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The Banks Group Limited
Company Number 2267400

Report and Financial Statements

Year ended 30 September 2013

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Officers and advisors

Directors

H J Banks
R J Dunkley
G A Styles
S R Klein
C Gill

Secretary

D J Martin

Registered office

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

Auditors

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

Bankers

HSBC Bank Plc
Team Valley Trading Estate
Maingate
Gateshead
Tyne and Wear
NE11 0BE

The Banks Group Limited

Company Number 2267400

Strategic Report

Review of Business**Group Overview**

The results for the year and financial position of the company and the Group are shown in the annexed financial statements. The state of the Group's affairs at 30 September 2013 was satisfactory.

The consolidated profit and loss account of the Group is set out on page 10 and turnover is analysed in note 3. The Group has traded profitably during the year, and the directors expect this to continue for the foreseeable future.

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

	2013	2013	
	£'000	£'000	Change
Turnover	97,372	68,870	+41%
Total operating profit	11,301	6,556	+73%
Profit on ordinary activities after taxation	4,877	2,691	+81%
Total shareholders' funds	34,855	32,182	+8.1%
Operational cash inflow	12,130	14,781	-19%
Capital expenditure	(32,029)	(25,199)	+27%

Shareholder funds have increased due entirely to the level of retained profit realised in the year, offset by dividends of £2.2 million. The key activities which impacted on operating profit in the year are detailed below.

Coal

During the year under review, ongoing surface mining operations in Northumberland at both Shotton and Brenkley produced satisfactory performances. Shotton achieved coal production of 683,000 tonnes (2012: 695,000 tonnes) and Brenkley achieved coal production of 427,000 tonnes (2012: 257,000 tonnes).

In addition, mining at Rusha in West Lothian commenced in February 2013 and achieved coal production of 117,000 tonnes.

Shotton surface mine has estimated production reserves remaining of 3.7 million tonnes, which will be mined over the next four years. Brenkley surface mine has estimated production reserves remaining of 1.5 million tonnes, which will be mined over the next 6 years. Rusha surface mine has estimated production reserves remaining of 0.8 million tonnes which will be mined over the next 3 years.

In March 2013 the Group obtained planning consent for an additional mine in Northumberland, Ferneybeds with estimated coal production reserves of 750,000 tonnes.

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Strategic Report (continued)

Renewable Energy

Generation activities from Hazelhead (6MW) and Marr (8MW) Wind Farms were achieved for the full year. Generation activities from Armistead (12MW) and Pennyhill (20MW) commenced during the year. Armistead has been operational from 27 March 2013 and Pennyhill from 21 June 2013.

As at 22 January 2014 the company has a portfolio of wind farm developments at various stages of development with generation capacity as follows:

	MW
Operational sites	46
Sites in construction	0
Consented sites	64
Sites seeking planning determination	<u>247</u>
	<u>357</u>

The directors regularly review the carrying value of windfarm developments and make provision where the cost of individual developments are no longer assessed as recoverable. During the year £3.7m of such provisions were made.

(MW is a measure of the designated electrical power output of the Windfarms)

Property

The challenging prevailing market conditions have resulted in there being little activity across much of the Group's property development portfolio. The Group has interests in 24 projects (2012: 23 projects), involving 5,350 potential residential plots (2012: 5,800 residential plots) and 64,000 square feet (2012: 64,000 square feet) of potential office and commercial space.

The Group received outline planning permission for Mount Oswald development site in Durham in February 2013. Phase 1 of the development has been unconditionally contracted for sale and included in indebtedness in September 2013, with phased payments due in 2014 and 2015.

The directors have carefully considered prevailing market conditions and following a detailed review of the Group's property development portfolio deemed it was necessary to make provisions in the year of £5,000,000 (2012: £1,484,000) against the property development WIP.

The valuation for property development sites is highly subjective and it is anticipated that the development and realisation of certain sites within the existing portfolio will take several years. The directors keep the development appraisal valuations under regular review.

