

TOWER REGENERATION LIMITED

**Annual Report and Consolidated Financial
Statements**

For the year ended 31 May 2021

WEDNESDAY



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COMPANIES HOUSE

TOWER REGENERATION LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 2021

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G N Davies
T O'Sullivan
A Shott (with effect until 7 May 2021)
W Thomas
C Philpotts
D R Anderson
G M Liggins
L Weatherall (with effect until 31 December 2020)
D S J Travis (appointed 18 May 2021)

REGISTERED OFFICE

West Terrace
Esh Winning
Durham
DH7 9PT

BANKERS

Lloyds Banking Group
4th Floor
102 Grey Street
Newcastle upon Tyne
NE1 6AG

SOLICITORS

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

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Central Square South
Orchard Street
Newcastle upon Tyne
NE1 3AZ

STRATEGIC REPORT

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the group and company in the year was that of the restoration of land now that coaling operations are discontinued. The group and company are also developing a mixed use sitewide masterplan in conjunction with local stakeholders to be implemented once restoration is complete.

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 for the group as follows:

| | 2021 | 2020 |
|---------------------|--------------|--------------|
| | £'000 | £'000 |
| Revenue | 62 | - |
| Operating loss | (607) | (2,502) |
| Operating cash flow | (599) | (3,978) |

- Revenue in the current year was generated from the sale of surplus and scrap materials arising due to the reduction in restoration activities.
- The operating loss in the current and prior year was primarily as a result of an increase in the restoration provision.
- The operating cash flow was an outflow in both the current and prior years as expected. This was due to the costs of restoration exceeding the cash generated from receipt of non-current assets and proceeds from the disposal of assets held for sale.

RISKS AND UNCERTAINTIES

Mining and operational risk

The group's operations are subject to all of the hazards and risks normally encountered with the restoration of 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.

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.

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.

TOWER REGENERATION LIMITED

STRATEGIC REPORT (continued)

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.

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



G N Davies
Director
Date: 11/11/21

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements for the year ended 31 May 2021.

Disclosures required by s416(4) which have been elevated to the Strategic Report:

- Risks and uncertainties.

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 £1,578,000 (2020 – £4,121,000).

The consolidated balance sheet shows a net liabilities position of £17,207,000 (2020 – net liabilities of £15,629,000).

The directors do not recommend the payment of a dividend for the current financial year (2020 - £nil).

DIRECTORS' INTERESTS

All of the Directors benefitted from the Group's qualifying third-party indemnity provisions.

GOING CONCERN

In previous years, the financial statements have been prepared on a going concern basis. However, during the year ended 31 May 2017 the directors took the decision to cease trading following movement into the restoration phase of the project to restore the land to the condition agreed between the council and the entity, as management do not deem the restoration to be a trading activity. Accordingly, the directors have not prepared the financial statements on a going concern basis. No adjustments were necessary to the amounts at which the remaining net assets are included in these financial statements. Following the completion of restoration, an aftercare regime will be established for the site whilst the Group evaluates opportunities for an orderly disposal of any remaining assets. As a result, the directors expect to continue presenting the financial statements on a non-going concern basis for a number of years.

FINANCIAL RISKS

Note 24 set out the Financial Risks the Group faces together with the mitigations in place to manage these risks.

BREXIT

The UK completed its exit from the EU on 31 December 2020 and is now trading with the EU under the terms of a new trade agreement. As far as Tower Regeneration Limited is concerned, the company carries out all of its activities within the UK and has no import/export activity with the EU. As a result, the Board does not expect any material direct impact on the company due to the new trading arrangements with the EU. Of course, it is impossible to assess with any degree of accuracy the broader macro-economic impact of Brexit on either the EU or the UK.

COVID 19

The Group has not seen a significant impact on its activities and results for the year ended 31 May 2021 as a result of Covid-19 however the Directors continue to monitor the situation closely. Our focus has been to safeguard the health and wellbeing of our employees, support our communities.

FUTURE DEVELOPMENTS

The bulk earthworks phase of restoration of the mine was completed in the autumn of 2020, with a bespoke surface water drainage system expected to be installed during 2021. Following this the site will enter into a restoration aftercare regime. The company is developing a mixed use sitewide masterplan in conjunction with local stakeholders to be implemented once restoration is complete. The development of this masterplan will inform the Group's plans for an ultimate orderly wind down of the business.

TOWER REGENERATION LIMITED

DIRECTORS' REPORT

INDEPENDENT AUDITORS

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 auditors are 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 are aware of that information.

