MINEWORKERS' PENSION SCHEME

2013

Report & Accounts

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Membership of Committees

as at 30 September 2013

Committee of Management

The appointed and elected Trustee Directors are shown below.

	Appointed Trustee Directors	Elected Pensioner Representative Trustee Directors	
Committee of Management	N Stapleton *(Chairman)*	R Clelland	- Scotland, North West England & North Wales [1]
	C Cheetham	A Gascoyne	- Derbyshire, Nottinghamshire & Lincolnshire
	V Cockerill	AW Jones	- Central & Southern England & South Wales
	S O'Connor	J Stones	- Yorkshire & North Lincolnshire
	M Woodmore	A Young	- North East England & Overseas
Investment Sub-committee (ISC) [2]	C Cheetham *(Chairman)*	A Gascoyne	
	M Woodmore	A Young	
	A Parry		
	I Harwood		
Risk and Operations Sub-committee (ROSC)	V Cockerill *(Chairman)*	R Clelland	
	S O'Connor	J Stones	
Discretions and Appeals Sub-committee (DASC)	M Woodmore *(Chairman)*	R Clelland	
	V Cockerill	J Stones	

[1] Mr Clelland was re-elected as Pensioner Representative Trustee Director for Scotland, North West England & North Wales from 1 October 2013.

[2] Mr Parry and Mr Harwood are advisers to the Investment Sub-committee. Mr Harwood was appointed on 1 May 2013.

Appointments

as at 30 September 2013

Trustee Company	Trustees of the Mineworkers' Pension Scheme Limited
Executive[1]	**Coal Pension Trustees Services Limited (CPT)** G Mellor, Chief Executive S Dunatov, Chief Investment Officer G Lane, Chief Operating Officer J Storer, Head of Pension Strategy & Scheme Secretary
Investment Advisers	Coal Pension Trustees Investment Limited Cambridge Associates LLC
Principal Investment Managers	Baillie Gifford & Co (Baillie Gifford) BlackRock Advisors (UK) Ltd (BlackRock) BlueBay Asset Management plc (BlueBay) Brevan Howard Asset Management LLP (Brevan Howard) Bridgewater Associates LP (Bridgewater) Cantillon Capital Management LLC (Cantillon) DE Shaw & Co. LP (DE Shaw) Edinburgh Partners Ltd (Edinburgh Partners) Genesis Investment Management Limited (Genesis) Goldman Sachs Mezzanine LP (GS Mezzanine) Insight Investment Management (Global) Limited (Insight) JO Hambro Investment Management Limited (JO Hambro) LaSalle Investment Management (LaSalle) Lazard Asset Management Limited (Lazard) Legal and General Investment Management (Legal & General) Schroder Investment Management (UK) Limited (Schroder) Stone Harbor Investment Partners (Stone Harbor) Vontobel Asset Management, Inc (Vontobel) Wellington Management Company Limited (Wellington) Western Asset Management Company Limited (Western)
Actuary	T Llanwarne CB, Government Actuary
Principal Legal Adviser	Linklaters LLP
Pension Administrator	Paymaster (1836) Limited
Auditor	Ernst & Young LLP
Bankers	JP Morgan Chase Bank, N.A. Lloyds TSB Bank plc
Custodian	JP Morgan Worldwide Security Services (JP Morgan)
Medical Adviser	Dr RM Quinlan RPS Business Healthcare

[1] Michael Furbank resigned as Scheme Secretary on 28 February 2013 and was replaced by Jonathan Storer with effect from 25 March 2013. Alastair Moffatt resigned as Chief Risk Officer on 28 February 2013 and Sam Wilde stepped down as Shared Services Director on 31 March 2013. Their responsibilities were assumed by Gerard Lane and Jonathan Storer. Jonathan Storer resigned as Head of Pension Strategy & Scheme Secretary on 24 December 2013.

The Scheme's registration number with the Pension Schemes Regulator is 10058240.

Trustee's Report

The Trustee is pleased to present the Annual Report and Accounts of the Mineworkers' Pension Scheme (the Scheme) for the year ended 30 September 2013.

The Investment Report on pages 10 to 13 and the Compliance Statement on page 28 form part of this Annual Report.

Management of the Scheme

The Trustee has ten directors who form the Scheme's Committee of Management (the Committee). Of the ten members of the Committee, five are appointed, and may be removed, by the Committee. When there is an appointed trustee vacancy the Nomination Group recommends a suitable candidate to the Committee.

The remaining five members of the Committee are Pensioner Representatives elected by Scheme members from five geographical constituencies.

Attendance at Meetings

During the year there were five meetings of the Committee. Trustee Directors are notified of all meetings in advance. For decisions to be valid a minimum of four Trustee Directors must be present (of whom two must be Appointed Directors and two Pensioner Representatives). In the case of an equality of votes, the Chairman of the meeting has a second or casting vote.

Sub-committees

Individual Sub-committees review the investment, risk and operations, and discretions and appeals arrangements with Terms of Reference agreed by the Committee.

In total, the Sub-committees met on ten occasions during the year.

Remuneration

Members of the Committee are entitled to remuneration for the work they undertake for the Scheme. The rates of remuneration are set by the Secretary of State for Energy and Climate Change for Committee posts other than the Chairman, the Chairman of ISC and the Chairman of ROSC which are set by the Committee after showing that the pay rates have been benchmarked to the satisfaction of the Secretary of State.

Trustee remuneration rates are reviewed annually with effect from 1 April to reflect any increase in the Retail Prices Index. From 1 April 2013, the rate of remuneration for the post of Chairman increased in line with the 3.3% rise in the Index to £64,800 a year, to £51,350 a year for the post of Chairman of ISC, to £35,350 a year for the post of Chairman of ROSC, to £19,300 for the post of Chairman of DASC and to £16,800 a year for other members of the Committee.

The total remuneration paid in the year to the members of the Committee was £214,325.

Appointments

A list of the key appointments made by the Committee is on page 4. All of these appointments are periodically reviewed by the Committee. The principal investment managers and custodian are also identified on page 4.

Pension Administrator

Day to day administration of the Scheme benefits is carried out by Paymaster (1836) Limited (trading as Equiniti Paymaster).

Coal Pension Trustees Services Limited

Coal Pension Trustees Services Limited (CPT), a company owned jointly by the Scheme and the British Coal Staff Superannuation Scheme (BCSSS), acts as the Scheme's Executive. Four members of the Committee of Management sit on the Board of Directors of CPT. At the year-end these were Mr Stapleton, Mr Woodmore, Mr Jones and Mr Young. The Board met three times during the year.

Further Information

Enquiries about the Scheme should be sent to the Secretary at the address shown below.

Internal Dispute Resolution Procedure

It is expected that most queries about benefits can be resolved by the Scheme's administrator. In the event that a complaint cannot be resolved, Scheme members can lodge a formal complaint using the Scheme's Internal Dispute Resolution Procedure (IDRP).

The Scheme's IDRP complies with the requirements of Section 50 of the Pensions Act 1995 and The Occupational Pension Schemes (Internal Dispute Resolution Procedures Consequential and Miscellaneous Amendments) Regulations 2008. The IDRP is the route under which any disputes between the Trustee and Scheme beneficiaries may be resolved.

