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GCM Resources plc

Annual Report and Accounts 2014

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GCM Resources plc (GCM), the AIM listed resource exploration and development company, has identified a world class coal resource of 572 million tonnes (JORC 2004 compliant) at the Phulbari Coal Project (the Project) in North-West Bangladesh. GCM is awaiting approval from the Government of Bangladesh to develop the Project.

Highlights

- Bangladesh has moved strongly towards coal as the primary source of power in the country, with plans for the development of coal-fired power plants generating 8,536 MW by 2021.
- GCM continued its advocacy efforts with the Government of Bangladesh in communicating how the Phulbari Coal Project can promote national and regional benefits, as well as supporting the Government's plans to restructure the country's energy supply.
- As a result of substantially reducing spend, GCM's loss for the year ended 30 June 2014 was £1.3 million (2013: loss of £3.2 million) and capitalised Project-related expenditure during the year was £0.8 million (2013: £1.9 million).

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Chairman's Statement

I am pleased to present the 2014 annual report to our shareholders and would like to express my thanks for the continued support for the Company's prospects.

During the last twelve months, Bangladesh has gone through a period of considerable change. Throughout 2013 the country was dominated by the political activity leading up to the national election, which was held on 4 January 2014. During this period of uncertainty the Company undertook a substantial cost-reduction exercise, which resulted in 60% less cash spend than the previous financial year followed by a £2.3 million share placement. The combination of these measures ensured that GCM could continue throughout the 2014 financial year and into 2015.

The first half of 2014 saw a renewal in Government activity following its re-election and renewed term of office. It has been very encouraging to see the positive steps that have been taken, including the Government's commitment to an increase in power production to 16,000MW by 2016 and 24,000MW by 2021, with coal being the main source of energy. The Company has continued its advocacy with Government ministers and officials in communicating how the Phulbari Coal Project (the "Project") can complement the objectives of the Government and promoting the national and regional benefits that the Project would deliver.

As mentioned above, we have restructured operations from a cost perspective and I am pleased to advise that the loss for the year ended 30 June 2014 was £1.3 million, compared to £3.2 million in the previous financial year. Capitalised Project-related expenditure during the year was £0.8 million compared to £1.9 million in the last financial year. Whilst reducing costs has been a key focus for the Company, we have also ensured that the necessary expertise and resources are in place to continue pursuing Project approval.

Going forward, the Company will continue to advocate development of the Project with the Government of Bangladesh and the benefits that the Project can bring to the country. Recognising the importance of partnering with local people, we will continue to build and maintain a constructive relationship with the project affected communities. GCM will also continue to look for other investment opportunities to enhance shareholder value.

Further details of the year's events can be found in the Group Strategic Report, starting on page 4. I would like to thank the Board, staff and advisers for all their hard work over the last year.

Michael Tang
Executive Chairman

Group Strategic Report

Business & Strategy

GCM Resources plc has identified a world class coal resource of 572 million tonnes (JORC 2004 compliant) near the town of Phulbari in Dinajpur, North-West Bangladesh, the development of which is awaiting approval from the Government of Bangladesh.

The Phulbari Coal Deposit represents the country's largest proven coal resource and is the only coal mining project in Bangladesh that has been subject to a full Environmental and Social Impact Assessment (ESIA) and Detailed Feasibility Study in preparation for development. Following approval, the Project would take three years to be in production, and at full production could support a power generating capacity of up to 4,000MW.

The resource is made up of 60% high quality thermal coal, with low ash metallurgical coal, also known as semi-soft coking coal, making up 20%. The remaining thermal coal is also good quality and would have applications in industry and power generation.

The Phulbari deposit is conducive to a long life, low cost mining operation. The production costs will be in the lowest quartile of industry cost curves for both thermal coal and semi-soft coking coal. Substantial initial investment relating to equipment costs, site preparation, box-cut development, and initial resettlement and other community programmes, will take place over a three year period leading up to the commencement of commercial coal production. The ramp up to saleable coal production of 15 million tonnes per annum will take a further five years.

The coal will predominantly be used in domestic power generation. In addition to coal, a variety of valuable industrial mineral co-products are contained in the overburden which is removed to expose the coal prior to excavation.

The Project represents a major foreign investment delivering energy and power to Bangladesh and would provide a stimulus for economic development in one of Bangladesh's poorest regions. As detailed in the Corporate Responsibility section below, development of the Project would bring new jobs, local business development, training opportunities as well as large revenue flows to the Government and its agencies. The benefits as a result of the increased provision of power would also provide significant opportunities for broader economic and social development both nationally and at the local level. The benefits to local communities will be substantial; not only providing employment opportunities and electricity supply but also improved sanitation and reticulated water supply, water for irrigation and improved agricultural production, new schools, religious centres, community facilities and medical centres.

To progress the Project towards development it is essential that the Government of Bangladesh first approves the Scheme of Development of the Project. The Board's strategy to achieve approval is to present the Project proposal to the Government of Bangladesh in an agreeable manner to the benefit of all stakeholders. To this end, the Company continues its discussions with Government Ministers and officials, and potential partners who may aid the approval process.

While advocating the Project to the Government, the Company places great importance in its relations with the local communities within the Dinajpur district and a key strategic aim is to develop and enhance community engagement. By doing so, the Company can best understand the needs and views of the local community and augment the Project as necessary to achieve a result which is satisfactory to all stakeholders. The Board believes this approach will assist the Company in progressing the Project into and beyond development. It is essential that a social licence is retained as the mine would be an important regional asset for over thirty years.

Year in review

Over the last twelve months Bangladesh has moved strongly towards coal as the primary source of power in the country. In its manifesto for the 2014 election, the Awami League Government committed to an increase in power production to 16,000MW by 2016 and 24,000MW by 2021, with "proper economic use of coal resources" remaining key to Bangladesh achieving long term solutions to its power and energy problems. The Government plans that by 2030 50% of Bangladesh's electricity will be generated from coal-based power plants, making coal the single most important component within the country's diversified energy strategy.

Given that only 2.3% of power is currently generated from coal, the Government has made significant steps to restructure the power sector towards coal. By August 2014 the Government had made arrangements for 8,536 MW of coal-fired power plants to be commissioned by 2021 (3,995 MW public sector and 4,541 MW private sector). All of this capacity is planned to use imported coal apart from a 275 MW extension of the Barapukuria mine mouth power plant which would source domestic coal. As a measure of the coal quantity required, if these plants were to run on the equivalent of high calorific value Phulbari coal, each 1,000 MW generated would require 3 million tonnes per year. Thus the annual coal import by 2021 would need to be at least 25 million tonnes per annum. By contrast the Phulbari Coal Project is expected to produce 3 million tonnes per year in its initial phase.

While initial plans are to rely on imported coal, the necessary infrastructure to handle the volumes of coal required does not currently exist. As stated in its election manifesto the Government realises the utilisation of the country's domestic coal resource is necessary to meet the anticipated demand for coal and we believe the Phulbari Coal Project is well placed to meet this need. Power produced using Phulbari coal will be more cost effective and result in lower power tariffs, whilst creating employment and improving the country's balance of payments.

Recently the Government has reportedly stated that it will consider open-pit mining in Barapukuria, a coal mine adjacent to the Phulbari Project area, subject to acceptable water modelling. This is a first in the country's history and is seen as a positive development for the Company. In addition, GCM's studies of water modelling in an open-pit scenario have demonstrated that water management can not only be properly managed, but if done correctly can provide substantial benefits to the local communities and farms by enhancing irrigation and fresh water supply. The integrity of the Company's plans is a great strength and forms an important part of advocating development of the Project. The Company will continue its discussions with the Government, emphasising the benefits of the Project and the willingness of the Board to achieve a mutually beneficial solution.

During the year the Company assisted the National Contact Point ("NCP") to the OECD in its examination in respect of the allegations made against the Company regarding the OECD Guidelines for Multinational Enterprises ("Guidelines"). As announced on 20 June 2014 the NCP had concluded its examination, with results pending a review of the NCP's procedures undertaken in its performance of the examination. The review is being conducted by the NCP Steering Board at the request of the Complainants. The Company expects the results of the both the review and the examination to be published in the near future.

Throughout the year GCM has continued to develop relations with the local communities, to understand the views about the Project's development and mining, and to encourage awareness of the potential benefits of the mine's development for the local economy. This included:

- Preparation of a report analysing the results of an opinion survey of over 2,000 males and females conducted by an independent consultant in and around the Project area to assess the attitude of local communities towards the mine development. The survey concluded that there is large community support for the Project's development and flagged questions over how resettlement and compensation will be managed;
- Completion of an agricultural study involving workshops with farmers to assess the current agricultural situation and capture their valuable input for the design of sustainable high value agricultural programmes;
- Re-establishing GCM's feasibility study office in Phulbari as a focal point for community liaison and information sharing;
- Building a community liaison network with more than 70 Community Liaison Assistants engaged from the local community to help disseminate information about the Project and capture valuable feedback at the grassroots level; and
- Over 30 large group consultation meetings involving various stakeholders (50 – 300 attendees) including farmers, businessmen, indigenous communities, NGOs and community-based organisations. There have also been many individual and small group meetings (5-10 attendees) with elected representatives, political and community leaders and professionals.

