

BANKSGroup
development with care

COMPANY REGISTRATION NUMBER: 11269831

Banks Group Holdings Limited
Financial Statements
30 September 2018

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Banks Group Holdings Limited

Financial Statements

Year ended 30 September 2018

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Banks Group Holdings Limited

Corporate information

The board of directors

H J Banks
A Cunningham (Non-executive director)
R J Dunkley
S Fisher
C J Gill (Non-executive director)
G A Styles

Company secretary

D J Martin

Registered office

Inkerman House
St John's Road
Meadowfield
Durham
DH7 8XL

Independent auditor

Ernst & Young LLP
Citygate
St James Boulevard
Newcastle upon Tyne
NE1 4JD

Bankers

HSBC Bank plc
Floor 3
Central Square South
Orchard Street
Newcastle upon Tyne
NE1 3AZ

Banks Group Holdings Limited

Chairman's Statement

Year ended 30 September 2018

2018 was a positive year for the new Banks Group Holdings Limited (the Group) with Operating profit up at £15.1m from £14.9m in the previous year from increased sales across the business as a whole with underlying costs being contained.

In July the business was reorganised into four separate groups, with common shareholdings to those in place prior to the reorganisation. Banks Group Holdings Limited retains the mining and property elements of the business and two operational wind farms. It also retains the former parent entity, The Banks Group Limited, together with its head office functions.

The reorganisation was undertaken using merger accounting principles which result in the financial statements of the group being presented on the basis of the Group having existed in its current form in both the current and prior year.

Five of the operational wind farms previously owned by The Banks Group were transferred to two new group holding companies, Banks Renewables (HMA Holdings) Limited and Banks Renewables (PH Holdings) Limited. A further three wind farms in the final stages of construction together with future wind farms under development were transferred to the fourth new specialist holding company, Banks Renewables Holdings Limited. Consequently, most of the revenues previously reported by the former parent entity in relation to renewable energy are now reported by those groups.

The level of sales from the coal mining business, at £44.7m, was down 9% on the previous year of £52.8m due to lower production at the Shotton surface mine as it moves to new production areas with less coal volumes available. The reduction was mitigated by the successful commencement of our new Bradley surface mine which started operation in the summer of 2018. Production levels at the Brenkley surface mine remained consistent with the previous year.

The Group's coal sales are now split with broadly half being sold for electricity generation and half to meet demand from other important industries including steel and cement production as well as smaller industrial and domestic users. The mining business is bringing forward new opportunities for continuing supply to all customers.

During the year the company successfully challenged in the High Court the Secretary of State's decision to refuse planning permission for its 3.5 million tonne mine at Highthorn in Northumberland after the site had received the backing of the Northumberland County Council and the Planning Inspector appointed by the Secretary of State to hold a public inquiry. Our mining business now awaits a further decision from the Secretary of State for Communities and Local Government on whether operations at that site can proceed.

In 2018 the UK consumed nearly 12 million tonnes of coal of which almost 10 million tonnes were imported. The main sources of coal for the UK were Russia (4.6 million tonnes) and USA (3.5 million tonnes). Only 2.6 million tonnes were produced in the UK and consequently the UK is heavily reliant on imports for its coal needs. Mining coal in the UK reduces this import need and the significant level of greenhouse gasses associated with transporting it great distances. It also provides the economic benefit of jobs and value creation in the UK.

The property business performed strongly in 2018 with turnover up from £24.4m to £30.3m. The increase resulted from added value to large sites sold in the year. The business has a healthy programme of new schemes to bring forward but the nature of the property business remains such that volatility of revenues should be expected.

Banks Group Holdings Limited
Chairman's Statement
Year ended 30 September 2018

In relation to the 2019 and beyond the property business is looking to realise sales from a number of legacy brown field sites in its portfolio and develop further greenfield sites in the North East and Yorkshire. This is in line with our stated business strategy which is to dispose of our brownfield portfolio in secondary locations and continuing to secure develop and sell greenfield sites in primary locations which will make our business more resilient to any possible down turn in the property market. To further our growth drive we recently opened a new office in Yorkshire which is part of our plan for geographic expansion.

Our wind farms generated sales of £5.1m compared to £3.4m in 2017. This increase was due to the effect of the first full year of generation from the Group's Lambs Hill wind farm together with improved underlying wind speeds.

The Board believes the Group to be in good shape to maximise the opportunities available from the markets in which we operate, and for results to remain strong although with some volatility.



H J Banks

28 March 2019

Banks Group Holdings Limited

Strategic report

Year ended 30 September 2018

The directors present the Strategic Report for the year ended 30 September 2018.

Review of the business

The results for the year and financial position of the Company and the Group are shown in the financial statements set out from page 15. The consolidated income statement of the Group is set out on page 15. The Group has traded profitably during the year, and the directors expect this to continue for the foreseeable future.

On 27 July 2018 the Company acquired the entire share capital of The Banks Group Limited through a share for share exchange. The transaction represents a group reconstruction and the Company has taken advantage of the provisions of FRS 102 relating to such transactions to account for the consolidation of the resulting group under merger accounting principles as a group restructure. Accordingly, the Group financial statements have been prepared on the basis that all of the group entities were combined from the start of the financial year.

Key performance indicators

The Group's key financial performance indicators for the year were:

	2018	2017
	£000	£000
Turnover	86,481	85,916
Operating profit	15,114	14,917
Profit for the financial year after tax	12,723	13,250
Net assets	81,720	87,594

Turnover was at a similar level to 2017 with reduced mining sales being compensated by higher property sales revenue. Coal sales volumes were 18% below 2017 levels with unit prices at similar levels. Profits were affected by this reduced level of coal revenue and also by a lower gross profit percentage on the developments sold by the Property business compared to those achieved in 2017. Revenues and operating profits from the Renewables business were both improved on 2017 through higher wind speeds and the effect of a full year of trading from the Lambs Hill wind farm.

Shareholder funds have decreased as a result of a £16.5m merger adjustment that arose on the group restructure. This impact is net of increases in reserves from the retained profits realised in the year and a positive movement in derivative financial instruments (hedges) of £1.6m net of tax (2017: adverse £2.6m). The key activities which impacted on operating profit in the year are detailed below.

Banks Group Holdings Limited

Strategic Report *(continued)*

Year ended 30 September 2018

Coal

During the year, surface mining operations in the North East of England at Shotton, Brenkley and Bradley achieved production levels of 0.81m tonnes (2017: 0.89m).

Compared to 2017, production at Shotton decreased by 16% and Brenkley production remained at similar levels. Coal extraction commenced at Bradley in the year.

As of the year end, the Group's operating surface mines have estimated production reserves remaining of 1 million tonnes. These reserves will be mined over the next two years and a significant proportion of these reserves are under sales contracts to third parties. The Group has continued to diversify its coal customer base to include a greater proportion of non-power station customers.

Since the year end coal prices and demand have remained strong and the Group has a number of mines under development to meet this demand.

Renewable Energy

Construction of Lambs Hill (an 8MW wind farm site) was completed in the prior year and therefore the current year results reflect a full year of electricity generation from that site. The Group's two operational sites (Lambs Hill and Hook Moor) both performed well in the year.

Property

Market conditions for property development remained strong. The Group has interests in 39 projects, involving 7,121 potential residential plots and 7,200 square feet of office and commercial space.

Property development sites are carried at the lower of cost or estimated net realisable value (NRV). The estimate of NRV of property development sites is highly subjective and it is anticipated that the development and realisation of certain sites within the existing portfolio will take several years. The directors keep the development appraisal valuations under regular review.