Details of the IDRP can be obtained from the Scheme Secretary at:

Coal Pension Trustees Services Limited
Ventana House, 2 Concourse Way, Sheaf Street, Sheffield S1 2BJ

IDRP forms can also be downloaded from the 'forms' section of the Scheme's website:
www.mps-pension.org.uk

Complainants have recourse to The Pensions Advisory Service (TPAS) to assist them in taking their complaint through the dispute procedure. TPAS gives free and independent advice to members of the public to help them deal with pension problems.

TPAS can be contacted at:

11 Belgrave Road, London SW1V 1RB
www.pensionsadvisoryservice.org.uk

Transfers out of the Scheme

Transfer values paid during the year in respect of transfers to other pension schemes have been calculated on a basis provided by the Actuary. The Trustee has directed the Actuary not to take discretionary pension increases into account in the calculation of transfer payments.

Statement of Investment Principles

The Scheme is exempt from producing a Statement of Investment Principles (SIP) under the Occupational Pension Schemes (Investment) Regulations 2005. However, under Clause 9A of the Scheme and Rules the Trustee is required to prepare and maintain a written statement of the principles governing decisions about investments for the purposes of the Scheme. The Statement is reviewed at least every three years and immediately after any significant change in investment policy.

Discretionary Benefit Fund

The Trustee may, in certain circumstances, pay discretionary benefits where Mineworkers' Pension Scheme (MPS) benefits are not yet in payment. The Trustee currently has a discretionary power to grant early payment of unreduced MPS benefits in extreme and exceptional circumstances, whatever a member's age. For example, discretionary benefits may be paid where a deferred member provides medical evidence to show that life expectancy is limited to eighteen months or less as a result of terminal illness.

Conflicts of Interest Policy

The Committee has a conflicts of interest policy which sets out its principles for identifying, managing and monitoring any Trustee, Scheme official or Scheme adviser's actual or potential conflicts of interest which may arise in the conduct of Trustee business and decision making. The policy is reviewed regularly.

Evaluation of Trustee Performance

The Committee formally evaluates its performance and the performance of its Sub-committees on a periodic basis.

Membership of the Scheme

Details of changes in the numbers of pensioners and deferred pensioners during the year are shown below.

Deferred members at 30 September 2012	**50,537**
Additions:	
Reinstatements	21
Pension sharing credits	25
Adjustments*	-
	46
Reductions:	
Retirements	4,356
Deaths	264
Transfers	23
Commutations paid	537
Adjustments*	2
	5,182
Deferred members at 30 September 2013	**45,401**
Pensioners in payment at 30 September 2012	**172,438**
Additions:	
Retirements	4,356
Dependants' Pensions	1,982
Adjustments*	30
Children's pensions	64
	6,432
Reductions:	
Deaths	9,084
Commutations paid	58
Children's benefits	133
Adjustments*	36
	9,311
Pensioners at 30 September 2013	**169,559**

* 'Adjustments' consist of records where members moved between the various categories shown above during the year, and late notifications.

During the year, 33 pension sharing orders relating to divorce petitions were received from the courts. In four cases, the Scheme member's former spouse became entitled to an immediate pension, 25 others became entitled to a deferred pension from the Scheme in their own right (although two of these have since taken their pensions). An external transfer was taken in the remaining four cases.

Actuarial Valuation

Clause 17(c) of the Scheme rules states that an Actuarial Valuation should take place every three years unless the Trustee, with the consent of the Guarantor, determines otherwise. In order to help inform a review of the Investment Reserve, the Trustee exercised their right under Clause 17(c) and requested that a valuation be carried out at 31 March 2013. This is earlier than was anticipated at the time of the last Actuarial Valuation at 30 September 2011.

The Actuarial Valuation as at 31 March 2013 is now complete. A summary of the Scheme Actuary's report on the Actuarial Valuation of the Scheme as at 31 March 2013 is on page 27. Details of the outcome of the valuation of each of the notional Sub-funds, reflecting the Guarantee arrangements in the Scheme Rules, are included in the Actuary's report and the notes to the accounts on pages 24 and 25.

A summary of the valuation results for each Sub-fund is given in the table below:

Sub-fund	Assets £m	Liabilities £m	Surplus £m
Guaranteed Fund	9,227	8,308	919
Bonus Augmentation Fund	1,152	982	170
Guarantor's Fund	160	140	20

The fourth Sub-fund, the Investment Reserve, has no quantifiable liabilities, is not subject to a valuation and had a market value at 31 March 2013 of £1,126m.

In accordance with Scheme provisions the following actions were taken:

- £496m of the surplus in the Guaranteed Fund was transferred to the Investment Reserve (as this reduces the level of assets in the Guaranteed Fund it also reduces the Guaranteed Fund's expense provision by £9m), as a final repayment of the outstanding balance of the amount which was transferred from the Investment Reserve to the Guaranteed Fund as a result of the shortfall in the Guaranteed Fund following the September 2008 Actuarial Valuation. Following the £496m transfer there is no remaining debt owed by the Guaranteed Fund to the Investment Reserve;
- the residual surplus of £432m in the Guaranteed Fund (after taking account of the £496m payment to the Investment Reserve and the effects on the Sub-funds' expense provisions) was divided equally between the Bonus Augmentation Fund and the Guarantor's Fund;
- the transfer of £216m surplus from the Guaranteed Fund increased the surplus in the Bonus Augmentation Fund from £170m to £386m. With the agreement of the Guarantor, £176m of this surplus has been allocated to pay a one-off increase of 4% of guaranteed pensions (excluding any GMP element and excluding bonuses), effective from 6 April 2014;

Pension earned up to privatisation in 1994 will increase in September 2014 in line with inflation measured by the RPI, although bonuses will be reduced by the amount of the RPI increase added to benefits paid from the Guaranteed Fund. The net effect of which is that benefits will remain level in cash terms in September 2014.

The Actuary recommended that the current stream of payments due to the Guarantor from the Guarantor's Fund be increased from 1 October 2014 for the remaining two payments to each of £62m (from £50m) in light of the better than expected investment performance in the period since the last valuation at 30 September 2011. In addition the Actuary recommended that the surplus of £216m, transferred from the Guaranteed Fund to the Guarantor's Fund, should be allocated to a new stream of ten annual payments of £30.1m, effective from 1 October 2014.

As part of the discussions relating to the consultation for the valuation the Trustee and Guarantor signed an agreement which has resulted in:

- a payment of £700m being made to the Guarantor from the Investment Reserve by 28 February 2014; and
- the lifetime of the Investment Reserve being extended from 2019 to 2029 (unless the Guarantor, after consultation with the Trustee, resolves to bring it forward to 2024.)

In accordance with the provisions of the Scheme, the Actuary is required to recommend whether, taking into account the outcome of the 2013 valuation, monies could be released to the Guarantor from the Investment Reserve. He concluded that he had no objection to a payment of £700m being made to the Guarantor prior to completion of the Scheme's next triennial valuation at 30 September 2014, but that no further sums should be paid before then.

Risk Management

The Committee is responsible for the Scheme's Risk Management Framework, which includes the system of internal control, and for reviewing its effectiveness.

The Risk Management Framework is designed to manage the risk of failure to achieve the Trustee's objectives and can provide reasonable, but not absolute, assurance against material misstatement or loss.

