

**TOWER REGENERATION LIMITED**

**Annual Report and Consolidated Financial  
Statements**

**For the year ended 31 May 2016**

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COMPANIES HOUSE

**ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 2016**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

K J S Dougan  
S L Anson  
G N Davies  
V R James (resigned 18 August 2016)  
T O'Sullivan  
G J Roberts  
A Shott  
J D Wilson  
D T Pearce  
W Thomas (appointed 18 August 2016)

**SECRETARY**

S MacQuarrie

**REGISTERED OFFICE**

Tower Colliery  
Tirherbert Road  
Rhigos  
Aberdare  
Mid Glamorgan  
CF44 9UF

**BANKERS**

Lloyds TSB Bank Plc  
Black Horse House  
91 Sandyford Road  
Newcastle upon Tyne  
NE99 1JW

**SOLICITORS**

Swinburne Maddison LLP  
Venture House  
Aykley Heads Business Centre  
Durham  
DH1 5TS

**AUDITOR**

Deloitte LLP  
Cardiff

## **STRATEGIC REPORT**

### **PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS**

The principal activity of the group and company in the year was the operation of a surface coal mine.

Work carried on as the mine continued its production phase. The majority of coal produced for the year was sold under the contract with RWE entered into in December 2011 to supply Aberthaw Power Station. The site operations continue to be managed and operated under the contract with Hargreaves Surface Mining Limited.

### **KEY PERFORMANCE INDICATORS**

We monitor our performance, implementing our strategy with reference to key targets set for the following financial and non-financial key performance indicators:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Revenue	35,996	50,955
Operating (loss)/profit	(5,898)	8,328
Operating cash flow	6,557	7,808
Health and safety incidents	1	1

### **RISKS AND UNCERTAINTIES**

#### **Mining and operational risk**

The group's operations are subject to all of the hazards and risks normally encountered with the production of coal from a surface mine. The risks include adverse weather conditions, flooding, mechanical plant failure, and uncertain geological and challenging operating conditions. Appropriate levels of site investigation are undertaken to minimise the risks of flooding and to understand the site's geology. Investing in state-of-the-art operational equipment with a rigorous maintenance programme and employing highly skilled operatives mitigates these risks.

#### **Markets and commodities**

The business produces and sells coal, a tradeable commodity, the price of which is subject to variations that are unpredictable and uncontrollable. These include international supply and demand, currency exchange rate fluctuation and global economic and political events. The business aims to manage risk through fixed price contracts where possible.

#### **Health and safety**

The working environment has numerous and varied risks which are mitigated through the provision of systems, training, equipment and supervision. Risk is evaluated and monitored by management to identify potential risks and ensure safe working practices.

#### **Credit risk**

Credit risk arises from the possibility that customers may not be able to pay their debts. The company closely monitors customer debt levels.

#### **Human resources and operations**

People are the company's most important asset and are the key to ensuring its systems operate effectively. The company works hard at recruiting, training and developing staff to mitigate the risk of system or human error.

### **POLICY ON PAYMENT OF CREDITORS**

The company does not follow any code or standard on payment practice. It is the company's policy:

- (i) to settle the terms of payment with suppliers when agreeing the terms of transactions with that supplier;
- (ii) to ensure that suppliers are made aware of the terms of payment; and
- (iii) to abide by the terms of payment.

**STRATEGIC REPORT (continued)**

**FUTURE DEVELOPMENTS**

The production phase of the mine will continue and coal supplies to Aberthaw power station will be made until February 2017. After which the mine will enter its restoration phase utilising the bond held by the local authority.

**DISABLED EMPLOYEES**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

**EMPLOYEE CONSULTATION**

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.



D T Pearce  
Director

Date: 27 Feb 2017

## **DIRECTORS' REPORT**

The directors present their annual report and the audited consolidated financial statements for the year ended 31 May 2016.

### **DIRECTORS**

The directors of the company, who served throughout the year and subsequently to the date of this report, unless otherwise stated, are as shown on page 1.

### **RESULTS AND DIVIDENDS**

The loss for the year, before taxation, amounted to £9,321,000 (2015 – profit before taxation £4,717,000). The directors do not recommend the payment of a dividend for the current financial year (2015 - £nil).

### **GOING CONCERN**

After making enquiries, the directors have a reasonable expectation that the company and group have adequate resources to continue in operational existence for the foreseeable future. The directors have obtained confirmation from Hargreaves Services Plc and Tower Colliery Limited that the related party liabilities will not be called for repayment within the next 12 months unless the company is able to fulfil all liabilities in an orderly manner.

For these reasons the directors believe it is appropriate to use the going concern basis of preparation for these financial statements.

### **AUDITOR**

In the case of each of the persons who are directors of the company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to continue in office as the company's auditor and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



D T Pearce  
Director

27 Feb 2017

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOWER REGENERATION LIMITED**

We have audited the financial statements of Tower Regeneration Limited for the year ended 31 May 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated and Company Statement of Cash Flows and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

### **Respective responsibilities of directors and auditor**

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

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 May 2016 and of the group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

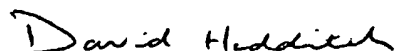
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

### **Matters on which we are required to report by exception**

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

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



David Hedditch (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Cardiff, United Kingdom

27/02/2017

# TOWER REGENERATION LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 May 2016

	Note	2016 £'000	2015 £'000
<b>REVENUE</b>	2	35,996	50,955
Cost of sales		(40,950)	(40,320)
<b>GROSS (LOSS)/PROFIT</b>		(4,954)	10,635
Administrative expenses		(944)	(2,307)
<b>OPERATING (LOSS)/PROFIT</b>		(5,898)	8,328
Interest income		75	19
Finance cost	7	(3,498)	(3,630)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	(9,321)	4,717
Tax on (loss)/profit on ordinary activities	8	1,402	(769)
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR AND TOTAL COMPREHENSIVE (EXPENSE)/INCOME</b>	15	(7,919)	3,948
<b>Attributable to Equity holders of the company</b>		(7,919)	3,948

All amounts in the current and prior financial year relate to continuing operations.