Bank Facilities

At the year end the Group had a £23m revolving credit facility and a £7m overdraft. The directors believe that these facilities are fully adequate for the Group's operational needs and allow the business to plan for future growth with confidence. In addition, wind farm developments are funded by long term loan facilities totalling £21m which are secured on the specific wind farm assets. None of these facilities were drawn at the year end.

Banks Group Holdings Limited

Strategic Report *(continued)*

Year ended 30 September 2018

Principal risks and uncertainties

Market price risk

The Group is exposed to coal, fuel, power, property price and exchange rate risk as a result of its operations. Where possible, coal price risk is managed by entering into contracts with customers of varying length at agreed prices, up to three years forward to ensure an adequate level of market price risk is hedged. In addition, the Group has entered into coal hedging arrangements to reduce exposure to the variability of coal prices. At the year end coal hedging was in place for 59% of anticipated future sales volumes over the next two years.

Fuel price risk is managed by entering into contracts with suppliers at fixed prices for expected usage over periods of up to three years which include both mining and restorations phases of the Group's operations. During the year the Group has continued to enter into hedging arrangements which reduce exposure to the variability of fuel prices.

Power price risk in connection with energy generated by the Group's wind farms is managed by entering into long term power purchase agreements. The agreements allow for power prices to be fixed up to three years forward.

The Group is exposed to the risk that the value of property developments falls due to lack of demand or lack of liquidity in the market. The directors regularly review the carrying value of the property development portfolio held by the Group. The carrying value of such assets is written down where future net realisable value (NRV) is assessed as being less than cost. NRV is assessed considering the expected timing of property disposals and anticipated local market conditions, together with expected planning permissions.

Exchange rate risk, which affects certain of the assets bought by the Group, is managed through the use of forward foreign exchange contracts as appropriate for the particular asset being acquired.

Counterparty risk

The Group is exposed to the risk that third party customers, suppliers, funders or guarantors fail to fulfil their obligation to the Group.

Planning approval risk

The UK planning regime affects all aspects of the Group's business and any major changes could affect it either positively or negatively. Where individual property sites are assessed as no longer being likely to achieve planning consent, the costs associated with those sites are written off.

Political risk

The Government has announced plans to restrict the generation of electricity from coal from 2025 but the business expects that other markets including industrial and domestic coal will remain available and we are targeting future production to meet such demand. Accordingly, further sites continue to be brought forward with a number of planning applications expected to be made in the near future.

Banks Group Holdings Limited

Strategic Report *(continued)*

Year ended 30 September 2018

Health, safety and environment

Group mining and civil engineering operations are subject to potential health and safety and environmental risks. Management continuously review procedures to reduce the number of health and safety incidents occurring and to increase the standards of environmental management, safety and protection. The Board oversees and promotes the importance of health and safety in the business. Health and safety training is provided to employees on an ongoing basis to ensure awareness of safety issues across the Group. The Group employs two full time officers to protect the health, safety and welfare of its employees.

Mining production risk

Inherent to the nature of the mining business is the geology of the ground being mined. Whilst bore holes are drilled and modern survey techniques offer ever improving information, the extent of geological faulting or other conditions in the coal seam are not fully predictable.

Restoration liabilities

An obligation to incur restoration costs arises on the commencement of site operations at surface mines and wind farms. The cost of the restoration liabilities for surface mines is estimated using key assumptions such as the volume of overburden and soil replacement and the associated plant, fuel, labour and overhead costs. The cost of restoration liabilities for wind farms is estimated based on the expected costs of dismantling the turbines and restoring the ground conditions.

The present value of the obligations is provided for in the financial statements and will be funded by the Group as the liabilities crystallise. The costs of restoration are significant and the directors continually review and monitor the future cash flow needs of the business in light of this. The directors are confident of adequate funding being available to complete all of the Group's restoration liabilities.

Weather risk

Mining operations can be significantly affected by extreme weather conditions. Wind farms are exposed to the level of prevailing wind at each site, which impacts the amount of power generated.

Operational risk - UK withdrawal from the EU

There is uncertainty over the nature of the withdrawal of the UK from the European Union. If the withdrawal results in delays in obtaining component parts for the Group's capital equipment then there could be reduced performance from the business if repairs to assets are delayed. The Group will continue to monitor this risk and liaise with its suppliers to minimise any impact resulting from it.

This report was approved by the board of directors on 28 March 2019 and signed on behalf of the board by:


D J Martin
Company Secretary

Banks Group Holdings Limited

Directors' Report

Year ended 30 September 2018

The directors present their report and the Financial Statements of the group for the year ended 30 September 2018.

The company has chosen in accordance with Section 414C(ii) of the Companies Act 2006 to set out in the Strategic Report the following which the directors believe to be of strategic importance:

- Review of the business
- Principal risks and uncertainties

Principal activities

The principal activities of the Group during the year were opencast coal mining, operation of wind farms and the development of interests in land for property development and wind farms.

Incorporation and change of name

The Company was incorporated on 22 March 2018 under the name Timec 1640 Limited. Its name was changed to Banks Group Holdings Limited on 15 June 2018.

Directors

The directors who served the company during the year were as follows:

H J Banks	(Appointed 10 July 2018)
A Cunningham (Non-executive director)	(Appointed 10 July 2018)
R J Dunkley	(Appointed 10 July 2018)
S Fisher	(Appointed 10 July 2018)
C J Gill (Non-executive director)	(Appointed 10 July 2018)
G A Styles	(Appointed 10 July 2018)
A J Davison	(Served from 22 March 2018 to 10 July 2018)

D J Martin is an alternate director (Appointed 10 July 2018).

There have been no change between the year end and the date of approval of the financial statements.

Dividends

No dividends have been paid by the Company during the current or previous financial year.

Future developments

The Group will continue to develop its portfolio of coal, property and wind farm assets and thereby create sustainable profits in future years.

Banks Group Holdings Limited

Directors' Report *(continued)*

Year ended 30 September 2018

Employment of persons including disabled persons

The Group's criteria for the selection, development and promotion of staff are based on each person's ability and suitability regardless of sex, race, religion, age or disability. Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practical in the same or an alternative position or to provide training to achieve this aim.

Employee involvement

The Group has continued to keep its employees informed on matters affecting them by newsletters, departmental meetings and other means. The group maintains a comprehensive electronic information system providing employees with details of latest initiatives and insight into the various projects being undertaken. In addition the Group holds regular meetings with trade unions to update them on group developments.

Banks Group Holdings Limited

Directors' Report *(continued)*

Year ended 30 September 2018

Financial risk management

Credit risk

The Group has implemented policies that require appropriate credit checks on potential customers before sales are made or long term agreements are entered into. Where debt finance is utilised, this is subject to pre-approval by the Board of directors and such approval is limited to financial institutions with a AA rating or better.

Liquidity risk

The Group relies in part on bank loan finance to fund its operations. The Group actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the Group has sufficient available funds for operations and planned expansions. The Group bank loan facilities fall into two categories, bank funding secured on group assets ("group secured bank loan") and ring fenced bank funding secured on the individual wind farm assets to which they relate without recourse to the wider group ("wind farm secured bank loans").

Interest rate cash flow risk

The Group has interest bearing liabilities and has entered into interest rate hedging agreements with its bankers. The Group has a policy of maintaining a significant proportion of long term debt at a fixed rate to ensure certainty of future interest cash flows.

