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development with care

The Banks Group Limited
COMPANY REGISTRATION NUMBER: 2267400

Financial Statements
Year ended 1 October 2017

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The Banks Group Limited

Financial Statements

Year from 3 October 2016 to 1 October 2017

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The Banks Group Limited

Corporate information

The board of directors

H J Banks
A Cunningham
R J Dunkley
S Fisher
C J Gill
G A Styles

Company secretary

D J Martin

Auditors

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

Registered office

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

The Banks Group Limited

Chairman's statement

Year ended 1 October 2017

I am pleased to present the Annual Report of The Banks Group Limited for the year ended 1 October 2017.

The Group's overall performance for the year was much improved over the previous year, with all three business areas of Mining, Property and Renewables contributing. Group operating profit of £19m was up from £11m in the previous year on sales of £95m (up from £74m in 2016). Profit after interest and tax was £12m (2016: £5m).

Our Mining business benefitted from stronger coal markets with improvements to both demand and price supporting a strong recovery from the previous year. Low coal stocks worldwide and in the UK led to higher demand and higher prices. As a result, the mining business saw turnover improve from £34m in 2016 to £53m in 2017. We expect this level of business to be continued through 2018.

In March 2018 the Secretary of State for Communities and Local Government rejected our application for the Highbarn surface mine. This was despite both Northumberland County Council being minded to approve it through a unanimous decision and the inspector he appointed to undertake the review of the application also recommending it be approved. This is very disappointing and we are reviewing our plans in the light of this decision.

The Government has announced plans to restrict the generation of electricity from coal from 2025 but we expect that other markets including industrial and domestic coal will remain available and we continue to increase our levels of business with such markets.

The Property Division performed well in the year to 1 October 2017 with sales of £24m which was an increase of £1m compared to the previous year. The Division continues to develop its portfolio of sites which are intended to produce an improving sales profile although a degree of volatility in our markets should still be expected.

The Renewables Division benefitted from the completion of the Lambs Hill Wind Farm in January 2017. This brought the number of operational sites up to seven by the year end. Lower wind speeds together with lower wholesale power prices meant that, despite the increased capacity, turnover was £14m compared to £15m in the prior year.

In March 2017 the business secured a transformational £210m funding package to support the construction and operation of three onshore wind farms: Kype Muir; Middle Muir; and Moor House to generate 151 MW of electricity. Our Moor House site has since been constructed and became fully operational in January 2018 to bring generating capacity to 84MW. Work is well underway on the other two sites with the 51MW Middle Muir scheme due to come on line in late 2018 and the 88MW Kype Muir scheme in early 2019.

The addition of these three wind farms, which benefit from 15 year inflation-protected government guarantees will take our total generating capacity to over 220MW by Spring 2019 and make a significant difference to sales and earnings from 2019 onwards. This step change in capacity reflects the importance which the board is placing in our renewable energy programme.

The board's expectations for 2018 are that growth will be continued. Going forward beyond 2018 we are planning to achieve progressive returns although some volatility might be unavoidable given the nature of the markets in which we are trading.


H J Banks

27 March 2018

The Banks Group Limited

Strategic Report

Year ended 1 October 2017

Group Overview

The results for the year and financial position of the Company and the Group are shown in the financial statements set out from page 13. The consolidated income statement of the Group is set out on page 13. The Group has traded profitably during the year, and the directors expect this to continue for the foreseeable future.

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

	2017 £'000	2016 £'000	Change £'000
Turnover	94,749	73,939	20,810
Operating profit	17,322	10,850	6,472
Profit for the financial year after tax	10,771	4,578	6,193
Equity shareholders funds	69,185	60,687	8,498
Capital employed excluding hedging reserve and including preference share capital	78,863	70,498	8,365
Operational cash flow	53,597	5,294	48,303
Capital expenditure	71,615	28,743	42,872

Turnover, operating profit and profit after tax all showed good growth compared to 2016 mainly due to strong recoveries in both the price and demand for coal. The Property business demonstrated further growth in the year although the Renewables business suffered from lower wind speeds compared to 2016 and a reduction in revenues per megawatt of electricity generated.

Shareholder funds have increased from the retained profits realised in the year, offset by dividends of £2.4m (2016: £4.7m) and a positive movement in derivative financial instruments (hedges) of £0.6m (2016: adverse £4.5m) net of tax. The key activities which impacted on operating profit in the year are detailed below.

Coal

During the year, ongoing surface mining operations in the North East of England at both Shotton and Brenkley achieved production levels of 0.89m tonnes (2016: 0.87m tonnes including Rusha surface mine). Compared to 2016, production across Shotton and Brenkley increased to meet the additional demand seen in the year. Coal extraction ceased at Rusha in the prior year with that site is now in its restoration phase with completion of restoration expected in 2018.

The Group's current surface mines have estimated production reserves remaining of 1.2 million tonnes. These reserves will be mined over the next two years and the majority 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 for future periods.

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 (8MW) was completed in the year and the wind farm commenced power generation in January 2017. The Group's other operational sites (Hazlehead, Marr, Armistead, Penny Hill, Heysham and Hook Moor) all performed well in the year despite reduced power generation compared to 2016 as a result of lower available wind speeds.

The Banks Group Limited

Strategic Report *(continued)*

Year ended 1 October 2017

Construction of Moor House (12MW), Middle Muir (51MW) and Kype Muir (88MW) commenced in the year. Moor House was completed in January 2018. Middle Muir is expected to be completed by the end of 2018 and Kype Muir in early 2019.

