



Press Release

26 January 2012

ATH Resources plc

("ATH" or the "Group")

Preliminary Results

ATH Resources plc (AIM:ATH), one of the UK's largest coal producers, reports its Preliminary Results for the year ended 2 October 2011.

Financial Summary

- Group sales for the period increased by 7% to £84.2 million (2010: £78.3 million)
- Net borrowings reduced for the third consecutive year by £3.0 million to £31.5 million
- Despite difficult mining conditions and unexpected geological challenges at a number of sites the Group reports an operating profit before exceptional charges of £3.0 million (2010: £7.0 million)
- Loss before tax from continuing operations of £5.8 million (2010: profit £4.0 million) due to a number of largely non-cash exceptional charges which amounted to £6.2 million
- In light of the loss for the year it is the intention of the Board to not recommend the payment of a dividend in respect of the current year (2010: 2 pence per share)

Operational Summary

- Successful opening of Netherton which is now in full production as planned
- Sales volumes of 1.67 million tonnes (2010: 1.79 million tonnes) including 530,000 tonnes supplied to legacy contracts
- Average selling price increased by 15% to £50.43 per tonne (2010: £43.70 per tonne)
- Commenced initial site preparations to develop Duncanziemere, which will progressively increase production throughout 2012
- Achieved planning permission for extensions at Glenmuckloch and Muir Dean for 505,000 tonnes and 350,000 tonnes respectively

- Successful renegotiation of one of the Group's remaining legacy contracts, effective from January 2012

Alistair Black, Chief Executive of ATH, commented: "This has been a challenging period for ATH, with the Group's legacy contracts, difficult mining conditions and higher input costs (particularly gas oil), continuing to impact performance. However, the Group's renegotiation of one of its remaining legacy contracts together with the development of the Group's project pipeline, will provide a firmer platform for ATH's business going forward."

- Ends -

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Chairman's statement

Introduction

The period under review has been a difficult one for ATH. The continued impact of the below market price legacy contracts combined with much higher input costs, principally gas oil, and unexpected geological conditions at a number of the Group's sites, have all created significant pressure on performance.

Despite these difficulties the Group is committed to satisfying legacy contract volumes as quickly as possible and remains on track to fulfil the first of these contracts by the end of March 2012 and the second during 2013. The Group has also continued to reduce net debt and has delivered a further reduction of £3.0 million to £31.5 million in the year.

Results in brief

Sales volumes for the year at 1.67 million tonnes were slightly lower than last year (1.79 million tonnes) but average selling prices rose by 15% to £50.43 per tonne (2010: £43.70 per tonne), increasing revenue to £84.2 million (2010: £78.3 million). The Group's legacy sales contracts continue to constrain performance and during the year accounted for around 32% of total sales volumes. Demand for the Group's products remains strong and the Board is confident of being able to sell all of its annual production. Pre-exceptional operating profits were £3.0 million (2010: £7.0 million). However, as it is now apparent that the higher input costs, particularly gas oil, will feature for some time to come, it was necessary to increase the Group's restoration provisions by £1.5 million. Additionally the difficult geological conditions at Glenmuckloch and Muir Dean required a write down of the Group's work in progress provisions of some £4.1 million. This together with other small exceptional charges resulted in a pre-tax loss of £5.8 million (2010: profit £4.0 million) and a basic loss per share from continuing operations of 11.5 pence (2010: earnings of 6.3 pence).

Dividend

Given the impact of the legacy contracts and the level of exceptional charges this year, the Board will not be recommending the payment of a final dividend. However, the Board will continue to review the situation and remains committed to delivering a progressive dividend to shareholders in the future.

Carbon Reduction Commitment

The Board maintains its view that the Group does not qualify for inclusion in the Government's new Carbon Reduction Commitment Scheme ("CRCS") and decided not to register for the Scheme. However, as announced on 14 June 2011, the Department of Energy and Climate Change ("DECC") has subsequently issued ATH with an enforcement notice, asserting a failure to register as a participant in the first phase of the CRCS, which the Group is appealing. Central to the issue is whether or not the electricity consumed by ATH's conveyor, which transports coal from its Glenmuckloch site to its railhead at New Cumnock some twelve kilometres away, is exempt from CRCS. The appeal was heard on 7 and 8 November 2011 and a decision is expected in early 2012. The cost to the Group should its appeal fail will be in the order of £1.4 million for each of the three years from April 2011. The Group will update the market as appropriate.