We are encouraged to see the local community's increased interest and support for the Project's development. The Company recognises the importance of engaging with all relevant stakeholders and shall strive to remain a good corporate citizen particularly in the Dinajpur region. As such community engagement will remain a key activity for the Company going forward.

Finance review

The Group recorded a loss after tax of £1,302,000 for the year ended 30 June 2014 (2013: loss after tax of £3,168,000), whilst capitalised evaluation expenditure relating to the Project was £760,000 for the year ended 30 June 2014 (2013: £1,935,000). The loss for the year included £576,000 non-cash expenditure, of which £570,000 related to options awarded to Directors and senior management. Administrative expenses were £633,000 for the 2014 financial year, compared to £1,242,000 in the comparative year.

The substantial reduction in the loss for the year reflects the Group's cost savings exercise, reducing expenditure across the business to a minimum level while retaining the necessary resources to continue its core activities. Alongside the reduction in overheads GCM successfully undertook a share placement in August 2013 raising £2,319,000. The combination of both these measures enabled the Group to continue its operations throughout the 2014 financial year and well into the 2015 financial year.

Over the next twelve months GCM will be looking to raise funds to support its activities for the medium term. Until the funds are secured there is a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern. The Board is confident that a future equity fundraising exercise will be successful.

Corporate Responsibility

GCM aspires to be a good corporate citizen and undertakes its activities with integrity and fairness. The development of the Project will be in alignment with the highest international and national social and environmental standards. Specifically the Company has committed to the Equator Principles, the ten principles of the United Nations Global Compact and to the social and environmental standards of the International Finance Corporation.

As a mining company we recognise that for any mining project to be viewed as successful it is vital that a partnership is developed with all relevant stakeholders, particularly local communities, throughout the planning, development and operation of a project.

GCM's standards are best demonstrated by the plans and activities that have occurred to date, most notably in preparing the Feasibility Study and Scheme of Development and the Environmental and Social Impact Assessment which were prepared in accordance with international best practice at the time prepared in conjunction with reputable and experienced international consultants engaged by GCM.

During the last twelve months the Company continued its engagement with the local communities within the Dinajpur district, which have included many consultations with communities and meetings with local community leaders to discuss the benefits and impacts of the Project. For further details on community engagement activities during the year refer to the Year in Review section on page 4.

The Project will be a catalyst for development in the region. An estimated 17,000 jobs would be created as a consequence of developing the Project. New housing, schools, community facilities and religious and medical centres would be constructed. In addition the provision of year-round irrigation, improved inputs and training will enable production of an additional crop per year and an increased yield per crop. Rice production alone is expected to more than double, contributing to the country's food security.

The benefits are not confined to the region. The Project is expected to contribute 1% to Bangladesh's GDP each year and pay over US$7 billion in taxes, royalties and service charges to the Government over the life of the Project. The nation would benefit economically from not having to import millions of tonnes of coal each year and the resultant increase in electricity at a more competitive tariff would spur economic growth.

GCM assembled a world class international team to conduct extensive studies into the potential impacts of mining at the Phulbari Coal Project as well as associated activities. As a result of these studies the Company has developed an in-depth understanding and appreciation of the ecology and geology of the region.

Over the 35 year life of the Project, the mine footprint will cover a total of 5,192 hectares. However, at any one time only one third of this will be under active mining, allowing cultivation to continue for most of the land while the mine is in operation.

Rehabilitation will be progressive over the entire Project life as mined areas and overburden dump areas are completed. In the final land use plan the mine footprint will be comprised of approximately 1,946 hectares of native forest, 2,550 hectares of high value agricultural pursuits and 696 hectares of fresh water lake.

Overall water quality and availability for people in the affected area will be improved. The Project's Water Management Plan ensures that the clean water extracted for mining purposes remains a community asset which will be distributed for irrigation, village and town reticulated water supplies, local industries and the environment. Any surface water to be released from the Project site will be monitored and treated (as necessary) to ensure it complies with environmental standards.

Having operated in Bangladesh for many years we are sensitive to the cultural, economic and social priorities of the country. After numerous extensive studies on the development of the Project, we are confident that the Phulbari Coal Project can be a catalyst for economic and social development. The Company remains committed to ensuring that the Project is developed with integrity and fairness for the benefit of all stakeholders.

Risks and uncertainties

The predominant risks and uncertainties faced by the Company are set out below.

Political – risk that approval of the Scheme of Development is not ultimately forthcoming. The Board believes that despite delays, it is in the best interests of shareholders and all stakeholders to pursue the strategy in place to achieve Project approval. However the timing remains in the hand of the Government of Bangladesh. The Company retains its right to seek legal redress in accordance with the terms of the Contract with the Government of Bangladesh in the event approval is not ultimately forthcoming. Refer to Note 1 of the consolidated financial statements for further information.

Legal – risk that the mining lease and exploration licences are revoked. The Company has complied with all terms of the contract with the Government and is careful to ensure that all ongoing conditions are met. GCM has received no notification from the Government of Bangladesh of any changes to the terms of the contract. GCM has received legal opinion that the Contract is enforceable under Bangladesh and International law.

Financing – risk that the Company is unable to raise sufficient funds within the next twelve months. The Company has been in active discussions with a number of parties and the Board is confident that a future fundraising exercise will be successful. Refer to Note 1 of the consolidated financial statements for further information.

The OECD examination – risk that the result of the OECD examination may be unfavourable. The OECD Guidelines for Multinational Enterprises is a voluntary set of principles; however the underlying themes are consistent with the Company's values. GCM's exploration and evaluation studies, including the Feasibility Study and Scheme of Development and the Environmental and Social Impact Assessment, were prepared in accordance with the international best practice at the time, and the Company's plans are updated as international standards evolve. Whilst an unfavourable outcome is not expected to impair the Company's ability to achieve its strategic aims, the Board would take such a result very seriously and undertake to ensure that the Company's activities are in line with its stated values and commitments. The Board is confident that a thorough and impartial assessment will result in a favourable outcome for the Company.

Health, safety social and environmental risks - The Group is committed to developing the Project and meeting the highest international social and environmental standards. For further details refer to page 6.

Board of Directors

Executive Director

Michael Tang *(Executive Chairman)* is Executive Chairman of the Company's largest shareholder, Polo Resources Limited and is the principal of Mettiz Capital Limited, an investment company with significant corporate and financial experience in natural resources, power generation, manufacturing and real estate. Mr. Tang qualified as a barrister at Lincoln's Inn and holds a Bachelor of Laws degree from the London School of Economics and Political Science.

Non-Executive Directors

Guy Elliot *(Non-Executive Director)* was president and co-founder of Croesus Capital Management Corp., a specialist emerging markets hedge fund manager. He was a manager of proprietary trading at HSBC New York from 1992 to 1993 and worked for EBF & Associates as a portfolio manager from 1990 to 1992. He has also worked for Merrill Lynch International in New York focusing on fixed income securities and Cargill Inc. in London, Geneva and Minneapolis trading fixed income, foreign exchange and derivatives. Mr. Elliott is the Chief Investment Officer and a Non-Executive Director of Minds and Machines Group Limited, an AIM-traded company focused on the top level domain space. He is also a Director of Copper Development Corporation, an AIM-traded copper exploration and mining company. Mr. Elliott has a BSc in Economics from the London School of Economics.

Dato' Md Wira Dani Bin Abdul Daim *(Non-Executive Director)* manages a diverse portfolio of investments. He and his family have interests in mineral resources, real estate and banking spanning Asia, Africa and Australia. Currently, he is the Chairman of ISR Capital Limited and Executive Deputy Chairman of LionGold Corp Limited, both of which are listed on the Singapore Stock Exchange, and a Director of a number of private entities. He holds a Bachelor of Arts and a Master of Arts from the University of Cambridge.

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 30 June 2014.

Principal activities

GCM Resources plc (GCM) was incorporated as a Public Limited Company (Company register number 04913119) on 26 September 2003 and admitted to the London Stock Exchange Alternative Investment Market (AIM) on 19 April 2004.

The Company's principal activity, through its subsidiaries, is the development of the Phulbari Coal Project in Bangladesh.

Business review

Phulbari Coal Project

A detailed review of progress on the Phulbari Coal Project is included in the Group Strategic Report starting on page 4.

Financial resources

As at 30 June 2014 GCM held £1,332,000 in cash (2013: £707,000 cash).

Corporate responsibility

GCM is committed to undertaking its activities in accordance with the highest international social and environmental as well as operational standards. For detailed information please refer to page 6.

Financial review

The Group recorded a loss after tax of £1,302,000 for the year ended 30 June 2014 (2013: loss after tax of £3,168,000). Non-cash expenses of £575,000 were incurred during the year (2013: £1,525,000) including share based payments expense of £570,000.

Capitalised evaluation expenditure relating to the Phulbari Coal Project was £760,000 for the year ended 30 June 2014 (2013: £1,935,000).

Dividends

The Directors do not recommend the payment of a dividend (2013: nil).

Going concern

The Group's activities are funded by cash. Further funding will be required by June 2015 in order for the Group to continue its operations. Until the funds are secured this represents a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern. However, the Directors are confident that the necessary financial resources can be raised within the required timescale to continue to pursue project approval for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis. Upon achieving approval of the Phulbari Coal Project, additional financial resources will be required to proceed with development.

