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

	As at June 2014 £000	As at June 2013 £000	As at December 2013 £000
Investment properties	**–**	3,618	–
Assets in the course of disposal	**828**	–	828
Trade and other receivables	**1,072**	2,507	1,448
Reinsurance assets	**8,298**	–	8,910
Available for sale financial assets	**10,056**	–	7,753
Cash and cash equivalents	**660**	16,159	2,763
Assets classified as held for sale	**20,914**	22,284	21,702

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

	As at June 2014 £000	As at June 2013 £000	As at December 2013 £000
Trade and other payables	**7,598**	652	7,465
Provisions	**8,373**	9,152	8,985
Remeasurement loss on carrying value of Harworth Insurance Company Limited	**293**	7,830	602
Liabilities classified as held for sale	**16,264**	17,634	17,052

The assets and liabilities of the disposal group held for sale relate to Harworth Insurance Company Limited. Further details are provided in note 3.

13. Borrowings

	As at June 2014 £000	As at June 2013 £000	As at December 2013 £000
Bank loans			
Current	**–**	2,908	–

Borrowings at June 2013 are stated after deduction of unamortised borrowing costs of £nil.

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.

This consequently led to finance being sought by the Group.

A £5.0 million bank facility was agreed with Lloyds in May 2013 on the understanding that the Group would repay the facility from an equity fund raising. The equity fund raising completed in September 2013 raising a net £5.1 million which allowed the Group to repay the £2.9 million borrowed under the bank facility.

14. Retirement benefit obligations

Blenkinsopp

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

	As at June 2014 £000	As at June 2013 £000	As at December 2013 £000
Fair value of plan assets	**1,488**	1,321	1,393
Present value of funding obligations	**(2,076)**	(1,994)	(2,076)
Net liability recognised in the balance sheet	**(588)**	(673)	(683)

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

	6 months ended June 2014 £000	6 months ended June 2013 £000	Year ended December 2013 £000
Expenses	**–**	(8)	(21)
Interest costs	**–**	(14)	(27)
	–	(22)	(48)

The net effect of remeasurements on the Blenkinsopp scheme charged to the statement of comprehensive income is £nil (June 2013: loss of £42,000; December 2013: loss of £104,000).

The actuarial assumptions used at December 2013 have not materially changed and therefore no actuarial valuation has taken place at 30 June 2014. The fair value of plan assets have increased by the third party contributions of £95,000 paid to the scheme in H1 2014.

An actuarial valuation will be performed at the full year.

15. Related party transactions

Peel Group

The Peel Group charged £20,000 (H1 2013: £20,000; December 2013: £40,000) in respect of fees for Steven Underwood and £8,000 for the rental of office space (H1 2013: £nil; December 2013: £1,300).

Harworth Estates Group

Revenue includes £767,000 (H1 2013: £476,000; December 2013: £1,168,000) in respect of recharges to the Harworth Estates Group for on-going costs of the Company.

The Harworth Estates Group owed £143,000 (H1 2013: £149,000; December 2013: £336,000) to the Company at 30 June 2014.

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