Takeover talks

During the year the Group was approached by a third party with a view to possibly acquiring ATH. The Board fully co-operated with the third party over several months in order to achieve the best possible outcome for its shareholders but ultimately could not agree a basis on which the transaction could proceed. Offer talks were terminated on 13 September 2011.

Banking and restoration bond facilities

During the year the Group was able to successfully renegotiate its banking facilities, increasing the facility available and extending the duration to 31 May 2013.

As the Group opens a new site it has to provide the local authority with an insurance bond to cover the liability of restoring the site in the event that the Group fails to do so. Recently this market has tightened considerably with one of the Group's main providers withdrawing from the market and a second provider reducing its participation. Maintaining an appropriate level of bonding will be one of the main challenges facing the Group in the coming year. However, the Board has recently negotiated additional facilities with its existing providers and is confident that the necessary bonding facilities will be available as and when required for both existing and new sites.

The Board

In July 2010 the Board decided that my position as Non-Executive Chairman should become Executive in order to oversee the transition to a new management team following the departure of the former Chief Executive, Tom Allchurch, and Finance Director, Steven Beaumont. Their replacements, Alistair Black and Andrew Weatherstone, have now been in their posts for over twelve months and together have conducted a thorough review of the business and renegotiated the Group's banking facilities. The Board is satisfied that the transition to the new management team is complete and that I can resume my previous role as Non-executive Chairman. This change will take effect from the date of the Annual General Meeting on the 29th February 2012.

The Group's Senior Non-executive Director, Vaughan Williams, has decided to retire from the Board and will step down at the Annual General Meeting. The Board would like to join me in thanking Vaughan for his valuable contribution over the last seven years and in wishing him well for the future.

Tim Stokeld will become the Senior Independent Director and will chair the Audit and Remuneration Committees.

Outlook

Production is planned to continue at around current levels with the Group's strategy focused on delivering as much of the legacy contracts as possible whilst continuing to comply with its commitments to its banks and shareholders and further reductions in debt.

Following the successful renegotiation of one of the Group's remaining legacy contracts, the Board expects a continued rise in average selling prices and turnover. However, it recognises that the Group is exposed to movements in commodity prices and should the recent disconnect between rising gas oil prices and falling coal prices continue margins will be impacted. The new mine at Netherton is now in full production as planned and Duncanziemere, which has recently commenced coaling, is performing satisfactorily and will progressively increase production throughout the coming year.

Looking to the longer term, the Group continues to develop and invest in new sites in order to increase its reserve base and to strengthen the business going forward.

David Port

Executive Chairman

Chief Executive's statement

Review of the Period

Following my appointment as Chief Executive in July 2010, greater emphasis has been placed on fulfilling the supply of tonnage due under legacy contracts and the reduction of debt, both of which will improve future shareholder value in the longer term. Given the increased costs of production, a review of both current and identified potential future sites has been undertaken with increased focus on mining lower ratio, higher quality coal reserves. Whilst several cost-saving initiatives targeted at reducing the Group's operating cost structure are beginning to take effect, the major challenge for the Group remains the continued escalation in the price of gas oil at a time when income is constrained by the impact of fixed price sales contracts and a reduction in international coal prices.

Operational review

Revenue for the period was £84.2 million (2010: £78.3 million) from 1.67 million tonnes (2010: 1.79 million tonnes). Average selling prices increased by 15% to £50.43 per tonne (2010: £43.70 per tonne), benefiting not only from increases in the international market price of coal but also from an improved mix. This policy has helped mitigate the impact of rising input costs and the unexpected geological conditions at Glenmuckloch and increased old workings at Muir Dean.

Alongside these operational challenges, the Group was faced with a rise of 28% in the price of gas oil, its single largest input cost. Prices have risen by a further 5% since the year end, in part driven by adverse movements in the value of the US Dollar. Furthermore, following an increase in international rubber prices, the cost of replacement tyres has increased by 15% in the second half of the year with further rises anticipated during 2012.

During the year the Group invested some £8.0 million in successfully opening its new operation at Netherton. Although quantities of heat affected coal in the initial areas impacted on both volume and quality, this site contributed nearly 30% of the Group's total production in the past financial year. With the site now in full production and operations having advanced away from the heat affected areas, Netherton is expected to account for over 37% of the current year's production.