Future outlook

The Group is fully committed to the Phulbari Coal Project and is directly engaging with the Government of Bangladesh and other stakeholders to move the Project forward. A detailed review of progress on the Phulbari Coal Project is included in the Group Strategic Report starting on page 4.

Principal risks and uncertainties

The Group operates in the mining industry, and in a politically changing and unstable region. These both carry inherent risks associated with them. Not all can be controlled or mitigated by the Group, but at times may have an impact on its performance and reputation. For detailed information please refer to page 7.

Financial instruments

Details of the financial risk management objectives and policies of the Group and information on the Group's exposure to financial risks can be found in note 17 to the financial statements.

Directors

The Directors who served during the year:

	Appointed	Resigned
Executive Directors		
Michael Tang	26 June 2013	-
Non-Executive Directors		
Guy Elliott	26 June 2013	-
Dato' Md Wira Dani Bin Abdul Daim	2 October 2013	-
Neil Herbert	26 June 2013	2 October 2013

Amounts paid for services of Directors for the year ended 30 June 2014 were:

	Director fees	Services	Total	2013
	£	£	£	£
Executive Directors				
Michael Tang	6,400	209,233 (1)	215,633	-
Gary Lye	-	-	-	188,196
Graham Taggart(2)	-	-	-	336,700
Bill McIntosh(3)	-	-	-	107,087
Non-Executive Directors				
Guy Elliott	6,400	-	6,400	-
Dato' Md Wira Dani Bin Abdul Daim	4,500	-	4,500	-
Neil Herbert	3,000	-	3,000	-
Gerard Holden	-	-	-	284,804
Stephen Dattels	-	-	-	95,467
Greg James	-	-	-	92,316
David Weill	-	-	-	39,267
	20,300	209,233	229,533	1,143,837

(1) The amount for services was paid to a company in which Michael Tang has an interest.

(2) The amount paid for the services of Graham Taggart in the comparative year includes a payment of £146,600 in accordance with a compensation agreement

(3) The amount paid for the services of Bill McIntosh in the comparative year includes a severance payment of £4,400.

The Directors who held office at 30 June 2014, or on date of resignation, had the following interests in the ordinary shares and options of the Group:

	2014 Shares	2014 Conditional shares	2014 Options	2013 Shares	2013 Conditional shares	2013 Options
Executive Directors						
Michael Tang	-	-	5,500,000 (1)	-	-	-
Gary Lye	-	-	-	-	170,000	500,000 (3)
Graham Taggart	-	-	-	-	-	500,000 (4)
Bill McIntosh	-	-	-	25,000	-	80,000 (5)
Non-Executive Directors						
Guy Elliott	-	-	750,000 (2)	-	-	-
Dato' Md Wira Dani Bin Abdul Daim	-	-	750,000 (2)	-	-	-
Neil Herbert	-	-	-	-	-	-
Gerard Holden	-	-	-	96,666	-	1,000,000 (3)
Stephen Dattels	-	-	-	-	-	500,000 (3)
Greg James	-	-	-	112,500	-	-
David Weill	-	-	-	25,000	-	800,000 (5)

(1) 2,500,000 options with an exercise price of £0.198, expiry date of 28 February 2019 and 3,000,000 options with an exercise price of £0.198, expiry date of 31 August 2019

(2) 250,000 options with an exercise price of £0.198, expiry date of 28 February 2019 and 500,000 options with an exercise price of £0.198, expiry date of 31 August 2019

(3) Exercise price of £0.40, expiry date 29 February 2016.

(4) Exercise price of £1.00, expiry date 29 November 2014

(5) Exercise price of £1.00, expiry date 30 April 2015.

Refer to note 16 of the financial statements for further information on conditional shares and options.

Corporate governance

The Directors consider the corporate governance procedures are appropriate relative to the size and stage of development of the Group.

Code of Practice
The Listing Rules of the Financial Conduct Authority incorporate the UK Corporate Governance Code which sets out the principles of Good Governance and the Code of Best Practice for listed companies. In addition the Quoted Companies Alliance Code (QCA Code) provides corporate governance guidance for small and mid-sized quoted companies. While there is no requirement to adopt a code of corporate governance the Board recognises the importance of sound corporate governance and consider the principles of both codes, while also being mindful of the Company's size and activities, when assessing the adequacy of its corporate governance procedures.

Board composition
The Board consists of one executive director and two non-executive directors. The Board considers that its composition is satisfactory, taking into account the size and scale of the Group's activities and that no one individual or group dominates the decision making process. The composition of the Board, including the balance between executive and non-executive directors will continue to be reviewed to ensure that the Board continues to have the appropriate structure and skills to meet the needs of the Group as its business develops.

The Board meets regularly through the year, providing effective leadership and overall management of the Group's affairs through the schedule of matters reserved for its decision. This includes the approval of the Group's forecast and budget, major capital expenditure, risk management policies and approval of the financial statements. Formal agendas, papers and reports are sent to the Directors in a timely manner prior to Board meetings. The Board delegates certain of its responsibilities to the Board Committees which have clearly defined terms of reference and are listed below. For the 12 months ended 30 June 2014 the Board met five times.

All directors have access to the advice and services of the Group's solicitors and the Company Secretary. Any Director may take independent professional advice at the Group's expense in the furtherance of their duties.

Retirement by rotation
One third of directors are required to retire at every Annual General Meeting (AGM) of the Company by rotation and may be re-elected by ordinary resolution.

The Audit Committee
The Audit Committee considers the Group's financial reporting (including accounting policies) and internal financial controls. The Audit Committee consists of Guy Elliott and Dato' Md Wira Dani Bin Abdul Daim, and is responsible for ensuring that the financial performance of the Group is properly monitored and reported on.

The Remuneration Committee
The Remuneration Committee is responsible for making recommendations to the Board on Directors' and senior executives' remuneration. It consists of Guy Elliott and Dato' Md Wira Dani Bin Abdul Daim. Non-Executive Directors' remuneration is considered by the Board. Financial packages for the Executive Directors are established by reference to those prevailing in the employment market for executives of equivalent status both in terms of level of responsibility of the position and their job qualifications and skills. The Committee will also have regard to the terms which may be required to attract an equivalent experienced executive to join the Board from another Company.

The Nominations Committee
The Nominations Committee makes recommendations to the Board for the recruitment of Directors and senior executives. The Nominations Committee consists of Guy Elliott and Dato' Md Wira Dani Bin Abdul Daim.

Internal controls
The Directors acknowledge their responsibility for the Group's systems of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Group and to ensure the reliability of financial information for both internal use and external publication. Further reviews of internal controls will be undertaken as the Group develops to ensure that they remain adequate and effective.

Risk management
The Board considers risk assessment to be important in achieving its strategic objectives. There is a process of evaluation and monitoring risks through regular reviews by senior management.

Business risk
The Board regularly evaluates and reviews business risks when reviewing project timelines. The types of risks reviewed include:

- Regulatory and compliance obligations
- Political and economic risks - refer to note 1 for further information
- Environmental requirements
- Legal risks relating to contracts, licences and agreements
- Risks associated with existing investments- refer to note 17 for further information
- Insurance risks – the Group holds insurance coverage for potential employee and liability claims
- Political risks arising from operating in Bangladesh – refer to note 1 for further information

Treasury policy

The Group currently finances its operations through equity and holds its cash and investments to fund the obligations of the Group. Decisions regarding the management of these assets are approved by the Board. Refer to note 17 for liquidity risk.

Capital management

Capital comprises cash. The Group does not hold loans, financial leases, or other non-current finance obligations.

	2014 £000	2013 £000
Cash	1,332	707
Capital	1,332	707

Additional funding for the Group's operations was obtained during the financial year through equity funding. Cash has been used to finance existing activities. The Company will seek to raise further funds during the next twelve months which shall be used to finance existing operations. Upon approval of the Phulbari Coal Project funding will be sought from a mix of equity and debt sources to finance development. The objective of the Group's capital management will be to manage gearing levels and capital ratios in order to support its business, maximise shareholder value and maintain a healthy capital position. The Group incurs expenditure in a number of currencies including UK pounds, Bangladesh Taka, US dollars and Australian dollars. The Group has a policy of not hedging currency exposures.

Relations with shareholders

The Board attaches great importance to maintaining good relationships with its shareholders. The Group's activities are detailed in the Annual Report and Financial Statements, the Interim Report and market announcements. Market sensitive information is always released to all shareholders concurrently in accordance with stock exchange rules. The AGM provides an opportunity for all shareholders to communicate with and to question the Board on any aspect of the Group's activities. The Group maintains a corporate website where information on the Group is regularly updated and all announcements are posted.

Website disclosure

The Group has a website www.gcmplc.com on which statutory information, press releases and background information on the Group and its operations can be found.

Annual General Meeting (AGM)

Full details of the resolutions to be proposed at the company's AGM will be included in the Notice of Meeting which will be distributed to shareholders along with Annual Report.

Auditors

The auditors to the Group, Ernst and Young LLP, have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the AGM.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 8. Having made enquiries of fellow Directors and of the Group's auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information (that is, information needed by the Group's auditors in connection with preparing their report) of which the Group's auditors are unaware; and
- each Director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditors are aware of that information.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the Directors to prepare Group financial statements for each financial year. Under that law, the Directors are required to prepare Group financial statements under International Financial Reporting Standards as adopted by the European Union. Under Company Law the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing the Group financial statements the directors are required to:

- present fairly the financial position, financial performance and cash flows of the Group;
- select suitable accounting policies in accordance with *IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- *provide additional disclosures when compliance with the specific requirements in* IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state whether the Group financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- make judgements that are reasonable.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are also responsible for preparing the Directors' Report and the Strategic Report in accordance with the Companies Act 2006 and applicable regulations.

