

Coalfield Resources Plc
Annual Report and Financial Statements 2014

Company information and advisors

Chairman
Jonson Cox ²

Finance Director
Jeremy Hague

Non-executive Directors
Lisa Clement ^{1,2,3,5}
Peter Hickson ^{2,3,4,5}
Steven Underwood ¹

Company Secretary and registered office
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⁵ Independent Non-Executive Director

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Company Registered Number
2649340

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

Definitions and Abbreviations used
Harworth Estates – Harworth Estates Property
Group Limited and its subsidiaries
CfR or Group – Coalfield Resources plc and its
subsidiaries
Company – Coalfield Resources plc

2014 Highlights

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

CfR key points:

- **Profit from continuing operations £3.5m (2013: £3.3m)**
- **Net assets of £58.7m (2013: £55.2m)**
- **Net assets per share of 9.7p (2013: 9.1p), reflecting our underlying investment in Harworth Estates**
- **Heads of Terms agreed with Pension Protection Fund (PPF) to acquire its 75.1% shareholding in Harworth Estates (Proposed Acquisition)**
- **Plan for the departure of Jeremy Hague and appointment of Michael Richardson as Finance Director**

Harworth Estates key points:

- **Net assets increased to £249m (2013: £235m) on a property portfolio value of £290m (2013: £277m)**
- **Waverley site further land sales – seventh phase released, eight acres commercial development including delivery of 52,000 sq ft pre-sale design and build scheme**
- **Logistics North (near Bolton) - first two sales completed (720,000 sq ft) on site with potential to deliver 4 million sq ft of high-quality employment space for distribution and manufacturing businesses**
- **First phase residential sales at: Prince of Wales site, first phase released following remediation programme (planning for 700 plots); and Rossington, two sales conditionally exchanged (165 plots) on this 1,200 plot scheme**
- **Potential residential and commercial schemes including: 1,100 plots at Coalville and 325 plots at Gawber secured; seven residential planning applications submitted with potential to secure a further approx. 2,000 dwellings; and two commercial applications submitted at Daw Mill colliery and Rockingham for 650,000 sq ft**
- **Debt refinanced, in February 2015, on substantially improved terms**

Harworth Estates is a leading investment property development company which operates as a standalone business managing its portfolio of some 27,000 acres of land across approximately 200 sites located throughout the Midlands and North of England. Harworth Estates specialises in the regeneration of former coalfield sites and other brownfield land into employment areas, new residential properties and low carbon energy projects.

Chairman's Statement

I am pleased to report on the second full year of Coalfield Resources plc following the disposal in December 2012 of the former UK Coal plc's mining and property businesses (the 2012 Restructuring). Our shareholding in Harworth Estates, a specialist developer of brownfield investment property, is our principal source of value. This business continued to perform well in 2014.

We have worked as an active, minority investor, alongside both the Industry Wide Mining Pension Schemes (Pension Schemes) and the Pension Protection Fund (PPF). Our small team provides board leadership, financial, legal and governance services to Harworth Estates on behalf of all investors. In August 2014, the majority ownership of Harworth Estates transferred from the Pension Schemes to the PPF.

We were delighted on 18 November 2014 to announce a non-binding heads of terms to acquire the PPF's 75.1% stake in Harworth Estates for a total consideration of approximately £150m. The consideration will be a shareholding of between 25% and 29.9% in the Company with the balance of the consideration payable in cash from an expected firm placing and open offer to shareholders during the first quarter of 2015. Re-establishing Harworth Estates within a single corporate structure will be a material step in the realisation of value from our brownfield property portfolio.

Context and history

In December 2012, the Board of UK Coal plc implemented a solvent restructuring which separated the mining activities from the brownfield property interests. The deficit of the pension funds - of the order of £450m - and any claim on the Company was addressed by granting a first claim on surplus cash flow from the de-merged mining business to the Pension Schemes and by granting them a 75.1% shareholding in Harworth Estates to whom the Pension Schemes also provided £30m of funding. Coalfield Resources was released from its liability for the pension deficit to the schemes. Shareholders in Coalfield Resources secured an ongoing 24.9% shareholding in Harworth Estates.

A residual minority stake in the de-merged mining business held by CfR, together with a shareholder oversight role, were both relinquished on a further mining restructuring in July 2013.

Coalfield Resources now has no remaining direct exposure to the de-merged mining business, other than an indemnity in respect of the small Blenkinsopp pension scheme, where the Company's liability is also guaranteed by Harworth Estates.

Harworth Estates

Harworth Estates has performed well in its second year of trading as an independent property development company. Net assets increased to £249m (2013: £235m) on a property portfolio value of £289.6m (2013: £276.7m). A return of £14.0m was delivered on the opening net assets of £235m, with £15.7m from increases in valuation at year end. Operating activities generated £0.7m, with a further £8.0m of profit recognised on its asset sales (of £29.4m) in the year. A £6.9m tax charge was recognised as a deferred tax liability on valuation gains.

Results of Harworth Estates (audited)

	<u>£m</u>
Profit from operations	0.7
Profit on disposals	8.0
Valuation increase	15.7
Profit from ordinary business	24.4
Net interest	(3.5)
Profit before tax	20.9
Tax charge	(6.9)
Profit after tax	14.0

Harworth Estates has benefitted from improved confidence in the housing market across the North and the Midlands. Highlights for Harworth Estates during 2014 were:

- **Waverley site further land sales – seventh phase (81 plots) released; 8 acres commercial development including delivery of 52,000 sq ft pre-sale design and build scheme**
- **Logistics North (near Bolton) - first two sales completed (720,000 sq ft) on site with potential to deliver 4 million sq ft of high-quality employment space for distribution and manufacturing businesses**
- **First phase residential sales at: Prince of Wales site, 131 plots following remediation programme (planning for 700 plots); and Rossington, two sales conditionally exchanged (165 plots) on this 1,200 plot scheme**
- **Planning progress on both residential and commercial schemes including: 1,100 plots at Coalville and 325 plots at Gawber secured; 7 residential planning applications submitted with potential to secure a further approx. 2,000 dwellings; and 2 applications submitted at Daw Mill and Rockingham for 650,000 sq ft of commercial space**
- **Taking over the former Harworth colliery in a state ready for redevelopment, following the successful acquisition in 2013 of the former Daw Mill colliery**
- **The company completed its first acquisition of a new non-mining site, with its purchase of the former Skelton Grange power station site in Leeds from RWE Npower.**

In last year's financial statements we reminded shareholders that Harworth Estates, as owner of most of the mining freeholds had also provided certain bonding lines as a necessary condition of the 2012 Restructuring. The intention was that vacant possession would revert to Harworth Estates following closure and restoration of the mines, providing the opportunity for future redevelopment.

Given the historical issues in the deep mining business, the negative outlook at the start of 2014 for coal prices and ongoing operational difficulties within the UK coal industry, Harworth Estates provided £9.1 million against a loan receivable and its pension obligation to Coalfield Resources and £8.9 million against certain property assets on the basis that these pieces of land may have unfulfilled obligations if the mining business tenants defaulted on their leases. These were reflected in the Company's share of profits of associates and investment in associates in its 2013 results. No change has been made to the level provided last year. A dedicated director was appointed by Harworth Estates in early 2014 solely to focus on managing mining tenant issues. Good progress has been made towards a formal re-assessment at the end of 2015 of the remaining exposure.

Strategy

CfR believes that Harworth Estates has significant opportunities to create further value from its land portfolio of approximately 27,000 acres and specialist brownfield remediation and development skills. The Board believes that its strength in the regions of in Yorkshire, the North East and the East Midlands provides scope for further growth as these regional economies strengthen.

In addition, we see the opportunity for Harworth Estates to acquire other brownfield sites in related industries. The first such acquisition has been Skelton Grange, the site of a former RWE Npower power station in Leeds. This acquisition takes Harworth Estates into the West Yorkshire market.

The Board has been acutely aware of the discount to NAV inherent in CfR's share price which has ranged between 32% and 43% during the year. The Board believes that this discount has reflected both our minority ownership and the constraints of the particular capital and ownership structure of Harworth Estates, both of which would be removed if the Proposed Acquisition is successful. In 2013 the Board undertook to continue to make available the listed Company as one of a number of options for a future efficient financial structure of Harworth Estates, to ensure liquidity and the ability to finance growth.

The Board set as a strategic objective for 2014 the consolidation of the shareholding structure of Harworth Estates into one vehicle, capable of raising additional development equity, optimising value and efficiency and creating an ongoing sustainable, specialist property business. Progress was limited until the transfer of the majority shareholding to the PPF was completed. We were delighted on 18 November 2014 to announce that heads of terms had been agreed for the acquisition of the PPF shareholding by CfR, with a continuing substantial shareholding for the PPF, in the enlarged group.

Board

The Board of CfR consists of three non-executives, together with a part-time Chairman and the Finance Director. The Chairman and the Finance Director devote most of their available time to the Harworth Estates business. During the year Geoff Mason returned to the business on a part time basis as Company Secretary.

Prospective Board changes

On Completion of the Proposed Acquisition to acquire the PPF's shareholding in Harworth Estates, the Board proposes to invite Owen Michaelson, the Chief Executive and Michael Richardson the Finance Director of Harworth Estates to join the Board together with Martyn Bowes as a non-executive director nominated by the Pension Protection Fund and Anthony Donnelly, as an independent non-executive director. Both Martyn and Tony currently serve on the Board of Harworth Estates.

At the meeting to approve the 2014 accounts, Jeremy Hague, Finance Director of the Company since January 2013 offered to step down and leave the Company with effect from 30 April 2015 to facilitate the management changes. Michael Richardson will assume the role of Finance Director of Coalfield Resources and, on completion of the transaction, of the enlarged Group.

I would like to place on record our thanks to Jeremy for long service with the Company, and predecessor businesses. Jeremy has played a significant role in helping the Company navigate the challenges of the last two years and to bring about the Proposed Acquisition. He will leave with the best wishes of the Board for the next stage of his career.

Outlook

We continue to see good interest in the property sector. Harworth Estates is a beneficiary of this through the increased demand and improved prices for commercial and residential land. This can be

seen in both the valuation gains achieved and also the disposals made. The Board is confident of the ability of our underlying asset, Harworth Estates, to deliver and grow shareholder value from the redevelopment of the former coalfields and other former industrial sites.

Jonson Cox
Chairman
18 February 2015

Strategic Report

The Directors present the Strategic Report for the year ended 31 December 2014. Some items which form part of the Strategic Report such as, for example, a commentary on changes to the Group over the year and its future prospects are included in the Strategic Report by reference to other parts of this Annual Report including the Chairman's Statement.

Objective

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

Strategy

To ensure its investment in Harworth Estates delivers the value inherent in its portfolio and has a capital structure which enables it to exploit growth opportunities which will deliver sustainable value to all shareholders.

Business model

To continue to manage its single investment and to use and maintain its main market listing for the benefit of increasing value in its investment in Harworth Estates.

Financial Review

2014 has been the Group's second full year of operational trading following the 2012 Restructure of UK Coal plc. During the year the Company has continued to solely focus on its investment in Harworth Estates and how to realise and create value for its shareholders which in turn delivers value to the shareholders of the Company.

Income statement

The Board are pleased to report Harworth Estates has continued to perform well and we have recorded a profit in the year of £3.5m (2013: £3.1m) in respect of our 24.9% shareholding in this associate. This result includes a £1.7m charge in respect of Harworth Estates recognising a tax charge of £6.9m (2013: £nil) for deferred tax (principally in respect of revaluation gains) in its 2014 results. Previously the business had access to sufficient losses to cover potential deferred tax.

The only revenue reported is from recharging management time and running costs of the business to Harworth Estates, as provided for under the amended Shareholder Agreement between the Company, Harworth Estates and the Pension Protection Fund. A small operating loss is reported in the year, mainly due to certain costs incurred which are not rechargeable under the Shareholder Agreement. The liability, as calculated under IAS 19, for the Blenkinsopp pension scheme has decreased this year to £564k (2013: £683k), this is despite the significant fall in recent months of corporate bond yields, which are now at record lows in both real and nominal terms but offset by the fact that most assets are in bonds and gilts which performed well compared to other investments. Our indemnity and security mean we recognise an equal asset, as we did last year, and as such this does not impact our results. While we have the indemnity and security from Harworth Estates, the ongoing contributions in 2014 were met by UK Coal Production Limited as primary obligor under the indemnity.

We received £10k of financing income in the year. This was in respect of interest received from cash balances held.

This results in a profit attributable to shareholders of £3.5m for 2014 (2013: £1.7m).

Balance sheet

Net assets have increased to £58.7m (2013: £55.2m). This is mainly as a result of the increase in the value of our investment in Harworth Estates which is now £56.9m (2013: £53.4m).