In spite of these challenging conditions the Group was still able to report an operating profit before exceptional charges of £3.0 million (2010: £7.0 million).

After making capital investments of £10.6 million, the Group has continued to reduce debt to £31.5 million, a reduction of £3.0 million in the year. This is the third consecutive year debt levels have reduced.

Legacy contracts

One of the features of the Group's business is the supply of coal contracted to the Electricity Supply Industry ("ESI") at fixed prices which are below current market prices. Since the year end the Group has been able to successfully renegotiate improved terms for one of these contracts which will increase average selling prices.

This year over 32% of sales volumes were supplied to satisfy these contracts. It remains a key priority for ATH to meet these commitments as quickly as possible. Consequently the Group remains on track to complete the first of these contracts in March 2012 with a second due to be completed the following year. Legacy volumes will then fall to around 15 percent of annual sales volumes.

Coal reserves and mine development

Following the successful opening of Netherton, the Group commenced its initial site preparations to develop Duncanziemere, which is expected to become fully operational this year. In addition, the Group was successful in achieving planning permission for extensions at Glenmuckloch and Muir Dean for 505,000 tonnes and 350,000 tonnes respectively, both of which form part of current production plans.

Coal reserves at the end of the 2011 financial year:

SITE	PROVED Tonnes '000'	PROBABLE Tonnes '000'	TOTAL Tonnes '000'
Netherton	1,550	650	2,200
Duncanziemere	750	-	750
Glenmuckloch	650	-	650
Muir Dean	950	850	1,800
Rigg	1,100	900	2,000
Other	-	500	500
	5,000	2,900	7,900

As at 2 October 2011 the Group had 5.0 million tonnes proved reserves (2010: 6.1 million tonnes) and probable reserves of 2.9 million tonnes (2010: 2.5 million tonnes).

The table above, relating to exploration results, mineral resources or mineral reserves is based upon information compiled by Peter Morgan, a full time employee of the Group who is a Fellow of the Institute of Materials, Minerals and Mining. Mr Morgan has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration. He has reviewed and consents to the inclusion in this report of the matters based on his information in the form and context in which they appear. A glossary of terms is available on the Group's website www.ath.co.uk.

In addition to the table above, estimated resources in excess of 11 million tonnes have been secured through various licence agreements for sites where additional geological and planning work is required to confirm with a reasonable level of certainty the tonnages available to mine.

The Group is anticipating bringing forward over 2 million tonnes into the planning process during the next twelve months.

Coal prices

International coal prices rose sharply in the first half of last year to a peak of \$130 per tonne but have since fallen back by around 20%. The evident disconnect between coal and oil prices over the past few months will, if it persists, put further pressure on margins for the Group; however, the recent renegotiation of one of the Group's remaining legacy contracts will help alleviate the potential impact.

Health and safety

The Board understands the potential hazardous nature of the work undertaken in surface mining. The Group takes its responsibilities for health and safety very seriously and strives to continually improve the safety levels in all of its operations.

ATH has been successful in maintaining its RoSPA Gold award and OHSAS accreditation from BSI for health and safety standards in 2011, recognising the Group's continued commitment to creating the safest possible working environment.

Each Mine Manager has the necessary qualifications and competence to manage operations safely and has assistance from a dedicated Health and Safety Manager.

Regular training is provided to employees in respect of the Group's procedures with 85% of the Group's workforce attaining grade NVQ level 2, delivered by our own accredited training centre.

Staff

The Board would like to join me in thanking all of our management and employees for their unstinting efforts and support throughout this challenging period.

Summary

The Group is expecting an improved performance in the current year, together with further reductions in bank debt. However, the trading environment remains a challenging one, with the high cost of gas oil expected to continue and, in the short term, coal prices easing from their earlier peak.

Alistair Black

Chief Executive

Financial review

The consolidated financial statements for the Group, which are prepared in accordance with EU adopted International Financial Reporting Standards (“IFRS”), are presented for the 52-week period ended 2 October 2011.

Performance

Group sales for the period were £84.2 million (2010: £78.3 million), an increase of 8%. Sales volumes were 1.67 million tonnes (2010: 1.79 million tonnes) including 530,000 tonnes supplied to legacy contracts.

Notwithstanding the impact of these below market price legacy contracts, the average sales price per tonne rose by 15% to £50.43 per tonne (2010: £43.70 per tonne), assisted by an improved sales mix and a buoyant international coal price, which rose by over 40% compared to the previous year’s average price.