On behalf of the Board,

Michael Tang
Executive Chairman
12 November 2014

- to the best of each Director's knowledge and belief, there is no information (that is, information needed by the Group's auditors in connection with preparing their report) of which the Group's auditors are unaware; and
- each Director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditors are aware of that information.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the Directors to prepare Group financial statements for each financial year. Under that law, the Directors are required to prepare Group financial statements under International Financial Reporting Standards as adopted by the European Union. Under Company Law the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing the Group financial statements the directors are required to:

- present fairly the financial position, financial performance and cash flows of the Group;
- select suitable accounting policies in accordance with *IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state whether the Group financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- make judgements that are reasonable.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are also responsible for preparing the Directors' Report and the Strategic Report in accordance with the Companies Act 2006 and applicable regulations.

On behalf of the Board,

Michael Tang
Executive Chairman
12 November 2014

Consolidated Financial Statements

Consolidated Income Statement

For year ended 30 June

	Notes	2014 £000	2013 £000
Operating expenses			
Exploration and evaluation costs		(109)	(405)
Share based payments	16	(570)	(186)
Administrative expenses		(633)	(1,242)
Operating (loss)	3	(1,312)	(1,833)
Exceptional items	6	-	(864)
Finance revenue	7	10	-
(Loss) before tax		(1,302)	(2,697)
Taxation	8	-	(471)
(Loss) for the year		(1,302)	(3,168)
(Loss) per share			
Basic (pence per share)	9	(2.2p)	(6.2p)
Diluted (pence per share)	9	(2.2p)	(6.2p)

Consolidated Statement of Comprehensive Income

For year ended 30 June

	2014 £000	2013 £000
Loss for the year	(1,302)	(3,168)
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Net loss on revaluation of available-for-sale financial assets	-	(2,825)
Transfer to income statement: sale of available-for-sale financial assets	-	662
Transfer to income statement: impairment of available-for-sale financial assets	-	202
Income tax relating to components of other comprehensive income	-	471
Total comprehensive loss	(1,302)	(4,658)

Consolidated Statement of Changes in Equity

For year ended 30 June

	Share capital £000	Share premium account £000	Share based payments not settled £000	Net movement in available-for-sale investments £000	Accumulated losses £000	Total £000
Balance at 1 July 2012	5,110	44,246	1,316	1,490	(10,200)	41,962
Total comprehensive loss	-	-	-	(1,490)	(3,168)	(4,658)
Shares issued during the year	5	12	-	-	-	17
Share based payments	-	-	(728)	-	280	(448)
Balance at 30 June 2013	5,115	44,258	588	-	(13,088)	36,873
Total comprehensive loss	-	-	-	-	(1,302)	(1,302)
Shares issued during the year	1,171	1,148	-	-	-	2,319
Share issue transaction costs	-	(120)	-	-	-	(120)
Share based payments	-	-	(3)	-	570	567
Balance at 30 June 2014	6,286	45,286	585	-	(13,820)	38,337

Consolidated Balance Sheet

As at 30 June

	Notes	2014 £000	2013 £000
Current assets			
Cash and cash equivalents		1,332	707
Receivables	10	64	178
Total current assets		1,396	885
Non-current assets			
Property, plant and equipment	11	35	47
Intangible assets	12	37,153	36,393
Total non-current assets		37,188	36,440
Total assets		38,584	37,325
Current liabilities			
Payables		(247)	(452)
Total current liabilities		(247)	(452)
Total liabilities		(247)	(452)
Net assets		38,337	36,873
Equity			
Share capital	15	6,286	5,115
Share premium account	15	45,286	44,258
Other reserves	15	585	588
Accumulated losses		(13,820)	(13,088)
Total equity		38,337	36,873

Michael Tang
Executive Chairman
12 November 2014

Consolidated Cash Flow Statement

For year ended 30 June

	2014 £000	2013 £000
Cash flows from/(used in) operating activities		
(Loss) before tax	(1,302)	(2,697)
Adjusted for:		
Exceptional items	-	864
Finance revenue	(10)	-
Share based payments	570	186
Other non-cash expenses	5	4
	(737)	(1,643)
Movements in working capital:		
Decrease in operating receivables	114	125
(Decrease) in operating payables	(111)	(46)
Cash used in operations	(734)	(1,564)
Interest received	10	-
Net cash used in operating activities	(724)	(1,564)
Cash flows from/(used in) investing activities		
Payments for property, plant and equipment	(1)	-
Payments for intangible assets	(849)	(2,502)
Proceeds from sale of investments	-	4,403
Net cash generated from/(used in) investing activities	(850)	1,901
Cash flows from/(used in) financing activities		
Issue of ordinary share capital	2,319	17
Costs on issue of ordinary share capital	(120)	-
Net cash from financing activities	2,199	17
Total increase in cash and cash equivalents	625	354
Cash and cash equivalents at the start of the year	707	353
Cash and cash equivalents at the end of the year	1,332	707

Notes to the Consolidated Financial Statements

1. Accounting policies

GCM Resources plc is domiciled in England and Wales, was incorporated in England and Wales as a Public Limited Company on 26 September 2003 and admitted to the London Stock Exchange Alternative Investment Market (AIM) on 19 April 2004.

The financial report was authorised for issue by the Directors on 12 November 2014, and the Consolidated Balance Sheet was signed on the Board's behalf by Michael Tang.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 30 June 2014 and applied in accordance with the Companies Act 2006. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 30 June 2014.

The functional and presentational currency of each of the entities in the Group is pounds sterling, and all values are rounded to the nearest thousand pounds (£000) except where otherwise indicated.

Political and economic risks - carrying value of intangible asset

The principal asset is in Bangladesh and accordingly subject to the political, judicial, fiscal, social and economic risks associated with operating in that country.

The Group's principal project relates to thermal coal and semi-soft coking coal, the markets for which are subject to international and regional supply and demand factors, and consequently future performance will be subject to variations in the prices for these products.

GCM, through its subsidiaries, is party to a Contract with the Government of Bangladesh which gives it the right to explore, develop and mine in respect of the licence areas. The Group holds a mining lease and exploration licences in the Phulbari area covering the prospective mine site. The mining lease has a 30 year term from 2004 and may be renewed for further periods of 10 years each, at GCM's option.

In accordance with the terms of the Contract, GCM submitted a combined Feasibility Study and Scheme of Development report on 2 October 2005 to the Government of Bangladesh. Approval from the Government of Bangladesh is necessary to proceed with development of the mine. GCM continues to await approval.

The Group has received no notification from the Government of Bangladesh of any changes to the terms of the Contract. GCM has received legal opinion that the Contract is enforceable under Bangladesh and International law, and will consequently continue to endeavour to receive approval for development.

The Directors are confident that the Phulbari Coal Project will ultimately receive approval, although until that approval is received there is significant uncertainty over the recoverability of the intangible mining assets. The Directors consider that it is appropriate to continue to record the intangible mining assets at cost, however if for whatever reason the Scheme of Development is not ultimately approved the Group would impair all of its intangible mining assets, totalling £37,153,000 as at 30 June 2014.

Going concern

GCM relies on its current resources to fund its operating activities, and has no debt or other financial obligations, other than those disclosed in note 14. The expenditure of the Group has been reduced to a minimum and the Group's activities will be funded by cash. As at 11 November 2014 GCM held cash of £842,000. However, with the resources available further funding will be required by June 2015 in order for the Group to continue its operations.

Until the funds are secured this represents a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern. However, the Directors are confident that the necessary financial resources can be raised within the required timescale to continue to pursue project approval for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis. Upon achieving approval of the Phulbari Coal Project, additional financial resources will be required to proceed with development.

Use of assumptions and estimates
The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Intangibles
If an impairment trigger under IFRS 6 is identified and intangibles are tested for impairment, estimates are used to determine the expected net return on investment. The estimated return on investment takes into account estimated recoverable reserves, coal prices, development and production costs, capital investment requirements, discount rates and environmental and social costs among other things. Refer to "Political and economic risks – carrying value of intangible asset" section on page 18 for further details in respect of the recoverability of intangible mining assets.

Share based payments
Note 16 outlines the significant assumptions made when accounting for options and conditional shares. Changes to these assumptions may alter the resulting accounting and ultimately the amount charged to the income statement.

Basis of consolidation
The Group financial statements consist of the consolidated financial statements of the Company and entities controlled by the Company (its subsidiaries).

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The financial statements of subsidiaries used in preparation of the consolidated financial statements are prepared for the same reporting year as the parent company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them, are eliminated.

Property, plant and equipment
Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

- buildings 7 - 40 years
- plant and equipment 3 - 15 years
- vehicles 5 - 7 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

Intangible assets
Acquired intangible assets, are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives.

Exploration and evaluation costs are capitalised as exploration and evaluation assets on an area of interest basis in accordance with IFRS 6.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

(i) the expenditures are expected to be recouped through successful development and mining of the area of interest, or by its sale; or
(ii) activities in the area of interest have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing or planned for the future.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability, and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets within property, plant and equipment.