# TOWER REGENERATION LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 May 2016

	Note	2016 £'000	2015 £'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	37,467	45,907
Other non-current assets	11	20,977	16,250
		<u>58,444</u>	<u>62,157</u>
<b>CURRENT ASSETS</b>			
Inventories	12	3,033	9,423
Trade and other receivables	13	7,318	7,512
Cash and cash equivalents	14	-	1,489
<b>TOTAL CURRENT ASSETS</b>		<u>10,351</u>	<u>18,424</u>
<b>TOTAL ASSETS</b>		<u>68,795</u>	<u>80,581</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	(33,392)	(22,699)
Amounts due under finance leases	19	(6,514)	(6,298)
		<u>(39,906)</u>	<u>(28,997)</u>
<b>NON-CURRENT LIABILITIES</b>			
Creditors: Amounts falling due after more than one year	17	-	(9,889)
Deferred tax liabilities	18	(258)	(364)
Provisions	20	(20,977)	(19,187)
Amounts due under finance leases	19	(780)	(7,351)
		<u>(22,015)</u>	<u>(36,791)</u>
<b>TOTAL LIABILITIES</b>		<u>(61,921)</u>	<u>(65,788)</u>
<b>NET ASSETS</b>		<u>6,874</u>	<u>14,793</u>
<b>EQUITY</b>			
Issued capital	22	-	-
Retained earnings	15	6,874	14,793
<b>TOTAL EQUITY</b>	23	<u>6,874</u>	<u>14,793</u>

The financial statements of Tower Regeneration Limited, registered number 6995899, were approved by the Board of Directors and authorised for issue on 27 Feb 2017

Signed on behalf of the Board of Directors



D T Pearce  
Director

## COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 May 2016

	Note	2016 £'000	2015 £'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	15,245	19,808
Investments	10	-	-
Other non-current assets	11	20,977	16,250
		<u>36,222</u>	<u>36,058</u>
<b>CURRENT ASSETS</b>			
Inventories	12	3,033	9,423
Trade and other receivables	13	22,022	19,673
Cash and cash equivalents	14	-	1,455
Deferred tax asset	18	725	767
		<u>25,780</u>	<u>31,318</u>
<b>TOTAL CURRENT ASSETS</b>		<u>25,780</u>	<u>31,318</u>
<b>TOTAL ASSETS</b>		<u>62,002</u>	<u>67,376</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	(34,432)	(23,681)
		<u>(34,432)</u>	<u>(23,681)</u>
<b>NON-CURRENT LIABILITIES</b>			
Creditors: Amounts falling due after more than one year	17	-	(9,889)
Provisions	20	(20,977)	(19,187)
		<u>(20,977)</u>	<u>(29,076)</u>
<b>TOTAL LIABILITIES</b>		<u>(55,409)</u>	<u>(52,757)</u>
<b>NET ASSETS</b>		<u>6,593</u>	<u>14,619</u>
<b>EQUITY</b>			
Share capital	22	-	-
Retained earnings	15	6,593	14,619
		<u>6,593</u>	<u>14,619</u>
<b>TOTAL EQUITY</b>	23	<u>6,593</u>	<u>14,619</u>

The financial statements of Tower Regeneration Limited, registered number 6995899, were approved by the Board of Directors and authorised for issue on 27 Feb 2017

Signed on behalf of the Board of Directors



D T Pearce  
Director

# TOWER REGENERATION LIMITED

## CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY As at 31 May 2016

	Share capital £'000	Retained earnings £'000	Total equity £'000
<b>Group</b>			
Balance as at 1 June 2014	-	10,845	10,845
Profit for the year and total comprehensive income	-	3,948	3,948
	<hr/>	<hr/>	<hr/>
Balance as at 1 June 2015	-	14,793	14,793
Loss for the year and total comprehensive expense	-	(7,919)	(7,919)
	<hr/>	<hr/>	<hr/>
Balance as at 31 May 2016	-	6,874	6,874
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	Share capital £'000	Retained earnings £'000	Total equity £'000
<b>Company</b>			
Balance as at 1 June 2014	-	10,680	10,680
Profit for the year and total comprehensive income	-	3,939	3,939
	<hr/>	<hr/>	<hr/>
Balance as at 1 June 2015	-	14,619	14,619
Loss for the year and total comprehensive expense	-	(8,026)	(8,026)
	<hr/>	<hr/>	<hr/>
Balance as at 31 May 2016	-	6,593	6,593
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the year ended 31 May 2016**