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

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

The financial statements on pages 10-37 were approved by the Board of Directors on the date below and signed on behalf of the Board by



G N Davies

Director

Date: 11/11/21

TOWER REGENERATION LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and Consolidated Financial Statements and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law, 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 company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

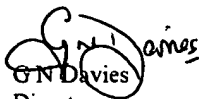
The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

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


G.N. Davies
Director
Date: 11/11/21

Independent auditors' report to the members of Tower Regeneration Limited

Report on the audit of the financial statements

Opinion

In our opinion, Tower Regeneration Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 May 2021 and of the group's loss and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated statement of financial position and the Company statement of financial position as at 31 May 2021; the Consolidated statement of comprehensive income, the Consolidated and Company statements of changes in equity, the Consolidated statement of cash flows and the Company statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter - financial statements prepared on a basis other than going concern

In forming our opinion on the financial statements, which is not modified, we draw attention to note 1 to the financial statements which describes the directors' reasons why the financial statements have been prepared on a basis other than going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Independent auditors' report to the members of Tower Regeneration Limited (continued)

Reporting on other information (continued)

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 May 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with the Companies Act 2006 and tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to loss account, or through management bias in manipulation of accounting estimates. Audit procedures performed by the engagement team included:

- Inquiry of management and those charged with governance around actual and potential litigation claims;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Identifying and testing journal entries, in particular any journal entries with unusual account combinations; and
- Challenging assumptions and judgements made by management in their significant accounting estimates and consideration of the impact of COVID-19 on going concern;

Independent auditors' report to the members of Tower Regeneration Limited (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Mark Dawson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle
11 November 2021

TOWER REGENERATION LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MAY 2021

| | Note | 2021 £'000 | 2020 £'000 |
|---|------|---------------|---------------|
| REVENUE | 2 | 62 | - |
| Cost of sales | | - | - |
| GROSS PROFIT | | 62 | - |
| Administrative expenses | | (669) | (2,502) |
| OPERATING PROFIT/(LOSS) | | (607) | (2,502) |
| Profit/(loss) on asset disposal | 14 | 66 | (556) |
| Interest income | | - | 22 |
| Finance cost | 7 | (1,100) | (1,085) |
| LOSS BEFORE TAXATION | 3 | (1,641) | (4,121) |
| Tax on loss | 8 | 63 | 514 |
| LOSS FOR THE FINANCIAL YEAR AND TOTAL COMPREHENSIVE LOSS | 16 | (1,578) | (3,607) |
| Attributable to | | | |
| Equity holders of the company | | (1,578) | (3,607) |

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

The accompanying notes form part of these financial statements.

TOWER REGENERATION LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 31 May 2021

| | Note | 2021 £'000 | 2020 £'000 |
|---|------|-----------------|-----------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 9 | 1,101 | 1,101 |
| Right of use assets | 10 | - | - |
| Other non-current assets | 12 | 2,864 | 3,471 |
| | | <u>3,965</u> | <u>4,572</u> |
| CURRENT ASSETS | | | |
| Trade and other receivables | 13 | 191 | 1,413 |
| Assets held for sale | 14 | - | 330 |
| Cash and cash equivalents | 15 | 136 | 569 |
| | | <u>327</u> | <u>2,312</u> |
| TOTAL CURRENT ASSETS | | <u>327</u> | <u>2,312</u> |
| TOTAL ASSETS | | <u>4,292</u> | <u>6,884</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 17 | (18,972) | (18,954) |
| NON-CURRENT LIABILITIES | | | |
| Creditors: Amounts falling due after more than one year | 18 | (131) | (262) |
| Deferred tax liabilities | 19 | - | (63) |
| Provisions | 20 | (2,396) | (3,234) |
| | | <u>(2,527)</u> | <u>(3,559)</u> |
| TOTAL LIABILITIES | | <u>(21,499)</u> | <u>(22,513)</u> |
| NET LIABILITIES | | <u>(17,207)</u> | <u>(15,629)</u> |
| EQUITY | | | |
| Share capital | 22 | - | - |
| Accumulated losses | 16 | (17,207) | (15,629) |
| TOTAL EQUITY | | <u>(17,207)</u> | <u>(15,629)</u> |

The financial statements of Tower Regeneration Limited, registered number 06995899, were approved by the Board of Directors and authorised for issue on 11/11/21.

The accompanying notes form part of these financial statements.