Strategic Report (continued)

Bank Facilities

The Group's bank has a £50m banking facility entered into in March 2012, split between an amortising £18m three year term loan, £27m four year revolving credit facility and £5m overdraft (renewable annually) The directors believe that these facilities are fully adequate for the Group's needs and allow the business to plan for future growth with confidence In addition wind farm developments are funded by long term loans secured on the specific windfarm assets

Principal risks and uncertainties

Market price risk

The Group is exposed to coal, fuel, power and property price risk as a result of its operations

Coal price risk is managed by entering into contracts with customers of varying tenor at fixed prices, up to 3 years forward prior to opening a new surface mine to ensure an adequate level of market price risk is hedged prior to commencing operations In addition the group has entered into coal hedging arrangements to reduce exposure to the variability of coal prices

Fuel price risk is managed by entering into contracts with suppliers at fixed prices for expected usage over the next 12 months During the year the Group has entered into hedging arrangements which reduce exposure to the variability of fuel prices

Power price risk is managed by entering into long term power purchase agreements The agreements allow for power prices to be fixed up to 36 months forward

The Group is exposed to the risk that the valuation of property developments continues to fall or doesn't recover due to lack of demand or lack of liquidity in the market

Where possible, the Group seeks to limit exposure to the property market by linking sales receipts to payments for the land it is selling However over the last 6 years a substantial amount has been expended on growing the Group's portfolio of property development assets The directors regularly review the carrying value of the property development portfolio held by the Group The carrying value of such assets is written down where future net realisable value (NRV) is assessed as being less than cost NRV is assessed after considering the expected timing of property disposals and the fact that the directors anticipate market conditions for such developments will improve in the medium term

Health, safety and environment

Group mining and civil engineering operations are subject to potential health and safety risks and the possibility of pollution of the environment Actions have been taken during the year to further reduce the risk of health and safety incidents occurring and to further increase the standards of environmental safety and protection The Board oversees and promotes the importance of health and safety in the business Health and safety training is provided to employees on an ongoing basis to ensure awareness of safety issues across the Group

Planning approval risk

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

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Strategic Report (continued)

Principal risks and uncertainties (continued)

Mining production risk

Inherent to the nature of our business is the geology of the ground in which we are mining. Whilst bore holes are drilled and modern survey techniques offer better information, the extent of geological faulting or other conditions in the coal seam are not totally predictable.

Weather risk

Mining operations can be significantly affected by extreme weather conditions.

Windfarms are exposed to the level of prevailing wind at each site, which impacts the amount of power generated.

On behalf of the Board



D J Martin
Company Secretary

27 January 2014



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Report of the Directors

Principal Activity

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

Dividends

The directors have declared and paid the following dividends during the year ended 30 September 2013

	£'000
Equity dividends on Ordinary shares of £1 each	
Final for 2012	1,102
Interim for 2013	1,102
	2,204

Directors

The directors of the company during the year were

- H J Banks
- R Dunkley
- S R Tonks (resigned 28 May 2013)
- G Styles
- S R Klein (appointed 1 October 2013)
- C J Gill (appointed 6 April 2013), Non-executive director

D J Martin is an alternate director

Financial risk management

Credit risk

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

Liquidity risk

The Group relies in part on bank loan finance to fund its operations. The Group actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the Group has sufficient available funds for operations and planned expansions.

The Group bank loan facilities fall into two categories, bank funding secured on group assets ("group secured bank loan") and ring fenced bank funding secured on the individual wind farm assets to which they relate without recourse to the wider group ("wind farm secured bank loans").

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Report of the Directors (continued)

Financial risk management (continued)

Interest rate cash flow risk

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

Other principal risks and uncertainties are explained in the strategic report on pages 4 and 5.

Future developments

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

Employees

The Group's criteria for the selection, development and promotion of staff are based on each person's ability and suitability regardless of sex, race, religion, age or disability. Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practical in the same or an alternative position or to provide training to achieve this aim. The Group has continued to keep its employees informed on matters affecting them by newsletters, departmental meetings and other means. The Group employs a full time officer to protect the health, safety and welfare of its employees.