Inflation risk

Certain of the Group's revenue streams are based on prices linked to RPI and the Group funds its assets on the basis of assumed inflation rates. To mitigate against negative changes in inflation the Group has entered into RPI swaps to fix the inflation increase on a portion of its revenues linked to changes in RPI.

Other risks

Other principal risks and uncertainties are explained in the Strategic Report.

Going concern

The directors have considered the Group's current and future prospects and its availability of financing, and are satisfied that the Group can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements.

For this reason the directors continue to adopt the going concern basis of preparation for these financial statements.

Banks Group Holdings Limited

Directors' Report *(continued)*

Year ended 30 September 2018

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, Directors' 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 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 group and the company and the profit or loss of the group for that period.

In preparing these Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting 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.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Group's auditor, each director has taken all the steps that he obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

Ernst and Young LLP were auditors of the Group during the year and have expressed their willingness to continue in office.

This report was approved by the board of directors on 28 March 2019 and signed on behalf of the board by:


D J Martin
Company Secretary

Company registration number: 11269831

Independent Auditor's Report to the Members of Banks Group Holdings Limited

Opinion

We have audited the Financial Statements of Banks Group Holdings Limited ('the parent company') and its subsidiaries (the 'Group') for the year ended 30 September 2018 which comprise of the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Statement of Financial Position, the Group and Parent Company Statement of Changes in Equity, the Group Statement of Cash Flows and the related notes 1 to 32, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30th September 2018 and of its profit for the year then ended;
- 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent Auditor's Report to the Members of Banks Group Holdings Limited *(continued)*

Other Information

The other information comprises the information included in the annual report, other than the Financial Statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which financial statements are prepared is consistent with the financial statements and,
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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, or returns 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.

Independent Auditor's Report to the Members of Banks Group Holdings Limited *(continued)*

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

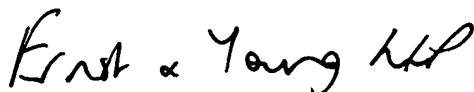
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.



Sandra Thompson (Senior statutory auditor)
For and on behalf of
Ernst & Young LLP (Statutory Auditor)
Newcastle upon Tyne

3 April 2019

Banks Group Holdings Limited

Group Income Statement

Year ended 30 September 2018

	Note	2018 £000	2017 £000
Turnover	4	86,481	85,916
Cost of sales		(58,979)	(58,832)
Gross profit		27,502	27,084
Administrative expenses		(12,388)	(12,167)
Operating profit	5	15,114	14,917
Profit on sale of fixed assets		46	845
Finance income	9	1,722	1,502
Amounts written off investments	15	(191)	–
Finance costs	10	(833)	(690)
Profit on ordinary activities before taxation		15,858	16,574
Taxation	11	(3,135)	(3,324)
Profit for the financial year		<u>12,723</u>	<u>13,250</u>

All the activities of the group are from continuing operations.

The notes on pages 23 to 49 form part of these Financial Statements.

Banks Group Holdings Limited
Group Statement of Comprehensive Income
Year ended 30 September 2018

	2018	2017
	£000	£000
Profit for the financial year	12,723	13,250
Movement on derivative financial instruments	1,991	(2,867)
Deferred tax on movement in derivative financial instruments	(339)	258
Other comprehensive income for the year	<u>1,652</u>	<u>(2,609)</u>
Total comprehensive income for the year	<u>14,375</u>	<u>10,641</u>

The notes on pages 23 to 49 form part of these Financial Statements.

Banks Group Holdings Limited
Group Statement of Financial Position

30 September 2018

	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets	13	16	17
Tangible fixed assets	14	45,458	39,077
Investments	15	–	(219)
		<u>45,474</u>	<u>38,875</u>
Current assets			
Stocks	16	19,989	19,166
Debtors	17	89,694	95,842
Cash at bank and in hand		9,819	14,929
		<u>119,502</u>	<u>129,937</u>
Creditors: amounts falling due within one year	18	<u>(34,914)</u>	<u>(36,472)</u>
Net current assets		<u>84,588</u>	<u>93,465</u>
Total assets less current liabilities		<u>130,062</u>	<u>132,340</u>
Creditors: amounts falling due after more than one year	19	(2,640)	(2,165)
Provisions for liabilities	20	<u>(45,702)</u>	<u>(42,581)</u>
Net assets		<u>81,720</u>	<u>87,594</u>
Capital and reserves			
Called up share capital	23	2,205	2,205
Capital redemption reserve	24	901	901
Hedging reserve	24	(4,022)	(5,674)
Capital reserve	24	352	352
Merger reserve	24	(16,500)	–
Profit and loss reserve	24	99,151	90,177
Equity shareholders' funds		<u>82,087</u>	<u>87,961</u>
Minority interests	24	<u>(367)</u>	<u>(367)</u>
		<u>81,720</u>	<u>87,594</u>

These Financial Statements were approved by the board of directors and authorised for issue on 28 March 2019, and are signed on behalf of the board by:

S Fisher
 Director



The notes on pages 23 to 49 form part of these Financial Statements.

Banks Group Holdings Limited
Company Statement of Financial Position
30 September 2018

	Note	2018 £000	2017 £000
Fixed assets			
Investments	15	2,205	–
Current assets			
Debtors	17	2,165	–
Net current assets		<u>2,165</u>	<u>–</u>
Total assets less current liabilities		4,370	–
Creditors: amounts falling due after more than one year	19	(2,165)	–
Net assets		<u>2,205</u>	<u>–</u>
Capital and reserves			
Called up share capital	23	2,205	–
Hedging reserve	24	–	–
Profit and loss reserve	24	–	–
Shareholders' funds		<u>2,205</u>	<u>–</u>

The profit for the financial year of the parent company was £Nil (2017: £Nil).

These Financial Statements were approved by the board of directors and authorised for issue on 28 March 2019, and are signed on behalf of the board by:



S Fisher
 Director

The notes on pages 23 to 49 form part of these Financial Statements.

Banks Group Holdings Limited
Group Statement of Changes in Equity
Year ended 30 September 2018

	Called up share capital £000	Capital redemption reserve £000	Hedging reserve £000	Capital reserve £000	Merger reserve £000	Profit and loss reserve £000	Equity sharehold ers' funds £000	Minority interests £000	Total £000
At 3 October 2016	2,205	901	(3,065)	352	–	79,330	79,723	(367)	79,356
Profit for the year	–	–	–	–	–	13,250	13,250	–	13,250
Other comprehensive income for the year:									
Movement on derivative financial instruments	–	–	(2,867)	–	–	–	(2,867)	–	(2,867)
Deferred tax on movement in derivative financial instruments	–	–	258	–	–	–	258	–	258
Total comprehensive income for the year	–	–	(2,609)	–	–	13,250	10,641	–	10,641
Dividends paid	–	–	–	–	–	(2,403)	(2,403)	–	(2,403)
Total investments by and distributions to owners	–	–	–	–	–	(2,403)	(2,403)	–	(2,403)
At 1 October 2017	2,205	901	(5,674)	352	–	90,177	87,961	(367)	87,594

The group statement of changes in equity
continues on the following page.
The notes on pages 23 to 49 form part of these Financial Statements.

