Mineworkers' Pension Scheme

2015

Report & Accounts

Contents

Membership of Committees

as at 30 September 2015

Trustees of the Mineworkers' Pension Scheme Limited (the Trustee)

Committee of Management (the Committee)

The appointed and elected Trustee Directors are shown below.

	Appointed Trustee Directors	Elected Pensioner Representative Trustee Directors	
Committee of Management	N Stapleton (*Chairman*)	J Bonser	- Derbyshire, Nottinghamshire & Lincolnshire
	C Cheetham	R Clelland	- Scotland, North West England & North Wales
	V Cockerill	AW Jones	- Central & Southern England & South Wales
	I Maybury	J Stones	- Yorkshire & North Lincolnshire
	S O'Connor	A Young	- North East England & Overseas [1]
Investment Sub-committee (ISC)	C Cheetham (*Chairman*)	J Betteridge [3]	
	I Maybury	I Harwood [3]	
	J Stones [2]		
	A Young		
Risk and Operations Sub-committee (ROSC)	V Cockerill (*Chairman*)	R Clelland	
	S O'Connor	AW Jones [4]	
Discretions and Appeals Sub-committee (DASC)	V Cockerill (*Chairman*)	R Clelland	
	S O'Connor	AW Jones [4]	

[1] Mr Young was re-elected as Pensioner Representative Trustee Director for North East England & Overseas from 1 October 2015.

[2] Mr Stones replaced Mr Gascoyne as a member of the ISC with effect from 1 October 2014.

[3] Mr Betteridge and Mr Harwood are advisers to the ISC. Mr Betteridge replaced Mr Parry with effect from 1 September 2015.

[4] Mr Jones replaced Mr Stones as a member of the ROSC and DASC with effect from 1 October 2014.

Appointments

as at 30 September 2015

Trustee Company	Trustees of the Mineworkers' Pension Scheme Limited
Executive	**Coal Pension Trustees Services Limited (CPT)** G Mellor, Chief Executive S Dunatov, Chief Investment Officer G Lane, Chief Operating Officer D Whincup, Head of Pension Strategy & Scheme Secretary
Principal Investment Adviser	Coal Pension Trustees Investment Limited
Principal Investment Managers [1]	Insight Investment Management (Global) Limited (Insight) LaSalle Investment Management (LaSalle) Legal and General Investment Management (Legal & General)
Actuary	M Clarke, Government Actuary
Principal Legal Adviser	Linklaters LLP
Pension Administrator	Paymaster (1836) Limited
Auditor	Ernst & Young LLP
Bankers	JP Morgan Chase Bank, N.A. Lloyds Bank plc (formerly Lloyds TSB Bank plc)
Custodian	JP Morgan Investor Services
Medical Adviser	Dr RM Quinlan RPS Business Healthcare

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

[1] Principal Investment Managers are defined as those managing at least 5% of the Scheme's Net Assets at 30 September 2015.

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 2015.

The Investment Report on pages 10 to 13 and the Compliance Statement on page 29 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 Director vacancy the Nomination Group recommends a suitable candidate to the Committee. The term of office for an Appointed Trustee Director is three years. The maximum number of terms served is three although this can be extended with the agreement of the Secretary of State for Energy and Climate Change.

The remaining five members of the Committee are Pensioner Representatives elected by Scheme members from five geographical constituencies. The term of office for an elected Pensioner Representative is five years after which the Pensioner Representative will be eligible for re-election.

Attendance at Meetings

During the year there were four 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

To help perform its duties and to streamline decision making the Committee has established, and delegated some of its powers, to three Sub-committees. Each Sub-committee has its own written Terms of Reference agreed by the Committee. The membership of each Sub-committee is shown on page 3. Sub-committee meetings are open to all members of the Committee to attend.

During the year the ISC and DASC met on four occasions and the ROSC met on five occasions.

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 (the Guarantor) 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 2015, the rates of remuneration for all Members of the Committee increased in line with the 0.9% rise in the Index, to £67,050 a year for the post of Chairman, to £53,150 a year for the post of Chairman of ISC, to £36,600 a year for the post of Chairman of ROSC and to £17,450 a year for other members of the Committee.

The total remuneration paid in the year to the members of the Committee was £221,469.

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 custodians are also listed on page 4 and a full list of the investment managers is included in the investment report on page 11.

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, Mrs O'Connor, Mr Jones and Mr Young. The Board met twice during the year.