Disclosure of information to the auditor

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

Auditor

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

On behalf of the Board


D J Martin
Company Secretary

27 January 2014



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Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 those financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of The Banks Group Limited

We have audited the company's financial statements for the year ended 30 September 2013 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement, the Reconciliation of Group Operating Profit to Net Cash Flow from Operating Activities the Reconciliation of Cash Flow to Movement in Net Debt and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of director and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 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 Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion

In our opinion the financial statements

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 September 2013 and of the profit of the Group for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and,
- have been prepared in accordance with the requirements of the Companies Act 2006.

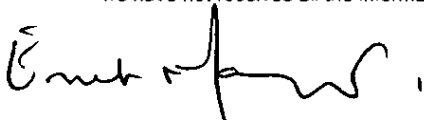
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.



Mark Hatton (Senior statutory auditor)
Ernst & Young LLP, Statutory Auditor
Newcastle upon Tyne

27 January 2014

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Consolidated profit and loss account for the year ended 30 September 2013

	Notes	2013 £'000	2012 £'000
Turnover	3	97,372	68,870
Cost of Sales - non-exceptional		(64,696)	(48,358)
Cost of Sales – exceptional	4	(8,682)	(1,737)
Cost of Sales		(73,378)	(50,095)
Gross profit		23,994	18,775
Administrative expenses		(12,693)	(12,219)
Group operating profit	5	11,301	6,556
Interest receivable and similar income	7	39	40
Finance costs	8	(4,379)	(3,152)
Profit on ordinary activities before taxation		6,961	3,444
Tax charge on profit on ordinary activities	9	(2,084)	(753)
Profit for the financial year	24	4,877	2,691

The Group had no recognised gains or losses in the year other than those included in the profit and loss account set out above

All operations are continuing

The notes form part of these financial statements

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Consolidated balance sheet as at 30 September 2013

	Notes	2013 £'000	2012 £'000
Fixed assets			
Tangible fixed assets	12	113,877	88,755
Investments and joint ventures	13	(9)	14
		113,868	88,769
Current assets			
Stocks	14	38,176	40,104
Debtors	15	28,421	12,071
Cash at bank and in hand		11,362	4,315
		77,959	56,490
Creditors amounts falling due within one year			
Wind farm secured loans		(689)	(471)
Other creditors falling due within 1 year		(33,703)	(24,315)
	17	(34,392)	(24,786)
Net current assets		43,567	31,704
Total assets less current liabilities		157,435	120,473
Creditors amounts falling due after one year			
Wind farm secured loans		(52,617)	(22,600)
Other creditors falling due after one year		(19,108)	(23,339)
	18	(71,725)	(45,939)
Provisions for liabilities	22	(51,219)	(42,716)
Net assets		34,491	31,818
Capital and reserves			
Called up share capital	23	2,205	2,205
Capital reserve	24	352	352
Capital redemption reserve	24	900	900
Profit and loss account	24	31,398	28,725
Total shareholders' funds	25	34,855	32,182
Minority interests		(364)	(364)
Capital employed		34,491	31,818

The financial statements were approved and authorised for issue by the Board of Directors on 27 January 2014 and were signed on its behalf by


R Dunkley
Director

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Company balance Sheet as at 30 September 2013

	Notes	2013 £'000	2012 £'000
Fixed assets			
Tangible fixed assets	12	424	486
Investments	13	3,984	3,984
		4,408	4,470
Current assets			
Debtors	15	48,894	117,434
Cash at bank and in hand		5,284	2,033
		54,178	19,467
Creditors			
Amounts falling due within one year	17	(29,060)	(87,989)
Net current assets		25,118	31,478
Total assets less current liabilities		29,526	35,948
Creditors' amounts falling due after one year	18	(15,968)	(19,926)
Net assets		13,558	16,022
Capital and reserves			
Called up share capital	23	2,205	2,205
Capital redemption reserve	24	900	900
Profit and loss account	24	10,453	12,917
Equity shareholders' funds	25	13,558	16,022

The financial statements were approved and authorised for issue by the Board of Directors on 27 January 2014 and were signed on its behalf by


R J Dunkley
Director

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Consolidated cash flow statement for the year ended 30 September 2013

