Presented pursuant to paragraph 15(1) of schedule 1 to the Coal Industry Act 1994

Coal Authority Account 2005-2006

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Operating and Financial Review

Introduction

The Operating and Financial Review (OFR) describes the work of the Authority for the year together with the future plans for the various activities undertaken. It aims to improve the quality of financial and non-financial information given to stakeholders.

Functions, Duties, Powers and Prohibitions of the Coal Authority

The Authority was established by the Coal Industry Act 1994 'the Act' and became a legal entity on 19 September 1994: it assumed its functions on 31 October 1994. These functions are set out in Section 1 of the Act as

- holding, managing and disposing of interests and rights in or in relation to the unworked coal and other property which is transferred to, or otherwise acquired by it under this Act;
- carrying out functions with respect to the licensing of coal mining operations;
- carrying out functions with respect to coal mining subsidence and in connection with other matters incidental to the carrying on of any opencast or other coal-mining operations;
- facilitating the establishment and maintenance of arrangements for the information to which persons are to be entitled under this Act to be made available to them; and
- carrying out the other functions conferred on it by virtue of this Act.

Duties

Under the Act, the Coal Mining Subsidence Act 1991 'the 1991 Act', the Water Act 2003 'the 2003 Act' and the Water Services etc. (Scotland) Act 2005 'the 2005 Act' the Authority has a number of specific duties, powers and prohibitions. These cover broadly the following

Licensing and Leasing Coal

To carry out its functions in the manner that it considers is best calculated to secure, so far as practicable, the maintenance and development, by those licensed to carry on coal mining operations, of an economically viable coal mining industry in Great Britain; that licensees are able to finance their operations and discharge liabilities arising from those operations; and that licensees make reasonable financial provisions to meet subsidence liabilities.

To have regard to the desirability of securing that licensees have the appropriate experience and expertise, and of promoting competition between operators.

To have regard to the subsidence damage that may be caused by coal mining operations and to the character and use of the land which may be affected.

To act in conformity with an agreement with the Health and Safety Executive for securing co-operation and the exchange of information.

Property Management and Disposal

To have regard to the need to co-ordinate with its licensing functions the Authority's practices when leasing coal and disposing of land.

To have regard to the need to secure the safety of the public.

To have regard to the desirability of economically viable coal bed methane exploitation.

So far as is practicable, to dispose of, on the best terms reasonably available, land and property that is not needed by the Authority.

Subsidence

To fulfill all its duties under the Act and the 1991 Act, especially its duties as a 'responsible person', including remedying subsidence damage and associated duties in relation to blight and inconvenience during works. To provide information required under the Act.

Provision of Information

To compile and maintain registers of information, and to make information available where this does not breach requirements of confidentiality.

Directions by the Secretary of State

The Authority must comply with any general or specific direction by the Secretary of State as to the carrying out of its functions or its activities.

Powers and Prohibitions

The Authority has powers to do anything which it considers will facilitate or is conducive or incidental to the carrying out of its functions.

The Authority does not have the power to carry out mining operations for commercial purposes or with a view to itself using any coal or product of coal obtained thereby. It may not explore for coal itself, nor take any steps to obtain planning permission or other authorisations required for carrying on coal mining operations.

The Authority may not acquire land or shares in any body corporate, or lend money nor provide security for a loan, without the agreement of the Secretary of State.

The 2003 Act and the 2005 Act give the Authority powers of entry and compulsory purchase when mitigating the effects on discharges of minewater from coal mines.

Mission

The mission of the Authority is to facilitate the proper exploitation of the Nation's coal resources, whilst providing information and addressing liabilities for which the Authority is responsible, in a professional, efficient and open manner.

High Level Objectives

To meet its mission a set of high level objectives have been adopted which are regularly reviewed and which were subject to some change during the year

1. To maximise the economic benefit, and contribution to security of supply, from the UK's coal reserves.
2. To be the leading public sector provider of property conveyance information.
3. To have regard for the safety of individuals and their property in so far as they may be affected by the legacy of the coal-mining industry and its continuing activities.
4. To be an exemplar e-business public body.

5 To manage effectively the Authority's land and mineral estate and the liabilities/responsibilities associated therewith.

6 To implement expeditiously schemes to treat all anticipated and existing minewater discharges in compliance with the requirements of the European Water Framework Directive.

7 To seek out and exploit commercial opportunities, in accordance with the Government's Wider Markets Initiative, which are within the Authority's *vires* and ambit.

Performance against Targets

The Authority is commissioned to fulfill its four primary functions in an efficient and cost effective manner, within the limits of the resources it has at its disposal. This objective was met during the year as its activities were financed from within the budget.

The Authority monitors the overall effectiveness of customer delivery and progress against objectives through a suite of key performance indicators. All but two of the key performance indicators for 2005-2006 were met. Work commenced to remediate seven minewater discharges against the target of eight and the payment of invoices within contractual terms was 99 per cent against the target of 100 per cent. The following table provides the outturns for the year and the targets for the three succeeding years.

Key Performance Indicators and Targets Summary

Year ended 31 March		**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Operational mines to be inspected on a risk based analysis	Target	100	100	100	100	100	**100**	100	100	100
	Outturn	100	100	100	100	100	**100**			
First inspection of residential subsidence claims within five weeks (per cent)	Target	98	Note 1							
	Outturn	100								
First inspection of residential subsidence claims within four weeks (per cent)	Target		90	94	97	100	**100**	100	100	100
	Outturn		99	99	100	100	**100**			
Communicate decision on residential subsidence claims to claimant within four weeks (per cent)	Target	96	Note 2							
	Outturn	100								
Communicate decision on residential subsidence claims to claimants within three weeks (per cent)	Target		90	94	97	98	**98**	99	99	99
	Outturn		99	99	98	100	**99**			
Requests for mining reports responded to within two working days (per cent)	Target	82	85	85	87	89	**91**	93		
	Outturn	87	78	84	97	96	**94**			
Requests for mining reports responded to within five working days (per cent)	Target	95	95	95	95	98	**98**	98		
	Outturn	97	98	98	99	98	**98**			
Commence site works to remediate four minewater discharges annually (per cent)	Target	100	100	Note 3						
	Outturn	100	100							
Commence site works to remediate six minewater discharges annually (per cent)	Target			100	Note 4					
	Outturn			100						
Commence site works to remediate eight minewater discharges annually (per cent)	Target				100	100	**100**	Note 5		100
	Outturn				100	88	**88**			
Commence site works to remediate one minewater discharge annually (per cent)	Target							100	100	Note 5
	Outturn									
All valid invoices to be paid within contract terms (per cent)	Target	100	100	100	100	100	**100**	100	100	100
	Outturn	94	94	99	99	99	**99**			

Note 1 Due to the consistent high standards achieved against this target, the five weeks criterion has been reduced to four weeks.

Note 2 Due to the consistent high standards achieved against this target, the four weeks criterion has been reduced to three weeks.

Note 3 The minewater remediation target was increased to six schemes annually.

Note 4 The minewater remediation target was increased to eight schemes annually.

Note 5 The minewater remediation target has been reduced to one scheme per annum until 2008-2009 due to funding restrictions.

Review of activities

Introduction

A detailed review of the activities of each of the Authority's functions together with an outlook for the future is set out in the following paragraphs. A summary of the financial results for each function is given in Note 3 to the Financial Statements.

Licensing

Applications

During the year 41 new applications were made to the Authority for licences and agreements to enter its coal, an increase of ten (32 per cent) from the previous year and a welcome upturn from the decline of previous years.

English applications remained constant and the increase in activity was due to applications in Scotland increasing by 13 offset by a decrease of three in Wales.

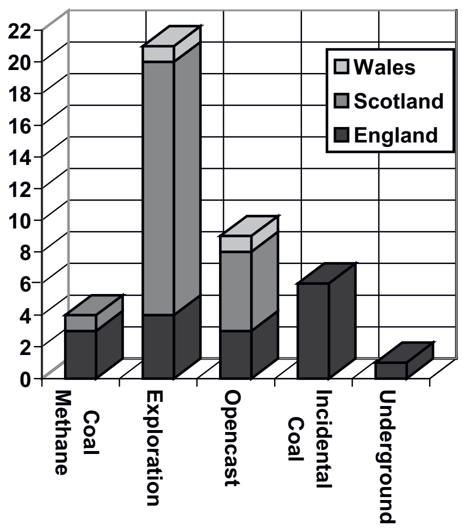
As in previous years applications related to new projects as well as the continuation of existing operations where previous permissions had expired.

Exploration applications increased sharply with 21 being received compared with only 12 the previous year. There was also renewed opencast activity with a rise to nine applications from five last year.

After the surge of activity in the coal methane sector last year the number of applications dropped from eight to four and underground applications also decreased to one, this relating to the re-opening of Hatfield Colliery. A breakdown of the applications received is shown in Figure 1.

During the period the Authority also received applications for some 28 variations to existing licences and agreements. These variations included changes or additions to licence areas, assignments to different operators and extensions to the licence period.

Figure 1



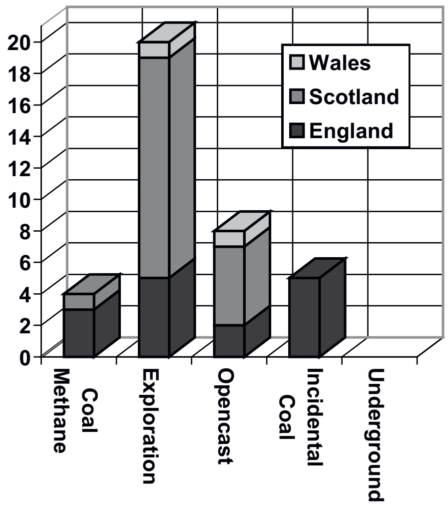
Applications received in 2005-2006

Licences and Agreements granted

There were 37 licences and agreements granted during the year which was an increase of four from last year. In addition eight leases were granted in conjunction with opencast operating licences containing potentially 5.2 million tonnes of recoverable coal.

Figure 2 shows details of the licences and agreements granted in the year ended 31 March 2006.

Figure 2



Licences/Agreements granted in 2005-2006

Coal production

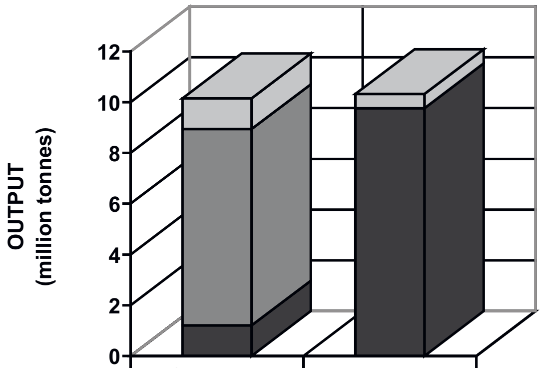
Coal production in the financial year was 20.5 million tonnes, down on the previous year by 2.8 million tonnes (12 per cent). There was a fall in output in both the opencast and underground sectors, opencast decreasing by 1.6 million tonnes (14 per cent) to 10.2 million tonnes and underground decreasing by 1.2 million tonnes (10 per cent) to 10.3 million tonnes. The decline was mainly due to reductions in both English opencast and underground output of 1.5 and 1.3 million tonnes respectively. Scottish opencast output increased by 0.1 million tonnes with Welsh opencast down 0.2 million tonnes and underground output up 0.1 million tonnes.

At 31 March 2006 there were 5,903 persons employed at 29 producing opencast sites, 13 producing underground mines and two closed sites or collieries.

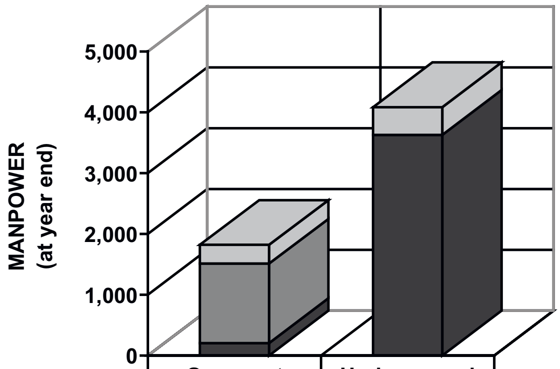
The production figures do not include coal produced from non-licensable activities such as tip washing and slurry recovery and also exclude output from sites with authorisation to dig and carry away coal in the course of non-coal mining activities. These sites, which include quarries, clay pits and industrial developments, produced some 6,525 tonnes of coal during the year.