	Note	2016 £'000	2015 £'000
<b>Net cash flows from operating activities</b>	25	<u>6,557</u>	<u>7,808</u>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(2,733)	(2,968)
Interest received		<u>75</u>	<u>19</u>
<b>Net cash used in investing activities</b>		<u>(2,658)</u>	<u>(2,949)</u>
<b>Financing activities</b>			
Repayment of obligations under finance leases		<u>(6,355)</u>	<u>(5,682)</u>
<b>Net cash used in financing activities</b>		<u>(6,355)</u>	<u>(5,682)</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(2,456)</u>	<u>(823)</u>
<b>Cash and cash equivalents at beginning of year</b>	14	<u>1,489</u>	<u>2,312</u>
<b>Cash and cash equivalents at end of year</b>	14	<u><u>(967)</u></u>	<u><u>1,489</u></u>

# TOWER REGENERATION LIMITED

## COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 May 2016

	Note	2016 £'000	2015 £'000
Net cash flows from operating activities	25	164	2,380
<b>Investing activities</b>			
Purchase of property, plant and equipment		(2,733)	(2,758)
Interest received		75	19
Net cash used in investing activities		(2,658)	(2,739)
<b>Financing activities</b>			
Repayment of obligations under finance leases		-	-
Net cash used in financing activities		-	-
Net decrease in cash and cash equivalents		(2,494)	(359)
Cash and cash equivalents at beginning of year	14	1,455	1,814
Cash and cash equivalents at end of year	14	(1,039)	1,455

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 May 2016

#### 1. STATEMENT OF ACCOUNTING POLICIES

##### General information

The company is a limited company incorporated and domiciled in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the business review on page 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates.

##### Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to financial statements of the company for the year ended 31 May 2016 and applied in accordance with the Companies Act 2006.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The principal accounting policies adopted are set out below.

##### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) made up to 31 May each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

##### Adoption of new and revised standards

At the date of authorisation of these financial statements, the group has not applied the following new and revised IFRSs that have been issued but are not yet effective and *in some cases* have not yet been adopted by the EU:

IFRS 9	<i>Financial Instruments</i>
IFRS 15	<i>Revenue from Contracts with Customers</i>
IFRS 16	<i>Leases</i>
IAS 1	<i>Disclosure Initiative</i>
IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
IAS 27	<i>Equity Method in Separate Financial Statements</i>

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments, IFRS 16 will impact the disclosure of assets held under operating leases and IFRS 15 may have an impact on revenue recognition and related disclosures. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of the new IFRSs until a detailed review has been completed.

##### Revenue

Revenue from the sale of coal is recognised when the risks and rewards of ownership have passed to the customer. This is usually when the coal is delivered to the location specified by the customer, generally on loading into transport where the customer is responsible for the transportation. Revenue is measured at the fair value of the consideration received or receivable and is shown net of discounts and VAT.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2016

## 1. STATEMENT OF ACCOUNTING POLICIES (continued)

**Going concern**

After making enquiries, the directors have a reasonable expectation that the company and group have adequate resources to continue in operational existence for the foreseeable future. The directors have obtained confirmation from Hargreaves Services Plc and Tower Colliery Limited that the related party liabilities will not be called for repayment within the next 12 months unless the company is able to fulfil all liabilities in an orderly manner.

For these reasons the directors believe it is appropriate to use the going concern basis of preparation for these financial statements.

**Property, plant and equipment**

The cost of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in accordance with agreed specifications. Plant and equipment is stated at historic cost less accumulated depreciation and impairment.

**Mining assets***Surface mine development asset*

Costs incurred in preparing and developing sites are referred to as 'surface mine development costs' and are capitalised within 'property, plant and equipment' as part of the 'mining assets'. Surface mine development costs principally comprise:

- the costs associated with achieving necessary planning permission and consents, licences and permits required to operate the site;
- drilling, geology and mine design costs;
- site development and infrastructure costs.

This asset is amortised to the statement of comprehensive income on a units of production method. Production is deemed to commence when work to extract coal from the first production box cut begins.

Income from incidental coal that is extracted during the development phase is included within the consolidated statement of comprehensive income together with the associated direct costs.

*Stripping costs*

The company has chosen to adopt IFRIC 20 (stripping costs in the production phase of a surface mine).

During the production phase, a non-current "stripping activity asset" will be recognised within 'mining assets' to capitalise costs of removing overburden to gain access to or improve access to coal deposits. To the extent that future economic benefits are probable, the deposit of coal to which access has been improved can be identified, and costs reliably measured. The stripping activity asset will be initially measured at cost and subsequently carried at cost or its revalued amount less amortisation and impairment. The stripping activity asset will be amortised over the units of production of the coal deposit identified as being made more accessible as a result of the stripping activity.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2016

## 1. STATEMENT OF ACCOUNTING POLICIES (continued)

**Depreciation**

The costs of surface mining and other plant and equipment are depreciated at varying rates depending upon their expected useful economic lives. Excluding freehold land, the cost of plant and equipment, less estimated residual value, are written off on a straight-line basis over the asset's expected useful economic life. Residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. Changes to the estimated residual values or useful lives are accounted for prospectively.

Depreciation is recorded over the useful life of the asset, as follows:

	<u>Basis</u>
<b>Freehold land</b>	not depreciated
<b>Plant and equipment</b>	
- plant and equipment	2 to 12 years
- motor vehicles	3 to 5 years
<b>Mining assets</b>	
- surface mine development	units of production coal
- restoration asset	units of production coal from the specific box cut to which the stripping relates
- stripping activity asset	units of production coal from the specific box cut to which the stripping relates

**Restoration and rehabilitation costs**

Activities of the company normally give rise to obligations for site restoration. Restoration works can include site decommissioning and dismantling and site and land rehabilitation. The extent of work required and the associated costs are dependent on the requirements of relevant authorities and the company's environmental policies.