Signed on behalf of the Board of Directors


G N Davies
Director

11/11/21

TOWER REGENERATION LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION As at 31 May 2021

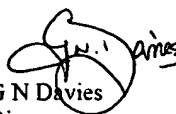
| | Note | 2021 £'000 | 2020 £'000 |
|---|------|-----------------|-----------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 9 | 1,101 | 1,101 |
| Right of use assets | 10 | - | - |
| Investments | 11 | - | - |
| Other non-current assets | 12 | 2,864 | 3,471 |
| | | <u>3,965</u> | <u>4,572</u> |
| CURRENT ASSETS | | | |
| Trade and other receivables | 13 | 191 | 3,791 |
| Cash and cash equivalents | 15 | 135 | 568 |
| | | <u>326</u> | <u>4,359</u> |
| TOTAL CURRENT ASSETS | | <u>326</u> | <u>4,359</u> |
| TOTAL ASSETS | | <u>4,291</u> | <u>8,931</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 17 | (18,960) | (19,463) |
| NON-CURRENT LIABILITIES | | | |
| Creditors: Amounts falling due after more than one year | 18 | (131) | (262) |
| Provisions | 20 | (2,396) | (3,234) |
| | | <u>(2,527)</u> | <u>(3,496)</u> |
| TOTAL LIABILITIES | | <u>(21,487)</u> | <u>(22,959)</u> |
| NET LIABILITIES | | <u>(17,196)</u> | <u>(14,028)</u> |
| EQUITY | | | |
| Share capital | 22 | - | - |
| Accumulated losses | 16 | (17,196) | (14,028) |
| TOTAL EQUITY | 16 | <u>(17,196)</u> | <u>(14,028)</u> |

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 of £3,168,000 for the financial year ended 31 May 2021 (2020 – loss of £3,163,000).

The accompanying notes form part of these financial statements.

The financial statements of Tower Regeneration Limited, registered number 06995899, were approved by the Board of Directors and authorised for issue on 11/11/21.

Signed on behalf of the Board of Directors


G N Davies
Director

11/11/21

TOWER REGENERATION LIMITED

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY For the year ended 31 May 2021

| | Share capital £'000 | Accumulated losses £'000 | Total equity £'000 |
|--|---------------------------|--------------------------------|--------------------------|
| Group | | | |
| Balance as at 1 June 2019 | - | (12,022) | (12,022) |
| Loss for the year and total comprehensive loss | - | (3,607) | (3,607) |
| | <hr/> | <hr/> | <hr/> |
| Balance as at 31 May 2020 | - | (15,629) | (15,629) |
| Loss for the year and total comprehensive loss | - | (1,578) | (1,578) |
| | <hr/> | <hr/> | <hr/> |
| Balance as at 31 May 2021 | - | (17,207) | (17,207) |
| | <hr/> | <hr/> | <hr/> |
| | Share capital £'000 | Accumulated losses £'000 | Total equity £'000 |
| Company | | | |
| Balance as at 1 June 2019 | - | (10,865) | (10,865) |
| Loss for the year and total comprehensive loss | - | (3,163) | (3,163) |
| | <hr/> | <hr/> | <hr/> |
| Balance as at 31 May 2020 | - | (14,028) | (14,028) |
| Loss for the year and total comprehensive loss | - | (3,168) | (3,168) |
| | <hr/> | <hr/> | <hr/> |
| Balance as at 31 May 2021 | - | (17,196) | (17,196) |
| | <hr/> | <hr/> | <hr/> |

The accompanying notes form part of these financial statements.

TOWER REGENERATION LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS For the year ended 31 May 2021

| | Note | 2021 £'000 | 2020 £'000 |
|--|------|-------------------|-------------------|
| Net cash flows used in discontinuing operations | 23 | <u>(599)</u> | <u>(3,978)</u> |
| Investing activities | | | |
| Proceeds from sale of assets held for sale | | <u>396</u> | <u>3,879</u> |
| Net cash generated from investing activities | | <u>396</u> | <u>3,879</u> |
| Financing activities | | | |
| Principal elements of lease payments | | <u>(230)</u> | <u>(131)</u> |
| Net cash used in financing activities | | <u>(230)</u> | <u>(131)</u> |
| Net decrease in cash and cash equivalents | | (433) | (230) |
| Cash and cash equivalents at beginning of year | 15 | <u>569</u> | <u>799</u> |
| Cash and cash equivalents at end of year | 15 | <u><u>136</u></u> | <u><u>569</u></u> |

The accompanying notes form part of these financial statements.

TOWER REGENERATION LIMITED

COMPANY STATEMENT OF CASH FLOWS For the year ended 31 May 2021

| | Note | 2021 £'000 | 2020 £'000 |
|--|------|---------------|---------------|
| Net cash flows (used in)/generated from discontinuing operations | 23 | (313) | 342 |
| Investing activities | | | |
| Proceeds from sale of property, plant and equipment | | 110 | - |
| Net cash used in investing activities | | 110 | - |
| Financing activities | | | |
| Principal elements of lease payments | | (230) | (131) |
| Net cash used in financing activities | | (230) | (131) |
| Net (decrease)/increase in cash and cash equivalents | | (433) | 211 |
| Cash and cash equivalents at beginning of year | 15 | 568 | 357 |
| Cash and cash equivalents at end of year | 15 | 135 | 568 |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2021

1. STATEMENT OF ACCOUNTING POLICIES

General information

The company is a private 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 pound 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 accounting standards and in conformity with the requirements of the Companies Act 2006 applicable to companies reporting under IFRS.