The Committee has established a Risk and Operations Sub-committee (ROSC), with the remit to review and monitor the Risk Management Framework and make recommendations to the Committee, where appropriate, for improvement. It assists the Committee and other Sub-committees in discharging their responsibilities in relation to financial reporting, risk management and internal controls.

A risk register is maintained by the Committee which records the assessment of applicable risks facing the Scheme together with the effectiveness of controls in place to mitigate each risk. Each Sub-committee has responsibility for ensuring that the specific risks that fall within its remit are being adequately managed. The risk register is reviewed and updated regularly.

Key risks are prioritised to enable attention to be focussed appropriately. Risk appetite measures have been established and compliance with these is monitored by the Committee.

Controls are designed to provide reasonable assurance that the assets are safeguarded against loss from unauthorised use and that benefits are paid in accordance with the Scheme Rules.

The Committee receives assurance over the operation of the system of internal controls from internal audit reviews, according to a programme of audit work approved and overseen by the ROSC.

Statement of Trustee's Responsibilities

The Mineworkers' Pension Scheme is governed by the Scheme and the Rules set out in the Schedule to the Mineworkers' Pension Scheme (Modification) Regulations 1994 and as subsequently amended. Under the Definitive Trust Deed and Rules, the Committee of Management is required to obtain audited financial statements and the Committee resolved to apply the accounting principles followed in the United Kingdom by Pension Schemes including the application of Statement of Recommended Practice 'Financial Reports of Pension Schemes' (revised May 2007).

The Trustee's Report and audited financial statements are the responsibility of the Trustee. The Scheme and the Rules require the Trustee to prepare financial statements and have them audited. The financial statements comply with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and will:

- Show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of that year of the assets, liabilities other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- Contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice 'Financial Reports of Pension Schemes' (revised May 2007).

The Trustee has supervised the preparation of the financial statements, and has agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

The Trustee has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Investment Report

Investment Review and Performance

During the year to September 2013 interest rates remained at record lows across the developed world. Here in the UK the Bank of England has had its Base Rate at 0.5% since May 2009. The US, Euro area and Japan also have rates close to zero.

The UK economy ended the period recording its strongest growth for three years. The Euro area also appears to be recovering having recorded two consecutive quarters of positive growth after eighteen months of recession. The US and Japanese economies are also growing at the upper end of recent ranges. The global equity market rose 18.1% over the period as investor confidence returned following serious dislocations in the summers of 2011 and 2012.

The improvement in aggregate global economic activity pushed up bond yields as investors began to anticipate the end of the period of zero interest rates. Consequently the FTSE All Gilt market total return index fell -3.0% in the year.

UK commercial property prices, as measured by the IPD Index, rose 6.5% during the year. Commercial property prices continue to rise as the economy improves. The improved outlook for UK commercial property has been a benefit to the Scheme over the year.

Sterling was essentially flat against the Dollar and declined by 5% against the Euro. It appreciated significantly (by 26%) against the Japanese Yen as the Bank of Japan embarked on an even more aggressive monetary easing than the Bank of England. The Scheme hedged its exposure to the Japanese Yen in the second quarter of 2013 which has assisted the Scheme.

In the fourth quarter of 2012 the Scheme increased its investment in European equities and Euro area sovereign bonds. In May 2013 the Euro area sovereign bond holdings were sold as yields had compressed, and total returns had therefore been significantly positive. The European equity position is also in profit but the Scheme retains its holding as there still appears to be some value in the stockmarkets of Europe, particularly relative to those in the US and UK. The Scheme also increased holdings in emerging market bonds in 2012 although it has been a disappointing performer in 2013.

The Committee uses JP Morgan as its independent investment performance measurer. Annualised returns over the one, three and five year periods are shown below.

	Scheme Return %	Benchmark %
1 Year	11.38	11.13
3 Years	8.23	7.28
5 Years	7.30	7.09

The benchmark shown is the strategic benchmark of the Scheme, and is the composite of benchmarks applied to individual asset classes.

Investment Report

The Scheme's investment managers and the nature of each mandate are shown below:-

	£m
Cash and Fixed Income	
Insight	93
L&G Passive EM Debt	295
Wellington	343
Western	292
Stone Harbor	213
BlueBay	223
	1,459
Equities	
Legal & General	4,158
Private Equity	1,174
Lazard	404
Cantillon	363
Baillie Gifford	416
Vontobel	203
Edinburgh Partners	405
BlackRock	475
Schroder	262
Genesis	228
JO Hambro	205
Other	1
	8,294
Property	
LaSalle	1,037
Mezzanine	33
	1,070
Opportunities	
Brevan Howard	163
DE Shaw	189
GS Mezzanine	22
Bridgewater Alpha	169
	543
Residual cash, assets, and liabilities	**3**
Net Assets at 30 September 2013	**11,369**

The manager totals include investment debtors and creditors and investment cash. Residual cash, assets and liabilities represent non investment balances.

Investment Report

At the end of the year, the actual proportion of investment assets held at market value in comparison to the target asset allocation was as follows:

	Actual %	Target asset allocation %
Cash & Fixed Income		
Cash	0.2	0.0
Fixed Income	12.1	16.0
Equities		
Passive equity	41.0	36.5
Active equity	22.0	22.5
Private equity	10.4	10.0
Property		
UK property	9.5	10.0
Opportunities	4.8	5.0
	100.0	**100.0**

The above analysis is based on the underlying investments and differs from the classification used in note 7 to the accounts.

Variations between actual and target allocations are monitored by the Investment Sub-committee and rebalanced as appropriate. These arise from the exercise of manager discretion, the relative returns of different asset classes and cash flow management.

The ten largest equity holdings at 30 September 2013 were:

	Market Value £m	Percentage of total Scheme net assets %
Google Inc.	79.0	0.70
Apple Inc.	66.2	0.59
Amazon.com Inc.	54.8	0.48
Samsung Electronics Co.	52.7	0.47
Exxon Mobil Corp.	52.0	0.46
Baidu Inc.	47.7	0.42
Microsoft Inc.	47.7	0.42
Nestlé	36.3	0.32
Total	35.6	0.31
Chevron Corp.	34.1	0.30
	506.1	**4.47**

The basis of the valuation of investments is shown in note 1 of the financial statements.

Investment Report

Custodial and Cash Arrangements

The Scheme's quoted securities are held by a custodian, JP Morgan Worldwide Security Services, who also provides investment accounting, investment performance measurement, securities lending and derivatives valuation services.

Insight Investment manages most sterling cash balances within their Liquidity funds. The remaining cash is either deposited with JP Morgan Chase Bank, N.A. or placed on deposit in the name of the Scheme.

The Committee's approval is required for any borrowings in excess of agreed short-term overdraft facilities with JP Morgan Chase Bank, N.A. and Lloyds TSB Bank plc.

Most equities and bonds are registered in the name of nominee companies controlled by the Scheme's custodian or sub-custodians. Bearer securities, where title is conferred by possession, are held through agent banks to the Scheme's order. Passively managed securities are mainly held in pooled funds, which appoint their own custodian.