	2013	2012
	£'000	£'000
Cash inflow from operating activities	12,130	14,781
Interest received	39	40
Interest paid	(2,892)	(1,684)
Interest element of finance lease payments	(105)	(56)
Returns on investments and servicing of finance	(2,958)	(1,700)
Taxation	(480)	(300)
Purchase of tangible fixed assets	(32,171)	(25,319)
Disposal of tangible fixed assets	142	120
Capital expenditure and financial investment	(32,029)	(25,199)
Equity dividends paid	(834)	(467)
Cash flow before financing	(24,171)	(12,885)
Capital element of finance lease payments	(1,653)	(1,414)
New long term loans	35,663	44,827
Repayment of long term loans	(2,793)	(13,664)
Financing	31,217	29,749
Increase in cash	7,046	16,864

Reconciliation of Group operating profit to net cash flow from operating activities

	2013	2012
	£'000	£'000
Group operating profit	11,301	6,556
Depreciation	16,631	11,326
Loss/(profit) on disposal of fixed assets	221	(71)
Decrease in stocks net of transfer to fixed assets	1,928	181
(Increase)/Decrease in debtors	(18,467)	423
Increase/(Decrease) in creditors	917	(2,656)
Movement in provisions	(401)	(978)
Cash inflow from operating activities	12,130	14,781

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Reconciliation of cash flow to movement in net debt

		2013	2012
	Notes	£'000	£'000
Increase in cash	26	7,046	16,864
Repayment of long term loans		2,793	13,664
Repayment of capital element of finance leases		1,653	1,414
Cash inflow from long term loans and finance leasing		(37,817)	(49,121)
Change in net debt resulting from cashflows		(26,325)	(17,179)
Non-cash movements	26	(266)	(168)
Movement in net debt		(26,591)	(17,347)
Net debt at beginning of period		(46,906)	(29,559)
Net debt at end of period	26	(73,497)	(46,906)

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Notes to the financial statements for the year ended 30 September 2013**1 Accounting policies****a) Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom

b) Basis of consolidation

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

c) Exemption from audit

The directors have taken advantage of the exemption from the requirement to have the financial statements for the year ended 30 September 2013, for certain of its subsidiaries listed below to be audited. They confirm that for the year ended 30 September 2013 the subsidiaries were entitled to the exemption relating to audit of the accounts under section 479A of The Companies Act 2006

Subsidiaries exempt from audit under section 479A

	Company No
Banks Renewables (Bank Field) Wind Farm Limited	07669717
Banks Renewables (Bandirran Wind Farm) Limited	08231487
Banks Renewables (Birneyknowe Wind Farm) Limited	06903043
Banks Renewables (Croft Hill Wind Farm) Limited	07393156
Banks Renewables (Cruach An Lochain Wind Farm) Limited	08231520
Banks Renewables (Doles Wood Wind Farm) Limited	08239084
Banks Renewables (Green Lane Wind Farm) Limited	07884885
Banks Renewables (High Cumnock Wind Farm) Limited	07767076
Banks Renewables (Hook Moor Wind Farm) Limited	06111462
Banks Renewables (Hunt Law Wind Farm) Limited	08053179
Banks Renewables (Killington Wind Farm) Limited	07547476
Banks Renewables (Knockendurick Wind Farm) Limited	07767049
Banks Renewables (Knoweside Windfarm) Limited	05932153
Banks Renewables (Kype Muir Wind Farm) Limited	06917667
Banks Renewables (Lamb's Hill Wind Farm) Limited	06798765
Banks Renewables (Lethans East Wind Farm) Limited	08332209
Banks Renewables (Lethans Wind Farm) Limited	08217768
Banks Renewables (Long Hill Wind Farm) Limited	06992601
Banks Renewables (Losk Lane Wind Farm) Limited	06536685
Banks Renewables (Manor Farm Wind Farm) Limited	07441382
Banks Renewables (Middle Muir Wind Farm) Limited	07376956
Banks Renewables (Moor House Wind Farm) Limited	06969180
Banks Renewables (Moor Wood Wind Farm) Limited	07455293
Banks Renewables (Sauchanwood Hill Wind Farm) Limited	08464595
Banks Renewables (South Dale Wind Farm) Limited	07408144
Banks Renewables (Weddicar Rigg Wind Farm) Limited	06388891