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.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

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.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably.

Going concern

In previous years, the financial statements have been prepared on a going concern basis. However, during the year ended 31 May 2017 the directors took the decision to cease trading following movement into the restoration phase of the project to restore the land to the condition agreed between the council and the entity, as management do not deem the restoration to be a trading activity. Accordingly, the directors have not prepared the financial statements on a going concern basis. No adjustments were necessary to the amounts at which the remaining net assets are included in these financial statements. Following the completion of restoration, an aftercare regime will be established for the site whilst the Group evaluates opportunities for an orderly disposal of any remaining assets. As a result, the directors expect to continue presenting the financial statements on a non-going concern basis for a number of years.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 May 2021

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs of disposal.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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.

No depreciation is provided on freehold land or mining assets. Depreciation is recorded over the useful lives of the other assets, as follows:

| Plant, equipment, and motor vehicles | | Basis |
|---|---|---------------|
| - plant and equipment | - | 2 to 12 years |
| - motor vehicles | - | 3 to 5 years |

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 May 2021

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Restoration and rehabilitation costs

The 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, are recognised as a provision as they arise.

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 (continued)
For the year ended 31 May 2021

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Turnover

Turnover represents income received in the ordinary course of business for services provided and excludes value added tax. Revenue is recognised on a straight-line basis over the term of the relevant lease.

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.

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.

Other non-current assets

Other non-current assets represents cash held by the local authority in escrow, which is released to fund restoration activities upon certain criteria being met.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 May 2021

1. STATEMENT OF ACCOUNTING POLICIES (continued)

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.

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

There were no critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the company's accounting policies.

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 area that the directors consider to represent estimation uncertainty is in relation to the provision for restoration (note 20). The provision for restoration is based upon estimated future costs to complete the restoration of the site. A number of these estimates are inherently uncertain due to their forward looking nature, and due to factors outside of the Group's control such as weather conditions.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 May 2021

2. REVENUE

The analysis of revenue by geographical area is as follows:

| | 2021 £'000 | 2020 £'000 |
|----------------|---------------|---------------|
| United Kingdom | <u>62</u> | <u>-</u> |

Revenue relates to the sale of scrap materials.

3. LOSS BEFORE TAXATION

| | 2021 £'000 | 2020 £'000 |
|--|---------------|---------------|
| The loss before taxation is stated after charging/(crediting): | | |
| Auditors' remuneration – audit fees | 30 | 30 |
| (Profit)/loss on asset disposal | <u>(66)</u> | <u>556</u> |

4. AUDITORS' REMUNERATION

The analysis of the auditors' remuneration is as follows:

| | 2021 £'000 | 2020 £'000 |
|--|---------------|---------------|
| - Fees payable to the company's auditors and their associates for the audit of the company's annual accounts | 24 | 24 |
| - The audit of the company's subsidiary | <u>6</u> | <u>6</u> |
| Total audit fees | <u>30</u> | <u>30</u> |

The audit fee of the subsidiary of £6,000 (2020 - £6,000) 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.

TOWER REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 May 2021

6. STAFF COSTS

| | 2021 No. | 2020 No. |
|---|-------------|-------------|
| Group and Company | | |
| Monthly average number of persons employed, including directors, during the year | | |
| Directors | 8 | 8 |
| Administration | 1 | 2 |
| Operations | 8 | 19 |
| Security | 2 | 3 |
| | <u>19</u> | <u>32</u> |

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

| | 2021 £'000 | 2020 £'000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 375 | 702 |
| Social security costs | 33 | 66 |
| Other pension costs | 9 | 12 |
| | <u>417</u> | <u>780</u> |

7. FINANCE COST

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| Related party loan interest (see Note 17) | 1,100 | 1,085 |
| | <u>1,100</u> | <u>1,085</u> |

TOWER REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 May 2021

8. TAX ON LOSS

| | 2021 £'000 | 2020 £'000 |
|---|-----------------------|-----------------------|
| United Kingdom corporation tax: | | |
| Corporation tax:- | | |
| UK corporation tax at 19% (2020 – 19%) | - | - |
| Adjustment for prior year | - | - |
| Current tax credit | - | - |
| Total current tax credit | - | - |
| Deferred tax (see note 19) | | |
| Origination and reversal of temporary differences | (63) | (514) |
| Total deferred tax credit | (63) | (514) |
| Tax credit | (63) | (514) |
| Reconciliation of tax credit | 2021 £'000 | 2020 £'000 |
| Loss on discontinued operations before taxation | (1,641) | (4,121) |
| Tax at the UK corporation tax rate of 19% (2020 – 19%) | (312) | (783) |
| Deferred tax asset on losses not recognised | 312 | 783 |
| Other deferred tax movements | (63) | (514) |
| | (63) | (514) |

Factors that may affect future tax expenses

The rate of tax for the current and prior year was 19%. Following the March 2021 budget, the corporate tax rate will increase from 19% to 25% with effect from 1 April 2025. The deferred tax balances at 31 May 2021 and 31 May 2020 have been calculated based on the rate substantively enacted at the balance sheet date of 25% and 19% respectively.