As of March 2018 the company has a portfolio of wind farms at various stages of development with generation capacity as follows:

	March 2018 MW	Prior year MW
Operational sites	84	72
Sites under construction	139	151
Consented sites	51	51
Sites seeking planning determination	139	139
	<u>413</u>	<u>413</u>

(MW (Megawatt) is a measure of the designated electrical power output of the wind farms).

Property

Market conditions for property development continued to show good strength. The Group has interests in 40 projects (2016: 38), involving 7,000 potential residential plots (2016: 7,107) and 7,200 square feet (2016: 17,000) of potential 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 £30m of facilities split between a £23m revolving credit facility and a £7m overdraft. None of these facilities were being utilised at the year end. 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 loans totalling £91m which are secured on the specific wind farm assets.

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 40% 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 is managed by entering into long term power purchase agreements.

The Banks Group Limited

Strategic Report (continued)

Year ended 1 October 2017

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 or wind farm sites are assessed as no longer being likely to achieve planning consent, the costs associated with those sites are written off.

Political risk

At present the UK government is not permitting new onshore wind projects to bid into the Contracts for Difference auction process (being the principal source of revenue security available to wind farm developers). Clarification on future policy is required to ensure the continued development of the Group's other potential wind farm sites in which it is seeking planning determination, which has also been adversely affected by government policy changes.

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

Health, safety and environment

Group mining and civil engineering operations are subject to potential health and safety risks and the possibility of pollution of the environment. 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.

The Banks Group Limited

Strategic Report *(continued)*

Year ended 1 October 2017

Restoration liabilities

An obligation to incur restoration costs arises on the commencement of site operations at a surface mine. The cost of the restoration liabilities is estimated using key assumptions such as the volume of overburden and soil replacement and the associated plant, fuel, labour and overhead costs. 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.

This report was approved by the board of directors on 27 March 2018 and signed by order of the board by:


D J Martin
Company Secretary

27 March 2018

The Banks Group Limited

Directors' Report

Year ended 1 October 2017

The directors present their Report and the Financial Statements of the Group for the year ended 1 October 2017.

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.

Directors

The directors who served the company during the year and up to the date of signing the financial statements, were as follows:

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

D J Martin is an alternate director.

Dividends

The directors have declared and paid the following dividends during the year ended 1 October 2017:

	2017	2016
	£'000	£'000
Equity dividends paid on A ordinary shares:		
Interim for 2017	1,874	–
Final for 2016	529	–
Interim for 2016	–	2,999
Final for 2015	–	1,653
Total	<u>2,403</u>	<u>4,652</u>

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.

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 gender, sexual orientation, 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 Banks Group Limited

Directors' Report *(continued)*

Year ended 1 October 2017

Other matters

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

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 period. 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) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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;
 - prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.
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The Banks Group Limited

Directors' Report *(continued)*

Year ended 1 October 2017

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and 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 is 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 27 March 2018 and signed on behalf of the board by:



D J Martin
Company Secretary

27 March 2018

Company registration number: 2267400

The Banks Group Limited

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

Year ended 1 October 2017

Opinion

We have audited the financial statements of The Banks Group Limited ('the parent company') and its subsidiaries (the 'Group') for the year ended 1 October 2017 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Statement of Changes in Equity, the Group Statement of Financial Position, the Parent Company Statement of Financial Position, the Group Statement of Cash Flows and the related notes 1 to 33, 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 Group's and of the parent company's affairs as at 1 October 2017 and of the Group's 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 Group and parent 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.

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.

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 Banks Group Limited

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

Year ended 1 October 2017

- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent 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.

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 this 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 the 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 the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

- adequate accounting records have not been kept, 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
-

The Banks Group Limited

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

Year ended 1 October 2017

Responsibilities of directors

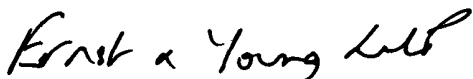
As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable 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 Group's and the parent 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 Group or the parent 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.



Sandra Thompson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Newcastle upon Tyne
27 March 2018

The Banks Group Limited

Group Income Statement

Year ended 1 October 2017

	Note	2017 £'000	2016 £'000
Turnover	4	94,749	73,939
Cost of sales – non exceptional		(65,201)	(50,677)
Cost of sales - exceptional	9	–	(600)
Cost of sales		(65,201)	(51,277)
Gross profit		29,548	22,662
Administrative expenses		(12,226)	(11,812)
Operating profit	5	17,322	10,850
Profit on sale of tangible fixed assets		945	39
Finance income	10	–	104
Finance costs	11	(4,471)	(4,595)
Profit before taxation		13,796	6,398
Taxation	12	(3,025)	(1,820)
Profit for the financial year		<u>10,771</u>	<u>4,578</u>

All the activities of the Group are from continuing operations.

The notes on pages 20 to 45 form part of these Financial Statements.

The Banks Group Limited

Group Statement of Comprehensive Income

Year ended 1 October 2017

	2017 £'000	2016 £'000
Profit for the financial year	10,771	4,578
Movement in derivative financial instruments	(71)	(5,281)
Deferred tax thereon	(10)	1,378
Current tax recognised in equity	211	(616)
Other comprehensive income/(loss) for the year	130	(4,519)
Total comprehensive income for the year	10,901	59

The notes on pages 20 to 45 form part of these Financial Statements.