Input cost increases significantly impacted the Group’s operating margins, with increases in the cost of gas oil (of approximately 28% year on year) being the main driver. The Group’s hedging strategy did, however, help to reduce fuel costs by £0.5 million. In addition the average mining ratio at which the Group operates increased during the year leading to a rise in the unit cost of production to £43 per tonne (2010: £35 per tonne).

During the year the Group exercised its option to take £2.0 million of royalties under its agreement with RecyCoal Limited. This necessitated an associated goodwill write off of £1.65 million.

Overall pre-exceptional operating profits fell by £4.0 million to £3.0 million (2010: £7.0 million).

There have been a number of largely non-cash exceptional charges during the year, which in total amounted to £6.2 million:

- adjustments to work in progress balances of £4.1 million at Muir Dean and Netherton to reflect the increase in mining ratios after encountering unexpected geological conditions and increased old workings;

- increases to restoration provisions of £1.5 million reflecting the rise in operational costs; and
- provision for additional PAYE of £0.6 million arising from an under deduction in respect of allowances paid to a small number of employees over a number of years.

Consequently the overall loss before tax from continuing operations was £5.8 million (2010: profit of £4.0 million).

Financing costs

Interest costs on borrowing fell by £0.1 million to £2.0 million, reflecting the fall in level of net debt, representing an effective interest rate of 5.5%. The non-cash element of financing charges of final void discount and unrealised differences on interest rate hedges fell by £0.2 million to £0.7 million, making a total reduction in financing costs of £0.3 million.

Taxation

The Group paid £0.4 million in tax during the year in respect of prior years. There was a tax credit for the year of £1.2 million giving an effective rate of 20.8%, compared to the standard rate of 27%. The level of tax credit was lower than expected due to the goodwill write off of £1.65 million in respect of RecyCoal Limited not being deductible for tax purposes.

At 2 October 2011 the Group had unused trading losses in excess of approximately £3.5 million to offset against future profits.

Earnings and dividends per share

Earnings per share in respect of continuing operations before exceptional items were Nil pence (2010: earnings of 6.3 pence). After taking into account exceptional items the Group recorded a loss per share of 11.5 pence (2010: earnings of 6.3 pence). A final dividend of 2 pence per share was paid in January 2011 in respect of the prior financial year. In light of the loss for the year it is the intention of the Board not to recommend the payment of a dividend in respect of the current year.

IFRIC 20 'Stripping Costs in the Production Phase of a Mine'

This guidance was published in final form in October 2011 and will be applicable for accounting periods commencing after January 2013. Following the revision to the Group's accounting policy in respect of work in progress (deferred stripping costs) in

the previous year, the Board does not believe that the adoption of IFRIC 20 will have a material impact on the Group's performance. However, IFRIC 20 requires the deferred stripping costs to be classified as a non-current asset. This will necessitate a reclassification of the Group's work in progress balance, which is at present included in current assets, when the Group implements IFRIC 20 once it is formally adopted by the EU.

Cash flow and borrowings

Overall total net borrowings including hire purchase obligations reduced by £3.0 million to £31.5 million, which compares to a peak of over £45.0 million three years ago. Net bank borrowings amounted to £18.6 million (2010: £17.6 million).

Cash generated from operations improved to £16.2 million from £12.7 million last year which helped fund the increase in capital expenditure which amounted to £10.6 million (2010: £7.3 million); this was slightly lower than planned following a delay to the start of the Duncanziemere site.

The Group successfully renegotiated its revolving credit facility with its existing lenders extending it to 31 May 2013. In addition the facility was increased to provide £23.5 million until May 2012 from which time it reduces in stages to £19.0 million by the end of September 2012. Further reductions are then phased to reduce the facility to £16.0 million by the end of April 2013.