TOWER REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 May 2021

9. PROPERTY, PLANT AND EQUIPMENT

| Group | Freehold land £'000 | Mining assets £'000 | Plant, equipment & motor vehicles £'000 | Total £'000 |
|---------------------------------|---------------------------|---------------------------|---|----------------|
| Cost | | | | |
| At 1 June 2019 | 1,101 | 51,691 | 4,416 | 57,208 |
| At 31 May 2020 | 1,101 | 51,691 | 4,416 | 57,208 |
| Accumulated depreciation | | | | |
| At 1 June 2019 | - | (51,691) | (4,416) | (56,107) |
| At 31 May 2020 | - | (51,691) | (4,416) | (56,107) |
| Net book value | | | | |
| At 31 May 2020 | <u>1,101</u> | <u>-</u> | <u>-</u> | <u>1,101</u> |
| At 31 May 2019 | 1,101 | - | - | 1,101 |
| Cost | | | | |
| At 1 June 2020 | 1,101 | 51,691 | 4,416 | 57,208 |
| At 31 May 2021 | 1,101 | 51,691 | 4,416 | 57,208 |
| Accumulated depreciation | | | | |
| At 1 June 2020 | - | (51,691) | (4,416) | (56,107) |
| At 31 May 2021 | - | (51,691) | (4,416) | (56,107) |
| Net book value | | | | |
| At 31 May 2021 | <u>1,101</u> | <u>-</u> | <u>-</u> | <u>1,101</u> |
| At 31 May 2020 | 1,101 | - | - | 1,101 |

TOWER REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 May 2021

9. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

| | Freehold land £'000 | Mining assets £'000 | Plant, equipment & motor vehicles £'000 | Total £'000 |
|---------------------------------|---------------------------|---------------------------|---|----------------|
| Cost | | | | |
| At 1 June 2019 and 31 May 2020 | 1,101 | 51,691 | 4,418 | 57,210 |
| Accumulated depreciation | | | | |
| At 1 June 2019 and 31 May 2020 | - | (51,691) | (4,418) | (56,109) |
| Net book value | | | | |
| At 31 May 2020 | 1,101 | - | - | 1,101 |
| At 31 May 2019 | 1,101 | - | - | 1,101 |
| Cost | | | | |
| At 1 June 2020 and 31 May 2021 | 1,101 | 51,691 | 4,418 | 57,210 |
| Accumulated depreciation | | | | |
| At 1 June 2020 and 31 May 2021 | - | (51,691) | (4,418) | (56,109) |
| Net book value | | | | |
| At 31 May 2021 | 1,101 | - | - | 1,101 |
| At 31 May 2020 | 1,101 | - | - | 1,101 |

TOWER REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 May 2021

10. RIGHT OF USE ASSETS

Group and Company

| | Land & buildings £'000 | Total £'000 |
|-------------------------------|------------------------------|----------------|
| Cost | | |
| At 1 June 2020 | 722 | 722 |
| At 31 May 2021 | 722 | 722 |
| Accumulated Impairment | | |
| At 1 June 2020 | (722) | (722) |
| At 31 May 2021 | (722) | (722) |
| Net book value | | |
| At 31 May 2021 | - | - |
| At 31 May 2020 | - | - |

11. INVESTMENTS

Details of the company's subsidiary at 31 May 2021 and 31 May 2020 are as follows:

| | Proportion of ownership 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 (2020 - £1) being 1 ordinary share of £1.

* The registered address is West Terrace, Esh Winning, Durham, DH7 9PT.

12. OTHER NON-CURRENT ASSETS

Group and Company

The other non-current assets of £2,864,000 (2020 - £3,471,000) 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.