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Notes to the financial statements for the year ended 30 September 2013 (continued)**1 Accounting policies (continued)****c) Exemption from audit (continued)**

Banks Renewables (Thornton Moor Wind Farm) Limited	07749703
Banks Renewables (Whiteley Lees Wind Farm) Limited	08239284
Banks Renewables (Windy Bank Wind Farm) Limited	06993031

d) Joint ventures and associates

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

e) Turnover

The sale of coal and minerals is recognised when coal is delivered to the contracted delivery point. Sale of electricity is recognised when electricity is transferred into the distribution network. Turnover is recognised on property developments when they are subject to unconditional contracts for sale. Rental income from waste management assets and other income is recognised on a straight-line basis over the period of the contract. Turnover from haulage and plant hire is recognised as the services are provided.

Revenue is measured at the fair value of the consideration received or receivable excluding VAT.

f) Tangible fixed assets

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

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

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

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

Freehold buildings	10 to 50 years
Leasehold property	Period of the lease
Plant and machinery	3 to 20 years
Fixtures, fittings, tools and equipment	3 to 4 years

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

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Notes to the financial statements for the year ended 30 September 2013 (continued)

1 Accounting policies (continued)**g) Stocks and work in progress**

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

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

h) Site restoration

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

i) Deferred tax

Deferred tax is recognised in respect of all material timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more or a right to pay less tax. Deferred taxation assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred taxation is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

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Notes to the financial statements for the year ended 30 September 2013 (continued)

1 Accounting policies (continued)**j) Leasing contracts**

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

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

k) Pension fund

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

l) Banks Group Employee Benefit Trust

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

m) Share based incentives

In accordance with FRS20 the fair value of the share options granted to employees is determined at the date of grant and is charged to profit and loss account on a straight line basis over the vesting period on the Group's estimate of shares that will eventually vest. In the case of options granted fair value is measured by a binomial pricing model.

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Notes to the financial statements for the year ended 30 September 2013 (continued)**2 Staff Costs**

Employee costs

	2013	2012
	£'000	£'000
Wages and salaries	15,669	13,717
Social security costs	1,513	1,340
Pension costs	334	333
	17,516	15,390

The average number of employees during the period was as follows

	Number	Number
Office and management	158	161
Production	251	229
	409	390

Directors' emoluments were as follows

	2013	2012
	£'000	£'000
Directors' emoluments	651	752
Pension contributions to money purchase schemes	41	45
	692	797

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Notes to the financial statements for the year ended 30 September 2013 (continued)**2 Staff Costs (continued)**

The number of directors to whom retirement benefits were accruing was as follows

	2013	2012
Number of directors accruing retirement benefits under money purchase schemes	3	4

Information regarding the highest paid director was as follows

	£'000	£'000
Director's emoluments	200	192
Pension contributions to money purchase schemes	19	-
	219	192

3 Turnover

An analysis of turnover by class of business is given below

	2013 £'000	2012 £'000
Coal	78,044	63,253
Electricity generation	6,359	3,101
Land and property development	11,662	1,128
Waste site rental income	811	816
Other including haulage and plant hire	496	572
	97,372	68,870

Turnover consists entirely of sales made in the United Kingdom

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Notes to the financial statements for the year ended 30 September 2013 (continued)**4 Exceptional items**

	2013	2012
	£'000	£'000
Provisions against property development land work in progress	5,000	1,511
Write down of Wind Farm asset development costs	3,682	226
	8,682	1,737

In exceptional cases, provision is made to write down the cost of individual property developments and windfarm developments to the directors' assessment of their net realisable value

5 Operating profit

Operating profit is arrived at after charging/(crediting)

	2013	2012
	£'000	£'000
Depreciation of owned fixed assets	6,190	4,437
Depreciation of fixed assets under finance leases	932	376
Depreciation of mining assets	9,509	6,513
Loss/(profit) on disposal of fixed assets	221	(71)
Operating lease rental for plant and equipment	5,187	2,601
Operating lease rental for land and buildings	4,898	3,085
Operating lease income	(937)	(735)