Going concern basis

These financial statements are prepared on the basis that the Group is a going concern. In forming its opinion as to going concern, the Board prepares forecasts and projections based upon detailed assumptions in particular with regard to levels of coal production and the key risks and uncertainties, together with the level of borrowings and other facilities made available to the Group. The Board also takes account of reasonable possible changes in trading performance to determine whether the Group should be able to operate within its current level of facilities. Key factors that have been considered are:

- recent performance has demonstrated the impact of unpredictable geological conditions on production volumes. Further shortfalls of production could lead to a potential material adverse impact on cash and profitability;

- the Group requires adequate restoration bond facilities to continue to operate both existing and new sites. Recently the number of bond providers providing surety in this market has reduced with one withdrawing from the market completely and another significantly curtailing its participation. Shortage of bond facilities could lead to the Group not being able to operate at planned levels of production and failure to renew a bond could result in a claim on the Group under the terms of its counter indemnities given to the bond providers. However, the Group has recently negotiated additional facilities with its existing providers and is confident that the necessary bonding facilities will be available as and when required;
- bank facilities have recently been renegotiated, providing a facility through to 31 May 2013. The facility is at a level of £23.5 million, with scheduled reductions commencing May 2012 onwards reducing the facility to £19.0 million by September 2012 and then to £16.0 million in April 2013. These facilities contain performance covenants including interest cover, debt to borrowing ratio and debt service ratio, which if breached could lead to a need to renegotiate terms or in the extreme case, a reduction or withdrawal of the facilities concerned; and
- sales price in respect of a number of contracts are floating and based upon the international price of coal, creating a risk of unpredictability in revenues and cash.

The Board recognises the material uncertainties noted above but, based upon information available to it at the date of approval of these financial statements, confirms its belief that it is appropriate to use the going concern basis of preparation for these financial statements.

A P Weatherstone
Group Finance Director

Consolidated income statement
for the year ended 2 October 2011

	Note	2011			2010		
		Before exceptional items £000	Exceptional operating items £000	Total £000	Before exceptional items £000	Exceptional operating items £000	Total £000
Continuing operations							
Revenue		84,166	—	84,166	78,307	—	78,307
Cost of sales		(71,434)	(6,230)	(77,664)	(62,520)	—	(62,520)
Gross profit		12,732	(6,230)	6,502	15,787	—	15,787
Other operating income		2,082	—	2,082	73	—	73
Administrative expenses		(10,139)	—	(10,139)	(8,906)	—	(8,906)
Impairment of goodwill		(1,650)	—	(1,650)	—	—	—
Operating profit/(loss)		3,025	(6,230)	(3,205)	6,954	—	6,954
Finance costs		(2,641)	—	(2,641)	(2,966)	—	(2,966)
Profit/(loss before taxation)		384	(6,230)	(5,846)	3,988	—	3,988
Tax credit/(expense)		(410)	1,628	1,218	(1,461)	—	(1,461)
Profit/(loss) for the year from continuing operations		(26)	(4,602)	(4,628)	2,527	—	2,527
Discontinued operations							
Loss for the year from discontinued operations	4	—	—	—	(4,294)	—	(4,294)
Loss for the year attributable to ordinary shareholders		(26)	(4,602)	(4,628)	(1,767)	—	(1,767)
(Loss)/earnings per share							
From continuing and discontinued operations							
Basic	5			(11.5)p			(4.4)p
Diluted	5			(11.5)p			(4.4)p
From continuing operations							
Basic	5			(11.5)p			6.3p
Diluted	5			(11.5)p			6.2p

There is no income or expense other than as stated in the consolidated income statement.

Consolidated balance sheet

as at 2 October 2011

Company number 4928463

	Note	2011 £000	2010 £000
ASSETS			
Non-current assets			
Intangible assets		3,763	5,413
Property, plant and equipment		67,214	67,097
		70,977	72,510
Current assets			
Inventories		11,463	11,925
Trade and other receivables		14,988	11,257
Cash and cash equivalents		498	2,353
		26,949	25,535
Total assets		97,926	98,045
LIABILITIES			
Current liabilities			
Trade and other payables		(15,155)	(11,227)
Tax liabilities		—	(407)
Financial liabilities	7	(5,617)	(6,335)
Final void provision		(3,048)	(2,315)
		(23,820)	(20,284)
Non-current liabilities			
Financial liabilities	7	(26,175)	(30,309)
Final void provision		(23,706)	(16,498)
Deferred tax liabilities		(2,008)	(3,254)
		(51,889)	(50,061)
Total liabilities		(75,709)	(70,345)
Net assets		22,217	27,700
EQUITY			
Share capital		200	200
Share premium		27,855	27,855
Retained losses		(5,838)	(355)
Total equity		22,217	27,700

The preliminary results announcement was approved by the Board of Directors and authorised for issue on 25 January 2012