Trade payables and receivables reduced during the year by £24k and £72k respectively.

Our cash balance at the end of 2014 was £1.5m (2013: £1.4m).

Blenkinsopp pension scheme – asset and liability

As mentioned above we have recognised an asset of £564k (2013: £683k) to offset the liability in respect of the Blenkinsopp pension scheme. The IAS 19 valuation of the liability has reduced during the year to £564k (2013: £683k). The valuation methodology and general assumptions have remained consistent with last year. Over the last few months of 2014 corporate bond yields fell significantly, and yields were at record lows in both real and nominal terms, which meant that discount rates for pensions accounting were significantly lower than 2013, which placed a higher value on liabilities. Whilst long term inflation expectations are slightly lower than 2013 (which reduces liabilities) this did not offset the increase in liabilities due to lower discount rates. While equity markets have fallen most assets in the scheme are in bonds or gilts which performed well during the year and offset the higher liability values. This resulted in the decreased IAS 19 liability recorded at the balance sheet date.

Harworth Insurance Company Limited (HICL)

The Company retains a 100% shareholding in a former insurance business, HICL. This is classified as held for sale as there is a put and call option over its shares. During July 2014 we completed the sale of the insurance business assets and liabilities to Royal Sun Alliance. Royal Sun Alliance effectively took the insurance liabilities (circa £16m) of HICL in return for an equivalent value in non-cash assets to cover this liability. The assets held for sale are £5.1m (2013: £21.7m), the liabilities held for sale are £0.5m (2013: £17.1m) and an amount in respect of deferred income in trade and other payables of £4.6m (2013: £4.6m). The only balance sheet assets held by HICL (and its subsidiaries) is a single property asset, cash balances and investments, and some working capital. As deferred income in the Company equals the remaining net assets of the HICL business no profit or loss will arise on the sale when the disposal completes. With the sale of the insurance business assets and liabilities now completed it is highly probable that the option will be exercised in 2015.

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

Cash flow

The cash balance was £1.5m at the year-end (2013: £1.4m). The balance remains in line with last year end reflecting the recharging to Harworth Estates of costs incurred, under the shareholder agreement between CfR and the Pension Protection Fund.

Net asset per share

	31-Dec-14	28-Dec-13		
	£m	Pence per share	£m	Pence per share
Harworth Estates Group				
Investment properties	289.6	-	276.7	-
Other asset and liabilities	(41.0)	-	(42.1)	-
Net assets	248.6	-	234.6	-
 Coalfield Resources plc				
24.9% share in Harworth Estates Group	61.9	10.2	58.4	9.6
£5.0 million dividend restriction	(5.0)	(0.8)	(5.0)	(0.8)
Carrying value of investment	56.9	9.4	53.4	8.8
Other assets and liabilities	1.8	0.3	1.8	0.3
Net assets	58.7	9.7	55.2	9.1
 Number of shares in issue	605,456,480		605,456,480	

Discount to net asset value

At the start of 2014 the shares were trading at 6.0p per share which equated to a discount to the underlying net asset value of 34%. This discount fluctuated through the year. At the point of suspension from trading on 18 November 2014, the share price was 5.4p, a discount of 43%.

Whilst the discount to net asset value represents an indicator of potential impairment to the investment in Harworth Estates, the Directors are confident that the carrying amount of the investment does not exceed its recoverable amount and therefore no impairment is required.

Taxation

There has been no corporation tax charged in the year (2013: £nil). At 31 December 2014 the Group had neither any recognised deferred tax assets nor deferred tax liabilities (2013: £nil) (excluding any recognised in its investments in associates).

Key performance indicators

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

The Key Performance Indicator for the Group is now the net asset value of its investment in Harworth Estates. As stated in the financial statements this is £56.9m as at 31 December 2014. The net asset value is monitored by the Group on a regular basis through its two Directors on the board of Harworth Estates. They play an active part in the direction and strategy of Harworth Estates and in assessing business performance.

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's two Directors on the board of Harworth Estates monitor this investment and ensure where possible that the business strategy of Harworth Estates 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 proceeds and the gaining of residential and commercial planning consents is an important source of valuation growth for Harworth Estates. 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 the effective functioning of the planning system at both regional and national level. 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. While it does maintain significant influence over Harworth Estates, currently it does not have any control over this company. The ownership and control of the remaining 75.1% shareholding is with the Pension Protection Fund following the transfer of this shareholding from the Trustees of the Industry Wide Mineworkers and Industry Wide Coal Staff Pension Schemes in August 2014.

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

Under the terms of the Shareholder Agreement and the Articles of Association of Harworth Estates, if the Pension Protection Fund or the Company wish to transfer any of their shares in Harworth Estates to a third party purchaser, they must first grant the other party a right of first offer before selling such shares to a third party purchaser. If the Pension Protection Fund subsequently seek to transfer a controlling interest in Harworth Estates to a third party purchaser, the Company is also granted a right to match the highest price submitted by a third party purchaser. As referred to in the Chairman’s Statement the Company is currently proposing to acquire the 75.1% stake in Harworth Estates it does not currently own. Should this transaction complete this risk will no longer apply.

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

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

Funding of the Company’s on-going running costs

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

Treasury policy and liquidity

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

Going concern

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

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

- Income is in respect of management services supplied to Harworth Estates which is covered by contractual agreements, including an indemnity to cover employment costs and loans, repayable from future dividends from Harworth Estates, to cover other running costs. Harworth Estates continues to trade as a going concern and the Company has two Directors on its board who are able to monitor this position;

- Costs are mainly in relation to management and those costs associated with the administration of the Group including maintaining its Stock Exchange listing. The Company in its present form does not expect to increase staff numbers or activities such that the cost base would increase, it also has the flexibility to reduce the cost base should this be necessary;
- The Group has a liability for the Blenkinsopp pension scheme; current contribution rates are around £0.2m per annum. This liability is currently paid by UK Coal Production Limited but the Group also has a charge against certain assets owned by Harworth Estates and an indemnity from Harworth Estates which would cover this liability should UK Coal Production Limited cease to pay this contribution; and
- The current cash balance of the Company in relation to its expected outgoings over the next 12 months.

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

[Environmental and social issues](#)

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

[Directors and Key Staff](#)

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

[Jonson Cox](#)

Jonson was appointed as Chairman with effect from 15 November 2010. He was formerly Group Chief Executive of Anglian Water Group from January 2004 until March 2010. For the same period he was Chairman of Anglian Water Services Limited and Morrison plc. He was a non-executive Director of Wincanton plc until May 2014. In November 2012 he was appointed as non-executive Chairman of the Water Services Regulation Authority (Ofwat).

[Peter Hickson](#)

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

[Lisa Clement](#)

Lisa is a Chartered Accountant and was appointed as a non-executive Director and Chair of the Audit Committee with effect from 15 December 2011. She was formerly Chief Financial Officer of Sea Containers Limited, Managing Director of Capita Learning and Development and has held senior

divisional roles at Cendant Inc. and BPP Holdings Plc. Lisa is a Director of Everything But The Cow Limited.

[Steven Underwood](#)

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

[Jeremy Hague](#)

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

[Geoff Mason](#)

Geoff is Company Secretary and re-joined the Group in June 2014 following the departure of Theresa Casey. He had initially joined the former group in July 2012 as part of the restructuring team, and left following the further restructuring of the mining business in 2013. Geoff Mason has been a Fellow of the Institute of Chartered Secretaries since 1986 and previously has been Company Secretary of Sema Group plc and Jarvis plc. Geoff is a Director of Scratching Cat Limited which supplies his and other staff services to the Company and third parties, providing consultancy and company secretarial services. Scratching Cat Limited has other clients which currently take the remainder of Geoff's time.

Currently, the Board comprises the Chairman, four Directors and supported by the Company Secretary, five of whom are male and one female. All Directors stand for re-election on a three year rotation. The Board is committed to appointing the most suitable candidates based on their knowledge, expertise and experience and regardless of gender or other measures of diversity. It does not have any set targets on diversity to report against.

The Finance Director has a service contract which may be terminated by the Company on not more than six months' notice.

The Chairman has a service contract which provides for twelve months' notice by the Company. The appointment of Peter Hickson, is subject to six months' notice. For the other two non-executive Directors the notice period is three months. There are no Directors on fixed term contracts. There are no contractual clauses that give any of the Directors an entitlement to compensation exceeding their due payment in lieu of notice.

The Company has one further employee, our executive assistant, Laura Heath.

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

[Ethical policy](#)

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

Future prospects

The outlook for the Group is described in the Chairman's Statement.

Additional information

Additional information on the Group as well as copies of corporate documents and information on Board committees can be found on its website www.coalfieldresources.com. Additional information on Harworth Estates, can be found on their website www.harwortheastates.co.uk.

By order of the Board

Geoff Mason

Company Secretary

18 February 2015

Governance reports

Introduction

I am pleased to set out the Company's reporting on corporate governance for the year. The governance reports include the Corporate Governance Report, the Remuneration Report, the Audit Committee Report and the Directors' Report. These reports explain the governance policies followed by the Company and their importance in relation to shareholders.

While the Company remains a standard listed company on the London Stock Exchange, it complies with the Corporate Governance Code save as disclosed in Corporate Governance report.

The Board is committed to ensuring it demonstrates high ethical standards and maintains high standards of corporate governance to deliver the future success of the Company over time.

The composition of the Board is an important matter and requires that we maintain a balance of skills and experience to facilitate the objectives of the Company. All Directors have both knowledge of the Company and the environment, past and present, in which it operates. All Directors are subject to re-election by shareholders at intervals of no more than three years.

Jonson Cox

Chairman

18 February 2015

Corporate Governance Statement

The Company recognises the importance of, and is committed to, high standards of Corporate Governance and the following sections explain how both the Company and the Group has applied the main and supporting principles set out in the UK Corporate Governance Code (“Code”), issued by the Financial Reporting Council in September 2012, a copy of which is publicly available at www.frc.org.uk/corporate/ukcgcode.cfm. The Board confirms that the Group has complied with the provisions set out in the Code throughout the year ended 31 December 2014, except for the following matters:

- There is no Chief Executive as, being a holding company with a single material investment, there is no need for a CEO role. Day to day direction of the Company’s business was undertaken by the Chairman during the year.
- The Audit Committee comprises of one independent non-executive Director and one non-independent non-executive Director.

The Board

The Company is headed by a Board of Directors, now made up of the Chairman, Finance Director and three non-executive Directors, two of whom are determined by the Board to be independent. The Board recognises that Steven Underwood, who is a Director and representative of Peel Holdings, which is the major shareholder in the Company, is not independent. It is considered that his skills and experience are relevant to the business and he contributes to the realisation of the Group’s strategy. Given the size and complexity of the Company, the Board deems that the current balance of independent and non-independent Board members is appropriate. This will be kept under review. The Company’s principal focus is as an active investor in Harworth Estates, which includes the provision of company secretarial and governance support to the board and business of Harworth Estates. The Board has determined that, at this time, no Chief Executive Officer is required by the Company. This decision will be kept under review.

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

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

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

any Director, wishing to do so in furtherance of his/her duties, may take independent advice at the Company's expense.

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

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

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

[Board performance](#)

[Performance evaluation](#)

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

The performance of the Board and its committees is considered and reviewed by the Board throughout the financial year with matters requiring attention identified and addressed. The Chairman holds responsibility for the appraisal of the performance of the non-executive Directors together with responsibility to conduct a performance evaluation of executive Directors and key staff of the Company. The performance review undertaken by the Board will in future consider the diversity of the Board membership, recognising the relative size of the Company and the Board and in particular the different experience and approach brought to the Board by its members.

[Directors' development](#)

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

[Committees of the Board](#)

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

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

Nomination Committee

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

Remuneration Committee

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

Audit Committee

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

Attendance at Board meetings

Attendance by individual Directors at Board meetings (including those convened and held as conference calls) and at Committees during 2014 is shown in the table below. Attendance by non-committee members at Committee meetings is not included.

	Board		Audit		Remuneration		Nomination	
	Possible	Actual	Possible	Actual	Possible	Actual	Possible	Actual
Jonson Cox	10	10	n/a	n/a	n/a	n/a	1	1
Lisa Clement	10	10	5	5	2	2	1	1
Peter Hickson	10	10	n/a	n/a	2	2	1	1
Steven Underwood	10	10	5	5	n/a	n/a	n/a	n/a
Jeremy Hague	10	10	n/a	n/a	n/a	n/a	n/a	n/a

Internal controls

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

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

The principal controls of the Company are:

Cash management

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

Insurance risk

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

Disclosure and transparency rules

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

Communication with shareholders

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

Annual general meeting

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

All shareholders are encouraged to attend and participate through a question and answer session and individual Directors or, where appropriate, the Chairman of the relevant committee, respond to those questions directly. Shareholders have the opportunity to talk informally to the Directors before and after the formal proceedings. In the event that a significant percentage of shareholders vote against any resolution at a general meeting of the Company, the Chairman, Senior Independent Director and Company Secretary will seek to engage with any such shareholders with a view to addressing their concerns.