Impairment

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Financial assets

Financial assets are classified in accordance with IAS 39. The Group determines the classification of its financial assets at initial recognition and re-evaluates this designation at each financial year-end. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus directly attributable transaction costs.

The measurement of financial assets depends on their classification, as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available-for-sale. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as such or are not classified as financial assets at fair value through profit or loss, held-to-maturity assets, or loans and receivables. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised, or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Fair values

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis and pricing models. Otherwise assets will be carried at cost.

The fair value of financial instruments is determined and disclosed using the following hierarchy of valuation techniques:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly

- Level 3: Inputs for the asset or liability that are not based on observable market data

Impairment of financial assets
The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced, with the amount of the loss recognised in administration costs.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Available-for-sale financial assets
If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its fair value is transferred from equity to the income statement. An available-for-sale investment is impaired when there is a significant or prolonged diminution in fair value of the asset.

Reversals in respect of equity instruments classified as available-for-sale are not recognised in the income statement.

Cash and cash equivalents
Cash and short-term deposits in the balance sheet comprise cash at banks and in hand.

Income tax
Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised outside profit and loss, in which case it is recognised in other comprehensive income or directly in equity as appropriate.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currency transactions

Transactions in currencies other than pounds sterling are recorded at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Share based payments

The cost of equity-settled transactions is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the recipients become fully entitled to the award. Fair value is determined using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions) or to conditions not related to performance or service (non-vesting conditions).

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition or non-vesting condition, be treated as vesting as described above. This includes any award where non-vesting conditions within the control of the Group or the employee are not met. Where the equity-settled share based payment is directly attributable to exploration and evaluation activities, the movement in cumulative expense since the previous balance sheet date is capitalised, with a corresponding entry in equity. Otherwise, the movement in cumulative expense is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

Exceptional items

Exceptional items represent significant items of income and expense that, due to their nature or the expected infrequency of the events giving rise to them, are presented separately on the face of the income statement to give a better understanding to shareholders of the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance. Exceptional items include profit or loss on sale of investments and impairment of investments.

New standards and interpretations applied

There were a number of new and amended standards and interpretations, however their application did not have any impact on the accounting policies, financial position or performance of the Group.

New standards and interpretations not applied

IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

	Effective date	Adoption date
International Accounting Standards (IAS / IFRSs)		
IAS 27 Separate Financial Statements	1 January 2014	1 July 2014
IAS 28 Investments in Associates and Joint Ventures	1 January 2014	1 July 2014
IFRS 10 Consolidated Financial Statements	1 January 2014	1 July 2014
IFRS 11 Joint Arrangements	1 January 2014	1 July 2014
IFRS 12 Disclosure of interests in other entities	1 January 2014	1 July 2014
Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)	1 January 2014	1 July 2014
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2014	1 July 2014

Novation of Derivatives and Continuation of Hedge Accountings (Amendments to IAS 39)	1 January 2014	1 July 2014
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	1 July 2014	1 July 2014
Annual Improvements to IFRSs 2010-2012 Cycle	1 July 2014	1 July 2014
Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014	1 July 2014
IFRS 14 Regulatory Deferral Accounts	1 January 2016	1 July 2016
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	1 January 2016	1 July 2016
Equity Method in Separate Financial Statements (Amendments to Amendments to IAS 27)	1 January 2016	1 July 2016
Bearer Plants (Amendments to IAS 16 and IAS 41)	1 January 2016	1 July 2016
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016	1 July 2016
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016	1 July 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2017	1 July 2017
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018	1 July 2018
International Financial Reporting Interpretations Committee (IFRIC)		
IFRIC 21 Levies	1 January 2014	1 July 2014

The Directors do not anticipate that the adoption of the above standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

2. Segment analysis

The Group operates in one segment being the exploration and evaluation of energy related projects. The only significant project within this segment is the Phulbari Coal Project (the Project) in Bangladesh. "Other" non-current assets are primarily utilised to support the corporate activities of the Company. For segmental reporting, all central costs are allocated to the Project.

Geographic analysis of non-current assets

	Bangladesh £000	**Other £000**	**Total £000**
2014			
Property, plant and equipment	35	-	35
Intangible assets	37,153	-	37,153
	37,188	-	37,188
2013			
Property, plant and equipment	41	6	47
Intangible assets	36,393	-	36,393
	36,434	6	36,440

3. Operating loss

	2014 £000	**2013 £000**
The operating loss is stated after charging:		
Directors' remuneration (1)	200	335
Share based payments (2)	570	186
Other staff costs (3)	159	172
Operating lease rentals (4)	15	79
Depreciation of property, plant and equipment (5)	1	4
Exchange differences	3	1

(1) Total Directors' remuneration for 2014 financial year was £230,000 of which £200,000 was expensed in administrative expenses and £30,000 was capitalised (2013: £335,000 expensed in administrative expenses, £131,000 expensed in exploration and evaluation costs and £678,000 capitalised).

(2) Total share based payments for the 2014 financial year was £567,000 of which £570,000 was expensed and £3,000 credited to intangibles (2013: £186,000 expense and a credit of £634,000 to intangibles).

(3) Other staff costs for 2014 financial year were £433,000 of which £159,000 was expensed in administrative expenses, £75,000 expensed in exploration and evaluation costs and £199,000 capitalised (2013: £172,000 expensed in administrative expenses, £37,000 expensed in exploration and evaluation costs and £374,000 capitalised).

(4) Operating lease rental costs for 2014 financial year were £181,000 of which £15,000 was expensed and £166,000 capitalised (2013: £343,000 capitalised).

(5) Total depreciation for 2014 was £8,000 of which £1,000 was expensed and £7,000 capitalised (2013: £15,000 capitalised).

During the year Phulbari-related exploration and evaluation costs amounting to £109,000 were expensed in accordance with the Group's accounting policy on exploration and evaluation costs (2013: £405,000).

4. Auditor's remuneration

The Group paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Group.

	2014 £000	2013 £000
Audit of the financial statements	45	48
Audit of subsidiaries	9	9
Total audit	54	57
Other assurance services	-	5
Total non-audit services	-	5
Total fees	54	62

5. Amounts paid for Directors' services, and staff costs

	2014 *£000*	2013 *£000*
Amounts paid for Directors' services		
Amounts paid for Directors' services	230	1,144

The amounts paid for Directors' services during the year are disclosed in further detail in the Directors' Report on page 10.

Staff costs		
Wages and salaries[1]	416	584
Social security costs	17	21
	433	605

(1) Excludes amounts paid for Directors' services.

The average monthly number of employees during the year was:

	2014 Number	2013 Number
Exploration and evaluation	19	49
Administration	6	9
	25	58

6. Exceptional items

	2014 £000	2013 £000
(Loss) on sale of investments	-	(662)
Impairment of investments	-	(202)
	-	(864)

There were no exceptional items during the year ended 30 June 2014. During the comparative year a loss of £662,000 was incurred on the disposal of available-for-sale financial assets and an impairment charge of £202,000 was recorded in relation to the decline in market value of listed investments held by the Group.

7. Finance revenue

	2014 £000	2013 £000
Bank interest receivable	10	-
	10	-

8. Taxation

Tax on loss on ordinary activities

	2014 £000	2013 £000
Tax charged/(credited) in the income statement		
UK current tax	-	-
	-	-
Deferred tax		
Origination and reversal of temporary differences	-	471
Change in tax rate	-	-
Total deferred tax	-	471
Tax charge in the income statement	-	471
Tax relating to items charged outside the income statement		
Available-for-sale financial assets	-	(471)
Change in tax rate	-	-
Total deferred tax	-	(471)
Tax charge/(credit) in other comprehensive income	-	(471)

Reconciliation of the tax charge in the income statement

	2014 £000	2013 £000
(Loss) on ordinary activities before tax	(1,302)	(2,697)
UK corporation tax @ 22.5% (2014) and 23.75% (2013)	(292)	(641)
De-recognition of deferred tax assets on carried forward losses	-	471
Unrecognised deferred tax assets during the year	164	596
Non-deductible expenditure	128	45
Total tax expense reported in the income statement	-	471

At 30 June 2014 tax losses for which a deferred tax asset was not recognised amounted to £9,369,000 (2013: £8,803,000). Deferred tax assets are only recognised should it become more likely than not that taxable profit or timing differences, against which they may be deducted, will arise.

Deferred tax

The deferred tax included in the income statement is as follows:

	2014 £000	2013 £000
De-recognise tax deferred assets on carried forward losses	-	471
Deferred income tax expense	-	471

The reduction in the rate of corporation tax from 23% to 21% from 1 April 2014 was enacted during the year and has been fully incorporated into the accounts. In addition, the UK government has announced its intention to reduce the UK corporation tax rate to 20% by 1 April 2015. As the 20% rate had not been substantively enacted at the balance sheet date it has no effect on current or deferred tax liabilities in these accounts.