TOWER REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 May 2021

13. TRADE AND OTHER RECEIVABLES

| | 2021 £'000 | 2020 £'000 |
|--|-----------------------|-----------------------|
| Group | | |
| Trade receivables | - | 45 |
| Receivables from related parties (note 25) | 7 | 1,141 |
| Prepayments and accrued income | 172 | 151 |
| Social security and other taxation | 12 | 76 |
| | <u>191</u> | <u>1,413</u> |
| | 2021 £'000 | 2020 £'000 |
| Company | | |
| Trade receivables | - | 45 |
| Receivables from related parties (note 25) | 7 | 7 |
| Prepayments and accrued income | 172 | 155 |
| Amounts receivable from subsidiary undertaking (note 25) | - | 3,508 |
| Social security and other taxation | 12 | 76 |
| | <u>191</u> | <u>3,791</u> |

14. ASSETS HELD FOR SALE

The major classes of assets and liabilities comprising the assets held for sale are as follows:

| | 2021 £'000 | 2020 £'000 |
|-----------------------------------|---------------|---------------|
| Group | | |
| Mining assets (plant & machinery) | <u>-</u> | <u>330</u> |

Proceeds from the disposal of assets held for sale generated £396,000 (2020 - £3,879,000).
The Company has no assets held for sale.

15. CASH AND CASH EQUIVALENTS

| | 2021 £'000 | 2020 £'000 |
|--------------------------|-----------------------|-----------------------|
| Group | | |
| Cash at bank and in hand | <u>136</u> | <u>569</u> |
| | 2021 £'000 | 2020 £'000 |
| Company | | |
| Cash at bank and in hand | <u>135</u> | <u>568</u> |

TOWER REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 May 2021

16. ACCUMULATED LOSSES

| | 2021 £'000 | 2020 £'000 |
|--|-----------------------|-----------------------|
| Group | | |
| Balance at beginning of year | (15,629) | (12,022) |
| Loss and total comprehensive loss for the financial year | (1,578) | (3,607) |
| Balance at end of year | <u>(17,207)</u> | <u>(15,629)</u> |
| | 2021 £'000 | 2020 £'000 |
| Company | | |
| Balance at beginning of year | (14,028) | (10,865) |
| Loss and total comprehensive loss for the financial year | (3,168) | (3,163) |
| Balance at end of year | <u>(17,196)</u> | <u>(14,028)</u> |

17. TRADE AND OTHER PAYABLES

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| Group | | |
| Trade payables | 156 | - |
| Amounts owed to related parties (note 25) | 18,614 | 18,266 |
| Other taxation and social security | 5 | 23 |
| Other creditors and accruals | 66 | 336 |
| Lease liabilities* | 131 | 329 |
| | <u>18,972</u> | <u>18,954</u> |
| | £'000 | £'000 |
| Company | | |
| Trade payables | 156 | - |
| Amounts owed to related parties (note 25) | 18,614 | 18,250 |
| Group relief payable | - | 709 |
| Other taxation and social security | 5 | 23 |
| Other creditors and accruals | 54 | 152 |
| Lease liabilities* | 131 | 329 |
| | <u>18,960</u> | <u>19,463</u> |

Within amounts owed to related parties is a balance due to Forward Sound Limited which carries interest of 10% (2020 - 10%) per annum charged on the outstanding loan balances (see note 25). All other related party and group balances accrue no interest and are repayable on demand.

TOWER REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 May 2021

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2021 £'000 | 2020 £'000 |
|--------------------------|---------------|---------------|
| Group and Company | | |
| Lease liabilities | 131 | 262 |

19. DEFERRED TAX LIABILITIES

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

| Group | 2021 £'000 | 2020 £'000 |
|--------------------------------|---------------|---------------|
| Deferred taxation | | |
| Accelerated capital allowances | - | (63) |

A deferred tax asset of £3,843,000 (2020 - £3,963,000) is not recognised as it is not considered to be recoverable. All deferred taxation has been fully provided and the liability has been included within non-current liabilities.

| | £'000 |
|---|-------|
| At 1 June 2019 | (577) |
| Credit to statement of comprehensive income | 514 |
| At 31 May 2020 and 1 June 2020 | (63) |
| Credit to statement of comprehensive income | 63 |
| At 31 May 2021 | - |

20. PROVISIONS

| Group and Company | 2021 £'000 | 2020 £'000 |
|--|---------------|---------------|
| Provisions in respect of surface mine restoration | | |
| Carrying amount at the beginning of the year | 3,234 | 4,831 |
| Reclassification of lease liabilities under IFRS 16 * | - | (524) |
| Provisions made during the year | 615 | 2,255 |
| Utilised during year | (1,453) | (3,328) |
| Carrying amount at the end of the year | 2,396 | 3,234 |
| Amounts due in less than one year | 2,326 | 1,955 |
| Amounts due in more than one year | 70 | 1,279 |
| Carrying amount at the end of the year | 2,396 | 3,234 |

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 May 2021

20. PROVISIONS (continued)

The provision is calculated based upon management estimates of the costs expected to be incurred in restoring the site and servicing the aftercare requirements. These estimates are inherently uncertain as they are forward looking in nature.