The details of coal production and manpower declared to the Authority in the year ended 31 March 2006 are shown at Figure 3 below.

Figure 3



	Opencast	Underground
Wales	1.21	0.56
Scotland	7.74	
England	1.20	9.76



	Opencast	Underground
Wales	311	453
Scotland	1,304	
England	206	3,629

Assessment of Licensed Tonnage

The Authority has updated its assessment on that proportion of its coal resource which is licensed to operating companies within the United Kingdom.

The table below illustrates the approximate tonnage of coal reserves and resources in underground and opencast licences at 31 March 2006. It includes reserves and resources of coal within licence at operating underground mines and opencast sites and the coal within conditional licences and coal which, although still within licence, is located at closed mines and sites.

Assessment of Coal Reserves and Resources in Licence

Estimate of Reserves and Resources remaining in Licence in the U.K. (million tonnes)

Year ending	**Underground**			**Opencase**		
	Operating	*Closed**	*Conditional*	*Operating*	*Closed **	*Conditional*
March 2006	104	170	57	48	3	3

* 'Closed' underground mines and opencast sites are those where coaling operations have ceased but the licence remains valid

In addition to these figures there is 226 million tonnes of coal within the current underground licensed areas which could be worked but would require substantial investment.

Significant Licensing Issues in 2005-2006

Margam West

Applications for the Margam West coal reserves were received in late 2004/early 2005 and in September 2005, following the evaluation of competing applications, the Authority offered Corus UK Limited a conditional underground licence together with associated exploration licence and option for lease for the Margam West underground coal reserves in the Neath Port Talbot area of South Wales.

It was expected that Corus would then undertake a feasibility study to determine the viability of an underground mine but the company competing with Corus for the licence sought review of the Authority's decision. This appeal was heard by a panel of the Authority Board in December 2005 and the original decision upheld. The company applied for a judicial review of the decision which was refused.

Hatfield Colliery

The Authority has approved an application from Powerfuel plc to resume coal mining at Hatfield Colliery in 2007, more than two years after the closure of the mine, at Stainforth near Doncaster. At that time the Authority secured the mine entries with temporary caps. The company aims to produce 2 million tonnes of coal per year by 2009 and intends to construct a clean coal power station on the site.

Rossington Colliery

In the summer of 2005 UK Coal announced its intention to put Rossington Colliery into care and maintenance due to severe financial losses in recent years as a result of encountering adverse geological problems. The company ceased production at the Colliery at the end of March 2006. A proportion of the workforce will remain during the early part of the next financial year to salvage equipment and put the mine into care and maintenance while the company seeks to secure further investment to resume production at the mine.

Ffos-y-Fran

The National Assembly for Wales granted planning permission to Miller Argent (South Wales) Ltd in February 2005 for the Ffos-y-Fran Reclamation Scheme in Merthyr Tydfil following a public inquiry. The operation, the third and final phase of the "East Merthyr Land Reclamation Scheme', proposes to reclaim some 370 hectares of derelict land for productive and beneficial use and produce around 10.8 million tonnes of coal for use at the nearby Aberthaw power station throughout its life.

This grant of planning permission was challenged and the consent was quashed on judicial review by the High Court in December 2005. The Welsh Assembly has been given leave to appeal the decision.

Harworth Colliery

UK Coal announced in June 2006 its intention to put Harworth Colliery into care and maintenance due to being unable to secure a sales contract to justify the investment necessary to access further coal reserves.

Permits to Enter or Disturb Authority Mining Interests

During the year the Authority received 393 requests for permits to enter or disturb coal, mines of coal and other underground property in its ownership.

Following a recent review, it was decided to revise the fee structure for the granting of these permits to better reflect the costs incurred by the Authority in processing applications. Accordingly, new fee arrangements, along with simplified application procedures commenced on 1 April 2006.

Future activities

The Authority will maintain an effective licensing service including securing adequate financial security.

The Authority and the Health and Safety Executive have collaborated to introduce working arrangements which reflect the spirit of the Hampton Review recommendations in respect to the inspection of operational mine sites. These arrangements will commence in the year ending 31 March 2007.

Developments that could impact on the potential for further utilisation of the coal resource will be monitored and in the context of the 2006 Energy Review the Authority will foster an appreciation of the potential contribution of indigenous coal to secure and balanced energy needs.

Provision of information

Access to information

The Authority complies with the Code of Practice on Access to Government Information and is a 'responsible person' under the Environmental Information Regulations 2004. The Authority responds to all requests for information except where this is constrained by confidentiality. A publication scheme under the Freedom of Information Act 2000 (FOIA) was published in November 2002. This scheme complements the Authority's existing practices which adopt the principles set out in the Government paper "Modernising Government". Since full enactment of the FOIA on 1 January 2005, the Authority received 43 requests for information under the access provisions up to 31 March 2006. All have been complied with within the 20 working day time limit.

For subsidence damage claims and mining reports the Authority operates a freephone Public Information service which has worked well over the year. In addition, the Authority operates a central reporting service for hazards related to past coal mining.

The Authority undertakes to respond to requests for information within two weeks where possible, and within four weeks at most. If that is not possible, it will explain the reasons for the delay to the enquirer.

During the year the Authority received 45 letters from Members of Parliament and other public representatives, (2005 – 32 letters). The average time taken to reply to such letters was 8.8 days, with all responses being submitted within the 28 day target in the Code of Practice for Access to Government Information.

To enhance the public access to information or activities undertaken by the Authority, the World Wide Web page has been regularly updated and expanded during the year and this can be accessed on www.coal.gov.uk.

Mining Reports

The mining reports service provides information on past, present and future underground and surface coal mining activity for any individual property or site in Britain. It is a highly computerised service utilizing its Mining Reports and Surface Damage System (MRSDS) which draws on a unique database of coal mining information.

During the year the Authority produced 509,174 reports, marginally higher than last year and consistent with the slight recovery of the property market nation-wide. The majority of reports were provided to solicitors acting on behalf of people buying property in former coal mining areas. Increasingly reports were requested by third party private search companies offering one-stop-shop search services.

Customer Business Sector	Percentage of Overall Volume of Reports
National Land Information Service (NLIS)	17.9
Private Sector Search Companies	32.9
High Street Solicitors and Conveyancers	41.7
Finance Companies	3.5
Consultants	1.7
General Public	0.6
Other (including local authorities)	1.7

Mining Reports can be ordered and returned by post, fax or electronically via the internet and e-mail (www. coalminingreports.co.uk). They can also be ordered by telephone. A fully electronic link to the National Land Information Service (NLIS) provides a further channel for customers to order and receive mining reports. These electronic services remove the dependence on conventional mail delivery, and combined with alternative payment methods, have significantly improved efficiency. By 31 March 2006, 76.5 per cent of reports were being ordered and returned electronically against a target of 75 per cent.

The Authority works closely with its customers, their representatives and other key stakeholders, to keep aware of customer requirements and to further develop and improve its service. A questionnaire was issued to 1,000 of the Authority's most frequent customers in September 2005. 168 replies were returned from companies and the results were very encouraging with a 100 per cent satisfaction rating for the overall service provided, with 95 per cent rating both this and the overall turnround times of returning reports either excellent or good. Customers recorded a 99.5 per cent satisfaction rate for the friendliness, helpfulness, knowledge and efficiency of our staff in helping customers with their enquiries, with 91.5 per cent rating this as excellent or good.

Throughout the year, the Authority have been working in collaboration with British Geological Survey and the Cheshire Brine Subsidence Compensation Board on the development of a comprehensive and user-friendly ground stability report. This is effectively an extension to a mining search which will incorporate information about natural ground subsidence risk and brine subsidence claims data. The initiative is supported by customer and key stakeholder feedback, and driven by the Modernising Government agenda, the E-Conveyancing programme, Gershon efficiency requirements on public sector organisations and the introduction of Purchasers Information Packs in Scotland and Home Information Packs in England and Wales. It is expected to introduce the new service in Autumn 2006.

The planned phasing of mapping improvements by the Ordnance Survey's Positional Accuracy Improvement Programme was completed earlier in the year after a comprehensive five year programme of work. The Authority will now introduce extensive changes to its mining database to correlate them with the movement of surface mapping features. These moves will maintain the accuracy of the database by ensuring that the relativity between the improved mapping and the recorded mining features is preserved.

Research continued on the development of a technique for locating disused and hidden mine entries within the built environment. Field trials have been completed and results from both surface geophysical investigations and cross borehole techniques have been evaluated as part of the experimental testing programme. The Authority is now considering the production of a 'code of practice' to aid practitioners in the selection of appropriate geophysical techniques for locating mine entries in differing site conditions.

The Authority continues to search for and locate original and unique coal mining information to add to its comprehensive database records. Interaction with The National Archives, local and county records offices, private mining collections etc. allows the Authority to add new information to its already unprecedented library of coal mining circumstances.

The Authority submitted a proposal in response to the Environment Agency's procurement of information services through its proposed joint venture company. Negotiations continue with the Environment Agency.

Mining Heritage Centre

The Authority houses its collections of records in a purpose built Mining Heritage Centre which incorporates a visitors area where the publicly available records can be viewed.

Mining Records

The Mining Records section contains the coal mine abandonment plans and other mining records and during the year 886 visitors viewed the collections as against 944 visitors the previous year. All visits were made within four working days of application except at the visitor's own request.

The number of visitors viewing the electronically copied abandonment plans and British Coal photographs by means of computer terminals at Mansfield increased from 38.5 per cent to 65 per cent in the year.

The decrease in visitor numbers was offset by a 4 per cent rise in the number of written requests for information. The Authority received 1,792 requests for information which was the largest for a single year since the office moved to Mansfield. The total answered within four working days was 1,746 (97.4 per cent), just under the KPI of 98 per cent.

Scanning of abandonment plans is on-going with 70,113 plans now scanned. The overhead large scale high resolution scanning system, comprising six scan-back cameras was commissioned in October 2005 and so far 1,015 of the large/fragile plans in the collection have been scanned. The total amount of storage so far is approximately 70 terrabytes.

With regard to the other scanning work, the former National Coal Board/British Coal photographic collection has now been completed and is fully useable at the Mansfield Office. Recent publicity campaigns have brought an increased use of this service and this is expected to continue to rise as awareness grows. The scanning of the former British Coal Deep Mine prime geological data organised by the BGS has been completed and was received in April 2006. The information is available to view via the terminals in the Mining Heritage Centre.

The Authority undertook a contract to scan some 480 original Tythe Maps on behalf of Cheshire County Council. These maps form part of unique information dating back to the mid nineteenth century. The specialist large camera scanning system was used not only to produce a high quality digital copy of the maps as a contingency against the loss of paper plans but to also allow a Geographical Information System (GIS) to be developed.

Records Management

The Authority continues to respond promptly and efficiently to requests for paper records from a range of stakeholders and has introduced a Continual Service Improvement Programme (CSIP) with the objective of further improvement to the service provision.

A further release of the Authority's Electronic Documents and Records Management (EDRM) software was implemented which enhances the functionality of the system.

Future activities

In the year ending 31 March 2007 the Authority expects to complete an estimated 550,000 searches within one working day of receipt in 80 per cent of cases, in 2 working days in 93 per cent of cases and 5 working days in 98 per cent of cases. It anticipates issuing 80 per cent of mining reports electronically by 31 March 2007.

The national coal mining database will be maintained and updated, including the correlation of mining data, to match the Ordnance Survey's Positional Accuracy Improvement Programme.

An updated Law Society CON29(M) mining report service, in collaboration with the Cheshire Brine Subsidence Compensation Board will be introduced by Autumn 2006. At the same time the Authority will strengthen its products and introduce a Ground Stability Report to the market.

The Authority will initiate a review of the need for a major upgrade of the information delivery system in 2007.

The Authority will identify and seek to exploit commercial opportunities including the delivery of information for other bodies and the application of the large scale high resolution scanning system.

Subsidence

The Authority administers claims for coal mining subsidence damage from property owners throughout the coalfield areas of Britain, where it is the responsible person as defined by the Act. The private coal mining operators are responsible for administering subsidence claims which are attributable to their own mining operations within their defined Areas of Responsibility.