Banks Group Holdings Limited
Group Statement of Changes in Equity *(continued)*
Year ended 30 September 2018

	Called up share capital £000	Capital redemption reserve £000	Hedging reserve £000	Capital reserve £000	Merger reserve £000	Profit and loss reserve £000	Equity sharehold ers' funds £000	Minority interests £000	Total £000
At 1 October 2017	2,205	901	(5,674)	352	–	90,177	87,961	(367)	87,594
Profit for the year	–	–	–	–	–	12,723	12,723	–	12,723
Other comprehensive income for the year:									
Movement on derivative financial instruments	–	–	1,991	–	–	–	1,991	–	1,991
Deferred tax on movement in derivative financial instruments	–	–	(339)	–	–	–	(339)	–	(339)
Total comprehensive income for the year	–	–	1,652	–	–	12,723	14,375	–	14,375
Dividends paid	–	–	–	–	–	(3,749)	(3,749)	–	(3,749)
Merger reserve	–	–	–	–	(16,500)	–	(16,500)	–	(16,500)
Total investments by and distributions to owners	–	–	–	–	(16,500)	(3,749)	(20,249)	–	(20,249)
At 30 September 2018	<u>2,205</u>	<u>901</u>	<u>(4,022)</u>	<u>352</u>	<u>(16,500)</u>	<u>99,151</u>	<u>82,087</u>	<u>(367)</u>	<u>81,720</u>

The notes on pages 23 to 49 form part of these Financial Statements.

Banks Group Holdings Limited
Company Statement of Changes in Equity
Year ended 30 September 2018

	Called up share capital £000	Hedging reserve £000	Profit and loss reserve £000	Total £000
At 3 October 2016	-	-	-	-
Profit for the year	-	-	-	-
At 1 October 2017	-	-	-	-
Profit for the year	-	-	-	-
Issue of shares	2,205	-	-	2,205
Total investments by and distributions to owners	2,205	-	-	2,205
At 30 September 2018	<u>2,205</u>	<u>-</u>	<u>-</u>	<u>2,205</u>

The notes on pages 23 to 49 form part of these Financial Statements.

Banks Group Holdings Limited

Group Statement of Cash Flows

Year ended 30 September 2018

	Note	2018 £000	2017 £000
Net cash inflow from operating activities	25	7,844	20,551
		<u> </u>	<u> </u>
Cash flows from investing activities			
Payments to acquire tangible fixed assets		(12,604)	(10,040)
Receipts from sales of tangible assets		195	1,254
Interest received		1,722	1,502
Net cash used in investing activities		<u>(10,687)</u>	<u>(7,284)</u>
Cash flows from financing activities			
Repayments of borrowings		–	(175)
Interest paid		(833)	(690)
Dividends paid		(1,237)	(639)
Preference dividends paid		(197)	(108)
Net cash used in financing activities		<u>(2,267)</u>	<u>(1,612)</u>
Net (decrease)/increase in cash and cash equivalents		(5,110)	11,655
Cash and cash equivalents at beginning of year		14,929	3,274
Cash and cash equivalents at end of year		<u>9,819</u>	<u>14,929</u>

The notes on pages 23 to 49 form part of these Financial Statements.

Banks Group Holdings Limited

Notes to the Financial Statements

Year ended 30 September 2018

1. General information

Banks Group Holdings Limited is a limited company, limited by shares, incorporated in England. The Registered Office is Inkerman House, St. John's Road, Meadowfield, Durham, DH7 8XL.

Banks Group Holdings Limited (previously TIMEC 1640 Limited) was incorporated on the 22 March 2018.

The Company acquired the entire share capital in Banks Renewables (HL Holdings) Limited, which is represented by £13,200,001 in share capital which in turn acquired the entire share capital of Banks Renewables (Lamb's Hill Wind Farm) Limited and Banks Renewables (Hook Moor Wind Farm) Limited which are represented by £2 in share capital together. The consideration given by the Company to Banks Renewables Limited was the issue of £16,500,000 in ordinary shares. The difference between these amounts has been recorded in the Merger Reserve.

2. Statement of compliance

These Financial Statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom. The financial statements are prepared in GBP sterling which is the functional currency of the Group. All amounts are rounded to the nearest thousand unless otherwise stated.

(b) Disclosure exemptions

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements.

The Group has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48 (a)(iii), 11.48 (a)(iv), 11.48(b) to (c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.1A and 33.7.

Banks Group Holdings Limited
Notes to the Financial Statements *(continued)*
Year ended 30 September 2018

3. Accounting policies *(continued)*

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 September 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

The Group has applied the merger method of accounting within these consolidated financial statements. Included within these consolidated financial statements, is the following:

- the income and expenditure of the undertakings acquired for the entire financial year, including the period before the acquisition
- the corresponding amounts relating to the financial year as if the undertaking acquired had been included in the consolidation throughout that year

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

All the subsidiaries have the same year end as the parent company.

(d) Joint ventures and associates

The appropriate share of the results and reserves of associated undertakings and joint ventures are included on the gross equity basis of accounting.

(e) Merger reserve

FRS 102.19.6 requires that all business combinations should be accounted for by applying the purchase method except for group reconstructions which may be accounted for using the merger accounting method. Under merger accounting, the carrying values of the assets and liabilities of the parties to the combination are not adjusted to fair value on consolidation. Any difference between the cost of investment and the nominal value of the share capital acquired is put to a merger reserve.

(f) Capitalisation of finance costs and interest

Finance costs incurred on borrowing that specifically funded progress payments on assets under construction, principally wind turbines are capitalised up to the date of commissioning and included as part of the asset.

Banks Group Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2018

3. Accounting policies *(continued)*

(g) Debt issue costs

Costs incurred in connection with the issue of borrowings are deducted from the proceeds of such borrowings and released to the income statement over the term of the debt.

(h) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that the actual outcomes could differ from those estimates. The following judgements and areas of uncertainty (apart from those involving estimates) could have the most significant effect on amounts recognised in the financial statements:

- Work in progress and long term contracts
- Site restoration obligations
- Property work in progress (including Renewables sites)

Each area and its risks, are discussed in more detail in their individual accounting policies (see accounting policies on tangible fixed assets, stocks and work in progress and site restoration below).

(i) Revenue recognition

Revenue is recognised to the extent that the Group obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be recognised:

Sale of goods

The sale of coal and minerals is recognised when it is delivered to the contracted delivery point. Sale of electricity is recognised when electricity is transferred into the distribution network. Revenue is recognised on property developments when they are subject to unconditional contracts for sale.

Rendering of services

Rental income from waste management assets is recognised on a straight-line basis over the period of the contract. Revenue from haulage and plant hire is recognised as the services are provided.

Interest income

Revenue is recognised as interest accrues using the effective interest method.

Banks Group Holdings Limited
Notes to the Financial Statements *(continued)*
Year ended 30 September 2018

3. Accounting policies *(continued)*

Revenue recognition *(continued)*

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

(j) Taxation

Tax is recognised in the income statement and represents the aggregate amount of current and deferred tax in the reporting period.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all material timing differences that have originated but not reversed at the statement of financial position 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. Deferred taxation 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. Deferred taxation 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 substantially enacted at the statement of financial position date.

(k) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction or if hedged, at the rate of exchange under the related forward currency contract. Exchange differences are taken into account in arriving at the operating result.

(l) Leasing contracts

Assets acquired under finance leases and hire purchase agreements, which are those where substantially all the risks and rewards of ownership have passed to the Group, are capitalised and depreciated over their expected useful lives. Finance charges are allocated over the primary period of the lease.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the lease term. Contingent rentals are recognised in the period when they accrue.

Lease income is recognised in the financial statements when the group has earned the right to recognise such income in line with the underlying contract terms for the relevant period.

(m) Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses.

Banks Group Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2018

3. Accounting policies *(continued)*

(n) Tangible fixed assets and mine exploration and development costs

Mine exploration and development costs are capitalised as mining assets. They are subsequently impaired if circumstances indicate that the site is not commercially viable and will not therefore be worked.