An initial provision reflecting the current obligation for the cost of future site restoration is recognised at the commencement of the project as soon as the obligation to incur such costs arises. Costs for restoration of subsequent site damage, which is created on an ongoing basis, is recognised as a provision as it arises.

Restoration provisions are measured at the expected value of future cash flows, discounted to their present value applying an appropriate risk-adjusted rate. Significant judgements and estimates are involved in forming expectation of future activities and the amount and timing of the associated cash flows. Such expectations are based on existing planning requirements and management's future development plans which give rise to a constructive obligation.

Upon initial recognition of the restoration provision, the corresponding cost is capitalised as an asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalised cost is recognised as 'restoration assets' within 'mining assets'. This asset is amortised to the statement of comprehensive income on a units of production method over the life of the mine. Further 'restoration assets' are capitalised as additional provisions are created through production activities. These assets are amortised to the statement of comprehensive income on a units of production method over the coal from the area identified as giving rise to the additional restoration obligation.

The value of the provision is further increased over time as the effect of discounting unwinds, creating an expense recognised in 'other finance costs'.

Restoration provisions are also adjusted for changes in estimates, which are accounted for as a change in the corresponding capitalised cost, except where a reduction in the provision is greater than the unamortised capitalised cost of the related assets, in which case the capitalised cost is reduced to nil and the remaining adjustment is recognised in the statement of comprehensive income. Changes to the capitalised cost result in an adjustment to future amortisation and financial charges.

Given the significant judgements and estimates involved, adjustments to the estimated amount and timing of future restoration and rehabilitation cash flows are a normal occurrence. Factors influencing those changes include but are not limited to: revisions to estimated reserves and site operations; planning requirements and management's development plans; changes in the estimated cost and scope of anticipated activities.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 May 2016**

**1. STATEMENT OF ACCOUNTING POLICIES (continued)**

**Leases**

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

**Inventories**

Inventories relate to coal stocks and are valued at the lower of cost and net realisable value. Cost is primarily on the basis of average production costs and comprises direct materials, plant costs, labour and relevant overheads or, with regard to purchased coal, cost of acquisition, and includes transport and port costs where applicable. Appropriate allowances are made for slow-moving and obsolete inventories.

**Trade receivables**

Trade receivables, which generally have 30 to 60-day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

**Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits.

**Trade payables**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**Financial instruments**

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the relevant instrument. Financial assets are derecognised when the rights to receive benefits have expired or been transferred, and the company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation is extinguished.

Non-derivative financial assets are classified as either receivables or cash and cash equivalents. They are stated at amortised cost using the effective interest method, subject to reduction for allowances for estimated irrecoverable amounts. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of those receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, and is recognised in the statement of comprehensive income. For interest-bearing assets, their carrying value includes accrued interest receivable.

Cash and cash equivalents include cash in hand and deposits held on call, together with other short-term highly liquid investments.

Non-derivative financial liabilities are stated at amortised cost using the effective interest method. For borrowings, their carrying value includes accrued interest payable, as well as any unamortised issue costs.

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 May 2016****1. STATEMENT OF ACCOUNTING POLICIES (continued)****Taxation**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the statement of financial position date.

Deferred taxation is provided in full on timing differences that result in an obligation at the statement of financial position date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Temporary differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as probable that they will be recovered. Deferred tax assets and liabilities are not discounted.

**Pensions**

The company operates a defined contribution pension scheme. The amount charged to the statement of comprehensive income in respect of pension costs and other post-retirement benefits is the amount payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

**Critical accounting judgements**

In the application of the company's accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

**Key sources of estimation uncertainty**

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

The key areas that the directors consider to represent estimation uncertainty are in relation to the provision for restoration (note 20), the estimate of the stripping asset under IFRIC 20 (note 9) and the impairment of the property, plant and equipment (note 9).

**2. REVENUE**

The analysis of revenue by geographical area is as follows:

	2016 £'000	2015 £'000
United Kingdom	35,996	50,955

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 May 2016**

**3. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
The (loss)/profit on ordinary activities before taxation is stated after charging:		
Auditor's remuneration – audit fees	34	27
Depreciation of property, plant and equipment	20,224	13,577
Operating lease rentals – land and buildings	226	228
Costs of inventories recognised as an expense	40,727	39,708
	<u>          </u>	<u>          </u>

**4. AUDITOR'S REMUNERATION**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
The analysis of the auditor's remuneration is as follows:		
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	31	27
Fees payable to the company's auditor and its associates for other services to the group		
- The audit of the company's subsidiaries	3	2
	<u>          </u>	<u>          </u>
<b>Total audit fees</b>	<u>34</u>	<u>29</u>

The audit fee of the subsidiary of £3,000 (2015 - £2,000) was borne by the parent company in the current and the prior financial year.