A subsidiary company of CPT, Coal Pension Trustees Investment Ltd (CPTI) provides investment advice to the Trustee. CPTI is authorised by the Financial Conduct Authority (FCA).

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.

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 decided by the Trustee following advice from 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 Benefits

The Trustee may, in certain circumstances, pay discretionary benefits where 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 2014	**41,052**
Additions:	
Reinstatements	19
Pension sharing credits	20
Reductions:	
Retirements	3,028
Deaths	173
Transfers	9
Commutations paid	67
Adjustments*	7
Deferred members at 30 September 2015	**37,807**
Pensioners in payment at 30 September 2014	**166,597**
Additions:	
Retirements	3,047
Dependants' Pensions	1,913
Adjustments*	18
Children's pensions	46
Reductions:	
Deaths	8,771
Commutations paid	64
Children's benefits	34
Adjustments*	68
Pensioners in payment at 30 September 2015	**162,684**

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

During the year, 23 pension sharing orders relating to divorce petitions were received from the courts. In two cases, the Scheme member's former spouse became entitled to an immediate pension. In 18 cases the member's former spouse 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 subsequently taken in the remaining three cases.

Changes to pensions legislation effective from March 2014 increased the limit for trivial commutation of benefits into a one-off cash payment. Since the year end the Trustee has commenced an exercise to offer qualifying members the opportunity to commute their benefits in this way. Approximately 12,500 members had elected to commute their benefits by 4 March 2016.

Actuarial Valuation

The Actuarial Valuation as at 30 September 2014 is now complete. A summary of the Actuary's report is on page 28. 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 page 25.

A summary of the valuation results is given below:

- the surplus of £309m in the Guaranteed Fund (plus a further £3m to cover the projected future expenses which are associated with this portion of the Fund) was divided equally between the Bonus Augmentation Fund and the Guarantor's Fund;
- the surplus in the Bonus Augmentation Fund was £251m following the transfer of £156m surplus from the Guaranteed Fund. With the agreement of the Guarantor, £230m of this surplus was allocated to pay three bonuses in 2015, 2016 and 2017;
- the surplus in the Guarantor's Fund was £157m following the transfer of £156m surplus from the Guaranteed Fund;
- the Investment Reserve has no quantifiable liabilities, is not subject to a valuation and had a market value at 30 September 2014 of £1,066m.

Pensions paid from the Guaranteed Fund will continue to be increased in line with inflation measured by the RPI, although bonuses earned before 2012 will be reduced each year by the same amount. However, the new bonuses granted in 2015, 2016 and 2017 will replace the effect of these reductions. The net effect of this is that total benefits will increase in 2015, 2016 and 2017 by the amount of the RPI increase on benefits paid from the Guaranteed Fund.

The Actuary recommended that the outstanding payments to the Guarantor from the Guarantor's Fund with effect from 1 October 2015 be increased slightly and that the surplus of £156m, transferred from the Guaranteed Fund to the Guarantor's Fund and taking into account expected future investment returns, be allocated to a new stream of ten annual payments of £20.7m. Details of the payment to the Guarantor during the year of £92.1m is explained in note 12 to the accounts.

In accordance with the provisions of the Scheme, the Actuary considered whether, taking into account the outcome of the 2014 valuation, monies should be released to the Guarantor from the Investment Reserve. He concluded that no payments should be made to the Guarantor in the period up to the Scheme's next valuation.

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 ROSC has 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 and other assurance reviews, according to a programme of reviews 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 Report of Pension Schemes' (revised May 2007).

The Trustee's Report and audited financial statements are the responsibility of the Trustee. The Trustee has supervised the preparation of the financial statements, and has agreed suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis. The financial statements comply with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and:

- 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

- Include a statement that the financial statements have been prepared in accordance with the Statement of Recommended Practice 'Financial Reports of Pension Schemes' (revised May 2007) and, as required by the Scheme and Rules, relating to specific disclosure in respect of Sub-funds.

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

The year to 30 September 2015 saw ongoing unconventional monetary policy by the central banks which kept interest rates at record lows across the developed world. Although investors had expected the US Federal Reserve and the Bank of England to raise interest rates at some point during the year the lack of inflationary pressure and the sluggishness of economic growth rates led both central banks to defer rate increases. The European Central Bank and the Bank of Japan continued fairly aggressive quantitative easing (QE) programmes and the People's Bank of China also eased policy in the wake of the slowdown in China.