Mine excavation costs incurred prior to coaling and the estimated costs of restoration are capitalised as mining assets at the commencement of operations and a separate provision for the outstanding restoration obligations is established.

From commencement of coal production, mining assets are amortised over the estimated production tonnage of each site.

Depreciation of other tangible fixed assets is provided on a straight line basis at rates to write off the cost of assets over their estimated useful lives to their residual value, which are:

Freehold buildings	- 10 to 50 years
Leasehold property	- Period of the lease
Plant and machinery	- 3 to 20 years
Wind turbines	- 20 years
Fixtures, fittings, tools and equipment	- 3 to 4 years
Mining assets	- written off over site operational life

Assets in the course of development comprise options for leases and directly associated land related costs for wind farm development sites, and the costs of constructing wind turbines and associated infrastructure. No depreciation is charged on such sites until the wind farm is commissioned.

Where borrowing costs are incurred during construction of assets after the date of transition to FRS 102, such costs are capitalised as part of the cost of the related asset.

(o) Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

(p) Pensions

The assets of the defined contribution pension schemes are held separately from those of the Group in independently administered funds. Pension contributions are charged to the income statement in the period to which they relate.

Banks Group Holdings Limited
Notes to the Financial Statements *(continued)*
Year ended 30 September 2018

3. Accounting policies *(continued)*

(q) Stock and work in progress

Fuel, spare parts and coal are valued at the lower of cost or net realisable value after making due allowance for obsolete and slow moving items. Coal is recognised as stock when lifted from the ground and stock piled on site. The cost of coal stock is the average production cost and comprises direct materials, plant costs, labour and relevant overheads. Net realisable value is based on estimated selling price less any disposal costs. Purchased coal is valued at cost.

Work in progress represents property and wind farm developments and is valued at the lower of cost or estimated net realisable value. Cost includes all direct third party expenditure and development cost in pursuing planning consent. Net realisable value is based on the directors' assessment of the net present value of the estimated future selling price less any further costs expected to be incurred to completion and disposal.

In determining the stage of completion and the level of profit that is recognised on a project estimation is required of future revenues yet to be made and costs to be incurred. In respect of revenues, estimates are made based on the area and number of units sold at the balance sheet date and the area and units still to be sold through to completion of the project. In respect of costs, estimations are made based on a full assessment of the nature of the site and obligations required to be met in order to realise the full sales therefrom.

(r) Site restoration

An obligation to incur restoration costs arises when environmental disturbance occurs on the commencement of site operations.

Wind farm

The estimated present value of the cost of restoring the site at the end of production is provided as the obligation arises and capitalised as wind farm assets. These costs are charged to the income statement on a straight line basis to write off the cost over the estimated operational period of the wind farm.

Mining

The estimated present value of the cost of restoring each site at the end of production is provided as the obligation arises and capitalised as mining assets. The key assumptions used in calculating restoration provisions are volume of overburden and soil replacement and the associated plant, fuel, labour and overhead costs. These costs are charged over the estimated production tonnage of each site through the depreciation of the asset as an operating cost and the unwinding of the discount on the provision as a finance cost. Changes in the estimated cost or timing of the restoration are added to or deducted from the related asset and provision in the period in which they arise or are reassessed.

The key area of estimation required for site restoration relates to the amount and timing of cash flows required to undertake the remediation. In order to support the estimation of amount of cash flows required the business engages with internal and external engineers and consultants as appropriate to assess the site and the work required to remediate it once operations have ceased. Estimates of projections of unit costs to undertake the work required are made by reference to best available evidence of equipment, manpower and sundry costs as extrapolated to the point where restoration is expected to commence.

Banks Group Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2018

3. Accounting policies *(continued)*

(r) Site restoration *(continued)*

Estimates as to the timing of cash flows are made by reference to expectations of cessation of operations in the light of performance of the site to date and known remaining reserves (in respect of mines) and life span of planning and/or relevant plant (in respect of wind farms).

(s) Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable and payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

(t) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand. For the purpose of the consolidated cash flow statement, cash and cash equivalents cash equivalents as defined above.

(u) Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in the income statement unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in the income statement in the period it arises.

Banks Group Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2018

3. Accounting policies *(continued)*

(v) Derivative financial instruments and hedging activities

The Group uses derivative financial instruments to hedge part of its exposure to fluctuations in interest rates and inflation rates. Derivative financial instruments are initially measured at fair value on the date on which a contract is entered into. For cash flow hedges, the effective portion of the gain or loss is subsequently measured at fair value through the statement of other comprehensive income and the hedging reserve, while any ineffective portion is recognised in the income statement. Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects the income statement, such as when a forecast sale or purchase occurs. If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of the contracts are calculated using their market values at the statement of financial position date.

Banks Group Holdings Limited
Notes to the Financial Statements *(continued)*
Year ended 30 September 2018

4. Turnover

Turnover arises from:

	2018	2017
	£000	£000
Coal	44,653	52,823
Land and property development	30,308	24,355
Waste site rental income	55	54
Other including haulage, plant hire and charges to related party groups	6,341	5,288
Renewable energy generation	5,124	3,396
	<u>86,481</u>	<u>85,916</u>

The whole of the turnover is attributable to the principal activities of the Group wholly undertaken in the United Kingdom in both the current and prior year.

5. Operating profit

Operating profit or loss is stated after charging/(crediting):

	2018	2017
	£000	£000
Amortisation of intangible assets	1	1
Depreciation of tangible fixed assets (owned assets)	3,622	4,830
Depreciation of mining assets	2,231	4,115
Impairment of trade debtors	551	13
Foreign exchange differences	–	871
Amortisation of capitalised interest (included in depreciation)	17	14
Operating lease rental	5,142	7,133
Operating lease income	(1,092)	(732)
Exceptional provision against work in progress (in cost of sales)	97	447
Profit on sale of tangible fixed assets	46	845
	<u> </u>	<u> </u>

Banks Group Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2018

6. Auditor's remuneration

	2018 £000	2017 £000
Audit of the financial statement - company and consolidation	8	7
Audit of the financial statements - subsidiaries	65	26
Other fees to auditors - taxation compliance and other non-audit services	139	82
	<u>212</u>	<u>115</u>

7. Staff costs

The average number of persons employed by the group during the year, including the directors, amounted to:

	2018 No.	2017 No.
Production staff	186	195
Office and management staff	132	129
	<u>318</u>	<u>324</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2018 £000	2017 £000
Wages and salaries	14,199	13,534
Social security costs	914	869
Other pension costs	309	374
	<u>15,422</u>	<u>14,777</u>

8. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2018 £000	2017 £000
Remuneration	762	754
Company contributions to defined contribution pension plans	43	44
	<u>805</u>	<u>798</u>

Banks Group Holdings Limited
Notes to the Financial Statements *(continued)*
Year ended 30 September 2018

8. Directors' remuneration *(continued)*

Remuneration of the highest paid director in respect of qualifying services:

	2018	2017
	£000	£000
Aggregate remuneration	192	188
Company contributions to defined contribution pension plans	16	–
	<u>208</u>	<u>188</u>

9. Finance income

	2018	2017
	£000	£000
Interest receivable	<u>1,722</u>	<u>1,502</u>

10. Finance costs

	2018	2017
	£000	£000
Interest on obligations under finance leases and hire purchase contracts	–	10
Dividends paid on shares classed as debt	197	108
Unwinding of discount on provisions	629	572
Amortisation of debt issue costs	7	–
	<u>833</u>	<u>690</u>

11. Taxation

Major components of tax expense

	2018	2017
	£000	£000
Current tax:		
UK current tax expense	2,722	3,482
Adjustments in respect of prior periods	(49)	(82)
Total current tax	<u>2,673</u>	<u>3,400</u>

Banks Group Holdings Limited
Notes to the Financial Statements *(continued)*
Year ended 30 September 2018

11. Taxation *(continued)*

	2018	2017
	£000	£000
Deferred tax:		
Impact of change in tax rate	(60)	22
Origination and reversal of timing differences	480	(172)
Adjustment in respect of previous periods	42	74
Total deferred tax	<u>462</u>	<u>(76)</u>
Total taxation expense	<u>3,135</u>	<u>3,324</u>

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2017: lower than) the standard rate of corporation tax in the UK of 19% (2017: 19.5%).