Property investments are primarily registered in the name of Coal Pension Properties Ltd, a nominee company controlled jointly by the Scheme and the British Coal Staff Superannuation Scheme (BCSSS) or, in a few cases, jointly owned companies of the Scheme. Title deeds are held by firms of solicitors. A trust deed between Coal Pension Properties Ltd and the Scheme establishes that the properties are held on behalf of the Scheme.

Private equity investments are held in the name of the Mineworkers' Private Equity Trust through limited partnerships, on behalf of the Scheme.

Regular reconciliations are carried out of evidence of title held by the custodian with records maintained by the Scheme's investment managers.

Corporate Governance

The Committee believes that widespread adoption of good corporate governance practice by investee companies will improve the quality of investee company management and, as a consequence, potentially increase the returns to long-term investors. Effective intervention, however, requires a deep knowledge of the underlying businesses in which the Scheme effectively invests, which the Trustee Directors do not have. For this reason engagement and voting activities are delegated to Hermes EOS and the investment managers.

Securities Lending

The Scheme participates in securities lending through its custodian, JP Morgan. Approved borrowers are required to provide collateral valued in excess of securities on loan. Additional controls include limits on lending to borrowers. The Scheme also benefits from an indemnity from JP Morgan against losses on borrower default. The value of securities on loan at the year-end was £347m (2012: £411m). The value of collateral provided was £365m (2012: £432m).

Transaction costs

The management of transaction costs and the obligation to seek best execution is the responsibility of each investment manager, with whom there is a regular dialogue.

Derivatives

The Committee has authorised the use of stock and bond index futures and options, credit default swaps, currency, interest rate and inflation swaps to facilitate efficient asset allocation changes. These are used by the Scheme's investment managers to contribute to the reduction of risk and to facilitate efficient portfolio management (including the reduction of cost or the generation of additional capital or income with an acceptable level of risk).

Controls in place include authorisation of permitted instruments, limits on market exposures and limits on total tracking errors.

Futures contracts were cleared through Goldman Sachs International and JP Morgan Chase Bank N.A. during the year. JP Morgan Chase Bank N.A. also provides an independent valuation for derivatives.

Currency Hedge

The currency hedging policy with regards to developed overseas equities was changed during 2013.

The Scheme employed a new approach to currency hedging where the decision to hedge is an integral part of the investment strategy and not a separate decision as it has been until now. In line with this approach, since the second quarter of 2013, the Scheme has hedged 100% of the existing Japanese Yen exposure in the equity portfolio.

On behalf of the Trustee:

Chairman

Committee Member 18 March 2014

Fund Account

Year ended 30 September 2013

Contributions and Benefits	**Note**	**Non-consolidated 2013 £m**	**Consolidated 2012 £m**
Benefits	2	(749)	(742)
Payments to and on account of leavers	3	(2)	(3)
Payments due to Guarantor	4	(50)	(31)
Administrative expenses	5	(8)	(10)
Net Withdrawals from Dealings with Members and the Guarantor		**(809)**	**(786)**
Returns on Investments			
Investment income	6	218	207
Change in market value of investments	7	1,033	1,127
Investment management expenses	8	(33)	(33)
Net Returns on Investments		**1,218**	**1,301**
Net Increase in the Fund during the year		**409**	**515**
Net Assets of the Scheme as at 1 October 2012		**10,960**	**10,445**
Net Assets of the Scheme as at 30 September 2013		**11,369**	**10,960**

Net Assets Statement

at 30 September 2013

	Note	Non-consolidated 2013 £m	Consolidated 2012 £m
Investments			
Investment Assets	7	**11,386**	11,045
Investment Liabilities	7	**(63)**	(149)
Investment in joint ventures	7	**-**	100
Net Investment Assets		**11,323**	10,996
Minority interest	7	**-**	(50)
		11,323	10,946
Current Assets	9	52	18
Current Liabilities	10	(6)	(4)
Net Assets of the Scheme at 30 September 2013		**11,369**	10,960

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposition of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year.

These financial statements were approved by the Trustee on 18 March 2014.

Signed on behalf of the Trustee:

Chairman

Committee Member

Scheme Registration Number: 10058240

Notes to the Accounts

1. Accounting policies

Basis of Preparation

The Scheme Rules require the Trustee to prepare financial statements and have them audited. The financial statements have been prepared in accordance with the guidelines set out in the Statement of Recommended Practice (SORP), Financial Reports of Pension Schemes (revised May 2007), published by the Pensions Research Accountants Group.

Basis of accounting

The accounts include the assets and liabilities, excluding obligations to pay pensions and benefits after the end of the Scheme year, the majority of which are held through nominee and trustee companies, limited partnerships and other pooling arrangements, together with the net income arising during the year.

Change to basis of consolidation

In the previous year, results of subsidiary undertakings were included from the date of acquisition and up to the date of disposal using the acquisition method of accounting. During the year ended 30 September 2013 the only remaining Scheme subsidiary was placed into liquidation. As a result consolidated accounts are not required this year.

Certain investments, including property investments, are held on behalf of the Scheme through interests in joint ventures (JVs) with the British Coal Staff Superannuation Scheme (BCSSS). Where the Scheme had significant influence or a direct or indirect interest in management of the business, then that business was accounted for using the gross equity method in the previous year's consolidated accounts. This resulted in a minority interest. Given the change to the basis of consolidation noted above, this year JVs have been included in the relevant investment asset class by including the Scheme's share of net assets of the JV rather than being disclosed separately. In the case where a joint venture has a year end more than three months prior to that of the Scheme, unaudited management information is used.

The change in basis of consolidation has no impact on net investment assets in either year.

Investment income

Income from fixed interest securities, property and cash is taken into account on an accruals basis. Income from property is stated net of any expenses which relate directly to the income against which it has been incurred, where such expenses are not deemed material.

Income from equity investments is included in the accounts on the date when the securities are quoted ex-dividend.

Income arising from the underlying investments of the pooled investment vehicles that is reinvested within the pooled investment vehicles is reflected in the unit price and is reported within the change in market value.

Income from joint ventures in the current year is included within the income of the relevant investment asset class.

Individual Transfers

Individual transfers to and from the Scheme during the year are included in the financial statements on the basis of when the member liability is accepted or discharged by a registered arrangement.

Benefits

Benefits payable are included in the financial statements on an accruals basis when the member notifies the Trustee as to the type or amount of benefit to be taken, or where there is no choice, on the date of retirement or leaving.

Administrative Expenses and Investment Management Expenses

Administrative expenses and investment management expenses, where they are invoiced directly, are accounted for on an accruals basis. Some investment managers deduct their fees directly from the fund and these are reflected within the change in market value. Irrecoverable VAT is reflected within the appropriate expense heading.

Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the Scheme year-end. Gains and losses on foreign currency denominated investments are shown in aggregate within the change in market value of investments to which they relate in the Fund Account. Gains and losses relating to cash are included in investment income.

Investment income denominated in foreign currencies is recorded by applying the spot exchange rate ruling at the date on which the income relating to the investment falls due.

Investment Assets

Listed investments are valued at closing prices on the recognised stock exchange as at the year-end. These are either the last quoted trade price or bid price depending on the market on which they are quoted.

Unlisted investments are stated at the Trustee's estimate of fair value based on advice of the investment manager or other appropriate professional adviser.

Pooled investment vehicles are valued at the closing bid price or, if single priced, at the closing single price.