Global equity markets as measured by the FTSE All World Index rose by just 0.6% over the year whilst the FTSE All Gilt Index returned 8.2%. Commercial property prices continued to rise and the IPD All Property index had a total return of 15.3%. Sterling rose 3.5% over the year on a trade weighted basis. It appreciated by over 5% against the euro, its most important trading partner.

Over the year to 30 September 2015 the Trustee continued to increase its exposure to illiquid assets such as private debt, special situations debt, property and shipping. Most of these investments were funded from existing cash balances arising from public equity sales in the previous year. The levels of exposure to these assets are expected to increase further over the next year.

During the year the Trustee continued to hold some positions in derivative markets which provided some downside protection for its holdings in European equities.

The biggest contributors to the Scheme's return on investments in the year came from private equity (1.89%), and property (1.47%).

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	2.69	1.13
3 Years	8.34	7.36
5 Years	7.67	6.58

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	
Cash	
Insight & Other Cash	721
Global Credit	
Wellington	413
Emerging Market Debt	
Legal & General Passive	249
BlueBay	181
Stone Harbor	173
Private Debt	
Sankaty	409
Goldman Sachs MBD	163
Goldman Sachs Mezzanine	7
Special Situations Debt	
M&G	75
Apollo	51
Varde	24
Oak Hill	10
Atalaya	9
HIG Bayside	2
	2,487
Equities	
Public Equity	
Legal & General	1,914
AQR	468
Lazard	419
Cantillon	415
Edinburgh Partners	410
Baillie Gifford	406
Schroder	263
Genesis	209
Vontobel	203
JO Hambro	199
Other	6
Private Equity	1,271
	6,183
Property	
LaSalle	1,582
	1,582
Global Macro	
Bridgewater	190
	190
Shipping	
Tufton Oceanic	47
	47
Residual cash assets and liabilities	**2**
Net Assets at 30 September 2015	**10,491**

The manager totals include investment debtors and creditors and investment cash.

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	2.7	0.0
Global Credit	3.9	0.0
Emerging Market Debt	5.8	7.2
Private Debt	5.5	7.0
Special Situations Debt	1.6	5.0
Equities		
Public equity*	51.1	51.7
Private equity	12.1	11.0
Property	15.1	15.0
Global Macro	1.8	1.6
Shipping	0.4	1.5
	100.0	**100.0**

*The actual allocation to Public Equity includes the market exposure achieved through European options with a corresponding adjustment in the actual allocation to cash.

The Trustee has approved two new asset classes; special situations debt and shipping. Special situations debt will comprise a diversified portfolio of investments that capitalise from opportunities in niche segments of the debt and credit markets, including distressed debt. Shipping comprises a diversified portfolio of vessels looking to benefit from improved demand growth as global trade in consumer goods and commodities recover from current depressed levels. Further investments in both these asset classes and in addition private debt and property will be funded from cash and global credit sales.

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

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

The ten largest public equity holdings at 30 September 2015 were:

	Market Value £m	Percentage of total Scheme net assets %
Google Inc.	114.3	1.09
Amazon.com Inc.	86.3	0.82
Tencent Holdings Ltd.	70.1	0.67
Baidu Inc.	67.2	0.64
Illumina Inc.	57.9	0.55
Facebook	51.5	0.49
Tesla Motors Inc.	51.0	0.49
Industria De Diseno Textil S.A.	41.7	0.40
Housing Development Finance	39.7	0.38
Fidelity National Information	36.8	0.35
	616.5	**5.88**

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

Custodial and Cash Arrangements

The Scheme's quoted securities are held by a custodian, JP Morgan Investor Services (JP Morgan), who also provides investment accounting, investment performance measurement, securities lending, derivatives valuation and other fund 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 Bank plc.

Most public 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.

Private debt investments are held by MPS Investments Sárl and the shipping investments by Harworth Shipping Ltd. Both companies are wholly owned subsidiaries.

Property investments are primarily registered in the name of Coal Pension Properties Ltd (CPPL) or Crucible Residential Properties Ltd (CRPL), nominee companies controlled jointly by the Scheme and BCSSS or, in one case, a company controlled jointly by the Scheme and BCSSS. Title deeds are held by firms of solicitors. Trust deeds between CPPL/CRPL and the Schemes establishes that the properties are held on behalf of the Schemes.