During the year, the Authority received 628 claims for alleged mining subsidence damage, a reduction of ten from the previous year. Of these claims, 339 were from owners of domestic residential properties, the remainder being associated with statutory undertakings and commercial, industrial and agricultural operations. The Authority resolved 624 claims during the year, leaving a balance of 460 claims outstanding at 31 March 2006.

All subsidence claims are now administered internally, which has improved the control of claim management and lowered the cost of subsidence claim administration.

The Authority maintains its contracts with consultants, who provide specialist advice on claims such as river and land drainage works, civil and structural engineering cases, and claims of an environmental nature. The Authority employs term contractors throughout the country to undertake building, structural, land drainage and other remedial works. These works are allocated to contractors following competitive tendering procedures.

The level of service provided to claimants is established by monitoring the number of justified complaints received from members of the public, Members of Parliament either direct or via the DTI. The level of complaints continues to reduce year on year and all receive prompt attention.

Where disputes arise, claimants can refer to either Lands Tribunal or Arbitration for resolution. The arbitration scheme is administered by the Chartered Institute of Arbitrators and offers a relatively quick and low cost scheme to members of the public who have a residential subsidence claim. During the year there were eight awards made under this scheme, and all were in favour of the Authority.

The Authority deals with a number of complex and environmentally sensitive claims, involving rivers, lakes, canals, churches and drainage schemes, some of which may be part of a Site of Special Scientific Interest. The Authority uses specialist advisers such as the Environment Agency and English Nature to ensure that claims are dealt with in an environmentally sensitive and sympathetic manner considering both conservation and architectural heritage issues.

During the year the Authority has had to deal with a number of complex claims in Scotland and the North East which have required extensive investigations prior to determining liability. It is expected that the overall number of claims per year will remain static.

The Authority also has a subsidence liability in respect of property which falls outside the parameters of the 1991 Act. Examples are certain buildings, rivers and drains within the scope of the Doncaster Drainage Act 1929, where the Authority has a liability to maintain over 40 pumping stations. The Authority also has on-going liability in respect of 11.5 kilometers of the Bridgewater Canal in Lancashire.

Future activities

The Authority will maintain an experienced staff resource and a strong awareness of changing events and their impact.

Surface Hazards

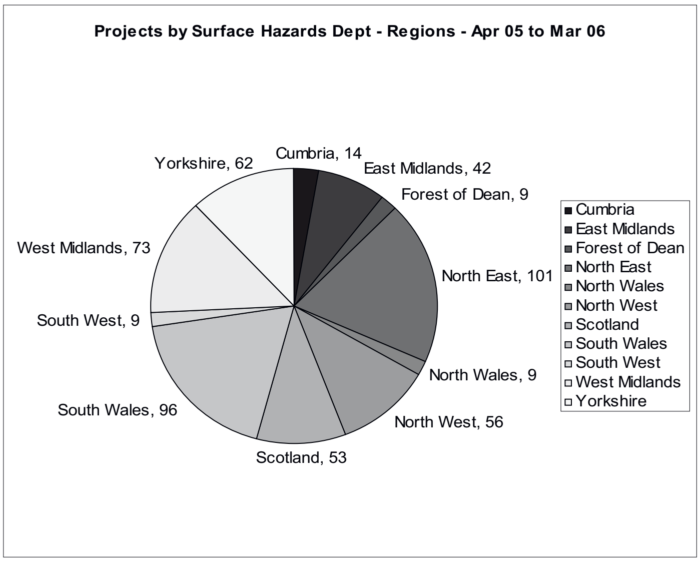
The Authority's surface hazards management team provides a 24 hour, 365 day emergency response service to incidents which pose a risk to the safety of the public that are associated with former coal mining operations. The team also manages 45 disused coal tips in the Authority's ownership and deals with a variety of other projects associated with the UK's coal mining legacy.

These projects and incidents include such occurrences as

- collapses of shallow mine workings and old mine entries;
- emissions of gas or water from old mine workings;
- spontaneous combustion of coal; and
- open abandoned mine entries permitting access into old mines.

Figure 1 shows the geographic spread of projects managed by the team.

Figure 1



During the year 524 new projects were managed of which 405 were attended to as emergency call outs, 40 per cent of which were found on investigation to be related to past coal mining, and subsequently received remedial works. The Authority are assisted by the Mines Rescue Service Limited and term contractors in providing any required safety works.

Occasionally a single project may require a number of separate features to be addressed. An example being in South Wales where a single hazard report resulted in the identification of 17 separate features including hazards associated with mine entries and surface collapses. The number of individual features dealt with by the Authority in the year totalled 660.

The Authority has set itself a number of key performance indicators which are set out in the table below.

Number of Incidents attended to as emergency call outs	Mines Rescue informed within 1 hour of notifying call	Inspected within 2 hours of Mines Rescue Service receiving notifying call	Secured within 6 hours of original notification to the Authority, or longer by arrangement with stakeholders	Regional Engineer on site within 24 hours or original notification to the Authority
405	405	402	405	405
	100 per cent	99.3 per cent	100 per cent	100 per cent

The Authority achieved its targets on all bar three occasions; in all three cases traffic congestion caused the target to be missed by 5, 9 and 22 minutes.

During the year the Authority reviewed its policy in respect of the way it manages surface hazard incidents. It has established and implemented a revision of policy which places stronger emphasis on the assessment of risk to define the extent to which the Authority should act at each individual incident. Throughout this process the Authority balances risks with the extent of hazard posed, the likely safety impacts and the value for money.

The Authority has also completed its first year of insourced tip management, with each of the 45 tips in its ownership being inspected at least twice on an established timetable. A Code of Practice for tip management was implemented during the year to ensure best practice management techniques are adopted.

Landscape aftercare continued through the year on twelve tip sites where improvements or full restoration had previously been undertaken. Further landscape improvements took place at Aberfan and Cwmtillery and further tree planting at Ogmore and South Griffin, all in South Wales. Following further engineering works in the summer the second and final phase of tree planting at Calverton was completed in March.

The insourced management structure will continue to enable the team to deliver efficiency benefits to the Authority.

Future activities

The Authority intends to maintain its risk based inspection programme for the mine entries in its ownership. Notification is received every year of several open mine entries around the country, but this year the potential risks were bought into focus through the reporting of 11 open mine entries in one area of open access land in Yorkshire. The creation of open access land in other parts of the country has also resulted in the reporting of open mine entries of which the Authority had no previous knowledge.

The Authority will maintain a high quality, customer focused surface hazards service and respond to reported incidents in a quick, effective and efficient manner. It will maintain and demonstrate technical excellence and offer a commercial service within the technical areas in which the Authority operates.

Estates

The Authority sold 93 hectares of land raising proceeds of £688,000. More significantly, proceeds from clawback for the year proved to be the highest since the Authority inherited the right to clawback from British Coal in 1998. Total receipts are in excess of £11 million in the year, of which £6.9 million was associated with three properties in Goldthorpe and Pontefract in Yorkshire and Holditch in Staffordshire. Clawback and release of covenant receipts were received in respect to 60 properties during the year.

Substantial progress has been made with the acquisition of land for minewater treatment schemes, with nine sites being acquired during the year and several other acquisitions well advanced.

Discussions are ongoing with parties interested in acquiring the Authority's one remaining contaminated site at Caerphilly in South Wales, and a sale is anticipated in the year ended 31 March 2007.

Tree planting at the former Calverton Colliery spoil heap is complete and the site is now in aftercare.

Work was completed on the production of an electronic property terrier system, which has improved the estate management record system. The new terrier was implemented in February, incorporates the Authority's retained land holding and operational sites and provides instant access to GIS based mapping.

Future activities

The Authority will maintain effective control processes for the residual estate and its obligations and provide expertise throughout the business particularly to acquire land needed for future minewater schemes.

The level of clawback is expected to decline, but the development of a database which records the sites on which clawback is due will improve the future identification of such clawback to the Authority.

Minewater

The Authority continues to develop its work on minewater remediation and prevention and now has 41 minewater schemes operational remediating in excess of 100km of previously contaminated rivers and preventing contamination of a similar length of watercourse. Over 1,800 tonnes of iron per annum are prevented from entering the nation's watercourses by these schemes.

The Authority continues to work closely with the Environment Agency and the Scottish Environment Protection Agency (SEPA) to ensure that its programme conforms to the requirements of the European Water Framework Directive. It is anticipated that this relationship will be reinforced by the presence of Authority representatives on the River Basin District Liaison Panels most relevant to former mining areas.

Two schemes in South Wales, Tan y Garn and Glyncastle, have been developed during the past year. Both have incorporated innovative design concepts in the overall project.

As result of the higher than expected iron levels at the Blenkinsopp site a mobile Heavy Density Plant was purchased and began operating in December 2005. The plant is designed to treat 20 litres/sec and 1,000 mg/litre.

In March 2006 work commenced on the Lambley Farm scheme, situated near Haltwhistle in Northumberland. The scheme is a pumped passive scheme, incorporating only wetlands to reduce the iron content within the water. This scheme safeguards the River South Tyne.

Work also started on the phase 2 project at Allerdean Mill near Berwick to remediate the final three polluting discharges at one central site. The scheme comprises both purely passive and pumped passive treatment due to the nature of the three discharges, with all minewater passing through settlement lagoons and reedbeds before discharging to the water course.

Several planning applications have been progressed throughout the year, notably at Clough Foot in Lancashire, Smithy Brook Park in Wigan and Ewan Rigg in Cumbria. Contracts were awarded in the year for construction works on the latter two sites to commence early in the year ending 31 March 2007.

Work to provide a permanent solution to the rising minewater situation in the East of Wear mining block has continued. Land adjacent to the former coastal colliery site at Dawdon in County Durham has been acquired as a site for a permanent minewater treatment plant working in partnership with the proposed passive scheme at the former Horden Colliery. Detailed design of the scheme has commenced with the aim of starting on site in 2007, a main objective being to prevent pollution of the aquifer on which Northumbrian Water depends for 20 per cent of its water supply for the North East.

Monitoring of minewater and mine gas continues to play a central role both in understanding and controlling rising minewater, and also in tracking the performance of minewater treatment schemes. A further 38 new monitoring sites have been added to the monitoring network which stands at 725. In order to effectively manage the data obtained from these sites an in-house hydro-geological database has been installed which enables Authority specialists to review data on a real time basis.

Future activities

The Authority will maintain its in-house expertise and further develop the partnering ethos with consultants and contractors and apply effective management processes to optimize delivery of schemes.

A phased programme of refurbishment of pumping stations will be carried out to ensure efficient and reliable operation. Additional emphasis will be placed on ochre utilisation including actively developing relationships with end users to develop marketable products.

Post feasibility and design work will be progressed to build up a portfolio of schemes for future years so that land acquisitions and securing planning consents are no longer constraints, allowing construction to be progressed as funding is made available.

The Authority will seek to apply its expertise to deal with discharges from mines other than coal and will liaise with the Environment Agency on this work.

The Authority will carry out research into all aspects of minewater treatment and control. Research projects include continuing to assess novel reed varieties for treating saline minewaters, and also looking into the potential re-use of ochreous sludge created at minewater schemes. Additionally, a series of academic projects include scoping the potential of using heat energy in minewater for heating houses, and critically assessing performance of treatment schemes compared with accepted design guidelines.

Financial review

During the year ended 31 March 2006 the Authority earned £12.5 million (2005 - £21.8 million) from rents and the sale of surplus properties and £11.0 million (2005 - £10.0 million) from fees and charges for the provision of information and services. In addition the Authority received £27.2 million (2005 - £20.3 million) of grant-in-aid directly from the Department of Trade and Industry.

As described in Note 1 to the accounts, we have changed our accounting policy in respect of surface hazards. In prior years, costs related to treating surface hazards were expensed as they were incurred and no provision was made for future expenditure. Due to the in-sourcing of managing this activity and the development of systems, it is now possible to estimate the cost of claims arising from surface hazards. Consequently, the accounting policy has been revised to bring it in line with our subsidence provisioning policy and generally accepted accounting practice. Under the new policy the Authority provides for the expected costs of treating surface hazards when the surface hazards arise in the financial year and the costs can be reliably estimated.