	2018	2017
	£000	£000
Profit on ordinary activities before taxation	<u>15,858</u>	<u>16,574</u>
Profit on ordinary activities multiplied by the standard rate of tax in the UK of 19% (2017: 19.5%)	3,013	3,232
Adjustment to tax charge in respect of prior periods	(7)	(8)
Effect of expenses not deductible for tax purposes	217	65
Utilisation of tax losses	(39)	22
Other	-	(8)
Tax rate changes	<u>(49)</u>	<u>21</u>
Total tax on profit	<u>3,135</u>	<u>3,324</u>

Factors that may affect future tax expense

A reduction in the UK corporation tax rate to 17% (effective from 1 April 2020) was substantially enacted on 15 September 2016. A rate of 17% has therefore applied to the deferred tax liability at the statement of financial position date.

Banks Group Holdings Limited
Notes to the Financial Statements *(continued)*
Year ended 30 September 2018

12. Dividends

The following dividends were paid during the year:

	2018	2017
	£000	£000
Equity dividends paid on A ordinary shares:		
Interim for 2018	1,984	–
Final for 2017	1,764	–
Interim for 2017	–	1,874
Final for 2016	–	529
	<u>3,748</u>	<u>2,403</u>

Dividends in the current and previous year were paid prior to the Group restructure by the Company's subsidiary, The Banks Group Limited. Dividends of £2,511,000 (2017: £1,764,000) were credited to the directors current accounts.

13. Intangible assets

Group	Power purchasing agreements £000
Cost	
At 2 Oct 2017 and 30 Sep 2018	<u>19</u>
Amortisation	
At 2 Oct 2017	2
Charge for the year	1
At 30 Sep 2018	<u>3</u>
Carrying amount	
At 30 Sep 2018	<u>16</u>
At 1 Oct 2017	<u>17</u>

The company has no intangible assets.

Banks Group Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2018

14. Tangible fixed assets

Group	Land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Mining assets* £000	Wind farm assets £000	Total £000
Cost						
At 2 Oct 2017	2,506	52,821	2,084	55,425	254	113,090
Additions	–	4,280	75	7,831	197	12,383
Disposals	–	(660)	–	(74)	–	(734)
At 30 Sep 2018	<u>2,506</u>	<u>56,441</u>	<u>2,159</u>	<u>63,182</u>	<u>451</u>	<u>124,739</u>
Depreciation						
At 2 Oct 2017	1,078	17,885	1,990	53,044	16	74,013
Charge for the year	68	3,487	50	2,231	17	5,853
Disposals	–	(585)	–	–	–	(585)
At 30 Sep 2018	<u>1,146</u>	<u>20,787</u>	<u>2,040</u>	<u>55,275</u>	<u>33</u>	<u>79,281</u>
Carrying amount						
At 30 Sep 2018	<u>1,360</u>	<u>35,654</u>	<u>119</u>	<u>7,907</u>	<u>418</u>	<u>45,458</u>
At 1 Oct 2017	<u>1,428</u>	<u>34,936</u>	<u>94</u>	<u>2,381</u>	<u>238</u>	<u>39,077</u>

The company has no tangible fixed assets.

* Mining assets include development costs, precoaling costs and restoration costs. Wind farm assets include restoration costs.

Included in the total cost of plant and machinery is £314,000 in respect of capitalised interest of which £nil was capitalised in the year.

Capital commitments

	2018 £000	Group 2017 £000	2018 £000	Company 2017 £000
Contracted for but not provided for in the Financial Statements	<u>–</u>	<u>668</u>	<u>–</u>	<u>–</u>

Banks Group Holdings Limited
Notes to the Financial Statements *(continued)*
Year ended 30 September 2018

15. Investments

Group	Joint ventures £000
Carrying value	
At 2 Oct 2017	(219)
Share of profit or loss	221
Transfer to current assets	(2)
At 30 Sep 2018	<u>—</u>
Impairment	
At 2 Oct 2017	—
Impairment losses	191
Transfer to current assets	(191)
At 30 Sep 2018	<u>—</u>
Carrying amount	
At 30 Sep 2018	<u>—</u>
At 1 Oct 2017	<u>(219)</u>

The closing value has been transferred to current assets to be included within amounts owed by joint ventures.

Company	Shares in group undertakings £000
Cost	
At 2 Oct 2017	—
Additions	2,205
At 30 Sep 2018	<u>2,205</u>
Impairment	
At 2 Oct 2017 and 30 Sep 2018	<u>—</u>
Carrying amount	
At 30 Sep 2018	<u>2,205</u>
At 1 Oct 2017	<u>—</u>

Additions represents the acquisition of 100% of the share capital in The Banks Group Limited as further explained in note 32.

Banks Group Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2018

15. Investments *(continued)*

Details of the investments in which the parent company has an interest of 20% or more of the ordinary share capital are as follows:

100% owned by the company:

The Banks Group Limited - Management and holding company

100% owned by The Banks Group Limited:

H J Banks and Company Limited - Surface mining
Banks Developments Limited - Holding company
Banks Renewables (HL Holdings) Limited - Holding company
H J Banks (Construction) Limited - Civil engineering
Mount Oswald Estate Management Limited - Dormant

100% owned by H J Banks and Company Limited:

Banks Brothers Transport Limited - Road haulage
H J Banks (Mining) Limited - Dormant
H J Banks (Shotton) Limited - Dormant
Crossco (281) Limited - Site leasing
Banks Waste Limited - Holding company
H J Banks (Minerals) Limited - Dormant
Castlebank Development Company Limited - Dormant
H J Banks (Developments) Limited - Dormant
The Banks Group Benefit Trust Company Limited - Dormant
Energy4You Limited - Dormant
Banks Renewable Energy Limited - Dormant

100% owned by Banks Waste Limited:

Kinderton Developments Limited - Mineral and landfill site development

100% owned by H J Banks (Minerals) Limited:

H J Banks Investments Limited - Dormant company

100% owned by Banks Developments Limited:

Banks Property Limited - Property development
Banks Property Development Limited - Property development *
Banks Sustainable Living Limited - Dormant

100% subsidiary owned by Banks Property Developments Limited:

Banks Property Development (Bathgate) Limited - Property Development *

100% subsidiary owned by Banks Property Limited:

Timec 1301 Limited - Dormant company

Banks Group Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2018

15. Investments *(continued)*

100% subsidiary owned by Banks Holdings (HL Holdings) Limited:

Banks Renewables (HL Finance) Limited - Financing company

100% subsidiary owned by Banks Holdings (HL Finance) Limited:

Banks Renewables (Hook Moor Wind Farm) Limited - Operational wind farm

Banks Renewables (Lambs Hill Wind Farm) Limited - Operational wind farm

50% subsidiary owned by Banks Property Limited:

Banks Mount Oswald Limited - Dormant

50% joint venture owned by Banks Property Limited:

Bates Regeneration Limited - Property development - England

The registered office of Banks Property Development Limited is 2nd Floor, Block C, Brandon Gate, Leechlee Road, Hamilton, Lanarkshire, ML3 6AU.