Proxy voting announcement

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

Remuneration Report

**Denotes auditable element of the Remuneration Report*

Introduction

On behalf of the Board and the Remuneration Committee, I am pleased to present the Remuneration Report for the Company for the year ended 31 December 2014. This report comprises (i) the Directors' Remuneration Policy; and (ii) the Annual Report on Remuneration. Together, they provide information which evidences the link between the Company's strategy and performance and remuneration. The reports have been prepared in accordance with the Enterprise and Regulatory Reform Act 2013, the relevant requirements of the Listing Rules and, except where otherwise clearly explained, has complied with the provisions set out in The UK Corporate Governance Code relating to remuneration matters.

The Remuneration Policy remains as approved at the 2014 Annual General Meeting and as such only the Remuneration Report will be submitted to shareholders for their approval at the Annual General Meeting on 21 May 2015. The Remuneration Policy is also available to view on the Company's website.

Remuneration Committee

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

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

- Peter Hickson - Committee Chairman; and
- Lisa Clement

The Committee may seek any information it requires from any employee or Director, and all employees and Directors are required to co-operate with any request made by the Committee. Jeremy Hague (Finance Director), Geoff Mason (Company Secretary since June 2014) and Theresa Casey (Company Secretary until June 2014), provided information to the Committee during the year.

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

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

During the year the Committee met on 2 occasions; Peter Hickson and Lisa Clement attended all meetings.

Remuneration policy

The policy for the year under review as well as the current year for the remuneration and incentivisation of the Chairman and the Finance Director is as follows:

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

The Committee reviews executive remuneration and implements incentive arrangements to support the objective of rewarding those individuals who deliver shareholder value. In developing these arrangements the Committee and its advisers consider current best and market practice. As noted in the Chairman's statement, the Company has announced that it has agreed heads of terms with the Pension Protection Fund for the acquisition of the remaining 75.1% of Harworth Estates it does not already own. If this transaction completes it is planned that new Directors will be appointed and the terms and conditions of existing Directors will also be reviewed with the inclusion of arrangements to enable the Company to recover or withhold elements of variable pay should it become appropriate to do so. These arrangements will be set out in the Prospectus in due course.

A review of vesting and holding periods for future awards of deferred remuneration will also be undertaken.

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

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

Recruitment

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

Base salaries

Executive salaries are normally reviewed by the Remuneration Committee on an annual basis. In determining salary levels for executives the Committee has, principally, had regard to external comparators for roles of equivalent size and complexity. Following a review of executive salary levels, an increase of 2.5% was made during the year ended 31 December 2014 to Jeremy Hague.

Annual bonus for Finance Director

The Finance Director participates in an annual bonus arrangement. The Committee sets both the performance measures and targets based on the Company's business priorities. These includes a personal performance element (25% of total) and a financial performance metric linked to the financial performance of the Company's investment in Harworth Estates (75% of total). These targets ensure that incentives are payable only for Company and individual performance.

Long Term Incentive Plan ('LTIP')

The Company historically had a number of LTIP schemes with potential to award shares in the Company to Directors and senior managers. All awards under these schemes have now been granted and made or lapsed. No awards were granted in the year.

Harworth Estates LTIP

As a shareholder, the Company was actively engaged in the specification and approval of a bespoke LTIP plan for the CEO, and senior management of Harworth Estates. The plan was designed by remuneration consultants Kepler. As Harworth Estates is unlisted, the plan was based on total absolute shareholder return over five years, starting from January 2013, immediately following the separation of Harworth Estates into a standalone company. Awards were finalised early in 2014 following the preparation and approval of a five year plan in 2013 and were set at a level corresponding to the appropriate level compared to public listed benchmarks.

The composite metrics for performance are the growth in net asset value, dividends paid and the reduction in net debt level. Overall, the 'target' level of vesting will be met by an average absolute shareholder return of approx. 12% per annum compound and the 'stretch' level by a 16% per annum compound average return over five years. There are provisions for a smaller entry level award from 10% shareholder return and provisions for continuing awards above 16%. This LTIP was adopted by the remuneration committee of Harworth Estates however, the Committee believe that this LTIP is designed to focus the remuneration policy of Harworth Estates towards rewarding the long term success of the Company.

As the principal role of CfR's team is to drive value in Harworth Estates, and as Jeremy Hague also fulfilled the finance director role at Harworth Estates for part of the last two years, the Board agreed that the provision of an LTIP opportunity for him would be met by membership of the Harworth Estates LTIP. As such he was awarded 75 units in the scheme. At a target level of performance over the five years each unit would be worth £2,600, and at 'stretch', each unit would be worth £5,000.

Jonson Cox does not benefit under this scheme, nor do any of the non-executive Directors of the Company, or the non-executives directors of Harworth Estates.

Shareholding guideline

A shareholding guideline applies for Directors and other selected senior executives who have been awarded shares under any CfR performance plan rewarded in CfR shares. Individuals are required to retain no less than 50% of the net of tax value of the shares until a holding equivalent to 100% of salary is attained (50% of salary for other senior executives).

Other terms and conditions of service

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

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

When calculating termination payments, the Committee takes into account a variety of factors including individual and Group performance, the obligation of the Director to mitigate his own loss (for example by gaining new employment) and the best interests of the Group. Should the Company

terminate the contract of an executive Director, compensation for loss of office is limited to the amounts payable under these notice periods. There are no special provisions for payments on a change of control. No recruitment was undertaken during the year.

Chairman

Jonson Cox, Chairman, was recruited in November 2010 on a base salary of £350,000 per annum on the basis he provided three days per week to the then UK Coal plc. Following the December 2012 Restructuring, his time commitment was reduced by agreement to 2 days per week and his fee reduced to £250,000 per annum. As part of his role, he also chairs the board of Harworth Estates and provides active support and challenge to the Chief Executive and executive directors at Harworth Estates. He did not participate in any bonus or incentive plan in 2014.

Non-executive Directors

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

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

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

Other employees

The Company has one employee who is not a Director. Pay is commensurate with the role performed by the individual.

Application of remuneration policy

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

Shareholder views

At the 2014 Annual General Meeting held on the 27th May 2014 two resolutions were presented in respect of the Company's remuneration report and policy. The votes cast are shown in the table below:

	Votes for	as % of votes cast	Votes against	as % of votes cast	Votes withheld
Directors' Remuneration Report	346,621,323	99.80%	703,026	0.20%	141,235
Directors' remuneration policy	337,188,913	98.79%	4,128,753	1.21%	6,147,918

Future policy table

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

Type of remuneration	Detail of policy
Salary/fees	Salaries are normally reviewed by the Remuneration Committee on an annual basis. In determining salary levels for executives the Committee has, principally, had regard to external comparators for roles of equivalent size and complexity. Following a review of executive salary levels a 2.5% increase was proposed for the Finance Director for 2014, effective from 1 January. Normally salary increases are only made annually and are effective from 1 January. In addition to a base fee non-executives receive an additional fee of £6,000 per annum for chairing a committee.
Allowances	Allowances are paid in lieu of providing a company car. These payments reflect amounts offered for equivalent comparator roles. These payments are not pensionable.
Bonus	Annual bonus levels and targets are set by the Committee and reflect both personal and corporate targets. The only Director who receives a bonus is the Finance Director whose bonus level is up to 50% of basic salary. Bonus is normally paid in March of the following year. The Finance Director participates in a long term bonus plan (in addition to the annual bonus discussed above) based on achieving increases in the net asset value of the Company's investment in Harworth Estates over a five year period ending December 2017. The scheme has a minimum increase target of £140m at which level a payment of £45,000 would be payable. Below this level no bonus would be payable. The target increase in value is £169m and which level a payment of £195,000 would be payable. For performance above this value there is a stretch increase of £250m at which level a payment of £375,000 would be payable. This long term bonus is not pensionable. Early redemption in part may be taken (after 3 years) at a discounted value based on performance at that date and the scheme also includes a good leaver provision.
Benefits	The Chairman and Finance Director receive payments for car fuel used, life assurance and health insurance.
Compensation	The compensation payment policy remains as detailed in this report under the "Other Terms and Conditions of Service" section.
Pension	Amounts in respect of pension contributions are made either to a defined contribution plan or paid as a cash supplement. Future pension contribution levels are expected to be in line with those currently paid.
Expenses	Expenses are not classed as remuneration but expenses for travel or other reasonable out-of-pocket expenses incurred by the Directors in the performance of their duties are reimbursed upon submission of appropriate receipts.

Annual report on remuneration

Directors' service contracts and letters of appointment

	Contract Date	Unexpired Term (as at Dec 2014)	Notice Period
Chairman			
Jonson Cox	15.11.10	Rolling 1 year	1 year
Executive Director			
Jeremy Hague	02.01.13	N/A	6 months
Non-Executive Directors			
Peter Hickson	30.06.11	-	6 months
Lisa Clement	29.11.11	-	3 months
Steven Underwood	27.07.10	29 months	3 months

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

Directors' emoluments for the year ended December 2014*

	Salary / Fees £000	Allowances £000	Annual bonus £000	Benefits in kind £000	Pension	Total 2014 £000	Total 2013 £000
Chairman							
Jonson Cox	250	16	-	4	75	345	893 *
Executive Directors							
Jeremy Hague	118	10	40	4	24	196	197
Non-Executive Directors							
Peter Hickson	65	-	-	-		65	65
Lisa Clement	46	-	-	-		46	46
Steven Underwood	(3)	40	-	-	-	40	40

* 2013 includes £480,000 charged in 2013 accounts in respect of historic UK Coal LTIP scheme

1. Jeremy Hague and Jonson Cox receive car allowances of £10,000 and £16,000 per annum respectively, which is included in Allowances above.
2. Benefits in kind comprise car fuel benefits, life assurance and health insurance.
3. Fees payable for the services provided by Steven Underwood are paid to Peel Management Limited.

The emoluments of the highest paid Director is given in table above. The Company made no direct payment to a money purchase scheme and no share options were awarded or exercised during the year in respect of the highest paid Director.

Chairman's remuneration for previous five years

There is currently no Group Chief Executive but the role of Chairman is undertaken by Jonson Cox. The Chairman was appointed in November 2010 with a brief to lead UK Coal plc through a significant restructuring. He has had overall leadership of the Board and Company of CfR plc since his appointment in November 2010. In respect of Harworth Estates, he leads the board and provides guidance and challenge to the CEO and executive directors, but does not have leadership of that company.

	Dec 2014 £000	Dec 2013* £000	Dec 2012** £000	Dec 2011 £000	Dec 2010 £000
Chairman	345	893	780	493	54
Group Chief Executive	-	-	-	-	905

* Dec 2013 includes £480,000 charged in 2013 accounts in respect of historic UK Coal LTIP scheme

** includes value of supplementary payments due to the restructuring of UK Coal plc

Pension contributions*

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

	Pension Contributions 2014 £000	Pension Contributions 2013 £000
Jonson Cox	75	81
Jeremy Hague	24	23
Total	99	104

Illustrative example of application of remuneration policy

Chairman				Executive Director					
Jonson Cox		Jeremy Hague							
	Total pay (exc bonus and LTIP) £000	Bonus £000	LTIP* £000	Total £000		Total pay (exc bonus and LTIP) £000	Bonus £000	LTIP* £000	Total £000
Minimum	345	-	-	345	Minimum	156	-	-	156
In-line	345	-	-	345	In-line	156	35	39	230
Maximum	345	-	-	345	Maximum	156	59	75	290

* while LTIP payment is expected to be a lump sum paid post 2017 year end, the above table assumes an annualised amount.

Compensation payments

Theresa Casey left the Company in June 2014 and received a payment of £40,000 in lieu of her six month notice period, with the payments phased over a 4 month period.

Coalfield Resources - Total Shareholder Return Over Five Year Period



The Company's Total Shareholder Return performance over the past 5 years is shown in the chart above. Performance is shown against the FTSE Small Cap (ex-Investment Trust) index which is the most appropriate comparator index. The chart shows the hypothetical value of a £100 investment in Coalfield Resources Ordinary Shares relative to the comparator index. The value of the hypothetical holdings at the end of year five would be £11.57 and £189.24 respectively.

The chart includes the period prior to the 2012 Restructuring when the Company (UK Coal plc to December 2012) owned 100% of both a coal mining and property business. Since the 2012 Restructuring after which the Company only owed a minority stake in Harworth Estates, the value of the hypothetical holdings rebased to £100 at 10 December 2012 would be £97.41 and £144.27 respectively.