The impact of this change in policy is to increase provisions and net liabilities by £1,226,000 as at 31 March 2006 and by £1,248,000 at 31 March 2005. It is impracticable to estimate the impact of this change as at 31 March 2004. There is no impact on the taxation charge. Administration expenses and the net deficit are increased in the year ended 31 March 2005 by £1,248,000 and decreased in the year ended 31 March 2006 by £22,000.

Income and Expenditure

Gross income for the year was £38.7 million (2005 - £30.9 million) and after administration expenses of £47.5 million (2005 - £44.9 million) a pre-tax operating deficit of £8.8 million (2005 - £14.0 million) is reported.

Profit arising on the sale of fixed assets was £11.1 million (2005 - £11.0 million). Gross proceeds were £11.7 million (2005 - £21.1 million) with £0.7 million (2005 - £16.7 million) resulting from the sale of surplus properties, and income of £11.0 million (2005 - £4.4 million) from restrictive covenants and clawback contained in the sale conditions of property formerly owned by British Coal.

Income of £10.6 million from the Mining Information Services was £1.3 million above last year's level of £9.3 million. The activity produced a trading surplus before capital charges of £1.5 million compared with the previous year's deficit of £0.1 million.

Administration expenses amounted to £47.5 million in the year ended 31 March 2006, an increase of £2.6 million on the previous year. The £44.9 million in the year ended 31 March 2005 includes the £1.2 million additional charge arising from the impact of the change in accounting policy for surface hazard provisions. The increase in the year of £2.6 million is mainly due to the change in HM Treasury discount rates on long term provisions which led to a £2.0 million additional charge in historical liabilities and subsidence. The Authority was not authorised to pay a grant to the Mines Rescue Service Limited in the year whereas in the year ended 31 March 2005 it paid £2.5 million. This reduction was offset by increases in consultancy costs to deal with a number of high valued residential property damage claims and drainage scheme refurbishment costs.

The licensing activity recorded a deficit of £21,000 compared to the previous year deficit of £135,000, which had included exceptional legal costs arising in a litigation case.

There is an estimated tax liability for the year of £1.9 million (2005 - £4.7 million) mainly arising from the capital gains on the property disposals and clawback receipts.

A surplus arose on ordinary activities after taxation of £0.8 million (2005 - £7.7 million deficit) and after appropriations by Government a retained surplus of £0.4 million is reported (2005 - £8.1 million deficit).

Balance Sheet

Fixed assets remained stable at £13.7 million (2005 - £13.5 million). Capital expenditure amounted to £1.5 million with the completion of the major refurbishment of the main office block, construction of minewater schemes and investment in IT projects. Depreciation amounted to £1.5 million.

Net current assets increased by £7.0 million to £8.9 million due to an increase in debtors of £2.8 million, an increase in cash of £2.0 million and a £2.2 million movement on short-term creditors. The increase in debtors relates mainly to accrued income for clawback.

The increase in provisions for liabilities and charges of £6.3 million to £29.5 million was driven by two factors. First, the HM Treasury discount rate changed leading, to an increase of £2.0 million which was charged to administration expenses. In addition to this subsidence provisions increased following a number of high value claims on residential property and drainage scheme refurbishment costs.

Going concern

The balance sheet shows net liabilities of £8.5 million at 31 March 2006. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not met from the Authority's other sources of income, may only be met by future grants or grants-in-aid from the Authority's sponsoring department, the Department of Trade and Industry. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Paragraph 14(1) of Schedule 1 to the Coal Industry Act 1994 states

"The Secretary of State shall, in respect of each accounting year, pay to the Authority such amount as he may determine to be the amount required by the Authority for the carrying out during that year of its functions under this Act."

On that basis, the Members have a reasonable expectation that the Authority will continue to be put in funds so as to be able to meet its liabilities. The Authority has therefore, prepared its accounts on a going concern basis.

Outlook

The 2004 Government Spending Review has resulted in reduced funding for the Authority for the next two years. At the same time the disposal of the Authority's surplus property is almost complete and the receipt of additional income from the previous sales of British Coal properties will reduce as clawback periods expire. The Authority's short-term strategy to accommodate these reductions is to reduce the spend on new minewater treatment schemes and to seek new opportunities for income generation. A case will be made in the 2007 Comprehensive Spending Review for increased funding for the minewater programme to mitigate the risk of non-compliance with the European Water Framework Directive.

Corporate Governance

The Authority recognises the importance of and is committed to high standards of Corporate Governance. It complies with all the provisions of HM Treasury's Code of Best Practice for Board Members of Public Bodies and the Responsibilities of an NDPB Accounting Officer. The Authority also complies with all of the provisions of its Management Statement, a document agreed with the Secretary of State for Trade and Industry which sets out certain of the Authority's powers, duties, functions and various policies.

During the year the Authority commissioned a review of corporate governance within the Authority by KPMG LLP. The review concluded that the Authority's corporate governance arrangements compared favourably with other NDPB's and the following guidance

Building Effective Boards in Executive NDPB's

The Good Governance Standard for Public Services

HM Treasury Audit Committee Handbook

Guidance on the assessment of Audit Committees

The Revised Combined Code and Internal Control – Guidance for Directors on the Combined Code.

Board of Directors

As at 31 March 2006 the Authority has seven Members (four Non-Executive and three Executive) appointed by the Secretary of State for Trade and Industry.

Non-Executive Directors are appointed by the DTI in-line with the Code of Practice issued by the Commissioner for Public Appointments. The members who served during the year were

John Harris, DL, MA, LLM (Non-Executive Chair)
Appointed as Board Member 1 September1999
Appointed as Chair 19 September 1999 – 18 September 2004
Re-appointed as Chair and Board Member to 30 September 2007

John Hawksley, FCA (Non-Executive Member)
Appointed as Board Member 17 April 2000 – 31 March 2005
Re-appointed as Board Member to 30 September 2008

Barrie Jones, PhD, BSc (Hons), CEng, FIMMM (Non-Executive Member)
Appointed as Board Member 22 May 2000 – 31 March 2005
Re-appointed as Board Member to 30 September 2009

David Lumley, FCCA
Appointed as Board Member from 1 July 2002 – 31 March 2005
Re-appointed as Board Member to 31 March 2008

Helen Mounsey, PhD, BSc (Hons) (Non-Executive Member)
Appointed as Board Member from 7 November 2002 – 31 October 2007

Albert Schofield, OBE, BSc, FRICS, C. Dir
Appointed as Board Member from 1 December 1998 – 31 March 2000
Extended from 1 April 2000 – 31 March 2005
Re-appointed as Board Member to 31 March 2008

Ian Wilson, FRICS
Appointed as Board Member from 26 November 2002 – 31 March 2005
Re-appointed as Board Member to 31 March 2008

Members of the Authority's Board are required under the Act and the Authority's own Codes of Practice to declare any interests which may potentially conflict with their roles within the Authority.

The Board meet formally a minimum of six times a year to determine the strategic direction of the Authority and informally in those months where no formal meeting is scheduled. The Board monitors the performance of the Authority; assesses risk; ensures value for money and that resources are utilised effectively; ensures that sound environmental policies and practices are developed and adopted; and ensures that the Authority is accountable to its stakeholders. A table showing attendance at these meetings and at meetings of the Audit Committee and the HR and Remuneration Committee is set out opposite.

Name	Board (12)	Audit (5)	HR and Remuneration (2)
JC Harris	12	0	2
JR Hawksley	12	5	2
Dr B Jones	12	5	2
Dr HM Mounsey	12	5	2
A Schofield	12	0	2
DJ Lumley	12	0	0
I Wilson	12	0	0

The Authority held its tenth annual public meeting in Leeds in September 2005 where members of the Authority explained its work and answered questions from the public. This was preceded by an energy industry conference to which invited speakers made a number of presentations on energy related issues. The Authority's eleventh annual public meeting will be held in London on 14 September 2006. The meeting will commence with a conference at which invited speakers will address the audience on the role for coal in power generation, following which the Authority's public meeting will take place. Details of the meeting will be advertised in the local media and will appear on the Authority's website (www.coal.gov.uk).

In accordance with the principles of 'Open Government', Board meetings continue to be open to members of the public and media. The agendas, papers and dates of its meetings, together with the minutes of previous meetings, can be found on the Authority's website.

Committees

In line with best practice, there are two standing committees of the Non-Executive Directors – Audit and HR and Remuneration. In addition a Non-Executive Director chairs the Authority's Environment Group.

Audit Committee

The Audit Committee comprises three independent Non-Executive Directors under the chairmanship of Mr J Hawksley, a chartered accountant, with the other members being Dr B Jones and Dr H Mounsey.

The Committee met five times during the year prior to Board meetings. These committee meetings were also attended by the Chief Executive, the Finance Director and the internal and external auditors. The Chair and Executive Directors were also invited to attend the meetings. The Committee also met with the auditors without the presence of the management.

The Committee has clearly defined terms of reference which outline its objectives and responsibilities relating to financial reporting, internal controls, risk management and the application of appropriate accounting policies and procedures. Specific responsibilities include reviewing and recommending for approval the Annual Report and Accounts, reviewing accounting policies, reviewing risk management and reviewing the strategy and results of the external audit.

The Audit Committee also has responsibility for overseeing the internal audit function including approval of the annual risk-based audit plan and monitoring the work and recommendations and effectiveness of the function.

HR and Remuneration Committee

The composition and work of the HR and Remuneration Committee are described in the Remuneration Report.

Executive Directors' Committee

The Authority's day to day activities are overseen by the Executive Directors' Committee.

The Executive Directors' Committee meets monthly to review and discuss the work of the Authority. It determines the day to day policy implementation necessary for the Authority to discharge its duties in the most effective, efficient and economic manner. Membership of the Committee is given in the Directors' Report.

Additionally, the Health and Safety Committee, the Environment Group and the Project Steering Group report through the Executive Committee to the Board, with the Risk Management Committee reporting through the Audit Committee.

Health and Safety

The Authority is continuing to review and update the Health and Safety Policy Manual and changes have been made to reflect the organisational structure and the work of the Authority. This work involves the Health and Safety Committee, which provides a positive contribution to the work of the Authority and is recognised as an essential link to ensuring active consultation and communication takes place with employees.

The Authority has continued to maintain and make good progress in its commitment to improving health and safety and has delivered a challenging programme of health and safety goals to further enhance the systems already in place, including

- the provision of further health and safety training to staff to enhance their competencies;
- monitoring consultants and contractors activities through the site audit and inspection programme;
- running a 'driving survey' to ascertain the level of risk associated with staff driving on Authority business;
- creating a specific internal policy for Work at Height,
- running the 'HSE Safety Climate Survey' to determine and measure the Authority's safety culture in order that specific areas for improvement can be focused upon; and
- active participation in the European week for health and safety in October 2005 where the theme of General Health, Safety and Wellbeing was promoted throughout the week.

The Authority has a health and safety audit programme where audits are undertaken by the Authority's Safety, Health and Environmental Adviser. In the year 35 audits were undertaken to determine compliance with legislation and accepted 'best practice'.

No accidents or work related ill health cases which required reporting to the Health and Safety Executive were recorded during the year.

A more detailed report on the Authority's activities is set out in the Health and Safety Annual Report for the year ended 31 March 2006.

Future activities

Further work and commitment towards improving the health and safety management system will seek to ensure a safer working environment for staff and others affected by the Authority's activities.

The Authority will actively participate in the European week for Health and Safety in October 2006.

Environment

During the year the Authority's Environmental Management System (EMS) was revised to account for structural changes within the Authority and the inclusion of the latest legislative requirements, including the Waste Electronic and Electrical Equipment Regulations and the European Water Framework Directive. The EMS determines the minimum standards which are expected across all the Authority's operations and includes challenging environmental objectives which require continual improvements from those working on the Authority's behalf.

All of the Authority's electricity was supplied from an electricity provider utilising a portfolio of conventional and renewable energy sources with CO_2 emmissions 30 per cent lower than the national average. A proportion of this electricity is exempt from the climate change levy.

The commitment by the Authority towards continual environmental improvement has been clearly demonstrated through the implementation of the tip management and minewater treatment programmes across Britain. These projects have provided visual improvements, improved water qualities and enhancements to the local wildlife, flora and fauna in the treated areas.