Direct property investments are valued each year on the basis of open market values in accordance with valuation principles laid down by the Royal Institution of Chartered Surveyors. Valuations are conducted at December each year by DTZ Debenham Tie Leung with a further valuation at the Scheme's year-end.

Property investments through interests in joint ventures in the current year are accounted for by including the Scheme's share of the net assets.

Fixed interest securities are stated at a value which excludes the value of interest accruing from the previous interest payment date to the valuation date. Accrued income is accounted for within investment income.

Underlying investments in private equity are valued at fair value for unlisted investments, or in accordance with the above policy for listed investments. Fair value is generally assessed by the General Partner responsible for selecting the underlying investments, according to standards applicable in the jurisdiction in which the General Partner is based. Changes in fair value are included in the net movement in the market value of investments. Where the last valuation provided by the General Partner is prior to the year end, the valuation is adjusted for cash flows in the intervening period. Market values of non-sterling currency balances have been translated at closing rates of exchange.

Derivatives

Derivatives with an initial purchase price are reported as purchases. Those that do not have an initial purchase price but require a deposit, such as an initial margin to be placed with the broker, are recorded at nil cost on purchase.

Derivative contracts are included in the Net Assets Statement at fair value. Exchange traded derivatives with positive values are included in the Net Assets Statement as assets at bid price, and those with negative values as liabilities at offer price.

Futures

Open futures contracts are recognised in the Net Asset Statement at their fair value, which is the unrealised profit or loss at the closing bid or offer exchange price of the contract at the year-end.

Amounts outstanding in respect of the initial margin and any variation margin due to or from the broker are included in the investment assets and liabilities.

Amounts included in the change in market value represent realised gains or losses on closed futures contracts and the unrealised gains or losses on open futures contracts.

Forward foreign exchange contracts

Forward foreign exchange contracts outstanding at the year-end are stated at fair value, which is determined as the gain or loss that would arise if each outstanding contract was matched at the year-end with an equal and opposite contract at that date.

Changes in the fair value of the forward contracts are reported within change in market value in the Fund Account.

Options

Traded options are valued at the fair value as determined by the exchange price for closing out the option as at the year-end. Options which are over the counter contracts are valued at fair value using a pricing model where inputs are based on market data at the year-end.

Changes in the fair value of the option are reported within change in market value.

Collateral payments and receipts are reported within cash, and do not form realised gains or losses reported within change in market value.

Swaps

Swaps are valued at fair value, as determined by the current value of future expected net cash flows arising from the swap, for which the time value of money is taken into account. Interest is accrued monthly under the terms relating to individual contracts.

Net receipts or payments on swap contracts together with realised gains and losses on closed contracts and unrealised gains or losses on open contracts are included within change in market value.

Notes to the Accounts

Sub funds

The Scheme is notionally split into four Sub-funds - Guaranteed Fund, Bonus Augmentation Fund, Guarantor's Fund and Investment Reserve, in accordance with the Rules of the Scheme as set out in the Mineworkers' Pension Scheme (Modification) Regulations 1994. Movements between the Funds, as calculated by the Actuary, are recognised following completion of the latest Actuarial Valuation as required by the Rules dated October 1994. Bonus Pensions payable are charged to the Bonus Augmentation Fund on an accruals basis. Each of the Sub-funds is allocated annually a proportional share of income, expenses and movements in asset values as shown in note 12.

2. Benefits

	Non-consolidated 2013 £m	Consolidated 2012 £m
Pensions	517	520
Dependant benefits	147	146
Commutations and lump sum retirement benefits	85	76
	749	**742**

3. Payments to and on account of leavers

	Non-consolidated 2013 £m	Consolidated 2012 £m
Individual transfers to other schemes	**2**	**3**

4. Payments due to Guarantor

	Non-consolidated 2013 £m	Consolidated 2012 £m
Payments from the Guarantor's Fund	**50**	**31**

5. Administrative Expenses

	Non-consolidated 2013 £m	Consolidated 2012 £m
Pension Administration	7	8
Legal, Actuarial and Other fees	1	2
	8	**10**

6. Investment Income

	Non-consolidated 2013 £m	Consolidated 2012 £m
Income from fixed interest securities	85	77
Dividends from equities	69	59
Property rents	57	59
Interest on cash deposits and margin accounts	4	5
Income from joint ventures	-	3
Other	3	4
	218	**207**

Overseas investment income is stated net of withholding taxes. The above table excludes reinvested income arising from pooled funds.

Following the liquidation of the only subsidiary, the Scheme is no longer required to prepare consolidated accounts. Joint ventures have been reflected in the relevant investment class and income relating to the joint ventures has been treated in the same manner in the current year.

7. Investments

	Value brought forward £m	Purchases at cost and derivative payments £m	Sale proceeds and derivative receipts £m	Change in market value £m	Value carried forward £m
Fixed interest securities	1,712	2,386	(2,736)	(60)	1,302
Equities	2,562	1,683	(1,707)	506	3,044
Private equity	1,201	139	(287)	143	1,196
Pooled investment vehicles	3,966	771	(783)	563	4,517
Derivative contracts	58	551	(445)	(119)	45
Property	972	64	(21)	-	1,015
Other investments	62	9	(16)	(1)	54
Joint ventures	50	-	(50)	-	-
Cash equivalents	367	-	(233)	-	134
Other financial assets and liabilities	(4)	19	-	1	16
	10,946	**5,622**	**(6,278)**	**1,033**	**11,323**

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including all profits and losses realised on sales of investments during the year.

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the Scheme, such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £3m (2012: £3m). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect cost is not separately provided to the Scheme.

As described in note 1, joint ventures have been re-categorised and are shown in the investment asset class to which they relate. The sales of joint ventures shown above reflect the reallocation of the opening assets. The related purchases are included in the relevant asset class.

Investment Assets	Non-consolidated 2013 £m	Consolidated 2012 £m
Fixed interest securities	1,302	1,712
Equities	3,044	2,562
Private Equity	1,196	1,201
Pooled investment vehicles	4,517	3,966
Derivative contracts	55	78
Property	1,015	972
Other investments	54	62
Cash equivalents	134	367
Other financial assets	69	125
	11,386	**11,045**

Investment Liabilities	Non-consolidated 2013 £m	Consolidated 2012 £m
Derivative contracts	10	20
Other financial liabilities	53	129
	63	149

Fixed Interest Securities	Non-consolidated 2013 £m	Consolidated 2012 £m
UK public sector quoted	21	60
Overseas public sector quoted	741	842
UK corporate quoted	71	98
Overseas corporate quoted	469	712
	1,302	**1,712**

Equities	Non-consolidated 2013 £m	Consolidated 2012 £m
UK quoted	487	576
Overseas quoted	2,549	1,986
UK unquoted	3	-
Overseas unquoted	5	-
	3,044	**2,562**

Private equity	Non-consolidated 2013 £m	Consolidated 2012 £m
Private equity	**1,196**	1,201

All the Scheme's private equity investments are held through limited partnerships. Within the partnerships the underlying investments are principally management buyouts and institutional purchases of businesses based in the UK, Continental Europe, the US and Asia. By their nature these investments represent long term commitments which may restrict the ability of the Scheme to realise them at the accounting date. Details of forward private equity commitments are shown in note 13.