Unrecognised deferred tax assets

	2014 £000	2013 £000
Deferred tax asset		
Tax losses carried forward	1,967	2,017
Impairment	985	1,079
Other	1	1
	2,953	3,097
Less: deferred tax assets de-recognised	(2,953)	(3,097)
	-	-

9. Earnings per share

	2014 £000	2013 £000
(Loss) for the year	(1,302)	(3,168)
	Thousands	**Thousands**
Weighted average number of shares		
Basic and diluted weighted average number of shares	60,391	51,121
(Loss) per share		
Basic (pence per share)	(2.2p)	(6.2p)
Diluted (pence per share)	(2.2p)	(6.2p)

There are 8,524,830 potentially dilutive options and conditional shares over the Ordinary Shares at 30 June 2014 (2013: 5,335,833), which are not included in the calculation of diluted earnings per share in 2014 because they were anti-dilutive for the period as their conversion to Ordinary Shares would decrease the loss per share.

10. Receivables

	2014 £000	2013 £000
Security deposits	-	21
Prepayments and accrued income	43	147
Other receivables	21	10
	64	178

11. Property, plant and equipment

	Buildings	Plant and equipment	Vehicles	Total
	£000	£000	£000	£000
Cost				
At 1 July 2012	77	312	18	407
Disposals	-	(5)	(1)	(6)
At 30 June 2013	77	307	17	401
Additions	-	1	-	1
Disposals	-	(50)	-	(50)
At 30 June 2014	77	258	17	352
Depreciation				
At 1 July 2012	(40)	(283)	(18)	(341)
Depreciation during the year	(3)	(16)	-	(19)
Disposals	-	5	1	6
At 30 June 2013	(43)	(294)	(17)	(354)
Depreciation during the year	(2)	(6)	-	(8)
Disposals	-	45	-	45
At 30 June 2014	(45)	(255)	(17)	(317)
Net book value at 30 June 2014	32	3	-	35
Net book value at 30 June 2013	34	13	-	47

12. Intangible assets

	Exploration & evaluation expenditure	Mineral rights	Total
	£000	£000	£000
At 1 July 2012	33,311	1,147	34,458
Additions – exploration & evaluation	1,935	-	1,935
At 30 June 2013	35,246	1,147	36,393
Additions – exploration & evaluation	760	-	760
Cost and net book value at 30 June 2014	36,006	1,147	37,153
Cost and net book value at 30 June 2013	35,246	1,147	36,393

The mineral rights will be amortised over the licence period (including extensions) once commercial production commences at the Phulbari Coal Project.

The exploration and evaluation expenditure will have an indefinite useful life until approval is obtained for the Phulbari Coal Project. At that time, the asset will be transferred to mining property and development assets within property, plant and equipment in accordance with the accounting policy.

13. Financial assets

Principal undertakings

Principal investments in which the Group holds 20% or more of the nominal value of any class of share capital are as follows:

	Country of Incorporation	Ownership interest 2014	2013
Subsidiaries			
Asia Energy Corporation (Bangladesh) Pty Limited	Australia	100%	100%
Available-for-sale financial asset			
Peoples Telecommunication and Information Services Ltd (PeoplesTel)	Bangladesh	37%	37%

The investment in PeoplesTel has been accounted for as an available-for-sale financial asset as GCM does not have significant influence. The investment was fully impaired during the year ended 30 June 2010.

14. Commitments

Operating lease commitments

The Group has entered into operating leases on land and buildings, vehicles and office equipment. The duration of the leases are between 1 and 5 years. Future minimum rentals on these operating leases are as follows:

	2014 £000	2013 £000
Operating leases expiring:		
Within one year	100	210
After one year but not more than five years	-	-
	100	210

In addition, under the terms of the Prospecting License agreement with the Bangladesh authorities for contract licence areas B, G and H respectively, an annual fee of 500 Taka (£3.85 at year-end exchange rate) is payable for each hectare within the licence area. The Group currently leases 5,480 hectares within these licence areas. The licence has a 30 year term from 2004 and may be renewed for further periods of 10 years each, at GCM's option.

15. Authorised and issued share capital

	2014 Thousands	2013 Thousands	2014 £000	2013 £000
Authorised				
Ordinary shares of 10p each	200,000	200,000	20,000	20,000
Allotted, called up and fully paid				
At 1 July	51,149	51,096	5,115	5,110
Shares issued	11,712	53	1,171	5
At 30 June	62,861	51,149	6,286	5,115

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

During the year the Company entered into a share placement to raise £2,316,601 by issuing 11,700,007 shares at 19.8p per share. The share placement was completed with the issue of shares on 16 September 2013. In addition a company, in which Greg James has a beneficial interest, subscribed for 12,500 shares on 27 August 2013. The consideration of the issued shares was equal to the market price on the day of purchase, in accordance with the contract for the provision of service.

Reserves

Share capital

The balance held in share capital relates to the nominal net proceeds on issue of the Company's equity share capital, comprising £0.10 ordinary shares.

Share premium account

The share premium account represents the premium received over the nominal value of ordinary shares on issue of the Company's equity. The share premium account has been reduced by expenditure associated with issuing shares such as listing costs.

Other reserves

This reserve records the equity component of options and conditional shares awarded which have not yet been settled.

	2014 £000	2013 £000
Share based payments not settled	585	588
	585	588

16. Share based payments

The charge for share based payments during the year is shown in the following table:

	2014 £000	2013 £000
Charged to the income statement		
New options	600	183
Forfeited options	(30)	-
Cancelled options	-	3
	570	186
(Credited) to intangibles		
Conditional shares	(3)	(634)
	(3)	(634)

Options

Options are issued to incentivise Directors and other senior executives. When an option vests the option holder is entitled to receive one ordinary share per option upon exercise. All options are equity-settled.

New options

7,700,000 options were granted during the year ended 30 June 2014 (2013: 2,100,000) with a weighted average fair value of £0.0943 per option at grant date. The total cost of the options granted was £725,000 which is to be expensed over the vesting period of the options. Accordingly, £600,000 was expensed during the year ended 30 June 2014 and a further £125,000 shall be expensed during the year ending 30 June 2015.

The fair values of the options granted were determined using the Black-Scholes model. The following table lists the inputs to the model.

Grant date	29 August 2013	14 March 2014	14 March 2014
Share price at grant date	£0.23	£0.159	£0.159
Expiry date	28 February 2019	28 February 2019	31 August 2019
Vesting period	0.5 years	none	0.55 years
Expected term	2.75 years	2.48 years	2.74 years
Exercise price	£0.198	£0.198	£0.198
Risk free rate	1.08%	0.95%	1.19%
Expected volatility	78%	87%	87%
Expected dividend yield	0%	0%	0%
Options	3,000,000	250,000	4,450,000

During the year ended 30 June 2014 250,000 options with a recognised fair value at grant date of £30,000 were forfeited prior to vesting and accordingly the fair value was credited against the share based payments expense for the year (2013: nil).

Movement in options
The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2014 Options Thousands	2014 WAEP	2013 Options Thousands	2013 WAEP
At 1 July	4,480	£0.80	4,000	£1.08
Options granted	7,700	£0.198	2,100	£0.40
Options forfeited	(250)	£0.198	-	-
Options cancelled	-	-	(1,620)	£0.98
Outstanding at 30 June	11,930	£0.42	4,480	£0.80
Exercisable at 30 June	7,480	£0.56	4,480	£0.80

The options outstanding at 30 June 2014 have an exercise price in the range of £0.198 to £1.35 (2013: £0.40 to £1.35) and a weighted average contractual life of 3.5 years (2013: 2.1 years).

Conditional shares scheme
GCM has a conditional share scheme for Directors, employees, associates, consultants and contractors. Ordinary shares will be issued for nil consideration, conditional upon the Group achieving milestones including approval by the Government of Bangladesh of the Scheme of Development for the Phulbari Coal Project. The awards granted are classified as equity-settled, and therefore the fair value is determined by reference to the share price at the date of the grant, as required by IFRS 2.

Movement in non-vested conditional shares:

	2014 Thousands	2013 Thousands
At 1 July	313	825
Forfeited	-	(512)
30 June	313	313

The grant details of the conditional shares outstanding as at 30 June 2014 are as follows:

	Share price at grant date £	Conditional shares Thousands
Grant date		
25 August 2005	£6.32	60
9 March 2006	£4.99	30
1 December 2007	£0.81	15
16 July 2009	£0.84	208
		313

The cumulative cost recognised in equity in relation to the conditional shares as at 30 June 2014 is £585,000 (2013: £588,000) after taking into account:

- Expected timeframe for milestones to be achieved
- Probability of successful completion of milestones
- The conditional shares awarded to employees are subject to their employment at the time milestones are reached

The decrease in the cost of conditional shares of £3,000 for the year ended 30 June 2014 is directly attributable to the Phulbari Coal Project, and accordingly credited to intangibles on this basis (2013: reduction of £634,000).

17. Financial Instruments

The Group holds cash as a liquid resource to fund the obligations of the Group.

The Group's strategy for managing cash is to maximise interest income whilst ensuring its availability to match the profile of the Group's expenditure. This is achieved by regular monitoring of interest rates and periodic review of expenditure forecasts.

The Group has a policy of not hedging and therefore takes market rates in respect of foreign exchange risk; however it does review its currency exposures on a regular basis. The Group has no significant monetary assets or liabilities that are denominated in a foreign currency.

Interest rate risk
The interest rate maturity profile of the financial assets of the Group is as follows:

	2014 £000	2013 £000
Floating rate – within 1 year		
Cash and cash equivalents	1,211	-
Receivables – security deposits	-	21

Other financial instruments of the group are non-interest bearing and are therefore not subject to interest rate risk. Non-interest bearing cash and cash equivalents as at 30 June 2014 was £121,000 (2013: £707,000).