* Operating lease liabilities formerly recognised within provisions as onerous contracts were reclassified during the prior year in accordance with IFRS 16: Leases.

21. LEASE LIABILITIES

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and borrowings, which are measured at amortised cost.

| Group and Company | 2021 £'000 | 2020 £'000 |
|--|-----------------------|-----------------------|
| Creditors falling due after more than one year | | |
| Lease liabilities | 131 | 262 |
| | <u> </u> | <u> </u> |
| Creditors falling due within less than one year | | |
| Lease liabilities | 131 | 329 |
| | <u> </u> | <u> </u> |

| | Currency | Nominal interest rate | Year of maturity | Face value 2021 £'000 | Carrying amount 2021 £'000 | Face value 2020 £'000 | Carrying amount 2020 £'000 |
|-------------------|-----------------|--------------------------------------|-----------------------------|--|---|--|---|
| Lease liabilities | Sterling | 0.0% | 2021-2023 | 262 | 262 | 591 | 591 |
| | | | | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Due to the length of tenure remaining on the leases, the impact of discounting was considered immaterial by the directors.

Amounts recognised in the Statement of Comprehensive Income

The Statement of Comprehensive Income includes the following amounts relating to leases:

| | 2021 £'000 | 2020 £'000 |
|---|-----------------------|-----------------------|
| Increase in lease liabilities (included in Cost of Sales) | - | 198 |

TOWER REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 May 2021

22. SHARE CAPITAL

| | 2021 £ | 2020 £ |
|--|-----------|-----------|
| Group and Company | | |
| Authorised, issued and fully paid – 200 (2020: 200) ordinary shares of £1 each | 200 | 200 |

23. NOTES TO THE CASH FLOW STATEMENT

| | 2021 £'000 | 2020 £'000 |
|--|---------------|---------------|
| Group | | |
| Loss for the year | (1,578) | (3,607) |
| <i>Adjustment for:</i> | | |
| Interest income | - | (22) |
| Finance costs | 1,100 | 1,085 |
| Income tax credit | (64) | (514) |
| (Profit)/loss on disposal | (66) | 556 |
| Operating cash flows before movements in working capital | (608) | (2,502) |
| Decrease in non-current assets | 607 | 1,608 |
| Decrease/(increase) in receivables | 1,222 | (1,329) |
| (Decrease)/increase in payables | (582) | 905 |
| Decrease in provisions | (838) | (1,597) |
| Cash used in operations | (199) | (2,915) |
| Interest paid | (400) | (1,063) |
| Net cash used in operating activities | (599) | (3,978) |

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 May 2021

23. NOTES TO THE CASH FLOW STATEMENT (continued)

| | 2021 | 2020 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Company | | |
| Loss for the year | (3,168) | (3,163) |
| <i>Adjustment for:</i> | | |
| Interest income | - | (22) |
| Finance costs | 1,100 | 1,085 |
| Income tax credit | - | (353) |
| Profit on disposal | (110) | - |
| | <hr/> | <hr/> |
| Operating cash flows before movements in working capital | (2,178) | (2,453) |
| Decrease in non-current assets | 607 | 1,608 |
| Decrease in receivables | 3,600 | 2,887 |
| (Decrease)/increase in payables | (1,104) | 959 |
| Decrease in provisions | (838) | (1,597) |
| | <hr/> | <hr/> |
| Cash generated from operations | 87 | 1,404 |
| Income tax paid | - | - |
| Interest paid | (400) | (1,062) |
| | <hr/> | <hr/> |
| Net cash (used in)/generated from operating activities | <u>(313)</u> | <u>342</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 May 2021

24. FINANCIAL INSTRUMENTS

Categories of financial instruments

| Financial assets | 2021 £'000 | 2020 £'000 |
|--|-----------------------|-----------------------|
| Group | | |
| Non-current assets (note 12) | 2,864 | 3,471 |
| Cash (note 15) | 136 | 569 |
| Loans and receivables (note 13) | 19 | 1,262 |
| | <u>3,019</u> | <u>5,302</u> |
| Company | | |
| Non-current assets (note 12) | 2,864 | 3,471 |
| Cash (note 15) | 135 | 568 |
| Loans and receivables (note 13) | 19 | 3,636 |
| | <u>3,018</u> | <u>7,675</u> |
| Financial liabilities at amortised cost | 2021 £'000 | 2020 £'000 |
| Group | | |
| Trade and other payables (note 17) | 227 | 359 |
| | <u>227</u> | <u>359</u> |
| Company | | |
| Trade and other payables (note 17) | 215 | 175 |
| | <u>215</u> | <u>175</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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 May 2021

24. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

| Group | <1 year | 1-2 years |
|---|--------------------|------------------|
| At 31 May 2021 | £'000 | £'000 |
| Amounts due to related parties (non-interest-bearing) | 6,034 | - |
| Amounts due to related parties (interest-bearing) | 12,580 | - |
| Total | 18,614 | - |
| At 31 May 2020 | <1 year | 1-2 years |
| | £'000 | £'000 |
| Amounts due to related parties (non-interest-bearing) | 6,425 | - |
| Amounts due to related parties (interest-bearing) | 11,841 | - |
| Total | 18,266 | - |
| Company | <1 year | 1-2 years |
| At 31 May 2021 | £'000 | £'000 |
| Amounts due to related parties (non-interest-bearing) | 6,034 | - |
| Amounts due to related parties (interest-bearing) | 12,580 | - |
| Total | 18,614 | - |
| At 31 May 2020 | < 1 year | 1-2 years |
| | £'000 | £'000 |
| Amounts due to related parties (non-interest-bearing) | 6,409 | - |
| Amounts due to related parties (interest-bearing) | 11,841 | - |
| Total | 18,250 | - |

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 May 2021

24. 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 pound sterling and therefore are not exposed to foreign exchange risk arising from various currency exposures.

Interest rate risk

The group and company's only interest-bearing borrowings are those due to Forward Sound Limited as described in note 17. The group and company have no loans or receivables which have floating interest rates. The group and company are therefore not considered to be materially exposed to interest rate risk.

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

| Group | 2021 | 2020 |
|-------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Fixed rate instruments | | |
| Financial liabilities | 12,580 | 11,841 |
| | <hr/> | <hr/> |
| Company | 2020 | 2019 |
| | £'000 | £'000 |
| Fixed rate instruments | | |
| Financial liabilities | 12,580 | 11,841 |
| | <hr/> | <hr/> |

Capital Management

The Group's operations are primarily funded through the sale of mining assets held for sale and the receipt of bonded restoration cash. Cash is the primary form of capital which the Group manages on a day to day basis. The Directors regularly review cashflow forecasts to ensure the Group has sufficient capital available to meet its obligations as they fall due.

TOWER REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 May 2021

25. 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 | 2021 | | 2020 | |
|----------------------------------|---|------------------------------|---|------------------------------|
| | Purchases/ Interest charges from £'000 | Balance owed to £'000 | Purchases/ Interest charges from £'000 | Balance owed to £'000 |
| Forward Sound Limited | (1,100) | (12,580) | (1,139) | (11,841) |
| Tower Colliery Limited* | - | (2,546) | - | (2,546) |
| Hargreaves Land Limited | (661) | (113) | (2,242) | (563) |
| Hargreaves (UK) Services Limited | - | (1,655) | - | (1,654) |
| Hargreaves (UK) Limited | - | (1,671) | - | (1,662) |
| Maxibrite Limited | - | (49) | - | - |
| | <u>(1,761)</u> | <u>(18,614)</u> | <u>(3,381)</u> | <u>(18,266)</u> |
| | Sales to £'000 | Balance due from £'000 | Sales to £'000 | Balance due from £'000 |
| Hargreaves (UK) Services Limited | - | 7 | - | 1,141 |
| | <u>-</u> | <u>7</u> | <u>-</u> | <u>1,141</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 May 2021

25. RELATED PARTY TRANSACTIONS (continued)

| Company | 2021 | | 2020 | |
|------------------------------------|--|-------------------------------|--|-------------------------------|
| | Purchases/ Interest charges from £'000 | Balance owed to £'000 | Purchases/ Interest charges from £'000 | Balance owed to £'000 |
| Forward Sound Limited | (1,100) | (12,580) | (1,139) | (11,841) |
| Tower Colliery Limited* | - | (2,546) | - | (2,546) |
| Hargreaves Land Limited | (661) | (113) | (2,242) | (563) |
| Hargreaves (UK) Services Limited | - | (1,655) | - | (1,638) |
| Hargreaves (UK) Limited | - | (1,671) | - | (1,662) |
| Maxibrite Limited | - | (49) | - | - |
| | <u>(1,761)</u> | <u>(18,614)</u> | <u>(3,381)</u> | <u>(18,250)</u> |
| | Sales to £'000 | Balance owed from £'000 | Sales to £'000 | Balance owed from £'000 |
| Hargreaves (UK) Services Limited | - | 7 | - | 7 |
| Tower Regeneration Leasing Limited | - | - | - | 3,508 |
| | <u>-</u> | <u>7</u> | <u>-</u> | <u>3,515</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 2021 is £nil (2020 - £3,508,000).

26. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The company is owned 50% by Forward Sound Limited and 50% by Tower Colliery Limited, which were incorporated in Durham, the United Kingdom, and Mid-Glamorgan, the United Kingdom, respectively. Both companies are registered in England & Wales, United Kingdom. Therefore, there is no controlling party.