Private equity investments and special situations debt 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 and value 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 Equity Ownership Services 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 provided by JP Morgan against losses on borrower default.

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 equity, foreign exchange and bond index futures and options, credit default swaps, currency, interest rate, inflation and total return swaps. 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 on total tracking errors and collateral requirements.

Futures and options 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 Scheme hedged 100% of the existing Japanese yen exposure in the equity portfolio. This position was fully closed out by the end of September 2015. Exposure to euros, Swedish krona and US dollars in relation to the private debt mandates is also 100% hedged.

On behalf of the Trustee:

Nigel Stapleton Chairman

John Stones Committee Member 10 March 2016

Fund Account

Year ended 30 September 2015

Contributions and Benefits	Note	2015 £m	2014 £m
Benefits	2	(720)	(739)
Payments to and on account of leavers	3	(1)	(3)
Payments due to Guarantor	4	(92)	(750)
Administrative expenses	5	(9)	(9)
Net Withdrawals from Dealings with Members and the Guarantor		**(822)**	**(1,501)**
Returns on Investments			
Investment income	6	237	212
Change in market value of investments	7	97	978
Investment management expenses	8	(43)	(36)
Net Returns on Investments		**291**	**1,154**
Net Decrease in the Fund During the Year		**(531)**	**(347)**
Net Assets of the Scheme as at 1 October 2014		**11,022**	**11,369**
Net Assets of the Scheme as at 30 September 2015		**10,491**	**11,022**

Net Assets Statement

at 30 September 2015

	Note	2015 £m	2014 £m
Investments			
Investment Assets	7	**10,518**	11,076
Investment Liabilities	7	**(109)**	(131)
Investment in joint ventures	7	**152**	146
Net Investment Assets		**10,561**	**11,091**
Minority interest	7	**(76)**	(73)
		10,485	11,018
Current Assets	9	12	12
Current Liabilities	10	(6)	(8)
Net Assets of the Scheme at 30 September 2015		**10,491**	**11,022**

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 10th March 2016.

Signed on behalf of the Trustee:

Nigel Stapleton Chairman

John Stones Committee Member

Scheme Registration Number: 10058240

1. Accounting policies

Basis of preparation
The Scheme and Rules set out in the Schedule to the Mineworkers' Pension Scheme (Modification) Regulations 1994 and as subsequently amended 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 and, as required by the Scheme and Rules include specific disclosure in respect of the Sub-funds.

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

Basis of consolidation
The results of subsidiary undertakings are included from the date of acquisition and up to the date of disposal using the acquisition method of accounting.

Certain investments, including some property investments, are held on behalf of the Scheme through interests in joint ventures with BCSSS. On consolidation this also results in a minority interest. Where the Scheme has significant influence or a direct or indirect interest in management of the business, then that interest is accounted for using the gross equity method in the case of joint ventures and is disclosed separately.

Equity accounting is based upon the latest available accounts for those undertakings with a year-end up to three months prior to that of the Scheme. 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. Adjustments are made to align the accounting policies of the relevant undertaking with those of the Scheme where appropriate.

Investment income
Income from fixed interest securities, private debt, property, shipping 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.

Income from public 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 is shown separately.

Income arising from realised gains on private equity and special situations debt are included in change in market value.

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 pension 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.

Transactions and investment income denominated in foreign currencies are recorded by applying the spot exchange rate ruling at the date on which the transactions and 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 Cushman and Wakefield (previously known as DTZ Debenham Tie Lung) with a further valuation at the Scheme's year-end.

Fixed interest securities and private debt investments 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, private debt and special situations debt are valued at fair value for unlisted investments, or in accordance with the above policy for listed investments with the exception of the M&G mandate within special situations debt which is valued at amortised cost less impairment. Fair value is generally assessed by the General Partner or the investment manager responsible for selecting the underlying investments, according to standards applicable in the jurisdiction in which the General Partner or the investment manager 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 or the investment manager 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.

Fair value of shipping investments is derived by obtaining a broker valuation for the vessels that are fully built and operational. The broker valuation uses the sales comparison approach which is then adjusted for differences in key attributes such as vessel type, features, age, cargo, capacity and potential freight earnings.

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.

Futures

Open futures contracts are recognised in the Net Assets 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

Exchange 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 pricing models that consider the time value of money, volatility and 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
The fair value of swaps is calculated using pricing models where inputs are based on market data at year end.