The Banks Group Limited

Group Statement of Financial Position

As at 1 October 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Intangible assets	14	67	81
Tangible assets	15	171,273	111,528
Investments in joint ventures	16	(218)	(188)
Other investments	16	30	30
		<u>171,152</u>	<u>111,451</u>
Current assets			
Stocks	17	19,123	30,113
Debtors	18	38,452	37,991
Cash at bank and in hand		24,518	12,952
		<u>82,093</u>	<u>81,056</u>
Creditors: amounts falling due within one year			
Wind farm secured loans		(3,366)	(3,110)
Other creditors falling due within one year		(42,617)	(20,461)
	19	<u>(45,983)</u>	<u>(23,571)</u>
Net current assets		<u>36,110</u>	<u>57,485</u>
Total assets less current liabilities		<u>207,262</u>	<u>168,936</u>
Creditors: amounts falling due after more than one year			
Wind farm secured loans		(87,264)	(54,587)
Other creditors falling due after more than one year		(5,688)	(8,737)
	20	<u>(92,952)</u>	<u>(63,324)</u>
Provisions for liabilities	22	<u>(43,327)</u>	<u>(43,124)</u>
Net assets before preference shares		<u>70,983</u>	<u>62,488</u>
Creditors: amounts falling due after more than one year – preference shares	20	<u>(2,165)</u>	<u>(2,165)</u>
Net assets		<u>68,818</u>	<u>60,323</u>
Capital and reserves			
Called up share capital	25	2,205	2,205
Capital redemption reserve	26	900	900
Hedging reserve	26	(7,880)	(8,010)
Capital reserve	26	352	352
Profit and loss reserve		73,608	65,240
Equity shareholders' funds		<u>69,185</u>	<u>60,687</u>
Minority interests		<u>(367)</u>	<u>(364)</u>
Capital employed		<u>68,818</u>	<u>60,323</u>
Equity shareholders' funds and preference share capital		<u>70,983</u>	<u>62,488</u>

These Financial Statements were approved by the board of directors and authorised for issue on 27 March 2018, and are signed on behalf of the board by:

S Fisher
Director



The notes on pages 20 to 45 form part of these Financial Statements.

The Banks Group Limited

Company Statement of Financial Position

As at 1 October 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Tangible assets	15	93	123
Investments	16	3,984	3,984
		<u>4,077</u>	<u>4,107</u>
Current assets			
Debtors	18	137,589	95,206
Cash at bank and in hand		14,314	2,731
		<u>151,903</u>	<u>97,937</u>
Creditors: amounts falling due within one year	19	(141,706)	(91,777)
Net current assets		<u>10,197</u>	<u>6,160</u>
Total assets less current liabilities		<u>14,274</u>	<u>10,267</u>
Net assets before preference shares		<u>14,274</u>	<u>10,267</u>
Creditors: amounts falling due after more than one year – preference shares	20	(2,165)	(2,165)
Net assets		<u>12,109</u>	<u>8,102</u>
Capital and reserves			
Called up share capital	25	2,205	2,205
Capital redemption reserve	26	900	900
Profit and loss reserve		9,004	4,997
Equity shareholders' funds		<u>12,109</u>	<u>8,102</u>
Equity shareholders' funds and preference share capital		<u>14,274</u>	<u>10,267</u>

The profit for the financial year of the parent company was £6,410,000 (2016: £978,000 profit).

These Financial Statements were approved by the board of directors and authorised for issue on 27 March 2018, and are signed on behalf of the board by:



S Fisher
Director

The notes on pages 20 to 45 form part of these Financial Statements.

Group Statement of Changes in Equity

Year ended 1 October 2017

	Called up share capital £'000	Capital redem- ption reserve £'000	Hedging reserve £'000	Capital reserve £'000	Profit and loss reserve £'000	Share- holders funds £'000	Minority interests £'000	Total equity £'000
At 5 October 2015	2,205	900	(3,491)	352	65,314	65,280	(364)	64,916
Profit for the year	–	–	–	–	4,578	4,578	–	4,578
Other comprehensive income/ (loss) for the year:								
Other comprehensive loss	–	–	(5,281)	–	–	(5,281)	–	(5,281)
Deferred tax thereon	–	–	1,378	–	–	1,378	–	1,378
Current tax recognised in equity	–	–	(616)	–	–	(616)	–	(616)
Total comprehensive income/ (loss) for the year	–	–	(4,519)	–	4,578	59	–	59
Dividends paid and payable	–	–	–	–	(4,652)	(4,652)	–	(4,652)
	–	–	–	–	(4,652)	(4,652)	–	(4,652)
At 2 October 2016	2,205	900	(8,010)	352	65,240	60,687	(364)	60,323
Profit/(loss) for the year	–	–	–	–	10,771	10,771	(3)	10,768
Other comprehensive income/(loss) for the year:								
Other comprehensive loss	–	–	(71)	–	–	(71)	–	(71)
Deferred tax thereon	–	–	(10)	–	–	(10)	–	(10)
Current tax recognised in equity	–	–	211	–	–	211	–	211
Total comprehensive income/ (loss) for the year	–	–	130	–	10,771	10,901	(3)	10,898
Dividends paid and payable	–	–	–	–	(2,403)	(2,403)	–	(2,403)
	–	–	–	–	(2,403)	(2,403)	–	(2,403)
At 1 October 2017	2,205	900	(7,880)	352	73,608	69,185	(367)	68,818

The notes on pages 20 to 45 form part of these Financial Statements.

The Banks Group Limited

Company Statement of Changes in Equity

Year ended 1 October 2017

	Called up share capital £'000	Capital redemption reserve £'000	Hedging reserve £'000	Profit and loss reserve £'000	Total £'000
At 5 October 2015	2,205	900	(69)	8,671	11,707
Profit for the year	—	—	—	978	978
Other comprehensive income for the year:					
Other comprehensive income	—	—	69	—	69
Total comprehensive income for the year	—	—	69	978	1,047
Dividends	—	—	—	(4,652)	(4,652)
	—	—	—	(4,652)	(4,652)
At 2 October 2016	<u>2,205</u>	<u>900</u>	<u>—</u>	<u>4,997</u>	<u>8,102</u>
Profit for the year	—	—	—	6,410	6,410
Total comprehensive profit for the year	—	—	—	6,410	6,410
Dividends	—	—	—	(2,403)	(2,403)
	—	—	—	(2,403)	(2,403)
At 1 October 2017	<u>2,205</u>	<u>900</u>	<u>—</u>	<u>9,004</u>	<u>12,109</u>

The notes on pages 20 to 45 form part of these Financial Statements.