Pooled Investment Vehicles	**Non-consolidated 2013 £m**	**Consolidated 2012 £m**
Managed funds	**4,517**	**3,966**

Pooled investment vehicles are all managed by companies registered in the United Kingdom. UK registered investment vehicles include holdings in overseas equities, bonds and derivatives.

Where the investments are held in managed funds the change in market value also includes expenses both implicit and explicit to the Scheme and any reinvested income, where the income is not distributed.

The majority of the Scheme's pooled funds represent unitised insurance policies 2013: 88.4%, (2012: 87.3%) with the balance being other managed funds.

Derivative Contracts	**Asset £m**	**Liability £m**	**Net position £m**
Futures	1	(2)	(1)
Forward foreign exchange	53	(5)	48
Swaps	1	(3)	(2)
Options	-	-	-
Total	**55**	**(10)**	**45**

Futures

The Scheme holds long and short interest rate and index future contracts with economic exposure of £90m and (£121m) respectively. The majority expire in 3 months and are held in Sterling, Euro, Yen, Australian Dollars and US Dollars. The market values of these positions are an asset of £1 million, and a liability of £2 million, giving a net liability position of £1 million.

The economic exposure represents the notional value of securities (or bonds) purchased under the futures contract and therefore the value is subject to market movements.

Forward foreign exchange

	Bought £m	**Sold £m**	**Asset £m**	**Liability £m**
US Dollar	319	(881)	22	(3)
Euro	29	(176)	3	(1)
Yen	161	(719)	27	-
Other	65	(68)	1	(1)
Sterling	1,771	(452)	-	-
Total	**2,345**	**(2,296)**	**53**	**(5)**

The above table aggregates the exposures to currencies acquired or sold through over the counter forward foreign exchange contracts at year end Sterling values. The Scheme's exposure to Japanese Yen is hedged using forward currency contracts that are approximately three months in duration with a third maturing each month whilst those relating to US Dollars are hedged on a monthly basis using one month forward currency contracts.

Swaps

Contract	Expiration	Nature of Swap	Notional principal £m	Asset £m	Liability £m
Interest rate swaps	21 years	Paying & receiving fixed for floating	43	-	-
Credit default swaps	3 to 50 years	Buying & selling credit exposure	51	1	(3)
Equity Swaps	1 to 33 years	Paying & receiving equity for fixed income	(20)	-	-
Total				**1**	**(3)**

Interest rate swaps are in Euros, Sterling and US Dollars.
The notional principal of the swap is the amount used to determine the value of swapped interest receipts and payments.

Options

Type of option	Expiration	Underlying investment	Notional principal £m	Asset £m	Liability £m
Purchased FX Put	11 to 12 months	Currency Contracts	35	-	-

The notional principal represents the value of the underlying stock.

Property	**Non-consolidated 2013 £m**	**Consolidated 2012 £m**
UK	**1,015**	**972**

Following the change to the basis of consolidation, as described in note 1, joint venture investments of £57m which relate to Darfield Investment Holdings Limited are now included in the 2013 amounts above. In 2012 the equivalent holdings of £49m were separately disclosed as part of joint ventures.

Other investments	**Non-consolidated 2013 £m**	**Consolidated 2012 £m**
Indirect property holdings	**54**	**62**

These represent investments in property partnerships.

Joint ventures	**Consolidated 2012 £m**
Investment assets in joint ventures	192
Investment liabilities in joint ventures	(92)
Net investment in joint ventures	100
Minority interest	**(50)**
Scheme interest in joint ventures	**50**

As described in note 1, joint ventures have been accounted for in the current year as part of the investment asset classes to which they relate and hence there are no amounts to be disclosed above in respect of 2013.

Cash equivalents	Non-consolidated 2013 £m	Consolidated 2012 £m
Sterling	70	296
Foreign currency	64	71
	134	**367**

	Non-consolidated 2013 £m	Consolidated 2012 £m
Other financial assets and liabilities		
Amounts due from broker	36	83
Other debtors	1	7
Outstanding income and recoverable withholding tax	32	35
Amounts due to brokers	(30)	(102)
Other creditors	(23)	(27)
	16	**(4)**

AVC Investments

Members' additional voluntary contributions (AVCs) are invested separately from the Scheme in investments administered by the Prudential Assurance Company Limited. The value of the AVC fund is included in other debtors above, and movements in the AVC fund value are included in the Fund Account. The AVC fund value at 30 September 2013 was £0.3m (2012: £0.3m).

Concentration of investments

Investments in the following funds account for more than 5% of the Scheme's net assets as at 30 September 2013.

	2013 Market Value £m		2012 Market Value £m	
L&G North America Equity Index Fund	1,961	17.2%	1,852	16.9%
L&G Europe (ex UK) Equity Index Fund	585	5.2%	-	0.0%

8. Investment management expenses

	Non-consolidated 2013 £m	Consolidated 2012 £m
Administration, management and custody	32	32
Other advisory fees	1	1
	33	**33**

9. Current assets

	Non-consolidated 2013 £m	Consolidated 2012 £m
Prepaid benefits	6	8
Cash at bank	46	10
	52	**18**

10. Current liabilities

	Non-consolidated 2013 £m	Consolidated 2012 £m
Tax and VAT	**6**	**4**

11. Related party transactions

The Scheme's accounts have been prepared to comply with Financial Reporting Standard 8 - Related Party Disclosures. This standard requires the accounts to include details of transactions involving the Scheme with parties who can exert control or influence over the Scheme or vice versa.

These are detailed below.

The Secretary of State for Energy and Climate Change acts as Guarantor to the Scheme. A payment was made to the Guarantor during the year of £50 million in respect of surpluses in earlier years.

The Scheme owns UK Government bonds which at the year-end had a market value of £21m (2012: £61m).

Four members of the Committee of Management are in receipt of a pension from the Scheme. The aggregate amount paid was £47,058 (2012: three members, £33,372).

Members of the Committee of Management are entitled to receive remuneration from the Scheme. The total remuneration paid to the Trustee Directors in the year was £214,325 (2012: £207,065) and is detailed in the Trustee's Report.

Coal Pension Trustees Services Limited is jointly owned by the Scheme and BCSSS with each appointing four members of their Committees of Management as directors. CPT costs which are in respect of support services are included within Pension administration costs in note 5 and were £4m (2012: £3m).

The Scheme and BCSSS jointly invest in properties and partnerships with a value to the Scheme of £134m (2012: £133m).

As part of manager rebalancing activity the Scheme sold assets to BCSSS for which it was paid £100m. The transaction was at arms length and the assets were transferred at a Volume Weighted Average Price over the day of execution. These assets were independently valued by both Cantillon, the investment manager, and JPM, the custodian. The purpose of the transaction was to minimise the transaction costs associated with selling the securities on the open market.