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.

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

	2015 £m	2014 £m
Pensions	524	522
Dependant benefits	143	143
Commutations and lump sum retirement benefits	53	74
	720	**739**

3. Payments to and on account of leavers

	2015 £m	2014 £m
Individual transfers to other schemes	**1**	**3**

4. Payments due to the Guarantor

	2015 £m	2014 £m
Payments from the Guarantor's Fund	92	**50**
Payments from the Investment Reserve	-	**700**
	92	**750**

Details of the above payments and future payments to be made to the Guarantor are shown in notes 11, 12 and 13.

5. Administrative Expenses

	2015 £m	2014 £m
Pension administration	8	8
Legal, actuarial and other fees	1	1
	9	**9**

6. Investment income

	2015 £m	2014 £m
Income from fixed interest securities	57	67
Income from private debt	33	8
Dividends from public equities	54	61
Property rents	73	65
Income from shipping	4	-
Interest on cash deposits and margin accounts	4	-
Income from joint ventures	3	3
Other	9	8
	237	**212**

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

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	1,045	686	(682)	(140)	909
Private debt	245	373	(72)	3	549
Special situations debt	-	301	(69)	15	247
Public equity	2,597	1,791	(1,411)	(89)	2,888
Private equity	1,245	176	(418)	199	1,202
Pooled investment vehicles	2,884	60	(940)	100	2,104
Derivative contracts	(23)	499	(397)	(71)	8
Property	1,244	201	(31)	80	1,494
Shipping	-	45	-	(1)	44
Other investments	43	1	(31)	(1)	12
Joint ventures	73	-	(1)	4	76
Cash and cash equivalents	1,650	-	(686)	(4)	960
Other financial assets and liabilities	15	-	(25)	2	(8)
	11,018	**4,133**	**(4,763)**	**97**	**10,485**

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 £3 million (2014: £3 million). 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.

Special situations debt includes some investments that were reported as private equity investments in the previous year and have now been re-categorised given the new allocation to special situations debt in which these assets best fit. The reallocation of the opening assets of £85 million is reflected in the private equity sales and the related purchases are included in special situations debt.

Investment assets	2015 £m	2014 £m
Fixed interest securities	909	1,045
Private debt	549	245
Special situations debt	247	-
Public equity	2,888	2,597
Private equity	1,202	1,245
Pooled investment vehicles	2,104	2,884
Derivative contracts	60	54
Property	1,494	1,244
Shipping	44	-
Other investments	12	43
Cash and cash equivalents	960	1,650
Other financial assets	49	69
	10,518	**11,076**

Investment liabilities	2015 £m	2014 £m
Derivative contracts	52	77
Other financial liabilities	57	54
	109	**131**

Fixed interest securities	2015 £m	2014 £m
UK public sector quoted	2	2
Overseas public sector quoted	552	661
UK corporate quoted	31	32
Overseas corporate quoted	324	350
	909	**1,045**

Private debt	2015 £m	2014 £m
Private debt	**549**	**245**

All of the Scheme's private debt investments are owned through a wholly owned subsidiary company. The investments are principally secured loans made direct to corporates through two investment managers and principally made to businesses based in the UK, Continental Europe and the US. These investments represent long-term commitments which may restrict the ability of the Scheme to realise them at the accounting date. Details of private debt forward commitments are shown in note 13.

Special situations debt	2015 £m	2014 £m
Special situations debt	**247**	-

The majority of the Scheme's special situations debt investments are held through limited partnerships. The underlying investments are principally loans made to large, mid-size and small companies in Europe and the US. 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 special situations debt forward commitments are shown in note 13.

Public equity	2015 £m	2014 £m
UK quoted	540	489
Overseas quoted	2,338	2,102
UK unquoted	5	1
Overseas unquoted	5	5
	2,888	**2,597**

Private equity	2015 £m	2014 £m
Private equity	**1,202**	**1,245**

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 private equity forward commitments are shown in note 13.

Pooled investment vehicles

	2015 £m	2014 £m
Managed funds	**2,104**	**2,884**

Pooled investment vehicles are all managed by companies registered in the United Kingdom. UK registered investment vehicles include holdings in overseas public 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 2015: 91.0% (2014: 91.8%) with the balance being other managed funds.