**5. DIRECTORS' REMUNERATION**

The directors have been remunerated by their immediate employers. It is not practicable to allocate their services to the company from the services provided to their immediate employers and group companies of their immediate employers.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 May 2016**

**6. STAFF COSTS**

	<b>2016</b>	<b>2015</b>
	<b>No.</b>	<b>No.</b>
<b>Group</b>		
Average number of persons employed by the group, including directors, during the year		
Directors	9	9
Administration	6	6
Security	8	10
	<u>23</u>	<u>25</u>

Staff costs incurred during the year in respect of these employees (excluding directors):

	<b>£'000</b>	<b>£'000</b>
Wages and salaries	371	383
Social security costs	36	34
Other pension costs	3	3
	<u>410</u>	<u>420</u>

**7. FINANCE COST**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Related party loan interest	1,846	1,919
Bank and external finance lease interest	610	882
Unwinding of discount on provisions	1,042	829
	<u>3,498</u>	<u>3,630</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2016

## 8. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2016 £'000	2015 £'000
United Kingdom corporation tax:		
Corporation tax	(1,296)	1,172
Deferred taxation (see note 18)	(106)	(403)
<b>Tax (credit)/expense</b>	<b>(1,402)</b>	<b>769</b>
<b>Reconciliation of tax charge</b>	<b>£'000</b>	<b>£'000</b>
(Loss)/profit on ordinary activities before taxation	(9,321)	4,717
Tax at the UK corporation tax rate of 20% (2015 – 20.83%)	(1,864)	982
Taxes not deductible	30	25
Current period tax adjustment	(1,282)	(114)
Losses carried back	1,236	101
Other deferred tax movements	478	(225)
<b>Total tax (credit)/charge</b>	<b>(1,402)</b>	<b>769</b>

The 2016 Budget included a planned reduction in corporation tax to 17% from 1 April 2020. The main rate of corporation tax will reduce to 19% effective from 1 April 2017 and 17% from 1 April 2020. These changes were substantively enacted at the statement of financial position date.

The blended rate of tax for the year, based on the UK standard rate of corporation tax, is 20% (2015 - 20.83%). This is a blended rate: 23% up to 1 April 2014 and 21% up to 1 April 2015 and 20% hereafter.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 May 2016**

**9. PROPERTY, PLANT AND EQUIPMENT**

**Group**

	<b>Freehold land £'000</b>	<b>Mining assets £'000</b>	<b>Plant, equipment &amp; motor vehicles £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 June 2015	1,101	37,853	41,800	80,754
Additions	-	11,711	73	11,784
At 31 May 2016	1,101	49,564	41,873	92,538
<b>Accumulated depreciation</b>				
At 1 June 2015	-	(22,107)	(12,740)	(34,847)
Charge for the year	-	(15,291)	(4,933)	(20,224)
At 31 May 2016	-	(37,398)	(17,673)	(55,071)
<b>Net book value</b>				
At 31 May 2016	1,101	12,166	24,200	37,467
At 31 May 2015	1,101	15,746	29,060	45,907

The group's obligations under finance leases (see note 19) are secured by the lessor's title to the leased assets, which have a carrying amount of £22,221,000 (2015 - £26,099,000).

**Company**

	<b>Freehold land £'000</b>	<b>Mining assets £'000</b>	<b>Plant, equipment &amp; motor vehicles £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 June 2015	1,101	37,853	4,345	43,299
Additions	-	11,711	73	11,784
At 31 May 2016	1,101	49,564	4,418	55,083
<b>Accumulated depreciation</b>				
At 1 June 2015	-	(22,107)	(1,384)	(23,491)
Charge for the year	-	(15,291)	(1,056)	(16,347)
At 31 May 2016	-	(37,398)	(2,440)	(39,838)
<b>Net book value</b>				
At 31 May 2016	1,101	12,166	1,978	15,245
At 31 May 2015	1,101	15,746	2,961	19,808

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 May 2016****10. INVESTMENTS**

Details of the company's subsidiary at 31 May 2016 is as follows:

	Place of incorporation and operation	Proportion of ownership interest %	Proportion of voting power held %
Tower Regeneration Leasing Limited	Great Britain	100	100

The cost and carrying value of the investment is £1 (2015 - £1).

**11. OTHER NON-CURRENT ASSETS**

The other non-current asset of £20,977,000 (2015: £16,250,000) relates to cash held by the local authority on behalf of the company to finance the restoration of the Tower Surface Mine site to the required specifications when coaling operations cease.

**12. INVENTORIES**

	2016 £'000	2015 £'000
<b>Group and Company</b>		
Finished goods	3,033	9,423

**13. TRADE AND OTHER RECEIVABLES**

	2016 £'000	2015 £'000
<b>Group</b>		
Trade receivables	2,643	2,169
Receivables from related parties	2,440	2,479
Corporation tax receivable	1,106	103
Prepayments and accrued income	1,129	2,761
	<u>7,318</u>	<u>7,512</u>
	<b>£'000</b>	<b>£'000</b>
<b>Company</b>		
Trade receivables	2,643	2,169
Receivables from related parties	2,000	2,000
Corporation tax receivable	1,106	103
Prepayments and accrued income	1,129	2,761
Amounts receivable from group company	15,144	12,640
	<u>22,022</u>	<u>19,673</u>

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 31 May 2016

### 14. CASH AND CASH EQUIVALENTS

	2016 £'000	2015 £'000
<b>Group</b>		
Cash at bank and in hand	-	1,489
Bank overdraft	(967)	-
	<u>£'000</u>	<u>£'000</u>
<b>Company</b>		
Cash at bank and in hand	-	1,455
Bank overdraft	(1,039)	-
	<u>£'000</u>	<u>£'000</u>

### 15. RETAINED EARNINGS

	2016 £'000	2015 £'000
<b>Group</b>		
Balance at beginning of year	14,793	10,845
(Loss)/profit and total comprehensive (expense)/income for the financial year	(7,919)	3,948
Balance at end of year	<u>6,874</u>	<u>14,793</u>
	<u>£'000</u>	<u>£'000</u>
<b>Company</b>		
Balance at beginning of year	14,619	10,680
(Loss)/profit for the financial year and total comprehensive (expense)/income	(8,026)	3,939
Balance at end of year	<u>6,593</u>	<u>14,619</u>