Credit risk
The Group considers the credit ratings of banks in which it holds funds in order to manage exposure to credit risk.

Liquidity risk
The Group ensures that it has sufficient cash to meet all its commitments when required. The table below summarises the contractual maturity profile of the Group's financial liabilities as at 30 June 2014 and 2013.

	Within 30 days £000	1 to 3 months £000	3 to 12 months £000	Total £000
2014				
Payables	178	10	56	244
2013				
Payables	314	80	58	452

Currency risk
The Group has no significant monetary assets or liabilities that are denominated in a foreign currency.

Fair values of financial assets and liabilities
Management have assessed that the fair value of cash, current receivables and current payables approximate their carrying amounts due to the short term maturities of these instruments.

Fair value hierarchy
The Group holds one unlisted equity investment, being shares in a private company domiciled in Bangladesh, which is categorised in level 3 of the fair value hierarchy and has been recorded at the lower of cost and net realisable value, as fair value is not capable of reliable measurement due to uncertainty on the recoverability of the investment. The Company will retain the investment for the foreseeable future.

18. Contingent liabilities

The Group is obliged to pay Deepgreen Minerals Corporation Pty Limited US$1 per tonne of coal produced and sold from the Phulbari mine. The Directors are of the opinion that a provision is not required in respect of these matters, as the amount is not capable of reliable measurement.

19. Related Party Transactions

Key management personnel

	2014 £000	2013 £000
Short-term benefits	504	1,158
Share based payments	545	(404)
	1,049	754

Independent Auditor's Report

To the members of GCM Resources plc

We have audited the group financial statements of GCM Resources plc for the year ended 30 June 2014 which comprise the Consolidated Balance Sheet, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, Consolidated Cash Flow Statement and the related notes 1 to 19. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 30 June 2014 and of the group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – recoverability of mining assets

In forming our opinion on the consolidated financial statements, which is not modified, we have considered the adequacy of the disclosure set out in the "Political and economic risks - carrying value of intangible asset" section of note 1 to the financial statements concerning the significant uncertainty over the recoverability of the Group's intangible exploration assets. GCM has been awaiting approval for the development of the mine at Phulbari since submission of the Scheme of Development on 2 October 2005. The timing of approval remains uncertain. If for whatever reason the Scheme of Development is not ultimately approved, intangible assets included in the balance sheet at £37,153,000 would be fully impaired. The ultimate outcome of these matters cannot be presently determined and no impairment has been recorded in respect of the intangible exploration assets in the financial statements.

Emphasis of matter – going concern

In forming our opinion on the Group's financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the consolidated financial statements concerning the Group's ability to continue as a going concern. The conditions as explained in note 1 to the financial statements indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent company financial statements of GCM Resources plc for the year ended 30 June 2014. That report includes an emphasis of matter in respect of the recoverability of investments and intercompany loan and going concern.

Ernst & Young LLP

William Binns
Senior statutory auditor
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
12 November 2014

*The maintenance and integrity of **GCM Resources plc's** web site is the responsibility of the Directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.*

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report

To the members of GCM Resources plc

We have audited the group financial statements of GCM Resources plc for the year ended 30 June 2014 which comprise the Consolidated Balance Sheet, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, Consolidated Cash Flow Statement and the related notes 1 to 19. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 30 June 2014 and of the group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – recoverability of mining assets

In forming our opinion on the consolidated financial statements, which is not modified, we have considered the adequacy of the disclosure set out in the "Political and economic risks - carrying value of intangible asset" section of note 1 to the financial statements concerning the significant uncertainty over the recoverability of the Group's intangible exploration assets. GCM has been awaiting approval for the development of the mine at Phulbari since submission of the Scheme of Development on 2 October 2005. The timing of approval remains uncertain. If for whatever reason the Scheme of Development is not ultimately approved, intangible assets included in the balance sheet at £37,153,000 would be fully impaired. The ultimate outcome of these matters cannot be presently determined and no impairment has been recorded in respect of the intangible exploration assets in the financial statements.

Emphasis of matter – going concern

In forming our opinion on the Group's financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the consolidated financial statements concerning the Group's ability to continue as a going concern. The conditions as explained in note 1 to the financial statements indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Statement of Directors Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Company Balance Sheet

As at 30 June

	Notes	2014 £000	2013 £000
Fixed assets			
Tangible assets	5	-	6
Investments	6	1,935	1,938
Loans to subsidiaries	7	38,588	37,971
		40,523	39,915
Current assets			
Debtors	7	50	45
Security deposit		-	21
Cash at bank and in hand		1,259	249
		1,309	315
Creditors: amounts falling due within one year		(98)	(213)
Net current assets		1,211	102
Total assets less current liabilities		41,734	40,017
Net assets		41,734	40,017
Capital and reserves			
Called up share capital account	9	6,286	5,115
Share premium account	10	45,286	44,258
Other reserves	10	585	588
Profit and loss account	10	(10,423)	(9,944)
Equity shareholders' funds		41,734	40,017

Michael Tang
Executive Chairman
12 November 2014

Notes to the Company Financial Statements

1. Accounting policies

GCM Resources plc was incorporated as a Public Limited Company on 26 September 2003 and admitted to the London Stock Exchange Alternative Investment Market (AIM) on 19 April 2004.

The financial report was authorised for issue by the Directors on 12 November 2014.

Basis of preparation of financial statements
The company financial statements of GCM Resources plc are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

No profit and loss account is presented for GCM Resources plc as permitted by section 408 of the Companies Act 2006.

Political and economic risks - carrying value of investments and loans to subsidiaries
The Company's wholly owned subsidiary, Asia Energy Corporation (Bangladesh) Pty Limited (AECB), controls the Phulbari Coal Project (the Project), the principal asset of the Company and its subsidiaries (the Group). The Project is in Bangladesh and accordingly subject to the political, judicial, fiscal, social and economic risks associated with operating in that country.

The Project relates to thermal coal and semi-soft coking coal, which are subject to international and regional supply and demand factors, and consequently future performance will be subject to variations in the prices for these products.

AECB is party to a Contract with the Government of Bangladesh which gives it the right to explore, develop and mine in respect of the licence areas. The Group holds a mining lease and exploration licences in the Phulbari area covering the prospective mine site. The mining lease has a 30 year term from 2004 and may be renewed for further periods of 10 years each, at AECB's option.

In accordance with the terms of the Contract, AECB submitted a combined Feasibility Study and Scheme of Development report on 2 October 2005 to the Government of Bangladesh. Approval from the Government of Bangladesh is necessary to proceed with development of the mine. AECB continues to await approval.

No notification has been received from the Government of Bangladesh of any changes to the terms of the Contract. GCM has received legal opinion that the Contract is enforceable under Bangladesh and International law, and will consequently continue to endeavour to receive approval for development.

The Directors are confident that the Phulbari Coal Project will ultimately receive approval, although until that approval is received there is significant uncertainty over the recoverability of the assets relating to the Project. The Directors consider that it is appropriate to continue to record the investment in Asia Energy Corporation (Bangladesh) Pty Limited and related inter-company balances at cost. However if for whatever reason the Scheme of Development is not ultimately approved the Company would be required to impair its investment and related inter-company balances, totalling £40,452,000 at 30 June 2014.

Going concern
GCM relies on its current resources to fund its operating activities, and has no debt or other financial obligations. The expenditure of the Group has been reduced to a minimum and the Group's activities will be funded by cash. As at 11 November 2014 GCM held cash of £842,000. With the resources available further funding will be required by June 2015 in order for the Group to continue its operations.

Until the funds are secured this represents a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern. However, the Directors are confident that the necessary financial resources can be raised within the required timescale to continue to pursue project approval for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis. Upon achieving approval of the Phulbari Coal Project, additional financial resources will be required to proceed with development.

Tangible fixed assets
All fixed assets are stated at cost less accumulated depreciation and impairment loss.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value of each asset evenly over its expected useful life as follows:

Office furniture and equipment	-	over 3 to 15 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments
Investments are recorded at the lower of cost or recoverable amount.

Deferred tax
The tax charge is based on the profit for the period and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation purposes and accounting purposes. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax in the future. In particular:

- deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account, with the exception of foreign currency differences directly attributable to exploration and evaluation activities, which are capitalised.

Share based payments
The cost of equity-settled transactions is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the recipients become fully entitled to the award. Fair value is determined using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions) or to conditions not related to performance or service (non-vesting conditions).

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market or non-vesting conditions, number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. This includes any award where non-vesting conditions within the control of the Group or the employee are not met. Where the equity-settled share based payment is directly attributable to exploration and evaluation activities, the movement in cumulative expense since the previous balance sheet date is capitalised, with a corresponding entry in equity. Otherwise, the movement in cumulative expense is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

2. Result of the parent company

The parent company recorded a loss of £1,049,000 for the year ended 30 June 2014 (2013: profit of £865,000).

3. Auditor's remuneration

The Company paid the following amounts to its auditors in respect of the audit of the Company financial statements.