The Banks Group Limited

Group Statement of Cash Flows

Year ended 1 October 2017

	Note	2017 £'000	2016 £'000
Net cash inflow from operating activities	27	<u>53,597</u>	<u>5,294</u>
Cash flows from investing activities			
Payments to acquire tangible fixed assets		(71,615)	(28,761)
Receipts from sales of tangible assets		1,245	454
Interest received		–	104
Net cash used in investing activities		<u>(70,370)</u>	<u>(28,203)</u>
Cash flows from financing activities			
New long term loans		36,028	–
Repayments of long term loans		(3,394)	(2,323)
Repayment of capital element of finance leases and hire purchase contracts		(175)	(1,010)
Interest paid		(3,363)	(3,682)
Equity dividends paid		(639)	(1,653)
Preference dividends paid		(108)	(108)
Interest element of finance lease rental payments		(10)	(60)
Net cash from/(used in) financing activities		<u>28,339</u>	<u>(8,836)</u>
Net increase/(decrease) in cash and cash equivalents		11,566	(31,745)
Cash at beginning of year		12,952	44,697
Cash at end of year		<u>24,518</u>	<u>12,952</u>

The notes on pages 20 to 45 form part of these Financial Statements.

The Banks Group Limited

Notes to the Financial Statements

Year ended 1 October 2017

1. General information

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

2. Statement of compliance

The Group's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Group for the year ended 1 October 2017.

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.

(b) Exemption from audit

The directors have taken advantage of the exemption from the requirement to have the financial statements for the year ended 1 October 2017, for certain of its subsidiaries listed below to be audited. They confirm that for the year ended 1 October 2017 the subsidiaries were entitled to the exemption relating to audit of the accounts under section 479A of The Companies Act 2006.

Subsidiaries exempt from audit under section 479A:

Company name and company number

Banks Renewables (Bandirran Wind Farm) Limited - 08231487
Banks Renewables (Birneyknowe Wind Farm) Limited - 06903043
Banks Renewables (Harting Rig Wind Farm) Limited - 08791006
Banks Renewables (High Cumnock Wind Farm) Limited - 07767076
Banks Renewables (Knockendurrick Wind Farm) Limited - 07767049
Banks Renewables (Lethans East Wind Farm) Limited - 08332209
Banks Renewables (Lethans Wind Farm) Limited - 08217768
Banks Renewables (Mill Rig Wind Farm) Limited - 09773091
Banks Renewables (Sauchanwood Hill Wind Farm) Limited - 08464595
Banks Renewables (Penny Hill Solar Farm) Limited - 09635629

(c) 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.

(d) Basis of consolidation

The Group financial statements include the accounts of the company and its subsidiaries for the year.

The Banks Group Limited

Notes to the Financial Statements *(continued)*

Year ended 1 October 2017

3. Accounting policies *(continued)*

(e) 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.

(f) 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:

- Mine exploration and development costs
- 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)

(g) 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

The Banks Group Limited

Notes to the Financial Statements *(continued)*

Year ended 1 October 2017

3. Accounting policies *(continued)*

(h) Exceptional items

Exceptional items are disclosed separately in the Financial Statements in order to provide further understanding of the financial performance of the entity. They are material items of income or expense that have been shown separately because of their nature or amount.

(i) 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.

(j) Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the income statement.

(k) Intangible assets

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

The Banks Group Limited

Notes to the Financial Statements *(continued)*

Year ended 1 October 2017

3. Accounting policies *(continued)*

(l) Tangible assets

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 to their residual value, over their estimated useful lives, 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 FRS102, such costs are capitalised as part of the cost of the related asset.

(m) Investments

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

(n) 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.

The Banks Group Limited

Notes to the Financial Statements *(continued)*

Year ended 1 October 2017

3. Accounting policies *(continued)*

(o) 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.

(p) 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.

(q) 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.

(r) 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 consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

The Banks Group Limited

Notes to the Financial Statements *(continued)*

Year ended 1 October 2017

3. Accounting policies *(continued)*

(s) Banks Group employee benefit trust

The assets, liabilities, income and costs of the trust are incorporated into the financial statements of the company and of the Group in the years to which they relate.

(t) 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.

(u) Financial instruments

The Group uses derivative financial instruments to hedge part of its exposure to fluctuations in coal and fuel. 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 profit or loss, 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 Banks Group Limited

Notes to the Financial Statements (continued)

Year ended 1 October 2017

4. Turnover

An analysis of turnover by class of business is given below:

	2017	2016
	£'000	£'000
Coal *	52,823	33,647
Renewable Electricity generation	14,357	15,178
Land and property development	24,355	23,503
Waste site rental income	188	589
Other including haulage or plant hire	3,026	1,022
	<u>94,749</u>	<u>73,939</u>

The whole of the turnover is attributable to the principal activities of the Group wholly undertaken in the United Kingdom (2016 £73,690,000 attributable to the United Kingdom and £249,000 attributable to Ireland).

* 2016 includes compensation income for giving up rights to mine.