12. Market value of Sub-funds

The movements on the Sub-funds during the year, as confirmed by the Scheme Actuary, are set out below:

	Guaranteed Fund	Bonus Augmentation Fund	Investment Reserve	Guarantor's Fund	Total Assets
	£m	£m	£m	£m	£m
Market values at 30 September 2012	**8,619**	**1,128**	**1,018**	**195**	**10,960**
Payments due to Guarantor	-	-	-	(50)	**(50)**
Benefits paid	(286)	(89)	-	-	**(375)**
Allocation of income, expenses and movement in net asset values	894	113	108	15	**1,130**
Market values at 31 March 2013	**9,227**	**1,152**	**1,126**	**160**	**11,665**
Transfers following 31 March 2013 Actuarial Valuation	(928)	216	496	216	**-**
Revised values at 31 March 2013 following Actuarial Valuation	**8,299**	**1,368**	**1,622**	**376**	**11,665**
Benefits paid	(275)	(100)	-	-	**(375)**
Allocation of income, expenses and movement in net asset values	56	9	11	3	**79**
Market values at 30 September 2013	**8,080**	**1,277**	**1,633**	**379**	**11,369**

The interim Actuarial Valuation as at 31 March 2013 was signed on 21 February 2014. The results of the valuation are reflected in these accounts and the Sub-funds transfers have been shown in this note.

As explained in note 1, the Scheme is notionally split into four Sub-funds in accordance with the Rules of the Scheme as set out in the Mineworkers' Pension Scheme (Modification) Regulations 1994. The basis of each Sub-fund is as set out below:

Guaranteed Fund - this is used to fund the pensions which accrued before the Scheme was restructured in October 1994, including the benefit improvements which were made immediately prior to restructuring. Such pensions are guaranteed to increase in line with RPI. A deficit in the Guaranteed Fund is met first by a call on the Investment Reserve, then by equal calls on the Bonus Augmentation Fund and Guarantor's Fund. Any surplus in the Guaranteed Fund is first used to repay any previous transfers from the Investment Reserve, with any remaining surplus thereafter being split equally between the Bonus Augmentation Fund and the Guarantor's Fund. The £928m transfer shown above represents:

- A final repayment of the outstanding amount which was transferred from the Investment Reserve to the Guaranteed Fund as a result of the shortfall in the Guaranteed Fund following the 2008 valuation. This accounts for £496m of the transfer.
- A transfer of £216m to the Bonus Augmentation Fund, this being half of the surplus remaining in the Guaranteed Fund after the £496m transfer to the Investment Reserve.
- A transfer of £216m to the Guarantor’s Fund, this being half of the surplus remaining in the Guaranteed Fund after the £496m transfer to the Investment Reserve.

Bonus Augmentation Fund - this represents the members' share of surpluses arising from Actuarial Valuations since 1994 and is used to fund bonus pensions. A deficit in this Fund would lead to bonuses being restructured and becoming reducing amounts over time.

Investment Reserve - this originally represented the Guarantor's share of surpluses present in the Scheme at the time of restructuring in 1994. Ultimately it is all due be paid to the Guarantor, but whilst it remains in the Scheme can be used to support the Guaranteed Fund as described above.

Guarantor's Fund - this represents the Guarantor's share of surpluses arising from Actuarial Valuations since 1994, which is paid out to the Guarantor over 10 years. Following the September 2011 valuation, the Actuary recommended that the existing series of payments to the Guarantor arising from the September 2005 surpluses should be increased to £50m with effect from 1 October 2012. The first of these payments is shown in the table above. Following the March 2013 valuation, with effect from 1 October 2014, the remaining two payments of £50m will be increased to £62m. An additional new series of ten annual payments of £30.1m will also commence from 1 October 2014.

When a member chooses to take early retirement, the Trustee applies a common reduction factor to the benefits payable from the Guaranteed Fund and the Bonus Augmentation Fund. This generally leads to a surplus arising in the Guaranteed Fund and a (broadly) equal deficit in the Bonus Augmentation Fund. A transfer is made from the Guaranteed Fund to the Bonus Augmentation Fund every three years to offset this effect and will be considered as part of the Actuarial Valuation at 30 September 2014.

13. Forward Commitments and Contingent Assets and Liabilities not provided for in the Accounts

Forward commitments comprises expenditure on investments authorised and contractually committed before the year-end which is not provided for in the accounts as it is not yet due. This includes property purchases and redevelopments of £12m and private equity investments of £562m. The timing of private equity investment funding is uncertain and has been estimated. It is assumed £141m (25%) will fall due in the next twelve months and the remaining £421m in later years. Property commitments of £12m will be paid within twelve months of the year end.

The Guarantor's share of any actuarial surplus is distributed in ten annual payments, subject to review at successive actuarial valuations. £50m was paid to the Guarantor during the year and £50m was paid on 1 October 2013. £92.1m is payable over each of 2014 and 2015 and then £30.1m is payable over the eight years from 2016 to 2023. The one off payment of £700m as detailed in the Trustees’ Report was made to the Guarantor from the Investment Reserve on 27 February 2014.

The balance of the Investment Reserve is all due to be paid to the Guarantor by 2029 unless the Guarantor, after consultation with the Trustee, resolves to bring the repayment of the balance forward to 2024.

Claims for the recovery of UK and overseas tax credits valued at approximately £82m are being processed through the Courts as part of a Group Order with other UK pension funds. Receipts are recognised on a cash received basis.

An investment in the Dakota, Minnesota and Eastern Railroad Corporation held through a Scheme subsidiary was sold for initial consideration of £33m on 10 October 2007. Further contingent proceeds of up to £41m (at year-end exchange rates) may be payable in the period to 2025 which would give rise to an additional tax liability of approximately £6m.

Report by the Auditor

Independent Auditor's Report to the Trustee of the Mineworkers' Pension Scheme

We have audited the financial statements of the Mineworkers' Pension Scheme for the year ended 30 September 2013 which comprise the Fund Account, the Net Assets Statement and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Trustee, as a body, in accordance with regulation 3 (c) of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body, for our audit work, for this report, or the opinions we have formed.

Respective responsibilities of Trustee and Auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 9, the Scheme's Trustee is responsible for the preparation of financial statements which show a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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 Scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report & Accounts 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.

Opinion on the Financial Statements

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 30 September 2013, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and,
- contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Ernst & Young LLP
Statutory Auditor
London

18 March 2013

1. The maintenance and integrity of the Mineworkers' Pension Scheme web site is the responsibility of the trustee; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Summary of the Actuarial Review

as at 31 March 2013

An actuarial review of the Scheme is carried out by the Government Actuary usually once every three years. The last full actuarial review was carried out as at 30 September 2011. At the request of the Trustee, and with the consent of the Guarantor, an additional actuarial review has been carried out as at 31 March 2013. This is described in my report dated 21 February 2014. The next actuarial review will revert to the normal cycle and will be carried out as at 30 September 2014.

The main purpose of a review is to determine whether there is a surplus or a deficiency in each of the Scheme's sub-funds by comparing the assets to the liabilities. Under the terms of an agreement reached in 1994, any surplus arising in the Guaranteed Fund (which pays the core pensions) is shared equally between the members and the Government (by means of transfers to the Bonus Augmentation Fund to finance increases in members' pensions and to the Guarantor's Fund to finance phased payments to Government).

The actuarial methodology adopted for the 2013 review reflects the market value of the assets at the review date. The liabilities are valued consistently, by choosing assumptions which have regard to current market values. The 2013 review has been performed using membership data from the September 2011 valuation updated appropriately to value the liabilities rather than requesting and utilising detailed individual membership data at 31 March 2013. This reflects the relatively short period since the previous review and consideration of summary data on the scheme's experience since September 2011 indicating no material unexpected adverse membership experience.