### 16. TRADE AND OTHER PAYABLES

	2016 £'000	2015 £'000
<b>Group</b>		
Bank overdraft	967	-
Trade payables	181	244
Amounts owed to related parties	30,723	21,592
Other taxation and social security	304	332
Other creditors and accruals	1,217	531
	<u>33,392</u>	<u>22,699</u>
	<u>£'000</u>	<u>£'000</u>
<b>Company</b>		
Bank overdraft	1,039	-
Trade payables	181	244
Amounts owed to related parties	30,723	21,592
Group relief payable	1,265	1,304
Other taxation and social security	7	10
Other creditors and accruals	1,217	531
	<u>34,432</u>	<u>23,681</u>

Amounts payable to Forward Sound Limited carry interest of 10% (2015: 10%) per annum charged on the outstanding loan balances (see note 27). All other related party and group balances accrue no interest and are repayable on demand.

The directors have obtained confirmation from Hargreaves Services Plc and Tower Colliery Limited that the related party liabilities will not be called for repayment within the next 12 months unless the company is able to fulfil all liabilities in an orderly manner.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2016

## 17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016 £'000	2015 £'000
<b>Group and Company</b>		
Amounts owed to related party	-	9,889

## 18. DEFERRED TAX

The following are the deferred tax liabilities recognised by the group and the movements thereon during the current and prior reporting period.

<b>Group</b>	2016 £'000	2015 £'000
<b>Deferred taxation</b>		
Accelerated capital allowances	258	364

All deferred taxation has been fully provided and the liability has been included within non-current liabilities.

	£'000
At 1 June 2015	364
Credit to income statement	(106)
At 31 May 2016	258

The following are the deferred tax assets recognised by the company and the movements thereon during the current and prior reporting period.

<b>Company</b>	2016 £'000	2015 £'000
<b>Deferred taxation</b>		
Decelerated capital allowances	725	767

The deferred tax asset has been included within current assets.

	£'000
At 1 June 2015	767
Charged to income statement	(42)
At 31 May 2016	725

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 May 2016

#### 19. OBLIGATIONS UNDER FINANCE LEASES

It is the group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is five years. For the year ended 31 May 2016, the average effective borrowing rate was 5.1 per cent (2015 - 5.1 per cent). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in sterling. The fair value of the group's lease obligations is approximately equal to their carrying amount. The group's obligations under finance leases are secured by the lessors' rights over the leased assets disclosed in note 9.

	Present value of minimum lease payments	
	2016 £'000	2015 £'000
<b>Amounts payable under finance leases</b>		
Within one year	6,514	6,298
In the second to fifth years inclusive	780	7,351
	<u>7,294</u>	<u>13,649</u>
Present value of lease obligations	<u>7,294</u>	<u>13,649</u>

#### 20. PROVISIONS

<b>Group and Company</b>	2016 £'000	2015 £'000
<b>Provisions in respect of surface mine restoration</b>		
Carrying amount at the beginning of the year	19,187	11,580
Provisions made during the year	748	6,778
Unwinding of discount	1,042	829
	<u>20,977</u>	<u>19,187</u>
Carrying amount at the end of the year	<u>20,977</u>	<u>19,187</u>
Amounts due in less than one year		-
Amounts due in more than one year	20,977	19,187
	<u>20,977</u>	<u>19,187</u>
Carrying amount at the end of the year	<u>20,977</u>	<u>19,187</u>

The above provision represents the restoration liability of the company to restore the Tower Surface Mine site to required specifications when coaling operations cease.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2016

## 21. OPERATING LEASES

At 31 May, the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016 £'000	2015 £'000
<b>Land and buildings</b>		
Within one year	226	226
In the second to fifth years inclusive	903	904
After five years	678	938
	<u>1,807</u>	<u>2,068</u>

## 22. SHARE CAPITAL

	2016 £	2015 £
<b>Group and Company</b>		
Authorised, issued and fully paid – 200 ordinary shares of £1 each	<u>200</u>	<u>200</u>

## 23. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2016 £'000	2015 £'000
<b>Group</b>		
Opening shareholders' funds	14,793	10,845
(Loss)/profit and total comprehensive (expense)/income for the financial year	<u>(7,919)</u>	<u>3,948</u>
Closing shareholders' funds	<u>6,874</u>	<u>14,793</u>
	<b>£'000</b>	<b>£'000</b>
<b>Company</b>		
Opening shareholders' funds	14,619	10,680
(Loss)/profit and total comprehensive (expense)/income for the financial year	<u>(8,026)</u>	<u>3,939</u>
Closing shareholders' funds	<u>6,593</u>	<u>14,619</u>

## 24. COMPANY STATEMENT OF COMPREHENSIVE INCOME

As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income of the parent company is not presented as part of these financial statements. The parent company achieved a loss for the financial year of £8,026,000 (2015 – profit of £3,939,000).