Derivative contracts	Asset £m	Liability £m	Net position £m
Futures	-	(4)	(4)
Forward foreign exchange	33	(47)	(14)
Swaps	8	(1)	7
Options	19	-	19
Total	**60**	**(52)**	**8**

Futures

The Scheme holds long and short interest rate and index future contracts with economic exposure of £95 million and (£337 million) respectively. The majority expire in three months and are held in sterling, baht, euro, lira, Mexican peso, rand, ringgit, won, yen, Australian dollars, Canadian dollars, Hong Kong dollars, Singapore dollars and US dollars. The market values of these positions are a liability of £4 million.

The economic exposure represents the notional value of securities (or bonds) purchased under the futures contract.

Forward foreign exchange	Bought £m	Sold £m	Asset £m	Liability £m
US Dollar	247	(857)	1	(16)
Euro	957	(629)	20	(4)
Yen	424	(424)	8	(24)
Other	150	(161)	4	(3)
Sterling	1,526	(1,605)	-	-
Total	**3,304**	**(3,676)**	**33**	**(47)**

The above table aggregates the exposure 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 was hedged using forward currency contracts that were approximately three months in duration with a third maturing each month. This position was closed out by the end of September 2015.

Exposure to euros, US dollars and Swedish krona in relation to the private debt mandate is hedged using forward currency contracts that range from approximately three months to three years in duration.

Swaps

Contract	Expiration	Nature of Swap	Notional principal £m	Asset £m	Liability £m
Credit default swaps	1 to 48 years	Buying & selling credit exposure	37	1	(1)
Total return swaps	3 to 14 years	Purchase of underlying bond security and receipt of coupon rate and market price movement	8	7	-
Total			**45**	**8**	**(1)**

The notional principal of the swaps is the amount used to determine the value of swapped receipts and payments.

Total return swaps all relate to local currency emerging market debt where the exposure has been obtained through a swap contract with reference to a specific bond. The principal amount of the reference bond was fully funded by the Scheme at the commencement date and is used to determine the total return from interest income and price movements. The principal amount is repaid to the Scheme on either maturity of the reference bond or termination of the swap contract.

Options

Type of option	Expiration	Underlying investment	Notional principal £m	Asset £m	Liability £m
Exchange traded					
Overseas equities - call	1 year	European equity options	**434**	**19**	**-**

The notional principal represents the value of the underlying stock. The European equity options provide some downside protection for the Scheme's exposure to European equities.

Property	**2015 £m**	**2014 £m**
UK	**1,494**	**1,244**

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 property forward commitments are shown in note 13.

Shipping	**2015 £m**	**2014 £m**
Shipping	**44**	**-**

By their nature shipping investments represent long term commitments which may restrict the ability of the Scheme to realise them at the accounting date.

Other investments	**2015 £m**	**2014 £m**
Indirect property holdings	**12**	**43**

These represent investments in property funds which are not wholly owned by the Scheme.

Joint ventures	**2015 £m**	**2014 £m**
Investment assets in joint ventures	211	**206**
Investment liabilities in joint ventures	(59)	**(60)**
Net investment in joint ventures	152	**146**
Minority interest	**(76)**	**(73)**
Scheme interest in joint ventures	**76**	**73**

The amounts above include £75 million of property investments and £1m of other investments held through interests in joint ventures with BCSSS.

Cash and cash equivalents	**2015 £m**	**2014 £m**
Sterling	826	**1,518**
Foreign currency	134	**132**
	960	**1,650**

Other financial assets and liabilities	2015 £m	2014 £m
Amounts due from broker	14	41
Outstanding income and recoverable withholding tax	35	28
Amounts due to brokers	(22)	(28)
Other creditors	(35)	(26)
	(8)	**15**

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 financial assets, and movements in the AVC fund value are included in the Fund Account. The AVC fund value at 30 September 2015 was £0.3 million (2014: £0.3 million).

Securities Lending

The Scheme participates in public equity and fixed interest securities lending through its custodian, JP Morgan. Approved borrowers are required to provide collateral valued in excess of securities on loan. The value of securities on loan at the year-end was £158 million (2014: £264 million). The value of collateral provided was £167 million (2014: £279 million).

Concentration of investments

Investments in the following funds account for more than 5% of the Scheme's net assets.