During the year water consumption was targeted to determine the areas of use, potential leakage points and most likely areas where water savings could be made. This exercise has resulted in the overall water consumption being reduced by almost 50 per cent to 1,908 cubic metres and further work will focus on meeting the target figure of 7 cubic metres per employee.

A Paper Management Policy has been drafted to ensure that the Authority handles paper within its legal and statutory obligations and at the same time minimises its environmental impact. The overall effect of this initiative has seen a significant reduction in paper use within the Authority's work.

The Authority did not incur any regulatory action from its activities for breaches of environmental legislation during the year.

During the year it produced an environmental DVD which is being distributed to stakeholders to further raise environmental awareness.

A more detailed report on the Authority's activities is set out in the Environmental Review for the year ended 31 March 2006.

Future activities

The Authority takes its environmental role seriously and sets challenging targets for environmental performance. It will continue to promote environmental improvement.

A Schofield OBE

Member, Chief Executive and Accounting Officer.

Directors' report

The Authority presents its report and audited financial statements for the year ended 31 March 2006. The Accounts have been prepared in a form directed by the Secretary of State for Trade and Industry with the consent of the Treasury in accordance with paragraph 15(1)(b) of Schedule 1 of the Coal Industry Act 1994. The Report and Accounts will be laid before Parliament in July 2006 and presented to the Annual General Meeting on 14 September 2006.

A brief history of the Authority and Statutory Background

The Authority was established by the Coal Industry Act 1994 (the 'Act), which received Royal Assent on 5 July 1994. The Authority became a legal entity on 19 September 1994 and assumed its functions on 31 October 1994. It is a Non-Departmental Public Body responsible to the Secretary of State for Trade and Industry.

Principal activities

The principal activities of the Authority are

- licensing coal mining operations and making available rights in relation to unworked coal;
- settling subsidence damage claims not falling on coal mining operators;
- managing property, and the historic liabilities, arising from ownership of the coal reserves and underground workings, including responsibility for dealing with minewater pollution issues in areas of former coal mining; and
- providing access to geological data and coal mining plans.

The Chair's Statement and the Operating and Financial Review on pages 2 to 22 give a summary of the Authority's activities during the year and the future outlook.

Supplier Payment Policy

The Authority observes the principles of the Better Payment Practice Code and aims to pay valid invoices within 30 days of receipt or as agreed with suppliers. In the year ended 31 March 2006, this was achieved for 99 per cent of invoices.

Board Members and their Interests

The Board members who served during the year were

Mr JC Harris
Mr JR Hawksley
Dr B Jones
Mr DJ Lumley
Dr H Mounsey
Mr A Schofield
Mr I Wilson

Full details of their appointments and service contracts are provided in the Remuneration Report and further biographical information is given in the Operating and Financial Review.

No member of the Authority had any financial interest in the Authority. A Register of Interests is maintained which is open to the public to view at the Authority's Mansfield Office or can be accessed at www.coal.gov.uk. Any related party transactions are provided in Note 25 to the Accounts.

Authority's Executive Directors' Committee

The Executive Directors' Committee comprised

Mrs S A Brook Shanahan LLB	Solicitor and Secretary
Mr DJ Lumley FCCA	Director of Finance
Mr S Pennell	Director of Mining Information and Services
Mr A Schofield OBE, BSc, FRICS, CDir	Chief Executive
Mr I Wilson FRICS	Director of Mining Projects and Property

Donations

The Authority made no political or charitable donations during the year.

Employee involvement

The Authority is committed to involving its employees in matters which concern them. The Authority has a Joint Staff Consultative Committee and a Staff Consultation Group. The former deals with non-contractual staff matters and the latter is the forum for consultation with management on pay and conditions of employment.

A Values and Behaviours Charter has been developed by staff and approved by the Board and will be officially launched in July 2006.

Employment of disabled persons

Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular abilities and aptitudes. Appropriate training will be arranged for disabled persons, including retraining for alternative work of employees who become disabled, to promote their career development within the organisation.

Pensions and other post retirement benefits

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme which is a defined benefit scheme and is unfunded and non-contributory. The accounting policy is given in Note 2 to the Accounts and further information about the Scheme is provided in the Remuneration Report and Note 7 to the Accounts.

Auditors

The Comptroller and Auditor General was appointed under the Coal Industry Act 1994 and reports to Parliament on the audit examination. No other services were provided and the audit fee was £33,200.

So far as the Accounting Officer is aware, there is no relevant audit information of which the auditors are unaware.

The Accounting Officer has taken all the steps he ought to have taken to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

By order of the Authority 27 June 2006

A Schofield OBE

Member, Chief Executive and Accounting Officer

Remuneration report

Introduction

This report has been prepared in accordance with the Government Financial Reporting Manual which introduced the requirement for a Remuneration Report for the year ended 31 March 2006. The report is made by the Accounting Officer on behalf of the Board on the recommendations of the HR and Remuneration Committee.

HR and Remuneration Committee

The Authority has established an HR and Remuneration Committee whose membership comprises all of the Non-Executive Directors and the Chief Executive. The Committee's Terms of Reference prescribe that the Chief Executive shall not be present when his remuneration and conditions of employment are being considered. They also annex an Annual Cycle of Business and require a minimum of two meetings per year. The members were: Barrie Jones (Committee Chairman), John Hawksley, Helen Mounsey, John Harris and Albert Schofield.

The HR and Remuneration Committee has terms of reference approved by the Board and is responsible for determining and keeping under review the performance related pay structure for all staff of the Authority and approves the 'pay remit' for submission to the Secretary of State for Trade and Industry.

Remuneration Policy for the Executive Directors

With the exception of the Chief Executive, the Executive Directors remuneration is subject to the 'pay remit' approved by the Secretary of State. The HR and Remuneration Committee determine and review the remuneration of the Chief Executive.

Performance Management System

The Executive Directors participate in the Authority's Performance Management System. Individual assessments are made by the Chief Executive and Chair and reviewed by the Remuneration Committee. Appraisal of performance is based on the achievement of defined SMART objectives which are assessed against a number of performance scores. The level of performance determines the rate of progression through the salary scale and the level of unconsolidated bonus payable under the Corporate Bonus Scheme.

Executive Directors' Contracts

It is the Authority's policy that Executive Directors should have contracts with an indefinite term providing for a maximum of six months notice.

The details of the directors' contracts are summarised in the table below

	Date appointed as Director	**Notice Period**
Albert Schofield	1 September 1994[1]	six months
Sally Brook Shanahan	1 January 1998	six months
David Lumley	20 July 2001[2]	six months
Ian Wilson	5 October 2001[3]	six months
Stephen Pennell	17 January 2005[4]	six months

1 Appointed Chief Executive with effect from 13 December 2004

2 Commenced employment with the Authority on 1 June 1998

3 Commenced employment with the Authority on 1 October 1994

4 Commenced employment with the Authority on 31 October 1994

There is no provision for compensation for early termination. The notice period to be given by the Chief Executive is six months and by the remaining Executive Directors is three months.

Non-Executive Directors

All Non-Executive Directors are appointed by the Department of Trade and Industry in line with the Code of Practice issued by the Commissioner for Public Appointment for an initial five year period but may be re-appointed for a second term. Their terms of engagement and remuneration are also determined by the DTI but they are not eligible to participate in the Performance Management System or the pension schemes.

Fees paid	**Contract end date**	**2006 £**	**2005 £**
Mr JC Harris, Chair	30 September 2007	**40,372**	39,383
Mr JR Hawksley	30 September 2008	**10,625**	10,362
Dr B Jones	30 September 2009	**10,625**	10,362
Dr H Mounsey	31 October 2007	**10,625**	10,362
		72,247	**70,469**

Executive Directors' Remuneration

Salaries	**2006 £**	**2005 £**
Dr IS Roxburgh (to 9 September 2004)	**0**	56,851
Mr A Schofield[1]	**121,789**	106,433
Mrs S Brook Shanahan	**92,080**	90,297
Mr DJ Lumley	**87,990**	83,587
Mr I Wilson	**85,631**	81,260
Mr S Pennell (with effect from 17 January 2005)[2]	**76,312**	15,319
	463,802	**433,747**

Executive Directors salaries include performance pay or bonuses and any allowances subject to UK taxation. There are no benefits in kind.

1 Mr A Schofield became acting Chief Executive on 10 September 2004 and was appointed Chief Executive from 13 December 2004.

2 The figure quoted for 2005 is for the period 17 January 2005 to 31 March 2005. The full year equivalent is £74,007.

Executive Directors' Pension Entitlements

	Real increase in pension and related lump sum as at age 60	Total accrued pension at age 60 as at 31 March 2006 and related lump sum	CETV at 31 March 2005	**CETV at 31 March 2006**	Real increase in CETV after adjustment for inflation and changes in market investment factors
	£000	£000	£000	**£000**	£000
Mr A Schofield	0 – 2.5 plus 5 – 7.5 lump sum	15 – 20 plus 45 – 50 lump sum	248	**351**	49
Mr DJ Lumley	0 – 2.5 plus 2.5 – 5 lump sum	5 – 10 plus 20 – 25 lump sum	118	**175**	29
Mr I Wilson	0 – 2.5 plus 2.5 – 5 lump sum	10 – 15 plus 30 – 35 lump sum	156	**226**	29
Mr S Pennell	0 – 2.5 plus 5 – 7.5 lump sum	5 – 10 plus 25 – 30 lump sum	104	**168**	32
Mrs S Brook Shanahan	0 – 2.5 plus 2.5 – 5 lump sum	5 – 10 plus 25 – 30 lump sum	94	**145**	18

The Executive directors' pension benefits are provided through the Civil Service pension arrangements. They have opted to join the classic scheme. The employer's contribution to the schemes amounts to 24.6 per cent of salary. The pension entitlement shown above for the serving members is that which would be paid annually on retirement based on services to 31 March 2006. Columns 3 and 4 of the above table show the member's cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. Column 5 reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2005 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Please note that the factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary. The CETV figure for 31 March 2005 has been restated using the new factors so that it is calculated on the same basis as the CETV figure for 31 March 2006.

Further information as to the terms of the schemes are given in Note 7 to the Accounts.

By Order of the Authority.

A Schofield OBE 27 June 2006

Member, Chief Executive and Accounting Officer

Statement of the Authority's and Chief Executive's responsibilities

Under paragraph 15(1)(b) of Schedule 1 to the Coal Industry Act 1994 the Coal Authority is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State, with the consent of the Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of the Authority's state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

In preparing the accounts the Authority is required to

- observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the body will continue in operation.

The Accounting Officer for the Department of Trade and Industry has designated the Chief Executive of the Authority as the Accounting Officer for the Authority. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in Non-Departmental Public Bodies' Accounting Officers' Memorandum, issued by the Treasury and published in 'Government Accounting'.

By order of the Authority

A Schofield OBE 27 June 2006
Member, Chief Executive and Accounting Officer

Statement on Internal Control

1 Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Coal Authority's ('the Authority') policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

A process of accountability has been agreed with the Department of Trade and Industry through the Management Statement that involves

- establishment and agreement of corporate and business plans with appropriate objectives and performance targets with the identification of risks that may prevent delivery of the plan including contingent liabilities;
- regular progress reports and monitoring information on performance and finance which are reviewed at quarterly accountability meetings together with any other issues or significant problems, whether financial or otherwise;
- half yearly reports to the Board on progress against the high level objectives are provided to the department; and
- copies of all internal audit reports, the corporate risk register and risk action programmes are also provided to the Department.

2 The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Authority for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3 Capacity to handle risk

The Authority's risk management strategy was determined and endorsed by the Chief Executive, Audit Committee and Board, all of whom are actively involved in the risk management processes.

The Authority's risk management philosophy and policy document, including procedures for risk reporting, are held on the Authority's intranet which is accessible by all staff. The policy sets out the Authority's attitude to risk and defines responsibilities and roles throughout the organisation. The Personnel Performance Management System links individuals' objectives to the Authority's business objectives and the risks of not achieving them.

There is a programme of meetings within each Department to identify and keep up to date the record of risks facing the organisation.