Directors' interests in ordinary shares*

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

	Beneficial interest in Ordinary Shares at Dec-14	Beneficial interest in Ordinary Shares at Dec-13
	No. of shares	No. of shares
Jonson Cox	7,204,050	7,204,050
Peter Hickson	-	-
Lisa Clement	-	-
Steven Underwood	62,738	62,738
Jeremy Hague	250,000	250,000

There have been no changes in Directors' interests in shares between the end of the year and 18 February 2015.

The market value of the Company's Ordinary Shares during the year ranged from 6.59 pence to 5.38 pence. Trading in the shares was suspended on 18 November 2014 at 5.4 pence at the Company's request on announcement of its proposed acquisition of the Pension Protection Fund's holding in Harworth Estates Property Group Limited. On 31 December 2014 the shares remained suspended from trading.

External appointments

The Remuneration Committee recognises the importance of allowing executive Directors to take non-executive director roles elsewhere. Jonson Cox's contract with the Company is part-time. His other business interests included a non-executive directorship of Wincanton PLC (resigned May 2014) for which he received fees of £18,750 in 2014.

This report has been approved by the Board for submission to shareholders at the 2015 Annual General Meeting, and I have signed it on behalf of the Board.

On behalf of the Board

[Peter Hickson](#)

Chairman

Remuneration Committee

18 February 2015

Report of the Audit Committee

As Chairman of the Company's Audit Committee (the "Committee"), I am pleased to present the Committee's report to shareholders for the year ended 31 December 2014 as required under the Companies Act 2006 and the UK Corporate Governance Code (the "Code").

The roles of the Committee

The principal roles of the Committee are to:

- i. consider the appropriateness of the Group's accounting policies;
- ii. to review and consider the effectiveness of the Company's internal controls, financial controls and risk management;
- iii. to review the Group's half-year and annual financial statements before recommending them to the Board for approval;
- iv. to review the auditors annual strategy report, their independence and objectivity and agree their fees;
- v. to oversee the selection process with regard to external auditors, to consider the appointment and/or re-appointment of the external auditors and make appropriate recommendations through the Board to the shareholders to consider at the Annual General Meeting; and
- vi. to oversee the external audit process.

Under the Code, the Committee is now required to report on the effectiveness of the external audit process and on any significant issues and areas of audit risk in respect of the Group's annual report and financial statements that were identified in the course of the audit. Relations with the external auditors are managed through a series of meetings and regular discussions and we ensure a high quality audit by challenging the key areas of the external auditors' work.

The Committee is also required to advise the Board as to whether the Group's annual report, taken as a whole, is fair, balanced and understandable, and provides shareholders with the information they need to assess the Group's business model, strategy and performance.

Composition and meetings of the Committee

The Committee members are Steven Underwood and me. The Board is satisfied that we have recent and relevant financial experience but recognise that Steven Underwood is not an independent non-executive Director. The Chairman, Finance Director and the external auditors are invited to attend meetings. The minutes of meetings of the Committee are circulated to all Directors. Going forward the Committee will meet at least twice a year to review the Group's accounting and financial reporting practices, the work of external auditors and compliance with policies, procedures and applicable legislation.

The Committee also reviews the half year and annual financial statements before submission to the Board. During the year under review the Committee reviewed the scope, remit and effectiveness of internal audit provision and the effectiveness of the Group's internal control systems. It also reviewed "whistle-blowing" arrangements by which employees of the Group may, in confidence, raise concerns about possible financial or other improprieties. Following the restructure and the consequent reduction in the size and complexity of the Company's reporting and systems of control it has been agreed that there is currently no need for an internal audit or whistle-blowing arrangement within the Company. The terms of reference of the Committee are available to shareholders on request and are also available on the Company's website.

The external auditors

The auditors throughout 2014 have been PricewaterhouseCoopers LLP, and fees payable are detailed below:

Audit services	2014 £000	2013 £000
Fees payable to the Company auditors for the audit of the Parent Company and the consolidated financial statements	30	30
Additional audit fees	-	17
Fees payable to the Company auditors and its associates for other services:		
– The audit of the Company's subsidiaries pursuant to legislation	15	40
– Audit related assurance services	54	14
– All other assurance related services	-	78
– Tax advisory services	4	13
– Tax compliance services	15	17
– All other non-audit services	-	127
	118	336

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

- The Committee reviews the audit appointment periodically;
- It is Group policy that the external auditors will not, as a general rule, provide consulting services to the Group. The external auditors provide audit-related services such as regulatory and statutory reporting as well as work relating to shareholder and other circulars. In 2014 this included work in relation to the sale of the insurance business of Harworth Insurance Company Limited;
- The external auditors may undertake due diligence reviews and provide assistance on tax matters given their knowledge of the Group's businesses. Such provision will however, be assessed on a case by case basis so that the best placed adviser is retained. The Committee monitors the application of the policy in this regard and keeps the policy under review;
- The Committee reviews on a regular basis all fees paid for audit, and all other fees, with a view to assessing reasonableness of fees, value of delivery, and any independent issues that may have arisen or may potentially arise in the future; and
- The independent auditors' report to the Directors and the Committee confirming their independence in accordance with Auditing Standards.

Significant issues considered in respect of the annual report and financial statements

- The carrying value of the Company's investment in Harworth Estates. The significant judgements and issues within the financial statements of Harworth Estates for the year ended 31 December 2014 have been discussed. Two Directors of the Company sit on the board of Harworth Estates and receive regular and full updates on its operational and financial progress. This, coupled with the comfort taken from the full annual external valuation of Harworth Estates property portfolio, which drives the value of the Company's investment, gives reassurance as to the carrying value of the investment. The Committee has also been made aware of the potential impacts of an insolvency event in the deep

mining and surface mining businesses which currently have trading relationships with Harworth Estates. Both of these independent mining businesses, being UK Coal Production Limited and UKCSMRL, remain debtors of Harworth Estates and lease a number of sites from Harworth Estates for their operations. Harworth Estates has undertaken contingency planning to protect and mitigate against the potential impact of a further mining insolvency or closure. The Committee has been informed of the nature of provision and impairments that Harworth Estates made for this event in their 2013 balance sheet and also discussions as to the adequacy of these as at 31 December 2014, and having discussed these with the two Directors of the Company who sit on the board of Harworth Estates are satisfied as to the nature and quantum of these. The Committee has also considered the impact of such an event on the financing of Harworth Estates and the availability of funding to it, and again assurance from the two Company Directors who sit on the board of Harworth Estates that this had been properly considered in arriving at Harworth Estates' going concern statement. Taking these factors into consideration the potential impact is correctly reflected in the carrying value of the Company's investment in Harworth Estates.

- Going concern basis. This is discussed in the Strategic Report.

Conclusions in respect of annual report and financial statements

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

As a result, the Committee has concluded that the annual report for the year ended 31 December 2014, when taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's business model, strategy and performance. The Committee has reported to the Board and the Board's conclusions are set out in the Statement of Directors' Responsibilities included in the Directors' Report which forms part of this annual report.

Re-appointment of the external auditor

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

Lisa Clement

Chairman

Audit Committee

18 February 2015

Directors' Report

The Directors submit their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2014. The Directors serving during the year were Jonson Cox, Lisa Clement, Jeremy Hague, Peter Hickson and Steven Underwood. Their short biographies have been provided in the Strategic Report.

Results and dividend

The net assets attributable to shareholders of the Group increased to £58.7m over the financial year to 31 December 2014. The Group's net asset value rose by 6% during the year. The results for the Group are reviewed in the Chairman's Statement and the Strategic Report and set out in the financial statements which accompany this report.

No dividends have been received from the Group's investment during 2014. Under Harworth Estates banking facilities, as at 31 December 2014, it is not permitted to pay dividends without the express permission of its banks. In addition, the first £5m of dividends which would otherwise be due to the Company will be paid to the Pension Protection Fund. Cash generated from asset sales by Harworth Estates is required under its facilities, as at 31 December 2014, to be used to make mandatory repayment of its loans, however this term was waived in Q4 2014. Harworth Estates entered into a new £65m 5 year bank facility (£60m revolving credit facility and £5m bond facility) on 13 February 2015 with Royal Bank of Scotland. This facility is non-amortising and allows Harworth Estates to pay dividends, predominately, as long as covenants are complied with. This facility will be used to repay in full and cancel the existing Barclays and Lloyds facilities. The new facility allows more financing flexibility to Harworth Estates.

There was no interim dividend paid during the year (2013: £nil). The Directors are not recommending the payment of a final dividend in respect of the 2014 financial year (2013: £nil).

Future developments

The future development of the Company is discussed in the Chairman's Statement.

Prospective Board Changes

As noted in the Chairman's Statement, the Company has announced non-binding heads of terms with the Board of the Pension Protection Fund to acquire their 75.1% stake in Harworth Estates.

On Completion of that transaction, the Board proposes that Owen Michaelson, the Chief Executive and Michael Richardson the Finance Director of Harworth Estates will join the Board together with Martyn Bowes who will be a non-executive director nominated by the Pension Protection Fund and Anthony Donnelly, as an independent non-executive. Both are currently non-executive directors on the board of Harworth Estates.

At the Board meeting to approve this document held on 18 February, Jeremy Hague, Finance Director of the Company since January 2013, noting the roles to be taken in the enlarged group, advised the meeting of his willingness to step down from the Board and leave the Company with effect from 30 April 2015. Michael Richardson will assume the role of Finance Director and, on completion of the transaction, of the enlarged Group. Jeremy Hague has a contract with six months' notice. Details of his termination arrangements will be disclosed to the market in the normal way once agreed.

Substantial shareholders

The Directors have been notified of the following substantial shareholdings as at 31 December 2014:

Company	Number of shares	% of issued share capital
Goodweather Holdings Ltd*	196,468,940	32.45%
Invesco Perpetual	66,596,382	11.00%
Pelham Capital Management	51,753,120	8.55%

* Member of Peel Holdings Group Limited

Share capital, voting rights and transfer of shares

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

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

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

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

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

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

legislation. Restrictions may also be imposed on certain Company employees who are required to seek approval from the Company before dealing in shares in accordance with the requirements of the Listing Rules of the United Kingdom Listing Authority.

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

Details of major shareholdings are shown in the table above. Details of employee share schemes can be found in the section headed Long Term Incentive Plan ('LTIP') in the Remuneration Report.

[Mandatory carbon reporting](#)

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

[Financial Risk Management](#)

Financial risk management is disclosed in note 20 of the financial statements.

[Statement of Directors' responsibilities](#)

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmation statement

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

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

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

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

Independent auditors

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

Financial statements

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

Annual general meeting

The Annual general Meeting of the Company will be held at 1.00pm on 21 May 2015 at AMP Technology Centre, Advance Manufacturing Park, Brunel Way, Rotherham S60 5WG to conduct the ordinary business of the Annual General Meeting and as special business to consider disapplication of pre-emption rights, authority to purchase own shares; and the authority to hold general meetings at short notice. The detailed information of the resolutions will be contained in the separate notice of meeting which will be despatched to shareholders with the printed version of this report and published on the company's web site (www.cfrplc.com).