	2015 Market Value £m		2014 Market Value £m	
L&G North America Equity Index Fund	1,012	9.6%	1,259	11.4%

8. Investment management expenses

	2015 £m	2014 £m
Administration, management and custody	42	35
Other advisory fees	1	1
	43	**36**

9. Current assets

	2015 £m	2014 £m
Prepaid benefits	3	4
Cash at bank	9	6
Other debtors	-	2
	12	**12**

10. Current liabilities

	2015 £m	2014 £m
Tax and VAT	6	7
Other creditors	-	1
	6	**8**

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 £92.1 million in respect of surpluses in earlier years.

The Scheme owns UK Government bonds which at the year-end had a market value of £2 million (2014: £2 million).

Four members of the Committee of Management are in receipt of a pension from the Scheme. The aggregate amount paid was £48,675 (2014: four members, £47,778).

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 £221,469 (2014: £220,232) 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 pensions administration costs in note 5 and were £3.3 million (2014: £3.6 million).

The Scheme and the BCSSS jointly invest in properties and partnerships with a value to the Scheme of £115 million (2014: £148 million). Included in this balance is £75m (2014: £72 million) of joint venture interest which is shown in note 7.

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 2014	**8,376**	**1,216**	**1,066**	**364**	**11,022**
Transfers in respect of early retirement factors [1]	(17)	17	-	-	-
Transfers following 30 September 2014 Actuarial Valuation	(312)	156	-	156	-
Revised values at 30 September 2014 following Actuarial Valuation	**8,047**	**1,389**	**1,066**	**520**	**11,022**
Payments due to Guarantor	-	-	-	(92)	**(92)**
Benefits paid	(552)	(169)	-	-	**(721)**
Allocation of income, expenses and movement in net asset values	208	37	26	11	**282**
Market values at 30 September 2015	**7,703**	**1,257**	**1,092**	**439**	**10,491**

[1] The amounts shown in respect of transfers for early retirement factors have been rounded up to the nearest million.

The most recent actuarial valuation was carried out as at 30 September 2014, and was dated 30 July 2015. The asset values at 30 September 2014 have been adjusted to reflect the results of the valuation and are shown in the table above.

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 the 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 £312 million transfer (including £3 million for projected future expenses) shown above represents equal transfers of £156 million to each of the Bonus Augmentation Fund and the Guarantor's Fund.

Bonus Augmentation Fund - this represents the members' share of surpluses arising from Actuarial Valuations since 1994 and is used to fund bonus pensions, and discretionary benefits in extreme and exceptional circumstances. 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 ten years. Following the March 2013 interim valuation the Actuary recommended that the remaining two payments arising from the September 2005 surpluses should be increased to £62 million with effect from 1 October 2014 and an additional new series of ten annual payments of £30.1 million should also commence from 1 October 2014. The first of these payments of £92.1 million (being £62 million and £30.1 million) is shown in the table above.

Following the September 2014 valuation, the Actuary recommended that the final payment in the existing series arising from the September 2005 surpluses should be increased to £62.4 million with effect from 1 October 2015 and the nine outstanding payments to the Guarantor arising from the March 2013 interim valuation should be increased to £30.3 million. A new series of ten annual payments of £20.7 million, arising from the September 2014 valuation, will also commence from 1 October 2015.

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. The transfer of £17 million shown above covers the period between the 2011 and 2014 valuations.

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 private equity investments of £631 million, private debt investments of £36 million, special situations debt investments of £390 million and property development costs of £76 million.

The timing of private equity investment funding is uncertain and has been estimated. It is assumed £158 million (25%) will fall due in the next twelve months and the remaining £473 million in later years. Forward commitments in relation to private debt investments will be paid within approximately twelve months months of the year-end. Approximately £370 million (95%) of special situations debt commitments are due to be paid within two years and the remaining £20 million in later years. Property development costs will be paid within two years.

The Guarantor's share of any actuarial surplus is distributed in ten annual payments, subject to review at successive actuarial valuations. £92.1 million was paid to the Guarantor during the year and £113.4 million (being £62.4 million, £30.3 million and £20.7 million as described in note 12) was paid on 1 October 2015. £51 million is payable in each of the eight years from 2016 to 2023 and a final payment of £20.7 million is payable in 2024.

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 forward to 2024.

Claims for the recovery of UK and overseas tax credits valued at approximately £80 million 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 joint venture was sold for initial consideration of £33 million on 10 October 2007. Further contingent proceeds of up to £41 million (at year-end exchange rates) may be payable in the period to 2025 which would give rise to an additional tax liability of approximately £8 million.