5. Operating profit

Operating profit is stated after charging/(crediting):

	2017	2016
	£'000	£'000
Depreciation of tangible assets under finance leases	–	289
Depreciation of owned tangible assets	8,365	7,347
Depreciation of mining assets	3,187	6,302
Amortisation of intangible assets	11	8
Operating lease income	(682)	(801)
Foreign exchange differences	<u>(196)</u>	<u>–</u>

6. Auditor's remuneration

	2017	2016
	£'000	£'000
Audit of the financial statement - company and consolidation	14	14
Audit of the financial statements - subsidiaries	79	90
	<u>93</u>	<u>104</u>
Other fees to auditors - taxation compliance and other non-audit services (assurance and corporate advisory services)	95	99
	<u>188</u>	<u>203</u>

The Banks Group Limited

Notes to the Financial Statements (continued)

Year ended 1 October 2017

7. Staff costs

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

	2017	2016
	No.	No.
Production staff	195	218
Office and management staff	139	144
	<u>334</u>	<u>362</u>

Employee costs

	2017	2016
	£'000	£'000
Wages and salaries	13,766	15,668
Social security costs	1,243	1,708
Pension costs	400	378
	<u>15,409</u>	<u>17,754</u>

8. Directors' remuneration

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

	2017	2016
	£'000	£'000
Remuneration	754	2,148
Company contributions to defined contribution pension plans	44	44
	<u>798</u>	<u>2,192</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2017	2016
	No.	No.
Defined contribution plans	<u>3</u>	<u>3</u>

Included in the above are amounts paid under long term incentive plans of £Nil (2016 £1,420,000).

Information regarding the highest paid director was as follows:

	2017	2016
	£'000	£'000
Directors emoluments	188	875
Pension contributions to money purchase schemes	—	20
	<u>188</u>	<u>895</u>

The Banks Group Limited

Notes to the Financial Statements (continued)

Year ended 1 October 2017

9. Exceptional items

	2017 £'000	2016 £'000
Provisions against property development land work in progress	—	600

Provision was made to write down the cost of individual property developments to the directors' assessment of their net realisable value.

10. Finance income

	2017 £'000	2016 £'000
Bank interest	—	79
Other interest	—	25
	<u>—</u>	<u>104</u>

11. Finance costs

Interest payable:

	2017 £'000	2016 £'000
Loan interest	3,438	3,594
Other interest	23	98
Preference shares	108	108
Hire purchase interest	10	60
Amortisation of debt arrangement costs	285	299
Unwinding of discount on provisions	607	436
	<u>4,471</u>	<u>4,595</u>

The Banks Group Limited

Notes to the Financial Statements *(continued)*

Year ended 1 October 2017

12. Taxation

Analysis of the tax charge

(a) The tax on the profit for the year was as follows:

	2017	2016
	£'000	£'000
Current tax:		
UK corporation tax at 19.5% (2016: 20%)	4,531	1,377
Adjustments in respect of previous periods	(83)	97
	<u>4,448</u>	<u>1,510</u>
Deferred tax:		
Origination and reversal of timing differences	(1,444)	98
Impact of change in tax rate	(53)	168
Adjustment in respect of previous periods	74	44
Total deferred tax	<u>(1,423)</u>	<u>310</u>
Taxation	<u><u>3,025</u></u>	<u><u>1,820</u></u>

The Banks Group Limited

Notes to the Financial Statements (continued)

Year ended 1 October 2017

12. Taxation (continued)

(b) Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 19.50% (2016: 20%). The difference is explained below:

	2017 £,000	2016 £,000
Profit before taxation	13,796	6,398
Profit at 19.5% (2016: 20%)	2,690	1,280
Adjustment to tax charge in respect of prior periods	(8)	177
Effect of expenses not deductible for tax purposes	103	230
Impact of change in tax rate	217	168
Utilisation of tax losses	23	-
Other	-	(35)
Total tax charge for the year	<u>3,025</u>	<u>1,820</u>

(c) Factors affecting future tax charges:

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.

13. Dividends

The following dividends were paid during the year:

	2017 £'000	2016 £'000
Equity dividends paid on A ordinary shares:		
Interim for 2017	1,874	-
Final for 2016	529	-
Interim for 2016	-	2,999
Final for 2015	-	1,653
	<u>2,403</u>	<u>4,652</u>

The Banks Group Limited

Notes to the Financial Statements (*continued*)

Year ended 1 October 2017

14. Intangible assets

Group	Power purchasing agreements £'000
Cost	
At 3 October 2016 and 1 October 2017	119
Amortisation	
At 3 October 2016	38
Charge for the year	14
At 1 October 2017	52
Carrying amount	
At 1 October 2017	67
At 2 October 2016	81

The company has no intangible assets.

15. Tangible assets

Group	Land and buildings	Plant and machinery	Fixtures, fittings	Wind farm assets*	Mining assets*	Assets in course of development	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 3 Oct 2016	2,544	135,404	2,498	879	58,560	22,622	222,507
Additions	-	682	43	121	1,404	69,347	71,597
Disposals	-	(5,144)	-	-	-	-	(5,144)
Transfers	-	12,487	-	-	-	(12,487)	-
At 1 Oct 2017	2,544	143,429	2,541	1,000	59,964	79,482	288,960
Depreciation							
At 3 Oct 2016	1,008	52,453	2,335	134	54,396	653	110,979
Charge for the year	80	8,157	80	48	3,187	-	11,552
Disposals	(113)	(4,731)	-	-	-	-	(4,844)
At 1 Oct 2017	975	55,879	2,415	182	57,583	653	117,687
Carrying amount							
At 1 Oct 2017	1,569	87,550	126	818	2,381	78,829	171,273
At 2 Oct 2016	1,536	82,951	163	745	4,164	21,969	111,528

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

The Banks Group Limited

Notes to the Financial Statements (continued)

Year ended 1 October 2017

15. Tangible assets (continued)

The net book value of wind farm tangible assets held in plant and machinery is:

2017	2016
£'000	£'000
77,516	69,592
<u>77,516</u>	<u>69,592</u>

Finance leases and hire purchase contracts

Included within the carrying value of tangible assets are the following amounts relating to assets held under finance leases or hire purchase agreements:

Group	Plant and machinery £'000
At 1 October 2017	<u>—</u>
At 2 October 2016	<u>999</u>

Capital commitments

	Group 2017 £'000	2016 £'000	Company 2017 £'000	2016 £'000
Contracted for but not provided for in the Financial Statements	<u>62,185</u>	<u>—</u>	<u>—</u>	<u>—</u>

The Banks Group Limited

Notes to the Financial Statements (*continued*)

Year ended 1 October 2017

15. Tangible assets (*continued*)

Company	Fixtures and fittings £'000
Cost	
At 3 October 2016	1,959
Additions	43
At 1 October 2017	2,002
Depreciation	
At 3 October 2016	1,836
Charge for the year	73
At 1 October 2017	1,909
Carrying amount	
At 1 October 2017	93
At 2 October 2016	123

The company has no tangible assets held under finance lease or hire purchase agreements.

16. Investments

Group	Joint ventures £'000	Other investments other than loans £'000	Total £'000
Carrying value			
At 3 October 2016	(188)	30	(158)
Share of loss for the year	(30)	—	(30)
At 1 October 2017	(218)	30	(188)
Impairment			
At 3 October 2016 and 1 October 2017	—	—	—
Carrying amount			
At 1 October 2017	(218)	30	(188)
At 2 October 2016	(188)	30	(158)
Company			Shares in Group undertakings £'000
Cost and carrying amount			
At 3 October 2016 and 1 October 2017			3,984

The Banks Group Limited

Notes to the Financial Statements (continued)

Year ended 1 October 2017

16. Investments (continued)

Principal subsidiary and joint venture companies, their principal activities and country of incorporation at 1 October 2017 were as follows. All subsidiaries are included in this consolidation:

100% owned by the company:

H J Banks and Company Limited - Surface mining – England***
Banks Developments Limited - Holding company – England***
Banks Renewables Limited - Renewable energy – England***
H J Banks (Construction) Limited - Civil engineering – England***
Mount Oswald Estate Management Limited – Dormant - England***

100% owned by H J Banks and Company Limited:

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

100% owned by Banks Renewables Limited:

Banks Renewables (Armistead Wind Farm) Limited - Operational wind farm – England***
Banks Renewables (Hazlehead Wind Farm) Limited - Operational wind farm – England***
Banks Renewables (Heysham South Wind Farm) Limited* - Operational wind farm – England***
Banks Renewables (Hook Moor Wind Farm) Limited - Operational wind farm – England***
Banks Renewables (Marr Wind Farm) Limited - Operational wind farm – England***
Banks Renewables (Penny Hill Wind Farm) Limited - Operational wind farm – England***
Banks Renewables (Kype Muir Wind Farm) Limited** - Operational wind farm – England***
Banks Renewables (Moor House Wind Farm) Limited** - Operational wind farm – England***
Banks Renewables (Middle Muir Wind Farm) Limited** - Operational wind farm – England***
Banks Renewables (Lambs Hill Wind Farm) Limited - Operational wind farm – England***

100% owned by Banks Developments Limited:

Banks Property Limited - Property development – England***
Banks Property Development Limited - Property development – Scotland****
Banks Sustainable Living Limited – Dormant – England***
Timec 1301 Limited***** – Dormant – England***

The Banks Group Limited

Notes to the Financial Statements (continued)

Year ended 1 October 2017

16. Investments (continued)

100% subsidiary owned by Banks Property Developments Limited:

Banks Property Development (Bathgate) Limited - Property Development – Scotland****

50% subsidiary owned by Banks Property Limited:

Banks Mount Oswald Limited - Dormant – England***

50% joint venture owned by Banks Property Limited:

Bates Regeneration Limited - Property development – England***

In addition Banks Renewables has 10 further subsidiaries (listed on page 20). All have the principal activity of wind farm development and are incorporated in England.

*Banks Renewables (Heysham South Wind Farm) Limited is indirectly held by Banks Renewables Limited. The immediate parent is Camvo 201 Limited, a holding company incorporated in England.

**Banks Renewables (Kype Muir Wind Farm) Limited, Banks Renewables (Middle Muir Wind Farm) Limited and Banks Renewables (Moor House Wind Farm) Limited are indirectly held by Banks Renewables Limited. The immediate parent is KMH Finance Limited, a holding company incorporated in England, whose immediate parent company is KMH Holdings Limited, a holding company incorporated in England.

***The registered office is Inkerman House, St. John's Road, Meadowfield Industrial Estate, Meadowfield, DH7 8XL.

****The registered office is 2nd Floor, Block C, Brandon Gate, Leechlee Road, Hamilton, Lanarkshire, ML3 6AU.

*****H J Banks (Investments) Limited is indirectly held by H J Banks and Company Limited. The immediate parent is H J Banks (Minerals) Limited, a dormant company incorporated in England.

*****Kinderton Developments Limited is indirectly held by H J Banks and Company Limited. The immediate parent is Banks Waste Limited, a dormant company incorporated in England.

*****Timec 1301 Limited is indirectly held by Banks Developments Limited. The immediate parent is Banks Property Limited, a property development company incorporated in England.

The Banks Group Limited

Notes to the Financial Statements (continued)

Year ended 1 October 2017

17. Stocks

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Fuel and spare parts	1,006	795	–	–
Coal	2,720	7,414	–	–
Work in progress	15,397	21,904	–	–
	<u>19,123</u>	<u>30,113</u>	<u>–</u>	<u>–</u>

Stocks recognised as an expense in the year were £35,337,000 (2016 £41,434,000)

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.