Corporate governance

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

By order of the Board

Geoff Mason

Company Secretary

18 February 2015

Independent auditors' report to the members of Coalfield Resources plc

Report on the financial statements

Our opinion

In our opinion:

Coalfield Resources plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2014 and of the group's profit and the group's and the company's cash flows for the year then ended;

- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

What we have audited

Coalfield Resources plc's financial statements comprise:

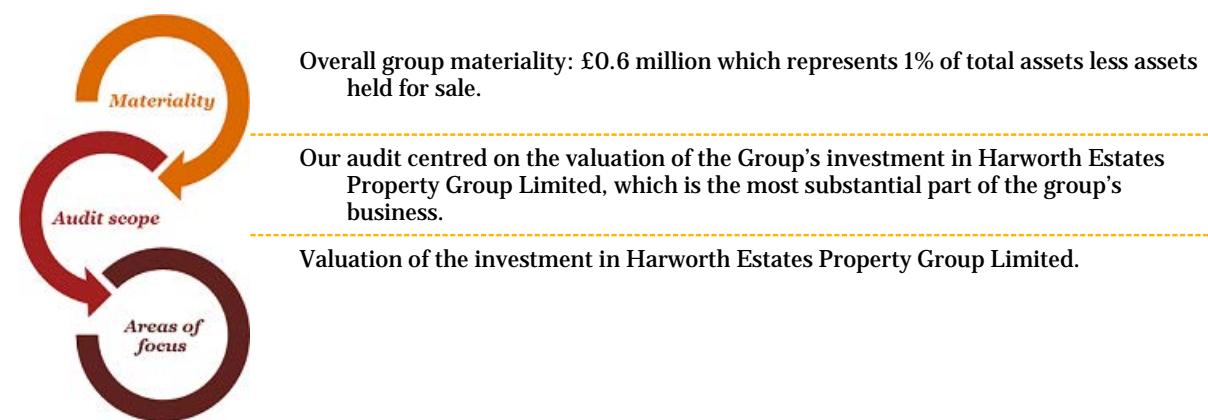
- the Statement of Financial Position as at 31 December 2014;
- the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income for the year then ended;
- the Statements of Cash Flows for the year then ended;
- the Consolidated Statement of Changes in Equity and the Company Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report and Financial Statements 2014 (the "Annual Report"), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

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

Our audit approach

Overview



The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as “areas of focus” in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this contexts. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
<p>Valuation of the investment in Harworth Estates Property Group Limited</p> <p>We focused on this area because the carrying amount of the Group's associate investment, Harworth Estates Property Group Limited, is a significant balance in the context of the Group balance sheet.</p> <p>The valuation of the investment, in both the consolidated and the company's financial statements is predominantly driven by the valuation of the associate's underlying investment property portfolio, which is inherently volatile and subjective due to fluctuations in the investment property market and the judgements taken in determining fair value, such as expected gross sale proceeds and rental yields.</p> <p>In addition the valuation of the investment is impacted by non-investment property balances, in particular the completeness of liabilities.</p>	<p>The Senior Statutory Auditor for Coalfield Resources plc is also the Senior Statutory Auditor for Harworth Estates Property Group Limited. Therefore, our audit of the valuation of the underlying investment properties in the course of our audit of Harworth Estates Property Group Limited addressed the area of focus identified.</p> <p>In considering the net asset position of Harworth Estates Property Group Limited, the most significant balance is the investment property portfolio. In respect of investment properties we read the third party property valuation reports obtained by the Directors and considered if the overall approach and methodology adopted were appropriate given the nature of the properties being valued and whether they were in line with market practice. We also considered the extent to which the approach and methodology were consistent with prior years.</p> <p>For a sample of properties representing 70% of the value of the property portfolio, we discussed the valuation approach on a property by property basis directly with the third party valuer. We considered the specific assumptions used by the valuer for each property, including the expected gross sale proceeds and rental yields, and considered whether these were consistent with market evidence and, where relevant, actual sale proceeds on properties disposed of during the year. For properties where further investment property spend is forecast to be incurred, we obtained management estimates for the costs to be incurred and for a sample of costs agreed to supporting documentation, such as tenders or agreements, to check the accuracy of the forecast costs.</p> <p>We found the methodologies used by the third party valuers to be consistent across the portfolio of properties and with prior years. We also found that the assumptions used were within the range typically used for similar valuations.</p> <p>The audit procedures performed in respect of non-investment property balances included consideration of the completeness of liabilities by performing testing on a sample of post year end invoices and payments to confirm liabilities had been appropriately recorded.</p> <p>Our testing did not identify any matters to indicate that the valuation of the investment may be materially misstated.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

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

The most substantial part of the Group's balance sheet and operating result relate to its investment in Harworth Estates Property Group Limited, comprising 95% of total assets less assets held for sale and 100% of profit before tax. Our audit scope therefore focussed on the audit of Harworth Estates Property Group Limited and how the Company's share of this entity had been recorded in the Group financial statements. This is also explained further in the area of focus above.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	£0.6 million (2013: £0.5 million).
How we determined it	Consistent with 2013 - 1% of total assets less assets held for sale.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice in the audit of investment companies, as we believe this to be the measure most commonly used by the shareholders in measuring performance.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £30,000 (2013: £25,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

The directors have voluntarily complied with Listing Rule 9.8.6(R)(3) of the Financial Conduct Authority and provided a statement in relation to going concern, set out on pages 12 and 13, required for companies with a premium listing on the London Stock Exchange.

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

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

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

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

The directors have chosen to voluntarily comply with the UK Corporate Governance Code ("the Code") as if the company were a premium listed company. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

<p>Information in the Annual Report is:</p> <ul style="list-style-type: none"> materially inconsistent with the information in the audited financial statements; or apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group and company acquired in the course of performing our audit; or otherwise misleading. 	<p>We have no exceptions to report arising from this responsibility.</p>
<p>the statement given by the directors on page 38 in accordance with provision C.1.1 of the Code, that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the group's and company's performance, business model and strategy is materially inconsistent with our knowledge of the group and company acquired in the course of performing our audit.</p>	<p>We have no exceptions to report arising from this responsibility.</p>
<p>the section of the Annual Report on page 32, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.</p>	<p>We have no exceptions to report arising from this responsibility.</p>

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report - Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

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

Other voluntary reporting

Matters on which we have agreed to report by exception

Corporate governance statement

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 37, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

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

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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

Ian Marsden (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

19 February 2015

Consolidated Income Statement for the year ended 31 December 2014

	Note	Year ended 31 December 2014 £000	Year ended 28 December 2013 £000
Continuing operations			
Revenue		1,458	1,535
Cost of sales		-	-
Gross profit		1,458	1,535
Other operating income and expenses			
Excluding exceptional items			
Administrative expenses		(1,653)	(1,971)
Other operating income		196	189
Exceptional item -			
Recognition of Blenkinsopp pension asset	12	-	683
Other operating income and expenses after exceptional item		(1,457)	(1,099)
Operating profit	3	1	436
Finance income	6	10	6
Finance costs	6	-	(258)
Share of profit of associate	13	3,454	3,148
Profit before tax		3,465	3,332
Tax credit	8	-	-
Profit for the year from continuing operations		3,465	3,332
Discontinued operations			
Loss for the year from discontinued operations (attributable to the owners of the parent)	2	-	(1,589)
Profit for the financial year		3,465	1,743
Profit/(loss) per share from continuing and discontinued operations attributable to owners of the parent during the year			
Basic and diluted earnings/(loss) per share		pence	pence
From continuing operations	11	0.6	0.6
From discontinued operations	11	0.0	(0.3)
Basic and diluted earnings/(loss) per share	11	0.6	0.3

The notes on pages 49 to 79 are an integral part of the consolidated financial statements

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2014

	Note	Year ended 31 December 2014	Year ended 28 December 2013
		£000	£000
Profit for the financial year from continuing operations		3,465	3,332
Other comprehensive income - items that will not be reclassified to profit or loss:			
Remeasurements of post retirement benefits	21	(8)	(104)
Total other comprehensive expense (continuing operations)		(8)	(104)
Total comprehensive income for the financial year (continuing operations)		3,457	3,228
 Loss for the year from discontinued operations		 -	 (1,589)
 Total comprehensive expense for the financial year (discontinued operations)		 -	 (1,589)
 Total comprehensive income for the financial year		 3,457	 1,639

The notes on pages 49 to 79 are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2014

	Note	Called up share capital £000	Share premium account £000	Other reserves £000	Retained earnings £000	Total equity £000
Balance at January 2013		2,993	30,756	257	13,923	47,929
Profit for the financial year to December 2013		-	-	-	1,743	1,743
Other comprehensive income:						
Remeasurement of post retirement benefits	21	-	-	-	(104)	(104)
Total comprehensive profit for the year ended December 2013		-	-	-	1,639	1,639
Transactions with owners:						
Shares issued in Rights Issue	23	2,993	2,993	-	-	5,986
Costs relating to Rights Issue	23	-	(838)	-	-	(838)
Shares issued under LTIP	22	69	-	-	(69)	-
Accrual for long term incentive plan liabilities	22	-	-	-	480	480
		3,062	2,155	-	411	5,628
Balance at December 2013		6,055	32,911	257	15,973	55,196
Profit for the financial year to December 2014		-	-	-	3,465	3,465
Other comprehensive income:						
Remeasurement of post retirement benefits	21	-	-	-	(8)	(8)
Total comprehensive profit for the year ended December 2014		-	-	-	3,457	3,457
Balance at December 2014		6,055	32,911	257	19,430	58,653

Company Statement of Changes in Equity

for the year ended 31 December 2014

	Note	Called up share capital £000	Share premium account £000	Other reserves £000	Retained earnings £000	Total equity £000
Balance at January 2013		2,993	30,756	257	12,462	46,468
Loss for the financial year to December 2013		-	-	-	(1,401)	(1,401)
Other comprehensive income:						
Change in value of investment in associate *					3,148	3,148
Remeasurements of post retirement benefits	21	-	-	-	(104)	(104)
Transactions with owners:						
Shares issued in Rights Issue	23	2,993	2,993	-	-	5,986
Costs relating to Rights Issue	23	-	(838)	-	-	(838)
Shares issued under LTIP	22	69	-	-	(69)	-
Accrual for long term incentive plan liabilities	22	-	-	-	480	480
Balance at December 2013		6,055	32,911	257	14,516	53,739
Profit for the financial year to December 2014		-	-	-	16	16
Other comprehensive income:						
Change in value of investment in associate					3,454	3,454
Remeasurements of post retirement benefits	21	-	-	-	(8)	(8)
Balance at December 2014		6,055	32,911	257	17,978	57,201

* change in the fair value of associate is shown within Other comprehensive income to reflect the accounting treatment within the Company's financial statements (see note 13).

Statement of Financial Position

as at 31 December 2014

Note	Group	Group	Company	Company
	As at 31 December 2014	As at 28 December 2013	As at 31 December 2014	As at 28 December 2013
	£000	£000	£000	£000
ASSETS				
Non-current assets				
Blenkinsopp pension asset	12	564	683	564
Investment in subsidiaries	13	-	-	3,374
Investment in associates	13	56,890	53,436	56,890
		57,454	54,119	60,828
Current assets				
Trade and other receivables	14	659	682	532
Cash and cash equivalents	16	1,489	1,428	1,489
Assets classified as held for sale	15	5,119	21,702	-
		7,267	23,812	2,021
Total assets		64,721	77,931	62,849
LIABILITIES				
Current liabilities				
Trade and other payables	18	(5,035)	(5,000)	(5,084)
Liabilities classified as held for sale	15	(469)	(17,052)	-
		(5,504)	(22,052)	(5,084)
Net current assets/(liabilities)		1,763	1,760	(3,063)
Non-current liabilities				
Retirement benefit obligations	21	(564)	(683)	(564)
		(564)	(683)	(564)
Total liabilities		(6,068)	(22,735)	(5,648)
Net assets		58,653	55,196	57,201
EQUITY				
Capital and reserves				
Called up share capital	22	6,055	6,055	6,055
Share premium account	23	32,911	32,911	32,911
Capital redemption reserve	24	257	257	257
Retained earnings		19,430	15,973	17,978
Total equity		58,653	55,196	57,201
				53,739

The financial statements on pages 44 to 79 were approved by the Board of Directors on 18 February 2015 and were signed on its behalf by:

Jonson Cox
Chairman

Jeremy Hague
Finance Director

Company Registered Number 2649340

Statement of Cash Flows
for the year ended 31 December 2014

	Group	* Restated			
	Year ended	Year ended	Year ended	Company	Company
	31 December	28 December	31 December	28 December	28 December
		£000	£000	£000	£000
	Note				
Cash flows from operating activities					
Profit/(loss) for the financial year		3,465	1,743	16	(1,401)
Net interest receivable		(10)	252	(14)	248
Net charge for share-based remuneration		-	480	-	480
Share of post-tax profit from associate		(3,454)	(3,148)	-	-
Decrease in provisions		-	(546)	-	(546)
Recognition of Blenkinsopp pension asset		-	(683)	-	(683)
Pension contributions (in excess of)/below charge		(7)	(141)	(7)	(141)
Tax charge	8	-	-	-	-
Operating cash outflows before movements in working capital		(6)	(2,043)	(5)	(2,043)
Decrease in receivables		23	3,221	23	3,357
Increase/(decrease) in payables		34	(4,697)	29	(4,833)
Cash generated from/(used in) operations		51	(3,519)	47	(3,519)
Loan arrangement fees paid		-	(193)	-	(193)
Interest paid		-	(65)	-	(65)
Cash used by discontinued operations	2	(120)	(7,966)	-	-
Cash generated from/(used in) operating activities		(69)	(11,743)	47	(3,777)
Cash flows from investing activities					
Interest received		10	6	14	6
Cash generated from discontinued operations	2	1,275	8,105	-	-
Cash generated from investing activities		1,285	8,111	14	6
Cash flows from financing activities					
Net proceeds from issue of ordinary shares		-	5,148	-	5,148
Proceeds from bank loans	17	-	2,990	-	2,990
Repayment of bank loans	17	-	(2,990)	-	(2,990)
Cash used by discontinued operations	2	(3,278)	-	-	-
Cash generated from financing activities		(3,278)	5,148	-	5,148
Increase in cash		(2,062)	1,516	61	1,377
At January					
Cash		1,428	51	1,428	51
Cash and cash equivalents classified as held for sale		2,963	2,824	-	-
		4,391	2,875	1,428	51
Increase in cash		61	1,377	61	1,377
(Decrease)/increase in cash and cash equivalents classified as held for sale		(2,123)	139	-	-
		(2,062)	1,516	61	1,377
At December					
Cash		1,489	1,428	1,489	1,428
Cash and cash equivalents classified as held for sale		840	2,963	-	-
Cash and cash equivalents	16	2,329	4,391	1,489	1,428

* 2013 Group cash flow has been restated to include the cash flows of the discontinued operations and to show the restated split between Cash and cash equivalents (see also note 16) and Available for sale financial assets (see also note 15).