4 The risk and control framework

A risk strategy has been endorsed by the Audit Committee and the Board and communicated to all staff and includes the risk management process for risk identification and controls assurance encompassing

- the establishment of an organisation-wide risk register setting out the risks with a ranking based on the probability of those risks occurring and their potential impact. The control strategies are recorded against each risk with an action plan of any necessary improvements to controls;
- ownership of risks to permit clear responsibility for controls and action plans. Each activity's senior management are the risk managers responsible for identifying, evaluating and managing the risks within their area of responsibility on a day to day basis;
- all new projects/business activities are subject to risk assessment at the business planning stage and, where appropriate, are managed through the Authority's project management methodology (PRINCE 2). Each project has its own risk log recording both project risks and the wider business risks that may be affected by the projects. During the year this risk management process has been applied to all new ICT developments and other significant business change projects;
- all matters referred to the Board for approval must include a risk assessment and mitigating actions; and
- the establishment of a Risk Management Committee, chaired by a Board Member, which reviews and validates the risk assessments and the extent to which the risks are controlled.

5 Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Authority who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and Risk Management Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place. Where control failures occur or improvements are identified action is taken in conjunction with Internal Audit.

The following review and assurance mechanisms are in place

- the Authority has adopted a set of high level objectives which are cascaded to departmental and individual objectives through the Performance Management System ensuring that performance against objectives and the risk of non-achievement are monitored and reviewed at an individual level. Half yearly reports are provided to the Board on progress against these objectives;
- monthly reports to the Board on performance against key targets and comparison of actual financial results against budgets together with latest forecasts of outturns;
- quarterly departmental review by Risk Managers of the risk register and progress with the risk action plan;
- quarterly review and validation by the Risk Management Committee of the report from the Risk Managers on risk issues and progress with the action plan;
- twice yearly reports from the Risk Management Committee to the Audit Committee which reviews the significant risks and any major issues or changes in risks;
- annual report via the Audit Committee to the full Board on risk management procedures including the significant risks, details of any control failures together with corrective actions planned or executed. Additionally the Board ask each Executive to complete a Statement of Assurance confirming compliance with the Authority's policies, procedures and risk management processes;
- reports from the Environment Group and Health and Safety Committee;

- the Authority outsources the internal audit function to KPMG LLP who operate to Government Internal Audit Standards. They submit regular reports to the Audit Committee which include their independent opinion on the adequacy and effectiveness of the system of risk management control and governance arrangements, together with recommendations for improvement as appropriate. The internal audit work assesses the adequacy of internal controls in addressing the risks and confirms that the controls are operating as intended; and
- a confidential method of reporting any suspected fraud or other misfeasance to the Chairman of the Audit Committee.

There were no material internal control issues identified during the year.

A Schofield OBE 27 June 2006

Member, Chief Executive and Accounting Officer

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Coal Authority for the year ended 31 March 2006 under the Coal Industry Act 1994. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Coal Authority, Chief Executive and Auditor

The Coal Authority and Chief Executive are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Coal Industry Act 1994 and the Secretary of State for the Department of Trade and Industry directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Authority and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Coal Industry Act 1994 and the Secretary of State for the Department of Trade and Industry directions made thereunder. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Coal Authority has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on page 29 reflects the Coal Authority's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Coal Authority's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chair's Statement and Directors' Report within the Annual Report, the unaudited part of the Remuneration Report and the Operating and Financial Review. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Coal Authority and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Coal Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion

- the financial statements give a true and fair view, in accordance with the Coal Industry Act 1994 and directions made thereunder by the Secretary of State for the Department of Trade and Industry, of the state of the Coal Authority's affairs as at 31 March 2006 and of its surplus for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Coal Industry Act 1994 and the Secretary of State for the Department of Trade and Industry directions made thereunder; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

29 June 2006

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Income and Expenditure Account year ended 31 March 2006

	Notes	**Year to 31 March 2006**	Year to 31 March 2005 As restated (see Note 1)
		£000	£000
Gross income			
Grant-in-aid	3,4	**26,704**	18,064
Operating income	3	**12,003**	12,790
Total gross income		**38,707**	30,854
Administration expenses	1,3	**(47,525)**	(44,901)
Operating deficit	6	**(8,818)**	(14,047)
Profit on disposal of fixed assets	5	**11,126**	11,046
Interest receivable	8	**674**	222
Interest payable	9	**(286)**	(201)
Capital charge	26	**503**	359
Write back of capital charge		**(503)**	(359)
Surplus/(deficit) on ordinary activities before taxation		**2,696**	(2,980)
Taxation on surplus/(deficit) on ordinary activities	10	**(1,931)**	(4,686)
Surplus/(deficit) on ordinary activities after taxation		**765**	(7,666)
Appropriations by Government	11	**(365)**	(410)
Retained surplus/(deficit) for the year	18	**400**	(8,076)

In both the current and preceding years, the Authority had no discontinued operations.

Notes on pages 38 to 52 form part of these accounts.

Balance Sheet 31 March 2006

	Notes		**2006**		2005 As restated (see Noe 1)
		£000	**£000**	£000	£000
Fixed assets					
Investment properties	12	**1,737**		1,542	
Other tangible fixed assets	13	**11,933**		11,981	
			13,670		13,523
Current assets					
Debtors: amounts falling due after more than one year	14	**1,564**		1,764	
Debtors: amounts falling due within one year	14	**6,953**		3,918	
Cash at bank and in hand		**6,693**		4,696	
		15,210		10,378	
Creditors: amounts falling due within one year	15	**(6,297)**		(8,433)	
Net current assets			**8,913**		1,945
Total assets less current liabilities			**22,583**		15,468
Creditors: amounts falling due after more than one year	16		**(1,564)**		(1,764)
Provisions for liabilities and charges	17		**(29,509)**		(23,239)
Net liabilities			**(8,490)**		(9,535)
Capital and reserves	18				
Corporation liability fund			**144**		149
Investment property revaluation reserve			**1,550**		1,399
Revaluation reserve			**793**		810
Income and expenditure account			**(10,977)**		(11,893)
			(8,490)		(9,535)

These financial statements were approved by the Authority on 27 June 2006.

Notes on pages 38 to 52 form part of these accounts.

Signed on behalf of the Authority

JC Harris
Chair

A Schofield OBE
Member, Chief Executive
and Accounting Officer

Cash Flow Statement year ended 31 March 2006

	Notes	**Year to 31 March 2006**		Year to 31 March 2005	
		£000	**£000**	£000	£000
Net cash outflow from operating activities	19		**(899)**		(12,015)
Returns on investment and servicing of finance					
Interest received		**559**		21	
Interest paid		**(171)**	**388**	0	21
Taxation			**(3,385)**		(4,675)
Capital expenditure					
Payments to acquire tangible fixed assets	12,13	**(1,537)**		(3,834)	
Receipts from sales of tangible fixed assets	5	**7,802**	**6,265**	21,083	17,249
			2,369		580
Appropriations by Government	11		**(372)**		(420)
Increase in cash	20		**1,997**		160

Statement of Total Recognised Gains and Losses year ended 31 March 2006

	Year to 31 March 2006	Year to 31 March 2005 As restated (see Note 1)
	£000	£000
Surplus/(deficit) on ordinary activities for the financial year		
As previously stated		(6,418)
Change of Accounting Policy (See Note 1)		(1,248)
As restated	**765**	(7,666)
Surplus arising on revaluation of fixed assets	**645**	904
Total recognised gains/(deficit) relating to the year	**1,410**	(6,762)

Reconciliation of Movements in the Authority's Deficit year ended 31 March 2006

	Year to 31 March 2006	Year to 31 March 2005 As restated (see Note 1)
	£000	£000
Surplus/(deficit) on ordinary activities for the financial year		
As previously stated		(6,418)
Change of Accounting Policy (See Note 1)		(1,248)
As restated	**765**	(7,666)
Appropriations by Government	**(365)**	(410)
	400	(8,076)
Other recognised gains relating to the year	**645**	904
Net reduction/(increase) in deficit	**1,045**	(7,172)
Opening deficit	**(9,535)**	(2,363)
Closing deficit	**(8,490)**	(9,535)

Notes to the Accounts

1 Change of accounting policy

In prior years, costs related to treating surface hazards were expensed as they were incurred and no provision was made for future expenditure. Due to the in-sourcing of managing this activity and the development of systems, it is now possible to reliably estimate the cost of claims arising from surface hazards. Consequently, the accounting policy has been revised to bring it in line with our subsidence provisioning policy and generally accepted accounting practice. Under the new policy the Authority provides for the expected costs of treating surface hazards when the surface hazard arose in the financial year and the costs can be reliably estimated.

The impact of this change in policy is to increase provisions and net liabilities by £1,226,000 as at 31 March 2006 and by £1,248,000 at 31 March 2005. It is impracticable to estimate the impact of this change as at 31 March 2004. There is no impact on the taxation charge. Administration expenses and the net deficit are increased in the year ended 31 March 2005 by £1,248,000 and decreased in the year ended 31 March 2006 by £22,000.

2 Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention, as modified by the revaluation of fixed assets, and in accordance with the accounts direction, given by the Secretary of State for Trade and Industry pursuant to Paragraph 15(1)(b) of Schedule 1 of the Coal Industry Act 1994 on 23 May 1996. The accounts direction requires compliance with accounting standards as issued or adopted by the Accounting Standards Board, and with all applicable Companies Act provisions and in accordance with the 2005-2006 Government Financial Reporting Manual (FReM) issued by Financial Reporting Advisory Board. The accounting policies contained in the FReM follow the generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. The Authority is not required to include a note showing historical cost profits and losses as described in FRS3. A departure from the provisions of the Companies Act is described under Investment Properties below.

Tangible fixed assets

Fixed assets, other than fixtures and fittings, computer equipment and the mining records database, are revalued regularly at open market value on an existing use basis. The difference between the revalued amounts and net book value of the assets is taken to a revaluation reserve. The mining records database was revalued upon transfer from British Coal Corporation and is held at depreciated replacement cost.

The Authority owns a number of shafts that access abandoned mines which are of use in monitoring underground movements in water and gasses. The Authority derives no economic benefit from the assets and accordingly they are held at nil value.

The Authority also holds some land and buildings, such as minewater pumping, treatment and monitoring stations, which by their nature have no intrinsic value and therefore no value is attributed to them in these financial statements.

Depreciation is provided on cost or revalued amounts in equal annual instalments over the estimated useful lives of the assets. the rates of depreciation are as follows

Freehold land	not depreciated
Freehold buildings	50 years
Fixtures and fittings	10 years
Minewater plant and machinery	10 years
Other equipment and IT	3-10 years
Vehicles	3 years

Assets under construction are not depreciated until brought into use.

Investment properties

All land and buildings (including houses) that become surplus to operational requirements are re-classified from tangible fixed assets to investment properties.

The Authority also holds freehold land at sites with potential coal reserves below the surface. No value is attributed to these unworked coal reserves.

The accounts direction requires the Authority to follow the Companies Act 1985 in preparing its accounts, which requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting practice set out in SSAP 19. The Authority considers that, because these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view.

Disposals of land and buildings are accounted for on the date of legal completion.

Assets and liabilities inherited from British Coal

Various assets and liabilities were transferred from British Coal under a number of restructuring schemes made by the Secretary of State for Trade and Industry pursuant to Section 12 of the Coal Industry Act 1994. The assets and liabilities included in these restructuring schemes are stated at their net book values, as previously stated in the financial statements of British Coal, under the accounting policies adopted by the Authority, except for the mining records database, mining assets and other fixed assets which were revalued by the Authority at the transfer dates, the revaluation being credited to a revaluation reserve.

The opening liability to pay notified subsidence claims was charged to the opening income and expenditure account. Liabilities that transferred subsequent to 1994 were charged to the income and expenditure account in the year of the transfer.

Provisions for liabilities and charges

The Authority is responsible for dealing with liabilities relating to its ownership of abandoned coal mines. This includes settling subsidence claims, making safe surface hazards, rehabilitating opencast sites and dealing with closed colliery sites and spoil heaps.

Subsidence damage liabilities

The Authority provides for the expected cost of settlement of subsidence claims which have been notified to them by the end of the relevant financial year. Amounts are transferred from the provision when the remedial work is undertaken. The cost of claims is expected to be covered by grant-in-aid received in the year in which the liability is settled.