Consolidated cash flow statement
for the year ended 2 October 2011

	Note	2011 £000	2010 £000
Cash flows from operating activities	6		
Cash generated from operations		16,172	12,736
Interest paid		(1,957)	(2,058)
Tax paid		(435)	(1,806)
Net cash from operating activities		13,780	8,872
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		561	438
Net proceeds from the sale of ATH Regeneration assets		—	6,258
Purchases of property, plant and equipment		(10,585)	(7,288)
Net cash used in investing activities		(10,024)	(592)
Cash flows from financing activities			
Dividends paid		(801)	(2,865)
Repayment of borrowings		(1,000)	(14,335)
Payment of finance lease liabilities		(8,076)	(11,247)
New asset-backed finance raised		4,266	8,501
Drawings from new revolving credit facility		—	19,238
Net cash used in financing activities		(5,611)	(708)
Net (decrease)/increase in cash and cash equivalents		(1,855)	7,572
Cash and cash equivalents at beginning of year		2,353	(5,219)
Cash and cash equivalents at end of year	6	498	2,353

1. Basis of accounting

The financial information included in this preliminary results announcement does not constitute statutory accounts of the group for the 52 weeks ended 2 October 2011 and 3 October 2010 but is derived from those accounts. Statutory accounts for 2010 have been delivered to the Registrar of Companies and those for 2011 will be delivered in due course. The auditor has reported on the 2011 accounts; their report was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The preliminary results announcement has been prepared in accordance with the accounting policies adopted in the financial statements which were approved by the Board of Directors on 25 January 2012 and which were prepared on the historical cost basis, except for the revaluation of certain financial instruments, which are carried at fair value.

2. Accounting period

The Company has drawn up its accounts for the 52 week period to 2 October 2011 (2010: 52 week period to 3 October 2010).

3. Exceptional items-continuing operations

Items that are non-recurring and whose significance is sufficient to warrant separate disclosure and identification within the financial statements are disclosed as exceptional items within their relevant income statement category. During the year the Group has incurred the following exceptional operating items:

	2011 £000	2010 £000
Write off of work in progress in respect of the Glenmuckloch and Muir Dean sites	4,067	—
Increase in provision for future restoration work	1,563	—
Provision for additional payroll taxes in respect of prior years	600	—
	6,230	—

Unexpected geological conditions were encountered at both the Glenmuckloch and Muir Dean sites during the year. As a result remaining coal reserves were much lower than previously expected, which increased the ratio of overburden to coal for each site. Work in progress balances have been adjusted accordingly.

Following a significant increase in certain operating costs, particularly gas oil, the Group has examined its unit cost rates applied to the estimated volume of overburden to be restored at the end of the productive life of each mine. As a result future cost rates have been amended, resulting in a requirement to increase in the Group's restoration provisions. This review was undertaken in conjunction with an independent evaluation of the Group's restoration liabilities.

A review of the Group's payroll procedures and systems showed that there had been an under deduction of PAYE on some allowances paid to a small number of individuals over a number of years. The Group has made provision to cover the expected liability.

4. Discontinued operations

On 29 July 2010, the Group disposed of the business assets of ATH Regeneration Limited, which specialised in the recovery of coal through the washing of redundant coal tips and its subsequent sale to UK electricity generators.

The disposal was to a newly formed company, RecyCoal Limited, which is funded by a European based private equity fund. Among the shareholders of RecyCoal Limited are Mr Tom Allchurch, the Group's Chief Executive prior to the disposal and a Non- executive Director until 18 January 2011, and Mr Steven Beaumont, the Group's Finance Director, until 30 September 2010.

The consideration received for the assets was £6,500,000, resulting in a loss on disposal of £1,136,000 together with an associated write off of goodwill of £2,244,000.

The Group entered into a licence agreement with RecyCoal Limited to exclusively license the intellectual property of the unique coal processing technology, ownership of which is retained within the Group.

Analysis of the loss for the year from discontinued operations

	2011 £000	2010 £000
Cash flows from discontinued operations		
Net cash flows from operating activities	—	(5,455)
Net cash flows from investing activities	—	3,015
Net cash flows from financing activities	—	(426)
Net cash flows	—	(2,866)

	2011 £000	2010 £000
Revenue	—	—
Other operating income	—	11
Expenses	—	(1,573)
Loss on sale of business assets	—	(1,136)
Goodwill amortisation associated with disposal	—	(2,244)
Loss before tax	—	(4,942)
Attributable tax expense	—	648
Loss for the year attributable to discontinued operations	—	(4,294)

5. Earnings per share

Basic and diluted earnings per share

Basic (loss)/earnings per share is calculated by dividing the loss attributable to shareholders by the weighted average number of ordinary shares in issue during the period.