Notes to Financial Statements

for the year ended 31 December 2014

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

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

Financial Statements within the Group have been made up to the last day in December (prior years were last Saturday in December). For 2014, trading is shown for the year ended on 31 December 2014 (2013: year ended 28 December 2013).

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.

General information

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

Going concern

These financial statements are prepared on the basis that the Group is a going concern. In forming its opinion as to going concern, the Board prepares cash flow forecasts based upon its assumptions as to income streams and costs required to fulfil its objectives. The resulting cash flows are then compared to cash resources and available funding; both committed funding and funding which the Board reasonably expects to be available to the Group in a timeframe such that it meets any shortfall in the expected cash flows.

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

- Revenue is predominately generated under the Shareholders' Agreement with the Pension Protection Fund and Harworth Estates which provides for the running costs of the Group to be met by Harworth Estates by way of indemnity until 31 December 2014, and also for Harworth Estates to indemnify the Group for the employment costs of its executive team up to certain capped amounts for an open ended period.
- For the calendar years 2015 and 2016, the Shareholders' Agreement provides that the Group may request loans from Harworth Estates to fund the Group's running costs. If such loans are advanced, dividends payable by Harworth Estates to the Group equal to an amount of such loans shall be directed to the Pension Protection Fund so such cash will not be received by the Group. The employment cost of the Group's executive team will continue to be met under the agreement with Harworth Estates.

The Company shows a net current liability of £3,063,000 (2013: £3,071,000) at 31 December 2014. Included in trade and other payables is an amount of £4,650,000 representing deferred income on an option to sell Harworth Insurance Company Limited, as disclosed in note 15. This is a non-cash item. For the reasons stated above the Board reasonably expects funds to be available to the Company in a timeframe such that it meets any shortfall in expected cash flows.

Notes to Financial Statements

for the year ended 31 December 2014

1. ACCOUNTING POLICIES continued

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014, none of which have a material impact on the Group:

Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counter-parties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group financial statements.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counter-parties. Under IAS 39 novation of derivatives to central counter-parties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The Group has applied the amendment and there has been no significant impact on the Group financial statements as a result.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual years beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. 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. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted subject to EU endorsement. The Group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted subject to EU endorsement. The Group is assessing the impact of IFRS 15.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Notes to Financial Statements

for the year ended 31 December 2014

1. ACCOUNTING POLICIES continued

Accounting Policies

Accounting policies that are applicable are shown below:

Consolidation

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

Subsidiaries are entities that are controlled by another entity. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Control is presumed to exist where the Group owns more than half of the voting rights, unless in exceptional circumstances where it can be demonstrated that ownership does not constitute control. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the parent and its subsidiaries, after eliminating intercompany balances and transactions. The results of subsidiaries sold or acquired are included in the consolidated income statement up to, or from, the date control passes.

The Group uses the purchase method of accounting to consolidate subsidiaries. On acquisition, the identifiable assets, liabilities and contingent liabilities being acquired are measured at their fair values at the date of acquisition.

Accounting policies are changed where necessary to bring them into line with those adopted by the Group.

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

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

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

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

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

Investments

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

Investments in associates held by the Company are accounted for as financial assets, classified as available for sale financial assets, and therefore, accounted for at fair value through other comprehensive income.

Revenue

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

Notes to Financial Statements for the year ended 31 December 2014

1. ACCOUNTING POLICIES continued

Borrowings

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

Cash and cash equivalents

In the preparation of the Group's and Company's cash flow statements, cash and cash equivalents represent short term liquid investments which are readily realisable. Cash which is subject to restrictions, being held to match certain liabilities, is included in cash and cash equivalents in the consolidated balance sheet. Cash and cash equivalents per the cash flow statement also includes cash and cash equivalents presented as part of a disposal group classified as held for sale.

Employee benefits

Pension obligations

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

Following completion of the 2012 Restructuring, the Company continues to have certain residual liabilities in respect of the Blenkinsopp Section of the Industry Wide Mineworkers' Pension Scheme (which has an IAS 19 (revised) deficit of £564,000 at 31 December 2014) and which is indemnified by UK Coal Production Limited and is further indemnified up to a cap of £3,100,000 by Harworth Estates Mines Property Limited should UK Coal Production fails to meet its obligations. In addition the Group retains capped charges over certain operating deep mines land against this liability which are limited to an aggregate limit of £3,100,000.

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

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

Share-based payments

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

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

Notes to Financial Statements for the year ended 31 December 2014

1. ACCOUNTING POLICIES continued

Tax

Current tax

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

Deferred tax

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

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

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

Share capital

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

Dividend distribution

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

Segment reporting

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

Exceptional items

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

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

Profit or loss on disposal

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

Notes to Financial Statements for the year ended 31 December 2014

1. ACCOUNTING POLICIES continued

Financial instruments and derivatives

a. Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial assets are de-recognised only when the contractual rights to the cash flows from the financial asset expire or the Group transfers substantially all risks and rewards of ownership.

The Group's financial assets consist of loans and receivables.

Financial assets recognised in the consolidated balances sheet as trade and other receivables are classified as loans and receivables. They are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

Cash and cash equivalents are also classified as loans and receivables. They are subsequently measured at amortised cost. Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short- term highly liquid investments with original maturities of three months or less.

b. Financial liabilities

Liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or other liabilities, as appropriate.

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

All loans and borrowings are classified as other liabilities. Initial recognition is at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Trade receivables

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

Subsequent recoveries of amounts previously written off are credited against 'administrative expenses' in the consolidated income statement.

Trade payables

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

Notes to Financial Statements for the year ended 31 December 2014

1. ACCOUNTING POLICIES continued

Judgements in applying accounting policies and key sources of estimation uncertainty continued

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

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

Classification of investments in Harworth Estates Property Group Limited

The Group has used its judgement in classifying its investment in Harworth Estates Property Group Limited as an associate. Further details are given in note 13 (Investments).

Estimation of post retirement benefit obligations

Retirement benefits represent obligations that will be settled in the future and require assumptions to project benefit obligations and fair values of plan assets. Retirement benefit accounting is intended to reflect the recognition of future benefit costs over the employee's approximate service period, based on the terms of the plans and the investment and funding decisions made by the Group. These are subject to actuarial estimates of, amongst other items, rate of return on investments, rate of price inflation, the cost of funding future liabilities and post retirement life expectancy. Details of the significant estimates used are set out in note 21.

Recognition of the Blenkinsopp Pension asset

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

2. RESTRUCTURING AND DISCONTINUED OPERATIONS

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

Summary

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

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

Separation of the Company's Business

The Company's pension funding deficit was isolated as a liability of the Mining Division and ring-fenced from the Property Division's assets and liabilities. Save for finance lease debt of approximately £7,000,000, a £10,000,000 loan that was provided by

Harworth Estates to provide the Mining Division with additional working capital headroom (to be secured by second ranking security over certain freehold deep mines) and security granted over a cash account in respect of the property and cash backed bonding facility, the Mining Division was left free of bank debt and bank security and with an amended pension deficit repayment schedule. This was expected to create a more stable platform, more likely to release the value in the Mining Division.

Notes to Financial Statements for the year ended 31 December 2014

2. RESTRUCTURING AND DISCONTINUED OPERATIONS continued

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

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

Property Division

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

The cash contribution was intended to ensure that the property operations had adequate funding to enable the release of the latent undeveloped value in the property portfolio. The Company is entitled to the benefit of the remaining 24.9 per cent. This stake no longer guarantees the pension liability. In addition, the first £5,000,000 of shareholders' dividend income which would otherwise be due to the Company will be paid to the Pension Trustees (now Pension Protection Fund following their acquisition of the 75.1% stake formerly held by the Pension Trustees).

Mining Division

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

Pension Scheme Changes

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

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

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

The Company

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

Treatment of Mining and Property activities in the financial statements

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

Notes to Financial Statements for the year ended 31 December 2014

2. RESTRUCTURING AND DISCONTINUED OPERATIONS continued

b) Harworth Insurance Company Limited ('HICL')

On 7 December 2012 the Company granted a put and call option to UKCMHL to acquire the entire issued share capital of HICL, and UKCMHL granted the Company a put option to require UKCMHL to acquire HICL. The consideration for the call option was £4,650,000. Exercise of the call option is conditional on obtaining Prudential Regulatory Authority (PRA) and Financial Conduct Authority (FCA) consent or the parties agreeing that such consent is no longer legally required. Before consent from the FCA and PRA could be obtained the underlying insurance business had to be sold. This sale process took longer than expected and was not completed until July 2014 when the insurance business of HICL was sold to Royal Sun Alliance. Following this sale there now only remains the residual cash and a single property. Since the call option had not been exercised at the year end, the assets and liabilities relating to HICL have been presented as held for sale. With the sales of the insurance business completed it is highly probable that the option will be exercised during 2015.

c) Mining Group July 2013 Restructuring

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

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

Whilst the anticipated 2012 Restructuring fees had been provided in the results to 28 December 2013 there remained at May 2013 approximately £3,600,000 of 2012 Restructuring fees to be paid, which together with potential liabilities of approximately £900,000 should the mining business fail to pay these liabilities led the Company to seek a bank facility.

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

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

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

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

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

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

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

Notes to Financial Statements for the year ended 31 December 2014

2. RESTRUCTURING AND DISCONTINUED OPERATIONS continued

d) Discontinued operations and profit on disposal

The combined cash flows of the discontinued operations (included assets held for sale) noted above were as follows:

Group	2014 £000	* Restated	
		2013 £000	2012 £000
Operating cash flows	(120)	(9,555)	36,610
Investing cash flows	1,275	8,105	(50,440)
Financing cash flows	(3,278)	-	(8,205)
Total cash flows	(2,123)	(1,450)	(22,035)

* 2013 cash flow has been restated to include the cash flows of the Held for sale asset

* 2012 is restated to exclude the Net receipt from insurance and subsidence security funds from investing cash flows

Analysis of discontinued operations are as follows:

Discontinued operations 2013

	Mining £000
Expenses	(1,589)
Operating loss from discontinued operations	(1,589)
Tax	-
Loss after tax from discontinued operations	(1,589)

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

To be consistent with the accounting treatment in 2012 the £1,589,000 was charged to discontinued operations in 2013.

3 OPERATING PROFIT

	Year ended December 2014 Note	Year ended December 2013 £000
Operating profit before tax is stated after charging: Staff costs - continuing operations	5 963	1,306

4 OTHER OPERATING INCOME AND EXPENSES

	Year ended December 2014 £000	Year ended December 2013 £000
Administrative expenses	(1,653)	(1,971)
Other operating income	196	189
Other operating income and expenses	(1,457)	(1,782)

Other operating income represents the third party contributions to, and re-measurement of, the Blenkinsopp Scheme.

Notes to Financial Statements for the year ended 31 December 2014

5 EMPLOYEE INFORMATION

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

	Group	
	Year ended December 2014	Year ended December 2013
	Number	Number
Other	3	4
Total	3	4

Total staff costs for continuing activities were:

	Group	
	Year ended December 2014	Year ended December 2013
Staff costs (including the Board of Directors) - continuing activities only	£000	£000
Wages and salaries	848	899
Social security costs	85	173
Other pension costs	30	30
Share-based payments	-	480
	963	1,582

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

Detailed information relating to directors' remuneration and their interests in share options is indicated by an * in the Directors' Remuneration Reports and forms part of these financial statements. The only other key management staff cost was £114,000.