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 May 2016

#### 25. NOTES TO THE CASH FLOW STATEMENT

	2016 £'000	2015 £'000
<b>Group</b>		
(Loss)/profit for the year	(7,919)	3,948
<i>Adjustment for:</i>		
Depreciation	20,224	13,577
Interest income	(75)	(19)
Finance costs	3,498	3,630
Income tax (credit)/expense	(1,402)	769
Operating cash flows before movements in working capital	14,326	21,905
Decrease/(increase) in inventories	6,390	(1,281)
Increase in receivables	(3,530)	(4,716)
Decrease in payables	(7,426)	(3,077)
Cash generated by operations	9,760	12,831
Income tax receipt/(paid)	295	(1,393)
Interest paid	(3,498)	(3,630)
Net cash from operating activities	6,557	7,808
	<b>£'000</b>	<b>£'000</b>
<b>Company</b>		
(Loss)/profit for the year	(8,026)	3,939
<i>Adjustment for:</i>		
Depreciation	16,347	9,701
Interest income	(75)	(19)
Finance costs	2,801	2,572
Interest tax expense	(1,294)	776
Operating cash flows before movements in working capital	9,753	16,969
Decrease/(increase) in inventories	6,390	(1,281)
Increase in receivables	(6,031)	(6,289)
Decrease in payables	(7,442)	(2,882)
Cash generated by operations	2,670	6,517
Income tax receipt/(paid)	295	(1,565)
Interest paid	(2,801)	(2,572)
Net cash from operating activities	164	2,380

#### 26. FINANCIAL INSTRUMENTS

##### Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument, are disclosed in note 1 to the financial statements.

Categories of financial instruments comprise short-term receivables and payables, bank loans and obligations under finance leases. Neither the group nor the company uses derivative financial instruments. The main purpose of these financial instruments is to raise finance for the group's and the company's ongoing operations and manage the working capital requirements.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2016

## 26. FINANCIAL INSTRUMENTS (continued)

## Categories of financial instruments

Group	2016 £'000	2015 £'000
<b>Financial assets</b>		
Other non-current asset	20,977	16,250
Cash	(967)	1,489
Amount owed by related party	2,440	2,479
Trade receivables	2,643	2,169
Corporation tax receivable	1,106	103
Prepayments and accrued income	1,130	2,761
	<u>27,329</u>	<u>25,251</u>
<b>Financial liabilities at amortised cost</b>		
Trade payables	181	244
Other creditors and accruals	1,217	531
Other taxation and social security	304	332
Finance leases	7,294	13,649
Amounts owed to related parties	30,723	31,481
	<u>39,719</u>	<u>46,327</u>
<b>Company</b>		
<b>Financial assets</b>		
Other non-current asset	20,977	16,250
Cash	(1,039)	1,455
Trade receivables	2,643	2,169
Amounts receivable from group company	15,144	12,640
Corporation tax receivable	1,106	103
Amounts owed by related parties	2,000	2,000
Prepayments and accrued income	1,129	2,761
	<u>41,960</u>	<u>37,378</u>
<b>Financial liabilities at amortised cost</b>		
Trade payables	181	244
Other creditors and accruals	1,217	531
Other taxation and social security	7	10
Amounts owed to related parties	30,723	31,481
Amounts owed to group company	1,205	1,304
	<u>33,333</u>	<u>33,570</u>

**Financial risks**

The company's activities expose it to various financial risks - liquidity risk, credit risk, market risk, foreign currency risk and interest rate risk.

**Liquidity risk**

Liquidity risk is the risk that the group and company will not be able to access the necessary funds to finance their operations. They finance their operations through a mix of short and medium-term facilities.

The group manages its liquidity risk by monitoring existing facilities and cash flows against forecast requirements based on rolling cash forecast.

The table below analyses the group's and parent company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. With the exception of finance leases, all the amounts disclosed in the table are equal to their carrying balances as the impact of discounting is not significant. The amounts disclosed for finance leases are the contractual undiscounted cash flows including interest and hence will not agree to the amount disclosed on the statement of financial position.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 31 May 2016

### 26. FINANCIAL INSTRUMENTS (continued)

#### Financial risks (continued)

Group At 31 May 2016	<1 year £'000	1-2 years £'000	2-5 years £'000	>5 years £'000
<b>Non-interest bearing</b>				
Amounts due to related parties (non-interest-bearing)	12,989	-	-	-
Amounts due to related parties (interest-bearing)	17,734	-	-	-
Finance lease liability	6,514	780	-	-
<b>Total</b>	<b>37,237</b>	<b>780</b>	<b>-</b>	<b>-</b>
<b>At 31 May 2015</b>	<b>&lt;1 year £'000</b>	<b>1-2 years £'000</b>	<b>2-5 years £'000</b>	<b>&gt;5 years £'000</b>
<b>Non-interest bearing</b>				
Amounts due to related parties (non-interest-bearing)	2,028	-	11,817	-
Amounts due to related parties (interest-bearing)	1,686	1,787	14,101	-
Finance leases	6,298	6,567	784	-
<b>Total</b>	<b>10,012</b>	<b>8,354</b>	<b>26,702</b>	<b>-</b>
<b>Company At 31 May 2016</b>	<b>&lt;1 year £'000</b>	<b>1-2 years £'000</b>	<b>2-5 years £'000</b>	<b>&gt;5 years £'000</b>
<b>Non-interest bearing</b>				
Amounts due to group (non-interest-bearing)	1,205	-	-	-
Amounts due to related parties (non-interest-bearing)	12,989	-	-	-
Amounts due to related parties (interest-bearing)	17,734	-	-	-
<b>Total</b>	<b>31,928</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 31 May 2015</b>	<b>&lt;1 year £'000</b>	<b>1-2 years £'000</b>	<b>2-5 years £'000</b>	<b>&gt;5 years £'000</b>
<b>Non-interest bearing</b>				
Amounts due to group (non-interest-bearing)	1,304	-	-	-
Amounts due to related parties (non-interest-bearing)	2,028	-	11,817	-
Amounts due to related parties (interest-bearing)	1,686	1,787	14,101	-
<b>Total</b>	<b>5,018</b>	<b>1,787</b>	<b>25,918</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2016

## 26. FINANCIAL INSTRUMENTS (continued)

## Financial risks (continued)

## Credit risk

The group and parent company are at the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the group's receivables from customers. The group's risk is influenced by the nature of its customers. New customers are analysed for creditworthiness before the group's standard payment terms and conditions are offered and appropriate credit limits set. The group does not have any financial assets that are past due or impaired.

## Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the group's or company's income or the value of its holdings of financial instruments.

## Foreign currency risk

The group and company operate within the UK in GBP and therefore are not exposed to foreign exchange risk arising from various currency exposures.

## Interest rate risk

The group and company are exposed to interest rate risk as they borrow funds on three-month revolving credit with interest rates fixed at time of drawdown. The group and company have no loans or receivables which have floating interest rates.

At the statement of financial position date the interest rate profile of the group's interest-bearing financial instruments was:

Group	2016 £'000	2015 £'000
<b>Fixed rate instruments</b>		
Financial liabilities	25,028	31,223
<b>Variable rate instruments</b>		
Financial liabilities	-	-
<b>Company</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
<b>Fixed rate instruments</b>		
Financial liabilities	17,734	17,574
<b>Variable rate instruments</b>		
Financial liabilities	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 31 May 2016

### 27. RELATED PARTY TRANSACTIONS

Balances and transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in the group disclosure below. The company is owned 50% by Forward Sound Limited, a 100% owned subsidiary of the Hargreaves Services Plc group; the remaining 50% is owned by Tower Colliery Limited, a 100% owned subsidiary of Goitre Tower Anthracite Limited. During the financial periods the company provided services to or was provided services by members of the group headed by Hargreaves Services Plc and Goitre Tower Anthracite Limited as follows:

Companies entered into the following transactions with related parties:

Group	2016		2015	
	Purchases/ Interest charges from £'000	Balance owed to £'000	Purchases/ Interest charges from £'000	Balance owed to £'000
Forward Sounds Limited	(1,718)	(14,862)	(2,067)	(14,701)
Tower Colliery Limited*	(120)	(8,060)	(650)	(8,067)
Hargreaves Surface Mining Limited	(28,612)	(1,179)	(35,610)	(2,028)
Hargreaves Services Plc	-	(2,872)	(172)	(2,872)
Hargreaves (UK) Services Limited	-	(1,638)	-	(1,638)
Hargreaves (UK) Limited	-	(2,112)	-	(2,175)
Hargreaves (UK) Services Limited - Transport	-	-	-	-
Hargreaves (UK) Services Limited – Minerals	-	-	-	-
	<u>(30,450)</u>	<u>(30,723)</u>	<u>(38,499)</u>	<u>(31,481)</u>
	Sales to £'000	Balance due from £'000	Sales to £'000	Balance due from £'000
Hargreaves Surface Mining Limited	4,574	440	4,934	479
Tower Colliery Limited	-	2,000	-	2,000
	<u>4,574</u>	<u>2,440</u>	<u>4,934</u>	<u>2,479</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 May 2016**

**27. RELATED PARTY TRANSACTIONS (continued)**

Company	2016		2015	
	Purchases/ Interest charges from £'000	Balance owed to £'000	Purchases/ Interest charges from £'000	Balance owed to £'000
Forward Sounds Limited	(1,718)	(14,862)	(2,067)	(14,701)
Tower Colliery Limited*	(120)	(8,060)	(650)	(8,067)
Hargreaves Surface Mining Limited	(28,612)	(1,179)	(35,610)	(2,028)
Hargreaves Services Plc	-	(2,872)	(172)	(2,872)
Hargreaves (UK) Services Limited	-	(1,638)	-	(1,638)
Hargreaves (UK) Limited	-	(2,113)	-	(2,175)
Hargreaves (UK) Services Limited - Minerals	-	-	-	-
Tower Regeneration Leasing Limited	-	(1,205)	-	(1,304)
	<u>(30,450)</u>	<u>(31,929)</u>	<u>(38,499)</u>	<u>(32,785)</u>
	<b>Sales to £'000</b>	<b>Balance owed from £'000</b>	<b>Sales to £'000</b>	<b>Balance owed from £'000</b>
Hargreaves (UK) Services Limited	540	-	-	-
Tower Colliery Limited	-	2,000	-	2,000
Tower Regeneration Leasing Limited	-	15,144	-	12,640
	<u>540</u>	<u>17,144</u>	<u>-</u>	<u>14,640</u>

\*All of the related parties listed above with the exception of Tower Colliery Limited are members of the group headed by Hargreaves Services Plc. Tower Colliery Limited is a member of the Goitre Tower Anthracite Limited group.

The company has provided a loan to a 100% subsidiary, Tower Regeneration Leasing Limited. Amounts repayable from Tower Regeneration Leasing Limited are short-term and non-interest-bearing. The outstanding amount at 31 May 2016 is £15,144,000 (2015 - £12,640,000).

**28. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY**

The company is owned 50% by Forward Sound Limited and 50% by Tower Colliery Limited. Both entities are incorporated in the United Kingdom. There is, therefore, no controlling party.