For diluted (loss)/earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive ordinary shares. The potential dilutive ordinary shares relate to those options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares at the balance sheet date.

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	2011 £000	2010 £000
Loss for the year used in the calculation of basic and diluted earnings per share	(4,628)	(1,767)
Loss for the year from exceptional items	4,602	—
Loss for the year from discontinued operations	—	4,294
(Loss)/earnings used in the calculation of basic and diluted earnings per share from continuing operations	(26)	2,527

The weighted number of ordinary shares used in the calculation of basic and diluted earnings per share on continuing operations only are as follows:

	2011 Number 000	2010 Number 000
Weighted number of ordinary shares for the purpose of basic earnings per share	40,075	40,075
Effect of dilutive potential ordinary shares from share options	—	875
Weighted number of ordinary shares for the purpose of diluted earnings per share	40,075	40,950

There are 2,297,000 (2010: Nil) potential dilutive ordinary shares on continuing and discontinued operations, which have been disregarded in the above as they are anti-dilutive.

The (loss)/earnings per share on continuing operations only are as follows:

	2011 pence	2010 pence
From continuing operations	(11.5)p	6.3p
From continuing operations before exceptionals	(0.0)p	6.3p

6. Cash generated from operations

	2011 £000	2010 £000
(Loss)/profit before tax on continuing operations	(5,846)	3,988
Loss before tax on discontinued operations	—	(4,942)
Adjustments for:		
Finance costs	2,641	2,966
Depreciation of property, plant and equipment	13,977	13,758
Loss on disposal of fixed assets	52	3,380
Impairment of goodwill	1,650	—
Share-based payment (credit)/expense	(54)	72
Operating cash flows before movements in working capital	12,420	19,222
Decrease in inventories	462	203
Increase in receivables	(3,731)	(1,636)
Increase/(decrease) in payables and provisions	7,021	(5,053)
Cash generated from operations	16,172	12,736

For the purpose of the cash flow statement, cash and cash equivalents comprise the following:

	2011 £000	2010 £000
Cash and cash equivalents	498	2,353

Analysis of net debt

	3 October 2010 £000	Net cash flow £000	2 October 2011 £000
Cash at bank and in hand	2,353	(1,855)	498
Debt due after one year	(30,676)	3,966	(26,710)
Debt due within one year	(6,175)	844	(5,331)
Total debt	(36,851)	4,810	(32,041)
Net debt	(34,498)	2,955	(31,543)

7. Financial liabilities

	2011 £000	2010 £000
Current		
Obligations under finance leases and hire purchase contracts	5,331	6,175
Derivative financial instruments	286	160
	5,617	6,335

Non-current	2011	2010
	£000	£000
Drawings under revolving credit facility	19,000	20,000
Obligations under finance leases and hire purchase contracts	7,710	10,676
Derivative financial instruments	—	197
	26,710	30,873
Unamortised cost of borrowings	(535)	(564)
	26,175	30,309

8. Consolidated statement of changes in equity for the year ended 2 October 2011

	Called up share capital £000	Share premium account £000	Retained earnings £000	Total equity shareholders' funds £000
At 4 October 2009	200	27,855	4,205	32,260
Loss for the year	—	—	(1,767)	(1,767)
Other comprehensive income for the year	—	—	—	—
Total comprehensive income for the year	—	—	(1,767)	(1,767)
Transactions with equity shareholders				
Adjustment in respect of share-based payments	—	—	72	72
Dividends paid	—	—	(2,865)	(2,865)
Total transactions with equity shareholders	—	—	(2,793)	(2,793)
At 3 October 2010	200	27,855	(355)	27,700
Loss for the year	—	—	(4,628)	(4,628)
Other comprehensive income for the year	—	—	—	—
Total comprehensive income for the year	—	—	(4,628)	(4,628)
Transactions with equity shareholders				
Adjustment in respect of share-based payments	—	—	(54)	(54)
Dividends paid	—	—	(801)	(801)
Total transactions with equity shareholders	—	—	(855)	(855)
At 2 October 2011	200	27,855	(5,838)	22,217

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