6. FINANCE INCOME AND COSTS

	Year ended December 2014	Year ended December 2013
	£000	£000
Interest income		
- Cash at bank and deposits	10	6
Finance income	10	6
Interest expense		
- Bank borrowings	-	(59)
- Facility fees	-	(193)
Finance expense	-	(252)

Notes to Financial Statements

for the year ended 31 December 2014

7. AUDITORS' REMUNERATION

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

	Year ended December 2014 £000	Year ended December 2013 £000
Audit services		
Fees payable to the Company auditors for the audit of the parent Company and the consolidated financial statements		
- Audit fee	30	30
- Additional audit fees	-	17
Fees payable to the Company auditors and its associates for other services:-		
- The audit of the Company's subsidiaries pursuant to legislation	15	40
- Audit related assurance services	54	14
- All other assurance related services	-	78
- Tax advisory services	4	13
- Tax compliance services	15	17
- All other non-audit services	-	127
	118	336

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

8. TAX

	Year ended December 2014 £000	Year ended December 2013 £000
Analysis of tax charge in the year		
Corporation tax	-	-
Deferred tax	-	-
Tax charge	-	-

The tax for the year is different to the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%). The differences are explained below:

	Year ended December 2014 £000	Year ended December 2013 £000
Profit before tax on continuing operations	3,465	3,332
Profit before tax multiplied by rate of corporation tax in the UK of 21.5% (2013: 23.25%)	745	775
Effects of:		
Share of associated company profit not taxable	(742)	(732)
Expenses not deducted for tax purposes	4	160
Deferred tax not recognised	(7)	(203)
Total tax charge	-	-

Notes to Financial Statements for the year ended 31 December 2014

8. TAX continued

Deferred tax

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

Deferred tax assets and liabilities are offset when there is a legally enforced right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The Group had neither deferred tax assets nor deferred tax liabilities at December 2014 or 2013.

Deferred tax assets have not been recognised owing to the uncertainty as to their recoverability. If these deferred tax assets were recognised, the total asset would be £2,345,000 (2013: £2,351,000) as set out below:

	As at December 2014	As at December 2014	As at December 2013	As at December 2013
	Total amount recognised £000	Total potential asset £000	Total amount recognised £000	Total potential asset £000
Tax losses	-	2,345	-	2,351
Net deferred tax asset	-	2,345	-	2,351

The Company has no recognised deferred tax in 2014 (2013: none), but has a potential deferred tax asset of £2,345,000 in respect of unused tax losses.

9. PROFIT/(LOSS) FOR THE FINANCIAL YEAR FOR THE PARENT ENTITY

As permitted by section 408 of the Companies Act 2006, the Company's income statement and statement of comprehensive income have not been included separately in these financial statements. The profit for the financial year was £16,000 (2013: loss of £1,401,000).

10. DIVIDENDS

No dividends have been paid or proposed in relation to 2014 or 2013.

Notes to Financial Statements

for the year ended 31 December 2014

11. PROFIT PER SHARE

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

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

	Year ended December 2014 £000	Year ended December 2013 £000
Profit from continuing operations attributable to owners of the parent	3,465	3,332
Loss from discontinued operations attributable to owners of the parent	-	(1,589)
Profit for the year	3,465	1,743
Weighted average number of shares used for basic earnings per share calculation	605,456,480	507,705,496
<u>Dilutive effect of share options</u>		-
Weighted average number of shares used for diluted earnings per share calculation	605,456,480	507,705,496
Basic and diluted profit per share (pence)	0.6	0.3

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

12. BLENKINSOPP PENSION ASSET

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

Additionally Harworth Estates Mines Property Limited (HEMPL) has indemnified the Company up to an amount of £3,100,000 should UK Coal Production Limited fail to pay its obligations under its indemnity. HEMPL is a company in the Harworth Estates Group and owns the freeholds of 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 2014 all contributions have been paid to the pension fund by UK Coal Production Limited.

Due to the likelihood that the Blenkinsopp pension liability will be reimbursed by a third party being virtually certain a credit equal to the IAS 19 (revised) liability was recognised as a non-trading exceptional item in the consolidated income statement in the year ended December 2013 and a debit for the same amount as a non-current asset in the consolidated balance sheet.

13. INVESTMENTS

(a) Investment in subsidiaries

Company	Year ended December 2014 £000	Year ended December 2013 £000
Cost:		
At January and December	473,224	473,224
Provision for impairment:		
At January and December	469,850	469,850
Net book amount:		
At December	3,374	3,374

Notes to Financial Statements

for the year ended 31 December 2014

13. INVESTMENTS continued

(a) Investment in subsidiaries continued

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

Particulars of the Group undertakings at December 2014 are as follows:

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

* see note 2 (b) above – the Company has granted a call option to UKCMHL to acquire this entity.

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

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

(b) Investment in associates

Group

	Year ended December 2014 £000	Year ended December 2013 £000
At January	53,436	50,288
Share of profit	3,454	3,148
At December	56,890	53,436

The Group accounts for its investment in Harworth Estates Property Group Limited as an associate because it considers that it has significant influence over that entity due to its 24.9% shareholding and representation on the Harworth Estates board.

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

Notes to Financial Statements for the year ended 31 December 2014

13. INVESTMENTS continued

(b) Investment in associates continued Group continued

The results and assets and liabilities of its associate are as follows:

	2014	2013
	£'000	£'000
Harworth Estates Property Group Limited		
Country of incorporation	England and Wales	
Interest held at period end	24.9%	24.9%
Non-current assets	291,484	278,613
Current assets	35,198	28,025
Current liabilities	(64,436)	(45,065)
Non-current liabilities	(13,692)	(27,003)
Revenues	13,934	13,172
Profit	13,984	12,409
Total comprehensive income	13,984	12,409
 Company		
	Year ended December 2014	Year ended December 2013
	£'000	£'000
Fair value:		
At January	53,436	50,288
Increase in fair value	3,454	3,148
At December	56,890	53,436

The fair value is measured by reference to the fair value of the net asset value of the investment being measured. The largest amount in net assets is investment properties (£289,611,000) which are measured at fair value. All other assets and liabilities fair value approximates carrying amounts.

Harworth Estates holds investment properties principally in five categories. These are detailed below together with valuation techniques used and effect on valuation from possible sensitivities. Fair value of investment properties are determined by obtaining an independent valuation prepared in accordance with the current edition of the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors. External, independent valuation firms having appropriate, recognised professional qualifications and recent experience in the location and category of property being valued, value the portfolio at each reporting date. Such measurement falls into level 3 of the fair value hierarchy.

Notes to Financial Statements

for the year ended 31 December 2014

13. INVESTMENTS continued

(b) Investment in associates continued

Company continued

	Agricultural Land £000	Natural Resources £000	Business Parks £000	Major Developments £000	Strategic Land £000	Total £000
At December 2013	21,394	21,204	68,551	117,463	48,128	276,740
Transfers	4,993	(4,993)	-	4,291	(4,291)	-
Direct acquisitions	285	-	2,883	-	100	3,268
Subsequent expenditure	845	382	439	19,813	1,785	23,264
Increase in fair value	(4,538)	1,058	3,533	17,388	(1,693)	15,748
Disposals	(259)	(221)	(4,000)	(23,955)	(974)	(29,409)
At December 2014	22,720	17,430	71,406	135,000	43,055	289,611

Valuation techniques underlying Harworth Estates management's estimation of fair value

Agricultural Land

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

Natural Resources

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

Major Developments

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

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

Strategic Land

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

Business Parks

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

Notes to Financial Statements for the year ended 31 December 2014

13. INVESTMENTS continued

(b) Investment in associates continued Company continued

Information about fair value measurements using significant unobservable inputs (level 3)

As at 31 December 2014

		Agricultural Land	Natural Resources	Major Developments	Strategic Land	Business Parks
Reversionary rental yield %	weighted average	-	-	-	-	11.0
	low	-	-	-	-	8.8
	high	-	-	-	-	18.1
Land value per acre £'000	weighted average	3	7	55	16	30
	low	1	1	6	1	3
	high	33	71	150	449	254
Cost report totals*	£'000	2,334	-	107,693	56,837	19,407

*Cost report totals represent the estimated cost to bring investment properties to their highest and best use.

As at 31 December 2013

		Agricultural Land	Natural Resources	Major Developments	Strategic Land	Business Parks
Reversionary rental yield %	weighted average	-	-	-	-	11.4
	low	-	-	-	-	8.7
	high	-	-	-	-	20.3
Land value per acre £'000	weighted average	3	8	47	17	32
	low	1	1	12	1	3
	high	33	23	192	449	253
Cost report totals*	£'000s	2,050	-	108,767	13,800	-

*Cost report totals represent the estimated cost to bring investment properties to their highest and best use.

Notes to Financial Statements

for the year ended 31 December 2014

13. INVESTMENTS continued

(b) Investment in associates continued

Company continued

The tables below shows some possible sensitivities to the key valuation metrics and the resultant changes to the valuations.

As at 31 December 2014

Valuation metric	+/- change	+/- effect on valuation				
		Agricultural Land £000	Natural Resources £000	Major Developments £000	Strategic Land £000	Business Parks £000
Value per acre	5%	1,136	872	6,750	2,153	3,570
Rental	5%	-	-	-	-	1,735
Yield (e.g. 11% to 10%)	1%	-	-	-	-	2,451
Cost report totals	5%	117	-	5,385	2,842	970

As at 31 December 2013

Valuation metric	+/- change	+/- effect on valuation				
		Agricultural Land £000	Natural Resources £000	Major Developments £000	Strategic Land £000	Business Parks £000
Value per acre	5%	1,070	1,060	5,873	2,406	3,428
Rental increase	5%	-	-	-	-	2,046
Yield (e.g. 11% to 10%)	1%	-	-	-	-	3,922
Cost report totals	5%	103	-	5,438	690	-

There are no inter-relationships between unobservable inputs.

(c) Available for sale investments

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

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

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

Notes to Financial Statements for the year ended 31 December 2014

14. TRADE AND OTHER RECEIVABLES – CURRENT

	Group		Company	
	As at December 2014	As at December 2013	As at December 2014	As at December 2013
	£000	£000	£000	£000
Trade receivables (note 27)	264	336	264	336
Less: provision for impairment of trade receivables	-	-	-	-
Net trade receivables	264	336	264	336
Other receivables	336	346	-	10
Prepayments and accrued income	59	-	59	-
Amounts owed by subsidiary undertakings (note 27)	-	-	209	204
	659	682	532	550

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

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables as disclosed in note 19. The Group and Company do not hold any collateral as security.

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

	Group	
	2014 £000	2013 £000
At the beginning of the year	-	-
Receivables written off during the year as uncollectable	-	(1,017)
Provided for in the year	-	1,017
At the end of the year	-	-

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

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

As of December 2014, trade receivables of £264,000 (2013: £336,000) were fully performing.

As of December 2014 or December 2013, no trade receivables were past due but not impaired.

Notes to Financial Statements for the year ended 31 December 2014

15. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

a) Assets of disposal group classified as held for sale

	Group		
	As at December 2014	As at December 2013	* Restated As at December 2012
	£000	£000	£000
Investment properties	335	828	5,433
Assets in the course of disposal	-	-	-
Trade and other receivables	666	1,448	897
Reinsurance assets	-	8,910	-
Available for sale financial assets	3,278	7,553	12,149
Cash and cash equivalents	840	2,963	2,824
Total	5,119	21,702	21,303

b) Liabilities of disposal group classified as held for sale

	Group		
	As at December 2014	As at December 2013	As at December 2012
	£000	£000	£000
Trade and other payables	263	7,465	600
Provisions	-	8,985	8,271
206	602	7,782	
Total		469	17,052
			16,653

The assets and liabilities of the disposal group held for sale at the year-end relate to Harworth Insurance Company Limited ('HICL'). As described in note 2, the Company granted a call option to UKCMHL to acquire the entire issued share capital of its subsidiary undertaking, HICL, and UKCMHL has granted the Company a put option to require UKCMHL to acquire HICL. Exercise of the call option is conditional upon obtaining PRA and FSA consent or the parties agreeing that such control is no longer required. The consideration for the call option was £4,650,000.
* 2012 has been restated to show the split between Cash and cash equivalents and Available for sale financial assets.

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	As at December 2014	As at December 2013	As at December 2014	As at December 2013
	£000	£000	£000	£000
Cash	1,489	1,428	1,489	1,428
Cash equivalents	-	-	-	-
Continuing operations	1,489	1,428	1,489	1,428
 Cash and cash equivalents classified as held for sale	 840	 2,963	 -	 -
 Cash and cash equivalents in the cash flow statement	 2,329	 4,391	 1,489	 1,428

Notes to Financial Statements

for the year ended 31 December 2014

16. CASH AND CASH EQUIVALENTS continued

	Group		
	* Restated As at December 2014	* Restated As at December 2013	* Restated As at December 2012
	£000	£000	£000
Cash (used in)/generated from operating activates	(69)	(11,743)	35,741
Cash flows from investing activities			
Interest received	10	6	369
Proceeds on disposal of business	-	-	20,000
Cash and cash equivalents transferred to disposal of business	-	-	(19,898)
Investments in available for sale financial assets	-	-	(12,149)
Fees payable on restructure of business	-	-	(15,215)
Proceeds on disposal of investment property	-	-	21,496
Proceeds on disposal of operating property, plant and equipment	-	-	3,498
Development costs of investment properties	-	-	(5,263)
Pre-coaling expenditure for surface mines and deferred stripping costs	-	-	(22,961)
Purchase of operating property, plant and equipment	-	-	(19,816)
Cash generated from discontinued operations	1,275	8,105	-
Cash generated from/(used in) investing activities	1,285	8,111	(49,939)
Cash (used in)/generated from financing activities	(3,278)	5,148	(8,205)
(Decrease)/increase in cash	(2,062)	1,516	(22,403)
At January			
Cash and cash equivalents	4,391	2,875	25,278
(Decrease)/increase in cash	(2,062)	1,516	(22,403)
At December			
Cash	1,489	1,428	51
Cash and cash equivalents classified as held for sale	840	2,963	2,824
Cash and cash equivalents	2,329	4,391	2,875

* 2012 Group cash flow has been restated to include the cash flows of the Held for sale asset and to show the restated split between Cash and cash equivalents (see note 16) and Available for sale financial assets (see also note 15).