14. Subsequent Events

As explained in the Trustee's Report on page 7, approximately 12,500 qualifying members chose to commute their benefits to a final lump sum payment. As a result approximately £166 million was paid by 4 March 2016.

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 2015 which comprise the Fund Account, the Net Assets Statement and the related notes 1 to 14. 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 the Scheme and Rules set out in the Schedule to the Mineworkers' Pension Scheme (Modification) Regulations 1994 and as subsequently amended. 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 report and 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 2015, 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 Clause 14 of the Scheme and Rules in respect of specific disclosure in relation to the Sub-funds.

Ernst & Young LLP
Statutory Auditor,
London

11 March 2016

Summary of the Actuarial Review

as at 30 September 2014

An actuarial review of the Scheme is carried out by the Government Actuary usually once every three years. The latest review has been carried out as at 30 September 2014, and is described in my report dated 30 July 2015. The valuation date is 18 months after the additional review in 2013 following agreement between the Trustee and the Government that the actuarial review of the Scheme should revert to the normal triennial cycle.

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 guaranteed pensions) is shared equally between the members and the Government (by means of transfers to the Bonus Augmentation Fund to finance the award of new bonus pensions and to the Guarantor's Fund to finance phased payments to Government).

The actuarial methodology adopted for the 2014 review reflects the market value of the assets at the valuation date. The liabilities are valued consistently, by choosing assumptions which have regard to current market values. This ensures a fair comparison between assets and liabilities in the valuation balance sheets.

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' guaranteed benefits, which accrued up to 1994) the value of the benefits was assessed to be £8,050 million (including an allowance for future expenses) and the market value of the assets was £8,359 million. The 2014 review therefore revealed a surplus in the Guaranteed Fund of £309 million. This surplus (after allowing for the effect of asset transfers on expenses) was transferred in equal shares of £156 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 £1,138 million (including an allowance for future expenses). The market value of the assets was £1,389 million following the transfer of £156 million from the Guaranteed Fund. The surplus of £251 million allowed the Trustee to award new Bonus Augmentations which will maintain pensions payable from the Bonus Augmentation Fund at their current level until September 2018 (offsetting the effect of reductions that would otherwise occur). Additionally, an allocation of £2 million was made to support the award of discretionary benefits.

In the Guarantor's Fund (which contains the Government's share of surpluses emerging since 1994) the review revealed a surplus of £157 million on assets of £520 million (following the transfer of £156 million from the Guaranteed Fund). Consequently, the outstanding payments to Government from 2015 were increased slightly and a new series of ten annual payments to the Government of £20.7 million 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 30 September 2014 was £1,066 million. The Investment Reserve acts as a buffer against adverse experience in the Guaranteed Fund. Considering the relative size of the Investment Reserve I recommended, after consultation with the Trustee and the Government, that no payments should be made to the Government from the Investment Reserve in the period up to the next valuation.

Martin Clarke
Fellow of the Institute and Faculty of Actuaries
Government Actuary

9 November 2015

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 registration number of the Scheme with the Pensions Regulator is 10058240.

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.

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

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.

Changes to the Scheme Constitution, Rules or Basic Information

Constitution of the Scheme

The Mineworkers' Pension Scheme is governed by a Definitive Trust Deed and Rules dated October 1994 with subsequent amendments.

Amendments to the Scheme and Rules

The Rules were amended during the year to allow the right to transfer to an alternative pension arrangement to be extended to deferred members who left the Scheme before 1 January 1986. The right to transfer was also extended to allow a deferred member to take a transfer after age 59.

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 2015 increase to guaranteed pensions as above, effective from 5 October 2015, was 1.0%. However, due to standstill, any previously awarded bonuses were therefore reduced by the same amount.

However, the surplus in the Bonus Augmentation Fund, following completion of the Actuarial Valuation as at 30 September 2014, allowed the Trustees to award a new replacement bonus of 1% of guaranteed pensions (excluding any GMP entitlement) which had the effect of offsetting the effect of standstill. The increase was effective from 5 October 2015. The Trustees also agreed that the surplus in the Bonus Augmentation Fund should be utilised to pay a further two replacement bonuses to offset the effects of standstill in 2016 and 2017.

Changes to the Guaranteed pension do not apply to the element of the pension in payment representing any 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:

The Secretary

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

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Ventana House

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Sheaf Street

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