Due to the costs and complexities involved in assessing a value for in perpetuity liabilities, the Authority only assess a value for such liabilities where there are sound business reasons for doing so. For example to help to assess whether the liability may be bought out by the Authority. In all other cases liabilities will be recognised at the point a claim is made.

Where liabilities may not be settled until some time into the future, the Authority considers whether the time value of money has a material effect. If so, appropriate adjustments will be made so that the provision will reflect the present value of the expenditures expected to be incurred.

Surface hazards

The Authority provides for the expected costs of treating surface hazards where the surface hazard arose in the financial year and the costs can be reliably estimated.

Other liabilities

The Authority provides for costs to meet its statutory obligations when it is made aware of a site requiring rehabilitation, restoration or expenditure on safety and security, it has assessed the action required and can reliably determine their costs.

Gross income

Gross income represents the amount, exclusive of VAT, arising from rents, royalties, invoiced sales of goods and services and receipts of grant-in-aid from Government.

Grant-in-Aid

Grant-in-aid is paid to the Authority on an annual basis to cover the net cash requirement in the year. Grant-in-aid utilised in the settlement of subsidence liabilities and historic liabilities is credited to the income and expenditure account in the year in which the grant-in-aid is received. The grant-in-aid utilised to settle the amounts due to security fund holders and payments from the Corporation Liability Fund are credited to the amount due from Government. Capital expenditure is also funded by grant-in-aid. Grant-in-aid received as a contribution towards fixed assets is credited to the Balance Sheet and released to the income and expenditure account over the expected useful economic lives of the related assets.

Royalties and Mining income

Other than the element retained to finance licensing activities, royalties and mining income are surrendered to the Department of Trade and Industry when received. The element retained is credited to the income and expenditure account in the year to which it relates.

Security fund

Cash deposits may be required from licensees to cover the future costs of settling subsidence liabilities, securing abandoned coal mines and to cover debts and any other liability arising under a lease or licence that could revert to the Authority. If the licensees fulfil their obligations, the deposits are returned, together with interest accrued under the terms of the lease/licence. Deposits received are retained by the Authority and credited to the Security Fund (which is included in the balance sheet under creditors). Repayments of deposits and the costs of making mining properties secure are provided from the cash received during the year with any shortfalls drawn from grant-in-aid. Interest payable on deposits is charged to the income and expenditure account as it accrues with a corresponding interest receivable from Government. The Security Fund recognises the Authority's resulting liability to the licensees. The Fund is debited with the repayments and security costs incurred each year as charged to the income and expenditure account.

Corporation liability fund

Small mine operators licensed under Section 36 of the 1946 Act were required to make non-refundable deposits to the British Coal Corporation to cover the future costs of making mining sites secure where the operators did not fulfil their obligations. Cash required each year for this purpose is provided from grant-in-aid. The Corporation Liability Fund recognises the Authority's resulting liability for these costs. The Fund is debited with the security costs incurred each year as charged to the income and expenditure account, and amounts no longer required are credited to the income and expenditure account.

Operating leases

Rentals are charged to the income and expenditure account in equal annual amounts over the lease term.

Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pension and other Post Retirement Benefits

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a defined benefit scheme and is unfunded and non-contributory. The Authority recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS and is not the responsibility of the Coal Authority.

3 Analyses of income, operating deficit and net assets

Analyses by class of activity of operating income, operating surplus/(deficit) and net assets/(liabilities) are stated below in order to meet the requirements of HM Treasury's Fees and Charges Guide and SSAP 25.

	Operating income year to 31 March 2006 £000	**Administrative expenses year to 31 March 2006 £000**	**Operating surplus/ (deficit) year to 31 March 2006 £000**	**Net assets/ (liabilities) 2006 £000**
Class of business				
Continuing operations				
Subsidence	**11**	**9,868**	**(9,857)**	**(15,814)**
Historic liabilities	**534**	**28,017**	**(27,483)**	**(2,430)**
Mining information services	**10,580**	**9,036**	**1,544**	**8,145**
Licensing	**583**	**604**	**(21)**	**467**
Mining assets	**295**	**0**	**295**	**1,142**
	12,003	**47,525**	**(35,522)**	**(8,490)**
Grant-in-aid			**26,704**	
			(8,818)	

	Operating income year to 31 March 2005 £000	Administrative expenses year to 31 March 2005 As restated (See Note 1) £000	Operating surplus/ (deficit) year to 31 March 2005 As restated (See Note 1) £000	Net assets/ (liabilities) 2005 As restated (See Note 1) £000
Class of business				
Continuing operations				
Subsidence	230	6,084	(5,854)	(13,371)
Historic liabilities	2,164	26,123	(23,959)	(4,917)
Mining information services	9,304	9,382	(78)	7,715
Licensing	677	812	(135)	254
Mining assets	415	0	415	784
Mines Rescue Service*	0	2,500	(2,500)	0
	12,790	44,901	(32,111)	(9,535)
Grant-in-aid			18,064	
			(14,047)	

Operating surplus/(deficit) for each class of business excludes grant-in-aid which is disclosed separately. Administrative expenses includes all operating costs.

* A grant of £2,500,000 was paid to Mines Rescue Services Ltd under a direction from the Secretary of State.

4 Grant-in-Aid

	Year to 31 March 2006 £000	Year to 31 March 2005 £000
Total grant-in-aid received directly from the Department of Trade and Industry	**27,169**	20,280
Security fund receipts recoverable from Government through grant-in-aid	**96**	133
Amounts treated as release of security fund	**(561)**	(2,349)
	26,704	18,064

Amounts treated as release of security fund represents a reduction in the government debtor account for future grant-in-aid due to releases from

		£000	£000
a	Security Fund	**556**	2,349
b	Corporation Liability Fund	**5**	0
		561	2,349

5 Profit on disposal of fixed assets

During the year, the Authority disposed of fixed assets generating the following profit

	Year to 31 March 2006 £000	Year to 31 March 2005 £000
Sale of investment properties	**688**	16,665
Clawback relating to previous disposals	**11,018**	4,415
Sale of other assets	**5**	3
Total income	**11,711**	21,083
Book values	**(585)**	(10,037)
Profit	**11,126**	11,046

Clawback income relates to the Authority's share of added value secured by purchasers of properties sold by British Coal Corporation or the Authority where the sale agreements included restrictive covenants or clawback provisions.

Clawback income of £3,909,000 was accrued but not received at 31 March 2006 (31 March 2005 - £375,000) as legal completion occurred before 31 March 2006 with proceeds received in April 2006.

6 Operating deficit

	Year to 31 March 2006 £000	Year to 31 March 2005 £000
Operating deficit is after charging		
Depreciation and other amounts written off tangible fixed assets		
Owned assets	1,450	1,740
Permanent diminution in value	0	34
Rentals under operating leases		
Hire of plant and machinery	220	221
Other operating leases	462	477
Travel and subsistence	359	315
Auditors' remuneration		
Audit fees	33	32
Other services	0	0

7 Information regarding the Authority's employees

Employees

	Year to 31 March 2006			Year to 31 March 2005
	Agency No.	**Direct No.**	**Total No.**	Total No.
Average number of persons employed by the Authority including agency staff and Executive Directors				
Licensing	**0**	**5**	**5**	5
Mining records and reports	**3**	**51**	**54**	66
Subsidence and historic liabilities	**3**	**57**	**60**	54
Administration and support services	**1**	**44**	**45**	46
	7	**157**	**164**	171
Staff costs incurred during the year in respect of employees were	**£000**	**£000**	**£000**	£000
Wages and salaries	**0**	**4,644**	**4,644**	4,347
Social security costs	**0**	**389**	**389**	344
Other pension costs	**0**	**870**	**870**	603
Agency staff costs	**146**	**0**	**146**	290
	146	**5,903**	**6,049**	5,584

Pensions

All employees of the Authority are members of one of the Principal Civil Service Pension Schemes (PCSPS) for the year ended 31 March 2006. The PCSPS are unfunded multi-employer defined benefit schemes but the Coal Authority is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2004. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation. Normal employers' contributions of £869,655 were payable in the year to the PCSPS (2005 - £603,024) at one of four rates in the range 16.2 to 24.6 per cent of pensionable pay, based on salary bands. The Scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From the year ending 31 March 2007, the salary bands will be revised and the rates will be in a range between 17.1 per cent and 25.5 per cent. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium and classic plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Further details about the CSP arrangements can be found at the website www.civilservice-pensions.gov.uk.

The Coal Authority also operates an Early Retirement Scheme which gives retirement benefits to certain qualifying employees. These benefits conform to the rules of the PCSPS. The Coal Authority bears the costs of those benefits until normal retiring age of the employees retired under the Early Retirement Scheme. The total pensions liability up to normal retiring age in respect of each employee is charged to the income and expenditure account in the year in which the employee takes early retirement and a provision for future pension payments is created. Pensions and related benefits payments to the retired employee until normal retiring age are then charged annually against the provision.

8 Interest Receivable

	Year to 31 March 2006 £000	Year to 31 March 2005 £000
Interest on amount due from Government	**115**	201
Other interest receivable	**559**	21
	674	222

9 Interest payable

	Year to 31 March 2006 £000	Year to 31 March 2005 £000
Interest on security fund deposits	**115**	201
Other interest payable	**171**	0
	286	201

10 Tax on surplus on ordinary activities

	Year to 31 March 2006 £000	Year to 31 March 2005 £000
Current taxation		
UK corporation tax charge for the year	**2,118**	4,686
Adjustments in respect of prior periods	**(187)**	0
Tax on surplus on ordinary activities	**1,931**	4,686

The standard rate of tax for the year based on the UK standard rate of corporation tax is 30 per cent. The actual tax charge for the current tax year is higher than the standard rate for reasons set out in the following reconciliation.

	2006 £000	2005 £000
Surplus/(deficit) on ordinary activities before tax	**2,696**	(2,980)
Tax at standard rate	**809**	(894)
Factors affecting charge		
Capital allowances in excess of depreciation	**(401)**	(472)
Expenses not deductible for tax purposes	**241**	204
Movement in short term timing differences	**1,892**	10
Increase in loss not provided	**1,223**	4,971
Capital gains adjustments	**(631)**	2,269
Non taxable income	**(1,015)**	(1,402)
Prior period adjustments	**(187)**	0
Current tax charge for period	**1,931**	4,686

Deferred tax assets have not been recognised in respect of timing differences relating to accelerated capital allowances, provisions and tax losses, as there is insufficient evidence that the assets will be recovered. The amount of the assets not recognised is £22,697,583 (2005 - £19,617,008). The assets would be recovered if it was considered to be more likely than not that there would be suitable taxable profits from which any future reversal of the underlying timing differences could be deducted.

11 Appropriations by Government

	Year to 31 March 2006 £000	Year to 31 March 2005 £000
Total cash appropriated in year	**372**	420
Amounts received this year by the Coal Authority that were accrued in the previous year	**(95)**	(105)
Amounts accrued this year	**88**	95
	365	410

The appropriations by Government represent the total income earned on mining assets, less an agreed amount retained to finance the work undertaken in relation to leasing.

12 Investment properties

	Freehold land and buildings
	£000
Cost or valuation	
At beginning of year	**1,542**
Additions	**135**
Disposals	**(585)**
Adjustment arising on revaluation	**645**
Permanent diminution in value	**0**
At 31 March 2006	**1,737**

All properties have been valued at open market value by external Chartered Surveyors in accordance with RICS guidelines during the past five years. The directors of the Authority have reviewed the valuations at 31 March 2006 and, where appropriate, adjustments have been made to reflect current market values.

13 Other tangible fixed assets

	Freehold land and buildings	Minewater Schemes	Fixtures and fittings	Equipment and IT	Assets under construction	Totals
	£000	£000	£000	£000	£000	£000
Cost of valuation						
At beginning of year	3,828	1,750	514	15,675	2,057	23,824
Additions	318	362	0	182	540	1,402
Transfers	0	54	0	2,435	(2,489)	0
Disposals	0	0	(3)	(28)	0	(31)
At 31 March 2006	**4,146**	**2,166**	**511**	**18,264**	**108**	**25,195**
Accumulated depreciation						
At beginning of year	217	114	99	11,413	0	11,843
Charge for the year	73	187	50	1,140	0	1,450
Disposals	0	0	(3)	(28)	0	(31)
At 31 March 2006	**290**	**301**	**146**	**12,525**	**0**	**13,262**
Net book value at 31 March 2006	**3,856**	**1,865**	**365**	**5,739**	**108**	**11,933**
At 31 March 2005	3,611	1,636	415	4,262	2,057	11,981

Freehold land and buildings have been valued by external Chartered Surveyors in accordance with RICS guidelines during the past five years.