The registered office of all other subsidiaries is Inkerman House, St. John's Road, Meadowfield Industrial Estate, Meadowfield, Durham, DH7 8XL.

The results of all the subsidiaries are included within the group consolidated accounts.

16. Stocks

	2018 £000	Group 2017 £000	2018 £000	Company 2017 £000
Coal	4,736	2,720	-	-
Work in progress	14,015	15,440	-	-
Fuel and spare parts	1,238	1,006	-	-
	<u>19,989</u>	<u>19,166</u>	<u>-</u>	<u>-</u>

Banks Group Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2018

16. Stocks *(continued)*

Stocks recognised as an expense in the period were £42,773,000 (2017 £35,462,000)

Work in progress comprises costs or written down values associated with the acquisition and development of land for residential or commercial purposes or the development of potential wind farm sites. The land held for residential use or commercial property is expected to be sold at various stages, largely over the next 10 years. Where the land is expected to be developed for wind farms or other renewable energy purposes it is expected to be developed at various points over the next 10 years and may be ultimately sold to third parties or retained within the Group once the wind farm is developed and operational.

17. Debtors

	2018	Group	2018	Company
	£000	2017	£000	2017
		£000		£000
Trade debtors	39,546	18,134	–	–
Amounts owed by group undertakings	–	–	2,165	–
Amounts owed by undertakings in which the company has a participating interest	828	1,017	–	–
Deferred tax asset	2,827	3,628	–	–
Prepayments and accrued income	2,588	2,343	–	–
Debt issue costs	618	98	–	–
Other debtors	43,287	70,622	–	–
	<u>89,694</u>	<u>95,842</u>	<u>2,165</u>	<u>–</u>

Amounts owed by joint ventures of £828,000 is expected to be received within one year. A provision of £191,000 is included within this amount (2017: £Nil). No further provision is deemed to be required.

The debtors above include the following amounts falling due after more than one year:

	2018	Group	2018	Company
	£000	2017	£000	2017
		£000		£000
Trade debtors	14,131	4,228	–	–
Amounts recoverable on contracts	–	4,760	–	–
	<u>14,131</u>	<u>8,988</u>	<u>–</u>	<u>–</u>

Banks Group Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2018

18. Creditors: amounts falling due within one year

	2018	Group	2018	Company
	£000	2017	£000	2017
		£000		£000
Trade creditors	5,774	3,331	–	–
Accruals and deferred income	17,729	10,002	–	–
Corporation tax	3,428	2,744	–	–
Social security and other taxes	825	8,285	–	–
Director loan accounts	2,343	2,211	–	–
Derivative financial liability	4,370	6,836	–	–
Other creditors	445	3,063	–	–
	<u>34,914</u>	<u>36,472</u>	<u>–</u>	<u>–</u>

At the year end the Group had a £23m revolving credit facility and a £7m overdraft. In addition, the wind farm developments had a long term loan facility totalling £21m which is secured on specific wind farm assets. None of these facilities were drawn at the year end.

19. Creditors: amounts falling due after more than one year

	2018	Group	2018	Company
	£000	2017	£000	2017
		£000		£000
Shares classed as financial liabilities	2,165	2,165	2,165	–
Derivative financial liability	475	–	–	–
	<u>2,640</u>	<u>2,165</u>	<u>2,165</u>	<u>–</u>

20. Provisions for liabilities

Group	Mining site	Wind farm	Total
	restoration	site	£000
	£000	restoration	
		£000	
At 2 Oct 2017	42,327	254	42,581
Additions	–	197	197
Utilised	(901)	–	(901)
Provided	3,232	–	3,232
Unwinding of discount	593	–	593
At 30 Sep 2018	<u>45,251</u>	<u>451</u>	<u>45,702</u>

The company does not have any provisions.

Banks Group Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2018

Provisions are made for the total costs of the overburden and top soil replacement and aftercare of surface mines. Costs become payable after coal mining has been completed. The restoration provisions needed are reassessed annually based on the latest estimates of volumes, costs and timing of the restoration of the Shotton, Brenkley and Bradley sites.

Restoration is expected to commence at Shotton and Brenkley in 2019 and at Bradley in 2020. Aftercare expenditure can extend after soil replacement for a period of up to 10 years.

Provision is made for the cost of decommissioning and restoring wind farm sites which is expected to occur after 20 years.

The onerous lease provision represents the net present value of a lease obligation. The directors have concluded that it is unlikely any future revenue will be generated by the property concerned and therefore an onerous lease provision is required.

21. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2018	Group	2018	Company
	£000	2017	£000	2017
		£000		£000
Included in debtors (note 17)	<u>2,827</u>	<u>3,628</u>	<u>-</u>	<u>-</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2018	Group	2018	Company
	£000	2017	£000	2017
		£000		£000
Fixed asset timing differences	1,790	1,730	-	-
Short term timing differences	214	86	-	-
Trading losses	-	650	-	-
On financial instruments through the hedging reserve	<u>823</u>	<u>1,162</u>	<u>-</u>	<u>-</u>
	<u>2,827</u>	<u>3,628</u>	<u>-</u>	<u>-</u>

Movement in group deferred tax asset:

As at 2 October 2017	£000
Charged to the income statement	3,628
Recognised in other comprehensive income	(462)
	(339)
At 30 September 2018	<u>2,827</u>

Banks Group Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2018

21. Deferred tax (continued)

The Group has an unprovided deferred tax asset in respect of tax losses carried forward of £170,000 (2017 £170,000) in the property development companies. This has not been carried forward as an asset on the basis the directors believe there is insufficient evidence over timing and recovery. The assets will only be recovered following an upturn in the property market.

22. Derivative financial instruments and hedging activities

The carrying amount for each category of financial instrument is as follows:

Financial liabilities measured at fair value through profit or loss

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Interest rate swaps	40	–	–	–
Coal price hedge contracts	5,806	6,783	–	–
Fuel price hedge contracts	(1,436)	53	–	–
Inflation swaps	435	–	–	–
	<u>4,845</u>	<u>6,836</u>	<u>–</u>	<u>–</u>

The Group has the following derivatives:

Forward fuel price hedge contracts to hedge price exposure on expected future commitments.

Coal price hedge contracts to manage coal price risk volatility.

Inflation swaps to manage inflation risk volatility.

Interest rate swaps to manage interest rate volatility.

These derivatives are used to manage commodity price risk in addition to other physical fixed price contracts for fuel and coal.

The derivatives are determined to be effective hedges and therefore movements in fair value have been recognised in other comprehensive income. Cash flows are expected to occur over periods to 2027.

Banks Group Holdings Limited
Notes to the Financial Statements *(continued)*
Year ended 30 September 2018

23. Called up share capital

Issued, called up and fully paid

	2018 No.	2018 £000	2017 No.	2017 £000
Group				
Amounts presented in equity:				
Ordinary shares of £1 each	2,204,832	2,205	2,204,832	2,205
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Amounts presented in liabilities:				
Preference shares of £1 each	2,164,588	2,165	2,164,588	2,165
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	2018 No.	2018 £000	2017 No.	2017 £000
Company				
Amounts presented in equity:				
Issued in the year	2,204,832	2,205	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Banks Group Holdings Limited
Notes to the Financial Statements *(continued)*
Year ended 30 September 2018

24. Reserves

Capital redemption reserve

This reserve records the nominal value of shares repurchased by the company.