The most important assumptions required to carry out the review are in respect of investment returns, pension increases (in line with prices in the Guaranteed Fund) and mortality.

In the Guaranteed Fund (which contains the members' core benefits, which accrued up to 1994) the value of the benefits was assessed to be £8,308 million (including an allowance for future expenses) and the market value of the assets was £9,227 million. The 2013 review therefore revealed a surplus in the Guaranteed Fund of £919 million. Of this surplus, £496 million was used to repay the remaining debt which was owed to the Investment Reserve as a result of a transfer from the Investment Reserve to the Guaranteed Fund following the 2008 review. The remainder of the surplus (after allowing for the effect of asset transfers on expenses) was transferred in equal shares of £216 million to the Bonus Augmentation Fund and the Guarantor's Fund.

In the Bonus Augmentation Fund (which contains new pensions awarded to members since 1994, from their share of emerging surpluses) the value of the benefits was assessed to be £982 million (including an allowance for future expenses) and the market value of the assets was £1,368 million following the transfer of £216 million from the Guaranteed Fund. The surplus of £386 million allowed the trustees to award new Bonus Augmentations in 2014 that increased the members' benefits by 4% of their relevant pension (broadly Guaranteed Fund benefits in excess of Guaranteed Minimum Pensions) and an allocation of £2 million was made to the Discretionary Fund. After the award of these bonuses, £208 million of surplus remained. The Trustee and the Guarantor have agreed that no further bonuses will be paid before the next actuarial review as at 30 September 2014.

In the Guarantor's Fund (which contains the Government's share of surpluses emerging since 1994) the review revealed a surplus of £236 million on assets of £376 million (after the transfer of £216 million from the Guaranteed Fund). Consequently, from 2014 each of the remaining two expected payments to the Government were increased from £50 million to £62 million. Additionally, a new series of ten annual payments to the Government of £30.1 million from 2014 was established.

The Investment Reserve contains the share of the unapplied surplus which was allocated to British Coal at the 1993 review. The market value of the assets in the Investment Reserve as at 31 March 2013 was £1,126 million. The transfer from the Guaranteed Fund of £496 million results in total assets of £1,622 million in the Investment Reserve. There is no remaining debt owed by the Guaranteed Fund to the Investment Reserve. The Trustee and the Guarantor have previously agreed that a payment of £700 million will be made to the Guarantor from the Investment Reserve, effective by 28 February 2014, whilst the lifetime of the Investment Reserve will be extended from 2019 to 2029 (unless the Guarantor, after consultation with the Trustee, resolves to bring it forward to 2024).

T Llanwarne

Trevor Llanwarne CB
Fellow of the Institute and Faculty of Actuaries
Government Actuary
6 March 2014

Compliance Statement

This statement is included to comply with recommendations contained in the Statement of Recommended Practice (SORP) Financial Reports of Pension Schemes, as revised in May 2007, issued by the Pensions Research Accountants Group.

A printable version of the Pensions Regulator's (TPR) Guidance for Trustees is available from the TPR website: www.thepensionsregulator.gov.uk or a copy is available for inspection at the address of the Scheme Secretary, Ventana House, 2 Concourse Way, Sheaf Street, Sheffield S1 2BJ.

Trustees of the Mineworkers' Pension Scheme Limited is registered with the Information Commissioner's Office under the terms of the Data Protection Act 1998.

The investments of the Scheme are made in compliance with the Occupational Pension Schemes (Investment) Regulations 2005.

The Scheme has no participating employers.

Cash equivalent transfer values paid during the year were calculated in accordance with the requirements of the Pension Schemes Act 1993.

The Trustee has written agreements in the form of contracts with all major service providers.

Details of pooled funds which represent more than 5% of net assets are shown in note 7 to the accounts.

Composite Benchmarks

The indices against which investment returns are benchmarked are the Barclays Global Aggregate Credit index, JPM Government Bond Index Emerging Market Global Diversified, FTSE All World, and IPD Life & Pensions £300 million - £2 billion. The benchmark for total assets is based on the asset allocation benchmarks set by the Committee.

Constitution of the Scheme

The Mineworkers' Pension Scheme is governed by a Definitive Trust Deed and Rules dated October 1994 with subsequent amendments. The registration number of the Scheme with the Pensions Regulator is 10058240.

Taxation Status

The Scheme is a registered pension scheme under the provisions of Schedule 36 of the Finance Act 2004. Accordingly under the provisions of sections 186 and 187 of the Finance Act 2004 its income and investment gains are free of taxation. However, income from a trading activity is not investment income and so will be assessed to tax in the normal way.

Amendments to the Scheme and Rules

No Rule amendments were made during the year.

Increases to Pensions in Payment

Guaranteed pensions (in excess of any Guaranteed Minimum Pension (GMP) element) are reviewed annually in line with the percentage change in the Retail Prices Index (RPI) in June. The 2013 increase to guaranteed pensions as above, effective from 7 October 2013, was 3.3%. However, standstill was triggered due to the outcome of the 2011 Actuarial Valuation, and any previously awarded bonuses were therefore reduced by the same amount.

Changes to the Guaranteed pension do not apply to the element of the pension in payment representing any Guaranteed Minimum Pension (GMP) which the Scheme is required to provide as a consequence of contracting out of the State pension arrangements as these increases are provided by the State.

The State will pay any increase to the GMP for Scheme membership before 5 April 1988.

The Scheme will pay the first 3% of any annual cost of living increase due on the GMP for Scheme membership after 5 April 1988. In any year that the increase is more than 3% the State will make up the increase to the cost of living level.

Increases to Benefits in Deferment

Pensions in deferment are generally reviewed annually in line with price inflation either under statutory revaluation or the Guarantee arrangements. Deferred pensioners have also been awarded bonus increases following distributions of members' share of surplus declared at previous Actuarial Valuations.

All increases were in accordance with the Trust Deed and Rules of the Scheme or legislative requirements.

For more information

A range of publications is available to members.

Requests for copies should be addressed to the Secretary of the Scheme at:

Mineworkers' Pension Scheme

Coal Pension Trustees Services Limited
Ventana House, 2 Concourse Way, Sheaf Street, Sheffield S1 2BJ.

This is also the registered office of Trustees of the Mineworkers' Pension Scheme Limited.

The Scheme's website, **www.mps-pension.org.uk,** gives members access to information about the Scheme, on-line copies of Scheme publications, and forms which can be printed off and used to notify the Scheme of changes in circumstances.

The Scheme can be contacted by email using the facility on the website.

Other useful addresses and contact details:

The Pensions Advisory Service (TPAS)

11 Belgrave Road
London SW1V 1RB

www.pensionsadvisoryservice.org.uk

The Pensions Ombudsman

11 Belgrave Road
London SW1V 1RB

www.pensions-ombudsman.org.uk

Pension Tracing Service

The Pension Service
Tyneview Park,
Whitley Road,
Newcastle upon Tyne NE98 1BA

www.direct.gov.uk/en/Pensionsandretirementplanning

The Pensions Regulator

Napier House
Trafalgar Place
Brighton BN1 4DW

www.thepensionsregulator.gov.uk

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