The directors of the Authority have reviewed the valuations at 31 March 2006 and considered there were no material changes and therefore no adjustments have been made to reflect existing use values.

Assets under construction consists of the Ground Stability Report software development and work in progress with the construction of the Dawdon and Byrons Drift Minewater Treatment Schemes. A transfer from Assets under construction to Equipment and IT represents completion of the main office block refurbishment work and the large format camera scanning facility.

14 Debtors

14(a) Analysis by type

	2006	2005
	£000	£000
Amounts falling due after more than one year		
Amounts recoverable from Government	**1,564**	1,764
Amounts falling due within one year		
Trade debtors	**419**	394
Other debtors	**453**	1,102
Amounts recoverable from Government	**849**	998
Prepayments and accrued income	**5,232**	1,424
	6,953	3,918

The amount recoverable from Government represents the balance of the amounts which have been collected from licensees as contributions to the Corporation Liability Fund and returnable security funds plus the related interest which accrues on the returnable funds. The asset is expected to be recovered from future tranches of grant-in-aid at the time such returnable funds are repaid to licensees.

14(b) Intra-Government Balances

	Amounts falling due within one year after		Amounts falling due more than one year	
`	**2006**	2005	**2006**	2005
	£000	£000	**£000**	£000
Balances with other Central Government Bodies	**1,302**	2,100	**1,564**	1,764
Balances with Local Authorities	**374**	7	**0**	0
Balances with public corporations and trading funds	**5**	8	**0**	0
Sub-total: Intra-Government Balances	**1,681**	2,115	**1,564**	1,764
Balances with bodies external to government	**5,272**	1,803	**0**	0
Total Debtors at 31 March	**6,953**	3,918	**1,564**	1,764

15 Creditors: amounts falling due within one year

15(a) Analysis by type

	2006	2005
	£000	£000
Trade creditors	**673**	134
Corporation Tax	**882**	2,336
Other creditors	**704**	851
Amounts repayable to Government	**88**	95
Accruals and deferred income	**3,950**	5,017
	6,297	8,433

The amount repayable to Government represents the amount which will be due to the Government, when all of the income generated in the year as a result of mining activity is collected, under the Act which requires the cash received relating to mining activity be returned to the Government except to the extent that the Authority is directed to the contrary.

15(b) Intra-Government Balances

	Amounts falling due within one year after		Amounts falling due more than one year	
	2006	2005	**2006**	2005
	£000	£000	**£000**	£000
Balances with other Central Government Bodies	**1,117**	2,433	**0**	0
Balances with Local Authorities	**112**	65	**0**	0
Sub-total: Intra-Government Balances	**1,229**	2,498	**0**	0
Balances with bodies external to government	**5,068**	5,935	**1,564**	1,764
Total Creditors at 31 March	**6,297**	8,433	**1,564**	1,764

16 Creditors: amounts falling due after more than one year

	2006	2005
	£000	£000
Other creditors payable		
In more than one year, but not more than two years	**626**	518
In more than two years, but not more than five years	**573**	922
In more than five years	**365**	324
	1,564	1,764

Other creditors represent the liability of the Authority to return the cash security funds plus interest to the licensees. These funds are held by the Authority to ensure debts and future liabilities are settled where a licensee fails to meet their obligations under a lease or licence. The Authority is not permitted to hold the deposits as funds so the asset is reflected in amounts recoverable from Government within debtors.

The movements on cash security funds during the year were

		£000	£000
Opening balances	(Note 16)	**1,764**	3,762
	(Note 15)	**851**	866
		2,615	4,628
Unpaid at the beginning of year		**(2)**	0
Receipts during the year (Note 4)		**96**	133
Interest during the year (Note 9)		**115**	201
Repayments to licencees during the year (Note 4)		**(556)**	(2,349)
Unpaid at the end of year		**0**	2
Closing balance		**2,268**	2,615
Note 16		**1,564**	1,764
Note 15		**704**	851
		2,268	2,615

17 Provisions for liabilities and charges

	At 31 March 2005 As restated (See Note 1)	Created in year	Released in year	Utilised in year	**At 31 March 2006**
	£000	£000	£000	£000	**£000**
Subsidence	13,440	8,986	(1,317)	(4,417)	**16,692**
Surface hazards	1,248	2,781	0	(2,803)	**1,226**
Opencast site rehabilitation	1,124	1,667	0	(75)	**2,716**
Closed colliery sites	4,550	1,760	0	0	**6,310**
Spoil heaps	2,542	148	(35)	(754)	**1,901**
Other property liabilities	270	347	0	0	**617**
Early departure costs	65	0	0	(18)	**47**
Total	23,239	15,689	(1,352)	(8,067)	**29,509**

Subsidence provisions relate to the expected cost of settlement of subsidence claims which have been notified by 31 March 2006 in respect of damage arising outside designated Areas of Responsibility associated with licences granted to coal mining operators. Claims can be made by affected parties up to six years after the damage becomes observable or ascertainable. Costs are estimated based on historical claims experience following inspection of the damage. The Authority has a discounted provision on one significant long term liability estimated to arise over the next 50 years of £7.3 million.

Surface hazards provisions relate to the costs of treating ground collapses and other hazards where they arise in the financial year and the costs can be reliably estimated.

Opencast site rehabilitation relates to the aftercare liabilities required under the planning consents which usually extend up to six years after surface mining has ceased. The provisions also include compensation payments due under agreements to occupy third party land during the rehabilitation period.

Closed colliery sites provisions relate to outstanding liabilities to return colliery site areas to a condition that is safe and secure and consistent with any required planning permission or lease obligations.

Spoil heaps provisions relate to the costs to bring spoil heaps to a condition consistent with planning conditions and restoration schemes approved by Mineral Planning Authorities.

Other property liabilities relate to obligations associated with property interests transferred from British Coal under various Restructuring Schemes that do not result from past mining activity.

Early departure costs – The Authority meets the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. Provision is made in full when the employee's retirement becomes binding on the Authority.

With the exception of the above long term subsidence liability it is expected that the majority of expenditure on the liabilities will be incurred over the next three years.

18 Movements on reserves

	Corporation liability fund	Investment property revaluation reserve	Revaluation reserve	Income and expenditure account	**Total**
	£000	£000	£000	£000	**£000**
Balance at 31 March 2005					
As originally stated	149	1,399	810	(10,645)	**(8,287)**
Change of accounting policy (See Note 1)	0	0	0	(1,248)	**(1,248)**
As restated	149	1,399	810	(11,893)	**(9,535)**
Retained surplus for the year	0	0	0	400	**400**
Surplus on revaluation	0	645	0	0	**645**
Downward revaluation					
Transfer of amount equivalent to the net book value of disposed fixed assets	0	(494)	0	494	**0**
Transfer of amount equivalent to additional depreciation on revalued assets	0	0	(17)	17	**0**
Release to income and expenditure account	(5)	0	0	5	**0**
Balance at 31 March 2006	**144**	**1,550**	**793**	**(10,977)**	**(8,490)**

19 Reconciliation of operating deficit to net cash flow from operating activities

	2006 £000	2005 £000 As restated (See Note 1)
Operating deficit	**(8,818)**	(14,047)
Depreciation and revaluation charges	**1,450**	1,774
(Increase)/decrease in debtors	**1,074**	1,641
Decrease in creditors	**(875)**	(1,388)
Increase/(decrease) in provisions	**6,270**	5
Net cash outflow from operating activities	**(899)**	(12,015)

20 Reconciliation of net cash flow to movement in net funds

	2006 £000	2005 £000
Increase in cash in the year	**1,997**	160
Net funds at 1 April	**4,696**	4,536
Net funds at 31 March	**6,693**	4,696

The change to net funds is due entirely to cash flows of cash in hand and at bank.

Analysis of Closing Balances

Office of HM Paymaster General	**6,281**	4,443
Commercial banks	**412**	253
	6,693	4,696

21 Capital commitments

There were capital commitments authorised and contracted for but not provided at 31 March 2006 of £231,179 (2005 - £676,373).

22 Contingent liabilities

The Authority has a liability to settle claims outside designated Areas of Responsibility associated with licences granted in accordance with the provisions of the 1994 Act. Claims can be made by affected parties up to 6 years after they become aware of the subsidence damage. Full recognition has been made in the financial statements for claims which had been notified up to 31 March 2006 and for which the Authority has accepted liability. The Authority has not made an estimate of any future unnotified liability. All subsidence liabilities are expected to be funded by grant-in-aid voted by Parliament in future years.

The Authority has received representations which could require a material increase to an existing subsidence claim. The Directors continue to resist this increase and consider that amounts currently provided in the financial statements properly reflect the Authority's liability.

Licensees of mining operations are required to provide security to the Authority to cover the future costs of settling subsidence liabilities within their Areas of Responsibility. Outside the Areas of Responsibility of the holders of licences under Part II of the Act, the Authority is responsible for making good subsidence damage. Where an Area of Responsibility is extinguished the Authority would become responsible for the discharge of outstanding subsidence liabilities.

The Authority has an ongoing liability to secure and keep secured some operating and most abandoned coal mines. The cost of this activity is charged to the income and expenditure account in the year that it arises. The future cost of this activity is not provided in these financial statements as it is not possible to estimate the timing of colliery closures and the Authority's contribution to the cost. In the majority of cases the liability for operating collieries is the responsibility of the licensees/lessees and security is held to limit the Authority's exposure. It is expected that any deficit will be covered by future allocations of grant-in-aid.

Where liabilities transferred under the various Coal Authority Restructuring Schemes (CARS) have crystallised due to planning conditions, agreements, claims etc, provision has been made in these financial statements. It has not, however, been possible to quantify contingent liabilities that may arise out of indemnities or warranties that may materialise in the future. It is expected that any costs will be covered by future allocations of grant-in-aid.

The Authority is subject to various claims and legal actions in the ordinary course of its activities, for which provision is made in the accounts, where appropriate, on the basis of information available. The Authority does not expect that the outcome of the above issues will materially affect its financial position.

23 Contingent assets

By virtue of the seventh and ninth Coal Authority Restructuring Schemes (CARS 7 and 9) the Authority is the beneficiary of restrictive covenants and clawback provisions relating to properties sold by British Coal Corporation. In the event that the purchasers of the properties secure added value by obtaining planning consent for alternative uses the Authority will receive a share of the added value. Quantification of this asset is not possible.

24 Operating Lease Commitments

At 31 March 2006 the Authority was committed to make the following payments during the next year

	2006 Land and buildings £000	**2006 Other £000**	2005 Land and buildings £000	2005 Other £000
Leases which expire				
Within one year	**103**	**12**	34	12
Between one to five years	**1**	**82**	100	82
After five years	**322**	**220**	353	220

25 Related party transactions

The Authority is a Non-Departmental Public Body of the Department of Trade and Industry and during the year has had a number of material transactions with the Department.

Dr B Jones, Non-Executive Member, is the Chief Operating Officer of Mines Rescue Service Ltd which has a contract with the Authority to provide surface hazard emergency call out cover, training and rescue services, (mandatory for certain incidents) and provide room hire, the value of which was £449,773 during the year.

26 Notional Cost Of Capital

Treasury guidance requires that notional charges be made for the cost of capital, calculated at 3.5 per cent (2005 – 3.5 per cent) of average capital employed during the year. Capital employed comprised total assets less all liabilities. Cash balances with the Office of HM Paymaster General are excluded as they are charged at a nil rate.

27 Financial instruments

The Authority has no borrowings and relies primarily on departmental grants for its cash requirements, and is therefore not exposed to liquidity risks. It also has no material deposits, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency risk.

Other creditors payable in more than one year incur interest at floating rates based on LIBOR.

Debtors due in greater than one year are balances due from the Government and incur interest at floating rates based on LIBOR.

There are no material differences between the book and fair value of the long term assets and liabilities.

As permitted by FRS 13, debtors and creditors which mature or become payable within 12 months from the balance sheet date have been omitted from this disclosure.

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