	2014 £000	2013 £000
Audit of the Company financial statements	10	10

4. Unrecognised deferred tax assets

	2014 £000	Movement for the year £000	2013 £000
Deferred tax assets			
Tax losses	1,771	(32)	1,803
Impairment of investments	986	(94)	1,080
	2,757	(126)	2,883

As at 30 June 2014 the deferred tax asset amounting to £2,757,000 was not recognised (2013: £2,883,000). Deferred tax assets will be recognised should it become more likely than not that taxable profit or timing differences, against which they may be deducted, arise.

5. Tangible assets

	Office furniture and equipment £000
Cost	
Opening balance	51
Disposals	(49)
At 30 June 2014	2
Depreciation	
Opening balance	(45)
Disposals	44
Provided during the period	(1)
At 30 June 2014	(2)
Net book value at 30 June 2014	-
Net book value at 30 June 2013	6

6. Investments

	Subsidiary undertakings £000
Cost	
Opening balance	1,938
Reductions	(3)
As at 30 June 2014	1,935
Net book value at 30 June 2014	1,935
Net book value at 30 June 2013	1,938

Part of the cost of share based payments are capitalised as an investment in the Company's subsidiary. The effect for the current year is the reduction of £3,000 (2013: reduction of £728,000), representing the reversal of costs previously capitalised in relation to forfeited conditional shares and cancelled share options in the year.

The principal investments in which the Company holds 20% or more of the nominal value of any class of share capital are as follows:

	Country of incorporation	Ownership interest 2014	2013
Subsidiaries			
Asia Energy Corporation (Bangladesh) Pty Limited	Australia	100%	100%
Available-for-sale financial asset			
Peoples Telecommunication and Information Services Ltd	Bangladesh	37%	37%

The investment in Peoples Telecommunication and Information Services Ltd has been accounted for as an available-for-sale financial asset as GCM does not have significant influence. The investment was fully impaired during the year ended 30 June 2010.

7. Debtors

	2014 £000	2013 £000
Current debtors		
Other debtors	17	11
Prepayments and accrued income	33	34
	50	45
Non-current debtors		
Amounts due from subsidiaries	38,588	37,971
	38,588	37,971

The amount receivable in non-current debtors relates to wholly owned subsidiaries. A repayment schedule has not been agreed between the companies.

8. Commitments

Operating lease commitments
As at 30 June 2014, the Company had no operating lease commitments. In the comparative year the Company had entered into operating leases on premises and office equipment. These leases had a duration of less than 1 year.

	2014 £000	2013 £000
Operating leases expiring:		
Within one year	-	8
After one year but not more than five years	-	-
	-	8

9. Authorised share capital

	2014 Thousands	2013 Thousands	2014 £000	2013 £000
Authorised				
Ordinary shares of 10p each	200,000	200,000	20,000	20,000
Allotted, called up and fully paid				
At 1 July	51,149	51,096	5,115	5,110
Shares issued	11,712	53	1,171	5
At 30 June	62,861	51,149	6,286	5,115

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

During the year the Company entered into a share placement to raise £2,316,601 by issuing 11,700,007 shares at 19.8p per share. The share placement was completed with the issue of shares on 16 September 2013. In addition a company, in which Greg James has a beneficial interest, subscribed for 12,500 shares on 27 August 2013. The consideration of the issued shares was equal to the market price on the day of purchase, in accordance with the contract for the provision of service.

10. Reserves

	Share capital £000	Share premium account £000	Other reserves £000	Profit and loss account £000	Total £000
Balance at 1 July 2013	5,115	44,258	588	(9,944)	40,017
Shares issued	1,171	1,148	-	-	2,319
Share issue transaction costs	-	(120)	-	-	(120)
Share based payments	-	-	(3)	570	567
Loss for the financial year	-	-	-	(1,049)	(1,049)
Balance at 30 June 2014	6,286	45,286	585	(10,423)	41,734

11. Share based payments

The charge/(credit) for share based payments during the year is shown in the following table:

	2014 £000	2013 £000
Charged to the income statement		
New options	600	183
Forfeited options	(30)	-
Cancelled options	-	3
	570	186
Charged/(credited) to investment in subsidiaries		
Conditional shares	(3)	(634)
Modified options	-	-
	(3)	(634)

Options

Options are issued to incentivise Directors and other senior executives. When an option vests the option holder is entitled to receive one ordinary share per option upon exercise. All options are equity-settled.

New options

7,700,000 options were granted during the year ended 30 June 2014 (2013: 2,100,000) with a weighted average fair value of £0.043 per option at grant date. The total cost of the options granted was £725,000 which is to be expensed over the vesting period of the options. Accordingly, £600,000 was expensed during the year ended 30 June 2014 and a further £125,000 shall be expensed during the year ending 30 June 2015.

The fair value of options at the grant date was determined using the Black-Scholes model. The following table lists the inputs to the model:

Grant date	29 August 2013	14 March 2014	14 March 2014
Share price at grant date	£0.23	£0.159	£0.159
Expiry date	28 February 2019	28 February 2019	31 August 2019
Vesting period	0.5 years	none	0.55 years
Expected term	2.75 years	2.48 years	2.74 years
Exercise price	£0.198	£0.198	£0.198
Risk free rate	1.08%	0.95%	1.19%
Expected volatility	78%	87%	87%
Expected dividend yield	0%	0%	0%
Options	3,000,000	250,000	4,450,000

During the year ended 30 June 2014 250,000 options with a recognised fair value at grant date of £30,000 were forfeited prior to vesting and accordingly the fair value was credited against the share based payments expense for the year (2013: nil).

Movement in options

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2014 Options Thousands	2014 WAEP	2013 Options Thousands	2013 WAEP
At 1 July	4,480	£0.80	4,000	£1.08
Options granted	7,700	£0.198	2,100	£0.40
Options forfeited	(250)	£0.198	-	-
Options cancelled	-		(1,620)	£0.98
Outstanding at 30 June	11,930	£0.42	4,480	£0.80
Exercisable at 30 June	7,480	£0.56	4,480	£0.80

The options outstanding at 30 June 2014 have an exercise price in the range of £0.198 to £1.35 (2013: £0.40 to £1.35) and a weighted average contractual life of 3.5 years (2013: 2.1 years).

Conditional shares scheme
GCM has a conditional share scheme for Directors, employees, associates, consultants and contractors. Ordinary shares will be issued for nil consideration, conditional upon the Group achieving milestones including approval by the Government of Bangladesh of the Scheme of Development for the Phulbari Coal Project. The awards granted are classified as equity-settled, and therefore the fair value is determined by reference to the share price at the date of the grant, as required by FRS 20.

Movement in non-vested conditional shares:

	2014 Thousands	**2013 Thousands**
At 1 July	313	825
Forfeited	-	(512)
30 June	313	313

The grant details of the conditional shares outstanding as at 30 June 2014 are as follows:

	Share price at grant date £	**Conditional shares Thousands**
Grant date		
25 August 2005	£6.32	60
9 March 2006	£4.99	30
1 December 2007	£0.81	15
16 July 2009	£0.84	208
		313

The cumulative cost recognised in equity in relation to the conditional shares as at 30 June 2014 is £585,000 (2013: £588,000) after taking into account:

- Expected timeframe for milestones to be achieved
- Probability of successful completion of milestones
- The conditional shares awarded to employees are subject to their employment at the time milestones are reached

12. Related Party Transactions

In accordance with FRS8 Related Party Disclosures transactions with wholly owned subsidiaries have not been disclosed.

Independent Auditor's Report

To the members of GCM Resources plc

We have audited the parent company financial statements of GCM Resources plc for the year ended 30 June 2014 which comprise the Parent Company Balance Sheet and the related notes 1 to 12. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 36, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 30 June 2014;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – recoverability of investment and inter-company loan

In forming our opinion on the Parent Company's financial statements, which is not modified, we have considered the adequacy of the disclosure set out in the "Political and economic risks- carrying value of investments and loans to subsidiaries" section of note 1 to the Parent Company financial statements concerning the significant uncertainty over the recoverability of the Company's investment in Asia Energy Corporation (Bangladesh) Pty Limited and certain inter-company balances. Asia Energy Corporation (Bangladesh) Pty Limited has been awaiting approval for the development of the mine at Phulbari since submission of the Scheme of Development on 2 October 2005. The timing of approval remains uncertain. If for whatever reason the Scheme of Development is not ultimately approved, the investment and inter-company balances included in the Parent Company balance sheet with a carrying value totalling £40,452,000 would be fully impaired. The ultimate outcome of these matters cannot be presently determined and no impairment has been recorded in respect of the Company's investment and the inter-company balances in the financial statements.

Emphasis of matter – going concern

In forming our opinion on the Parent Company's financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the company's financial statements concerning the Parent Company's ability to continue as a going concern. The conditions as explained in note 1 to the financial statements indicate the existence of a material uncertainty which may cast significant doubt about the Parent Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter
We have reported separately on the group financial statements of GCM Resources plc for the year ended 30 June 2014. That report includes an emphasis of matter in respect of the recoverability of mining assets and going concern.

Ernst & Young LLP

William Binns
Senior statutory auditor
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
12 November 2014

*The maintenance and integrity of **GCM Resources plc's** web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.*

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report

To the members of GCM Resources plc

We have audited the parent company financial statements of GCM Resources plc for the year ended 30 June 2014 which comprise the Parent Company Balance Sheet and the related notes 1 to 12. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 36, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements:

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