18. Debtors

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Trade debtors	18,354	17,732	–	–
Amounts owed by Group undertakings	–	–	134,265	90,679
Amounts owed by joint venture parties	1,017	1,017	–	–
Amounts recoverable on contracts	6,800	6,665	–	–
Deferred tax asset (note 23)	4,596	3,183	160	218
Prepayments and accrued income	4,731	4,402	956	764
Derivative financial assets	2,826	3,870	–	3,081
Other debtors	128	1,122	2,208	464
	<u>38,452</u>	<u>37,991</u>	<u>137,589</u>	<u>95,206</u>

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

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Trade debtors	4,228	6,467	–	–
Amounts recoverable on contracts	4,760	–	–	–
	<u>8,988</u>	<u>6,467</u>	<u>–</u>	<u>–</u>

The Banks Group Limited

Notes to the Financial Statements *(continued)*

Year ended 1 October 2017

19. Creditors: amounts falling due within one year

	Group 2017 £'000	2016 £'000	Company 2017 £'000	2016 £'000
Wind farm secured bank loans	3,366	3,110	–	–
Trade creditors	14,735	2,353	97	84
Amounts owed to Group undertakings	–	–	137,885	87,484
Accruals and deferred income	11,246	8,509	1,464	1,124
Corporation tax	3,208	622	49	622
Social security and other taxes	3,923	1,073	–	10
Obligations under finance leases and hire purchase contracts	–	175	–	–
Director's loan accounts (note 29)	2,211	2,453	2,211	2,453
Derivative financial liability	6,836	4,758	–	–
Other creditors	458	518	–	–
	<u>45,983</u>	<u>23,571</u>	<u>141,706</u>	<u>91,777</u>

The following debt is secured:

	Group 2017 £'000	Group 2016 £'000
Wind farm secured bank loans	3,633	3,394
Obligations under finance leases	–	175
	<u>3,633</u>	<u>3,569</u>
Debt issue costs	(267)	(284)
	<u>3,366</u>	<u>3,285</u>

Group bank loans and the overdraft facility are secured by fixed and floating charges over all the assets of the Group.

Hire purchase creditors are secured on the assets concerned.

The Banks Group Limited

Notes to the Financial Statements (continued)

Year ended 1 October 2017

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

	Group 2017 £'000	2016 £'000	Company 2017 £'000	2016 £'000
Wind farm secured bank loans	87,264	54,587	–	–
Derivative financial liability	5,688	8,737	–	–
	<u>92,952</u>	<u>63,324</u>	<u>–</u>	<u>–</u>
Preference shares	2,165	2,165	2,165	2,165
	<u>2,165</u>	<u>2,165</u>	<u>2,165</u>	<u>2,165</u>

The following debt is secured:

	2017 £'000	2016 £'000
Wind farm secured bank loans	93,487	55,717
Debt issue costs	(6,223)	(1,130)
	<u>87,264</u>	<u>54,587</u>

Wind farm secured loans relate to financing on operational wind farms at Hazelhead, Marr, Heysham South, Penny Hill, Armistead and wind farms in development at Moor House, Middle Muir and Kype Muir. They are secured on assets of the individual wind farms. These loans are repayable in variable instalments over 17 years. Interest rates on these loans are charged at between 1.7% and 3.1% above LIBOR or gilts as appropriate.

Group bank loans and overdraft facility are secured by fixed and floating charges over all the assets of the Group.

An analysis of the maturity of loans is given below:

	Group 2017 £'000	Group 2016 £'000
Wind farm secured loans:		
Repayable in one year or less	3,366	3,110
Repayable between two and five years	51,679	21,816
Repayable after five years	35,585	32,771
	<u>90,630</u>	<u>57,697</u>

The company does not have any secured loans

The Banks Group Limited

Notes to the Financial Statements (continued)

Year ended 1 October 2017

21. Finance leases and hire purchase contracts

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Not later than 1 year	<u>—</u>	<u>175</u>	<u>—</u>	<u>—</u>

The Group uses finance leases and hire purchase contracts to acquire plant and machinery and motor vehicles. These leases have terms of renewal at the option of the lessee.

22. Provisions for liabilities

Group	Onerous lease	Mining site	Wind farm	
	£'000	restoration	site	
		£'000	restoration	Total
			£'000	£'000
At 3 October 2016	536	41,710	878	43,124
Utilised	(49)	(3,260)	—	(3,309)
Provided	—	2,784	121	2,905
Unwinding of discount	36	571	—	607
At 1 October 2017	<u>523</u>	<u>41,805</u>	<u>999</u>	<u>43,327</u>

The company does not have any provisions.

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 Rusha sites.

Restoration is almost complete at Rusha and expected to commence at the other two sites in 2018. 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.

The Banks Group Limited

Notes to the Financial Statements (continued)

Year ended 1 October 2017

23. Deferred tax

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

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Included in debtors (note 18)	<u>4,596</u>	<u>3,183</u>	<u>160</u>	<u>218</u>

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

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Fixed asset timing differences	(1,882)	(1,710)	80	89
Short term timing differences	1,707	185	80	129
Trading losses	2,954	2,479	—	—
On financial instruments through the hedging reserve	<u>1,817</u>	<u>2,229</u>	<u>—</u>	<u>—</u>
	<u>4,596</u>	<u>3,183</u>	<u>160</u>	<u>218</u>

Movement in deferred tax asset

Group

	£'000
At 2 October 2016	3,183
Credited to the income statement	1,423
Recognised in other comprehensive income	(10)
At 1 October 2017 (note 18)	<u>4,596</u>

The Group has an unprovided deferred tax asset in respect of tax losses carried forward of £170,000 (2016 £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.