17. BORROWINGS

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

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

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

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

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

Notes to Financial Statements

for the year ended 31 December 2014

18. TRADE AND OTHER PAYABLES

	Group		Company	
	As at December 2014	As at December 2013	As at December 2014	As at December 2013
	£000	£000	£000	£000
Current				
Trade payables	28	52	28	52
Amounts owed to subsidiary undertakings (note 27)	-	-	49	49
Taxation and social security	76	57	76	57
Accruals and deferred income	4,931	4,891	4,931	4,891
	5,035	5,000	5,084	5,049

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

19. FINANCIAL INSTRUMENTS AND DERIVATIVES

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

Other financial assets and liabilities

Group	December 2014		December 2013	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Assets				
Cash and cash equivalents	1,489	1,489	1,428	1,428
Trade and other receivables	659	659	682	682
Liabilities				
Trade and other payables	4,959	4,959	4,943	4,943

In accordance with IAS 39, the Group classifies the assets and liabilities in the analysis above as 'loans and receivables' and 'other financial liabilities', respectively. At the 2014 and 2013 year ends, the Group did not have any 'held to maturity' or 'available for sale' financial assets or 'held for trading' financial assets and liabilities as defined by IAS 39. No financial assets are impaired or past due.

At the year end, the Company held cash and cash equivalents of £1,489,000 (2013: £1,428,000).

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

Included in trade and other payables is deferred income in both years of £4,650,000 relating to the deferred income on the option for Harworth Insurance Company Limited. On completion of the option this deferred income will be offset against the net position of the assets and liabilities held for sale of £4,650,000 relating to Harworth Insurance Company Limited as shown in note 15.

Notes to Financial Statements

for the year ended 31 December 2014

20. FINANCIAL RISK MANAGEMENT

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

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

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

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

Credit risk

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

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

Liquidity risk

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

The Group had no net debt at either the 2014 or 2013 year ends. The Group generated cash from operating activities and investing activities for the year of £61,000 (2013: used £3,771,000).

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

	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000
At December 2014			
Trade and other payables (including deferred income)	4,959	-	-
At December 2013			
Trade and other payables (including deferred income)	4,943	-	-

Capital risk management

The Group monitors cash balances to ensure it has sufficient capital to manage and maintain its business activities. Cash balances are disclosed note 16.

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

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

Notes to Financial Statements

for the year ended 31 December 2014

21. RETIREMENT BENEFIT OBLIGATIONS

Defined contribution pension schemes

The Group pays defined contribution payments to pension insurance plans. Contributions to defined contribution schemes in the year amounted to £27,000 (2013: £27,000). The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an expense when they are due.

Defined benefit obligations

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

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

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

	Group		Company	
	As at		As at	
	December	December	December	December
	2014	2013	2014	2013
	£000	£000	£000	£000
Relating to continuing activities				
Blenkinsopp	564	683	564	683
	564	683	564	683

Contributions to the Blenkinsopp scheme were £189,300 (2013: £189,300) and were paid under an indemnity by UK Coal Production Limited. It is expected that contributions of the same amount will be paid under this indemnity or the Harworth Estates guarantee in 2015. At December 2014, no contributions remained unpaid (2013: £nil).

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

	As at 31 December 2014	As at 28 December 2013
Discount rate	3.6% p.a.	4.4% p.a.
Rate of pension increases	2.1% p.a.	2.4% p.a.
Rate of price inflation (RPI)	3.1% p.a.	3.4% p.a.
Rate of price inflation (CPI)	2.1% p.a.	2.4% p.a.
Rate of cash commutation	20.00%	20.00%

Notes to Financial Statements for the year ended 31 December 2014

21. RETIREMENT BENEFIT OBLIGATIONS continued

Defined benefit obligations (continued)

	Year ended December 2014	Year ended December 2013
Longevity at age 60 for current pensioners (years)	18.7-22.1	18.9-22.3
Longevity at age 60 for future pensioners (years)	20.4-24.1	20.5-24.4

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

The amounts recognised in the consolidated statement of financial position:

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Fair value of plan assets	1,740	1,393	1,282	1,106	807
Present value of funding obligations	(2,304)	(2,076)	(2,002)	(1,698)	(1,659)
Net liability recognised in the statement of financial position	(564)	(683)	(720)	(592)	(852)

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

The amounts recognised in the consolidated income statement are:

	Year ended December 2014 £000	Year ended December 2013 £000
Expenses	(36)	(21)
Interest cost	(26)	(27)
	(62)	(48)

A further £8,000 (2013: loss of £104,000) has been reflected in the statement of comprehensive income in the year. This represents the net effect of experience and actuarial gains and losses on the scheme in the year.

Change in assets	Year ended December 2014 £000	Year ended December 2013 £000
Fair value of plan assets at the start of the year	1,393	1,282
Interest income	63	57
Actual return on scheme assets excluding interest income	213	(24)
Employer contributions	189	189
Expenses	(36)	(21)
Benefits paid	(82)	(90)
Fair value of plan assets at the end of the year	1,740	1,393

Notes to Financial Statements

for the year ended 31 December 2014

21. RETIREMENT BENEFIT OBLIGATIONS continued

Defined benefit obligations (continued)

Change in defined benefit obligations	Year ended December 2014	Year ended December 2013
	£000	£000
Present value of defined benefit obligation at the start of the year	(2,076)	(2,002)
Current service cost	-	-
Interest cost	(89)	(84)
Actuarial profit/(loss) arising from changes in demographic assumptions	(243)	(44)
Actuarial loss arising from changes in financial assumptions	22	(36)
Experience losses arising on liabilities	-	-
Benefits paid	82	90
Present value of defined benefit obligation at the end of the year	(2,304)	(2,076)

Analysis of the movement of the balance sheet liability	Year ended December 2014	Year ended December 2013
	£000	£000
At the start of the year	(683)	(720)
Total amounts recognised in the income statement	(62)	(48)
Contributions	-	-
Employer contributions	189	189
Net actuarial loss recognised in the year	(8)	(104)
At the end of the year	(564)	(683)

Cumulative actuarial gains and losses recognised in equity	Year ended December 2014	Year ended December 2013
	£000	£000
At the start of the year	223	327
Net actuarial loss in the year	(8)	(104)
At the end of the year	215	223

Experience gains and losses	Year ended December 2014	Year ended December 2013
	£000	£000
Actual return on scheme assets excluding interest income	213	(24)
Actuarial loss arising from changes in demographic assumptions	(243)	(44)
Actuarial loss arising from changes in financial assumptions	22	(36)
Experience losses on liabilities	-	-
Net actuarial loss	(8)	(104)

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

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

Notes to Financial Statements

for the year ended 31 December 2014

21. RETIREMENT BENEFIT OBLIGATIONS continued

Defined benefit obligations (continued)

	Year ended December 2014	Year ended December 2013
	£000	£000
Change in discount rate by 0.1%	39	33
Change in price inflation (and associated assumptions) by 0.1%	20	17
Increase in life expectancy by 1 year	43	35

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

22. CALLED UP SHARE CAPITAL

Group and Company	2014		2013	
	Number of shares	£000	Number of shares	£000
Authorised share capital				
At the start and end of the year				
Ordinary shares of 1 pence each	Unlimited	Unlimited	Unlimited	Unlimited
Issued and fully paid				
Ordinary shares of 1 pence each				
January	605,456,480	6,055	299,298,160	2,993
Shares issued in Rights Issue	-	-	299,298,160	2,993
Shares issued under LTIP	-	-	6,860,160	69
December	605,456,480	6,055	605,456,480	6,055

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

Long Term Incentive Plan

A Long Term Incentive Plan was introduced in 2000 for Executive Directors and Senior Executives. Details of the plan are set out in the Directors' Remuneration Report. During the year, £nil (2013: £nil) shares were granted under the LTIP. The shares are awarded at an exercise price of £nil. Shares outstanding at December 2014 are as follows:

	2014	2013
	Number	Number
Exercisable from 2014	-	1,676,478
Exercisable from 2015	-	-

A reconciliation of option movements over the year to December 2014 is shown below:

	Year ended December 2014	Year ended December 2013
	Number	Number
Outstanding at the start of the year	1,676,478	12,349,638
Granted	-	-
Adjustment in respect of Rights Issue	-	2,540,160
Exercised	-	(6,860,160)
Expired	(1,676,478)	(6,353,160)
Outstanding at the end of the year	-	1,676,478

Notes to Financial Statements for the year ended 31 December 2014

22. CALLED UP SHARE CAPITAL continued

Cessation of employment

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

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

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

The total charge for the year relating to employee share-based payment plans was £nil (2013: £480,000) all of which related to equity settled share-based payment transactions.

23. SHARE PREMIUM ACCOUNT

Group and Company	Notes	2014 £000	2013 £000
At January		32,911	30,756
Premium on shares issued in Rights Issue		-	2,993
Costs relating to Rights Issue		-	(838)
At December		32,911	32,911

24. OTHER RESERVES

Group	Capital redemption reserve £000	Total £000
At January 2013 and 2014 and December 2013 and 2014	257	257

Company	Capital redemption reserve £000	Total £000
At January 2013 and 2014 and December 2013 and 2014	257	257

The capital redemption reserve did not represent realised reserves at either the 2014 or 2013 year ends.

25. CAPITAL AND OTHER FINANCIAL COMMITMENTS

Capital expenditure contracted for at 31 December 2014 is £nil (2013: £nil).

26. OPERATING LEASE COMMITMENTS

Neither the Group nor the Company had any interest in any operating leases (2013: £nil).

Notes to Financial Statements for the year ended 31 December 2014

27. RELATED PARTY TRANSACTIONS

Group

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

Harworth Estates Group

Revenue includes £1,458,000 (2013: £1,168,000) 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.

As part of the Heads of Terms for the transaction outlined in the Chairman's Statement, Harworth Estates has indemnified the Company in respect of costs it incurs in respect of this transaction should it not proceed.

The Harworth Estates Group at 31 December 2014 owed £261,000 (2013: £336,000) to the Company.

Mining business

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

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

Company

The Company carried out the following transactions with subsidiary undertakings.

Management charges

During the year the Company raised management charges of £1,000 on subsidiary undertakings (2013: £nil)

Dividends received

During the year the Company received dividends of £nil (2013: £nil) from subsidiary undertakings.

Interest

During the year the Company received interest of £5,000 (2013: £5,000) from and paid interest of £1,000 (2013: £1,000) to subsidiary companies that form part of the continuing operations.

All transactions occurred whilst the related parties were subsidiary undertakings.

Receivables and indebtedness

Details of the Company's receivables and indebtedness are set out in notes 14 and 18 and amounts due from, or owed to, related parties are set out below:

Owed to:-	As at December 2014 £000	As at December 2013 £000
Scratching Cat	-	-
Harworth Guarantee Company Limited	(49)	(49)

Owed by:-	As at December 2014 £000	As at December 2013 £000
Harworth Estates Property Group Limited	261	336
Coalfield Estates Limited	209	204

Notes to Financial Statements for the year ended 31 December 2014

27. RELATED PARTY TRANSACTIONS continued

Peel Group

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

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

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

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

During the year Peel invoiced £41,666 (2013: £40,000) in respect of Steven Underwood's fees and expenses and £16,000 (2013: £1,300) for the rental of office space and services.

Stonebrook Associates

Certain of Jonson Cox's travel expenses and costs in relation to his duties at Coalfield Resources and Harworth Estates (£4,565 in 2014 and £4,638 in 2013) are invoiced to Coalfield Resources by Stonebrook Associates, a company controlled by him.

Scratching Cat

Geoff Mason, our Company Secretary, supplies his service through Scratching Cat Limited, a company of which he is a director. During the year charges were made in relation to company secretarial duties of £27,000 (2013: £92,000) and charges of £5,000 (2013: £111,000) made for supply of other personnel whom provided interim finance support to the Group.