Hedging reserve

This reserve is used to record increases and decreases in the fair value of derivative financial instruments. These are used by the company to manage the commodity price risk of fuel and coal prices in addition to interest rate and foreign currency volatilities.

Merger reserve

On 27 July 2018 the Group acquired the entire share capital of Banks Renewables (HL Holdings) Limited through a share for share exchange.

The merger reserve represents the difference between the nominal value of shares issued and the nominal value of the shares received in exchange in the following companies:

- Shares issued to acquire Banks Renewables (HL Holdings) Limited (16,500,000 shares of £1 each) and the nominal value of the shares received in exchange (13,200,001 shares of £1 each).
- Shares issued to acquire Banks Renewables (Lambs Hill Wind Farm) Limited and Banks Renewables (Hook Moor Wind Farm) Limited (13,200,001 shares of £1 each) and the nominal value of the shares received in exchange (2 shares of £1 each).

Capital reserve

This reserve arises from a group restructuring.

Profit and loss reserve

This reserve represents cumulative profits and losses less dividends paid.

Minority interests

This relates to the Group's holding of 50% of the ordinary share capital of Banks Mount Oswald Limited.

Banks Group Holdings Limited
Notes to the Financial Statements *(continued)*
Year ended 30 September 2018

25. Net cash inflow from operating activities

Reconciliation of profit to net cash flow from operating activities	2018	2017
	£000	£000
Profit for the financial year	12,723	13,250
<i>Adjustments for:</i>		
Depreciation of tangible fixed assets	5,853	8,017
Amounts written back to investments	191	–
Profit on sale of fixed assets	(46)	(845)
Finance income	(1,722)	(1,502)
Finance costs	833	690
Taxation	827	429
<i>Working capital movements:</i>		
Stocks	(823)	3,262
Trade and other debtors	(10,541)	(23,261)
Trade and other creditors	823	16,708
Provisions	(274)	3,803
	<u>7,844</u>	<u>20,551</u>

26. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2018	Group	2018	Company
	£000	2017	£000	2017
		£000		£000
Not later than 1 year	1,653	1,953	–	–
Later than 1 year and not later than 5 years	2,807	4,131	–	–
Later than 5 years	3,453	4,208	–	–
	<u>7,913</u>	<u>10,292</u>	<u>–</u>	<u>–</u>

The total lease payment as recognised as an expense in the year was as follows:

	2018	Group	2018	Company
	£000	2017	£000	2017
		£000		£000
Land and buildings	2,649	2,990	–	–
Plant, machinery and other	2,596	4,263	–	–
	<u>5,245</u>	<u>7,253</u>	<u>–</u>	<u>–</u>

Banks Group Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2018

27. Contingent liabilities

Group

The Group has received a number of claims from a former joint venture partner alleging various matters including breaches of agreement in connection with a project undertaken by the Group and damages potentially in excess of £10m which the directors dispute. The damages sought are varied and it is not possible to reliably determine what the level of any liability could be if the Group was unsuccessful in defending the claims. Accordingly, the directors consider that a provision should not be made in the accounts.

There is a contingent liability in respect of counter indemnities to financial institutions for bonds granted to guarantee outstanding site costs of coal restoration and major property developments amounting to £11,044,841 (2017: £10,000,159). The statutory accounts include a full provision for all site restoration obligations.

For VAT purposes a Group registration scheme is in operation. Under these arrangements there is a joint and several liability among the companies in the Group for amounts owed to H M Revenue and Customs.

28. Related party transactions

Group

Directors

Current account balances due to directors of the Group:

	2018 £000	2017 £000
H J Banks	1,446	1,084
J P Banks	368	73
Mrs J A Banks	529	398

Interest paid to directors and related parties on current accounts by the Group:

	2018 £000	2017 £000
H J Banks	–	26
J P Banks	–	14
Mrs J A Banks	–	9
Bates Regeneration	–	30

Loan account balances earned interest in the prior year at a rate equivalent to that paid by the Group on its overdraft.

Dividends paid to directors:

Mr H J Banks: £1,717,002 in respect of ordinary shares (2017: £1,110,901).

Banks Group Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2018

Joint ventures

Amount owed by the Group by non-wholly owned subsidiaries and joint ventures:

	2018	2017
	£000	£000
Amounts due from joint ventures:		
Bates Regeneration Limited – site: Thoroton & Croft	828	1,017
Amounts due from Group undertakings:		
Banks Mount Oswald Limited – site: Mount Oswald	364	367

Related party transactions

During the year the Group entered into transactions, in the ordinary course of business, with other related parties. Related parties are entities with common control of the Company. Transactions entered into and trading balances outstanding as at 30 September are as follows,

	2018	2017
	£000	£000
Sales to related parties	2,385	2,458
Amounts owed by related parties	43,144	61,240
Interest receivable from related parties	1,721	1,502

Terms and conditions of transactions:

Sales and purchases between related parties are made at normal market prices.

Company

The company has not disclosed transactions with other Group companies, as it has taken advantage of the exemption contained within FRS 102.33.1A on the grounds that its subsidiaries are wholly owned.

Key management personnel:

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. Total remuneration in respect of these individuals is £1,666,293 (2017 £1,889,412).

30. Ultimate controlling party

Mr H J Banks is the controlling party by virtue of his controlling interest in the equity share capital of Banks Group Holdings Limited.

Banks Group Holdings Limited
Notes to the Financial Statements *(continued)*
Year ended 30 September 2018

31. Pension commitments

Group companies contribute to money purchase schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. Pension contributions payable to the funds for the year amounts to £309,000 (2017: £374,000).

Outstanding contributions at the year end were £59,000 (2017: £61,000).

32. Merger of businesses

On 27 July 2018 the Company acquired the entire share capital of The Banks Group Limited through a share for share exchange. Concurrent with this transaction The Banks Group Limited transferred its interest in most of its operating wind farm subsidiaries to connected undertakings with common ownership.

FRS 102.19.6 requires that all business combinations should be accounted for by applying the purchase method except for group reconstructions which may be accounted for using the merger accounting method. As the ultimate ownership of the Company and The Banks Group Limited is the same both before and after the group reconstruction, the resulting combination has been accounted for as a merger.

The transaction was effected as follows:

1. Banks Renewables Limited, a subsidiary of The Banks Group Limited prior to the group reconstruction, sold its interest in Banks Renewables (HL Holdings) Limited to the Company for £16,500,000 in cash. Banks Renewables (HL Holdings) Limited owns Banks Renewables (Hook Moor Wind Farm) Limited and Banks Renewables (Lambs Hill Wind Farm) Limited.
2. The Banks Group Limited was acquired by TimeC1641 Limited by way of a share for share exchange with the shareholders of The Banks Group Limited receiving £2,204,832 shares in TimeC1641 Limited in exchange for its entire issued share capital.
3. Banks Renewables Limited was transferred from The Banks Group Limited to TimeC1641 Limited by way of a dividend in specie.
4. The Banks Group Limited was transferred from TimeC1641 Limited to the Company for consideration by the Company of £2,204,832 shares issued to the common shareholders of TimeC1641 Limited and the Company. The share capital in The Banks Group Limited is £2,204,832 ordinary shares of £1 each. The consideration given by the Company was the issue of £2,204,832 ordinary shares of £1 each and accordingly there is no merger reserve that arises as a result of the combination.

Further details of the companies acquired through the group reorganisation are set out in note 15.