The Banks Group Limited

Notes to the Financial Statements (continued)

Year ended 1 October 2017

24. Financial instruments

The Group has the following derivatives:

Interest rate swaps to manage interest rate risk volatility.

Forward foreign currency hedge contracts to hedge currency exposure on firm future commitments.

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

Coal price hedge contracts to manage coal price risk 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.

The fair values of the derivatives held at the statement of financial position date, determined by reference to their market values, are as follows:

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Financial assets at fair value through reserves:				
Foreign exchange contracts	2,826	3,870	–	–
Financial assets at fair value through profit and loss:				
Foreign exchange contracts	–	–	–	3,081
Financial liabilities at fair value through reserves:				
Interest rate swaps	(5,688)	(8,737)	–	–
Fuel price hedge contracts	(53)	(1,205)	–	–
Coal price hedge contracts	(6,783)	(3,553)	–	–
	<u>(9,698)</u>	<u>(9,625)</u>	<u>–</u>	<u>3,081</u>

The Interest rate swaps, Foreign Exchange contracts, Fuel price hedge contracts and Coal price hedge contracts are measured at fair value which is determined using valuation techniques that use observable inputs. The key inputs used are as follows:

- Interest rate swaps: Forward rates for LIBOR with a similar profile to the hedging instrument.
- Foreign Exchange contracts: Forward exchange rates for Sterling:Euro at similar maturity dates to the hedging instrument.
- Fuel price hedge contracts: Forward fuel prices at similar delivery dates to the hedging instrument
- Coal price hedge contracts: Forward coal prices at similar delivery dates to the hedging instrument

All other financial assets and financial liabilities are measured at amortised cost.

The Banks Group Limited

Notes to the Financial Statements (continued)

Year ended 1 October 2017

25. Called up share capital

Issued, called up and fully paid; Group and company

	2017		2016	
	No.	£'000	No.	£'000
Amounts presented in equity:				
Ordinary shares of £1 each	<u>2,204,832</u>	<u>2,205</u>	<u>2,204,832</u>	<u>2,205</u>
Amounts presented in liabilities:				
Preference shares of £1 each	<u>2,164,588</u>	<u>2,165</u>	<u>2,164,588</u>	<u>2,165</u>

26. 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.

Capital reserve

This reserve arises from Group restructuring.

27. Notes to the statement of cash flows

	2017	2016
	£'000	£'000
Profit before tax for the financial year	13,796	6,398
<i>Adjustments for:</i>		
Finance costs	4,471	4,595
Interest receivable and similar income	-	(104)
Profit on sale of tangible fixed assets	(945)	(39)
Depreciation of tangible assets	11,552	13,938
Taxation paid	(1,655)	(2,588)
<i>Changes in:</i>		
Decrease/(increase) in stocks	10,990	(4,853)
(Increase) in trade and other debtors	(365)	(6,814)
Increase/(decrease) in trade and other creditors	16,517	(1,090)
Movement in provisions	(764)	(4,149)
	<u>53,597</u>	<u>5,294</u>

The Banks Group Limited

Notes to the Financial Statements *(continued)*

Year ended 1 October 2017

28. Contingent liabilities

Group

A claim has been received from a former joint venture partner alleging various matters including breaches of agreement and seeking damages potentially in excess of £10m. The directors, having received advice from the Group's lawyers, regard the claim as having low prospects of success and as such no provision has been made in this regard. The Directors intend to vigorously defend any such claim and are confident of their ability to do so successfully in due course.

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 £6,610,220 (2016: £14,008,000). 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.

The Banks Group Limited

Notes to the Financial Statements (continued)

Year ended 1 October 2017

29. Related party transactions

Group

Directors and related parties:

Current account balances due to directors and related parties by the Group and company:

	2017	2016
	£'000	£'000
H J Banks	1,084	1,390
J P Banks	729	474
Mrs J A Banks	398	589

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

	2017	2016
	£'000	£'000
H J Banks	26	31
JP Banks	14	12
Mrs J A Banks	9	9
Bates Regeneration	30	30

Loan account balances earn interest at a rate equivalent to that paid by the company on its overdraft.

Dividends paid to directors:

Mr H J Banks: £1,100,901 in respect of ordinary shares (2016: £2,131,102).

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

	2017	2016
	£'000	£'000
Amounts due from joint ventures:		
Bates Regeneration Limited - site: Thoroton & Croft	1,017	1,017
Amounts due from Group undertakings:		
Banks Mount Oswald Limited - site: Mount Oswald	367	364

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 £1,476,000 (2016 £4,017,602).

The Banks Group Limited

Notes to the Financial Statements (continued)

Year ended 1 October 2017

30. Off-balance sheet arrangements

The Group and parent company enters into operating lease arrangements for the hire of buildings, plant and equipment and motor vehicles as these arrangements are a cost efficient way of obtaining the short-term benefits of these assets. The Group lease rental expense for the year and the annual Group and company commitments under these arrangements are disclosed in note 33.

31. Ultimate controlling party

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

32. 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 £400,000 (2016: £378,000).

Outstanding contributions at the year end were £21,000 (2016: £21,000).

33. Operating leases

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

	Group 2017 £'000	2016 £'000
Not later than 1 year	2,588	4,300
Later than 1 year and not later than 5 years	9,442	1,856
Later than 5 years	38,772	6,036
	<u>50,802</u>	<u>12,192</u>

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

	Group 2017 £'000	2016 £'000
Land and buildings	3,577	1,778
Plant, machinery and other	4,324	4,433
	<u>7,901</u>	<u>6,211</u>