6 Auditor's remuneration

	2013	2012
	£'000	£'000
Audit of the financial statements – company and consolidation	12	20
Audit of the financial statements – subsidiaries	72	67
Other fees to auditors – advisory services	23	-
Other fees to auditors – taxation compliance services	45	20
Other fees to auditors – taxation advisory services	11	-
	140	107

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Notes to the financial statements for the year ended 30 September 2013 (continued)

7 Interest receivable and similar income

	2013	2012
	£'000	£'000
Bank interest	10	25
Other interest	29	15
	39	40

8 Finance costs

	2013	2012
	£'000	£'000
Bank interest	2,966	1,736
Other interest	75	209
Hire purchase interest	105	56
Amortisation of debt issue costs	100	168
Unwinding of discount on provisions	1,133	983
	4,379	3,152

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Notes to the financial statements for the year ended 30 September 2013 (continued)**9 Taxation****Analysis of the tax charge**

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

	2013	2012
	£'000	£'000
UK corporation tax at 23.5% (2013: 25%)	1,452	324
Adjustments in respect of previous periods	(22)	362
Current taxation (note 9(b))	1,430	686
<i>Deferred taxation</i>		
Origination and reversal of timing differences (note 16)	654	67
	2,084	753

(b) Factors affecting the tax charge

The current tax assessed for the year is lower than the standard rate of corporation tax in the UK of 23.5% (2012: 25%). The difference is explained below

	2013	2012
	£'000	£'000
Profit on ordinary activities before taxation	6,961	3,444
Profit on ordinary activities at 23.5% (2012: 25%)	1,636	861
Tax losses (utilised)/carried forward	917	-
Income not subject to corporation tax	(34)	(43)
Expenses not deductible for tax purposes	395	95
Accelerated capital allowances	(1,359)	(437)
Other short term timing differences	(87)	(135)
Adjustments to tax charge/(credit) in respect of prior periods	(38)	345
Current taxation (note 9(a))	1,430	686

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Notes to the financial statements for the year ended 30 September 2013 (continued)

9 Taxation (continued)

The UK government has announced its intention to reduce the UK corporation tax rate to 21% by 1 April 2014 and to 20% by 1 April 2015. The reduction from 24% to 23% was substantively enacted on 3 July 2012 and came into effect on 1 April 2013. A hybrid rate of 23.5% therefore applies to current tax liabilities arising during the period.

Further reductions in the rate of corporation tax from 23% to 21% and from 21% to 20% were substantively enacted on 2 July 2013 and will be effective from 1 April 2014 and 1 April 2015 respectively. As these changes were not effective at the balance sheet date, the changes have no impact on current tax liabilities.

The substantively enacted rate of 20% has however applied to deferred tax assets and liabilities arising at the balance sheet date.

10 Profit of parent company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £260,000 (2012 profit: £31,000).

11 Dividends

The following dividends were paid during the year:

	2013	2012
	£'000	£'000
Equity dividends on A ordinary shares		
Interim for 2013	1,102	-
Final for 2012	1,102	-
Interim for 2012	-	1,102
	2,204	1,102

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Notes to the financial statements for the year ended 30 September 2013 (continued)

12 Tangible Fixed Assets

Group	Freehold Property	Short leasehold property	Mining assets*	Wind Farm assets*	Plant and Machinery	Fixtures and Fittings	Assets in course of development	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost								
01 October 2012	2,891	381	54,260	167	70,089	2,142	13,219	143,149
Additions	5	-	10,126	499	3,090	263	28,133	42,116
Disposals	-	-	(128)	-	(1,492)	(192)	(145)	(1,957)
Transfers	-	-	-	-	37,115	-	(37,115)	-
30 September 2013	2,896	381	64,258	666	108,802	2,213	4,092	183,308
Depreciation								
01 October 2012	590	323	21,640	6	30,074	1,616	145	54,394
Charge for period	105	-	9,509	17	5,870	313	817	16,631
Disposals	-	-	(14)	-	(1,245)	(190)	(145)	(1,594)
30 September 2013	695	323	31,135	23	34,699	1,739	817	69,431
Net book value								
30 September 2013	2,201	58	33,123	643	74,103	474	3,275	113,877
30 September 2012	2,301	58	32,620	181	40,015	526	13,074	88,755

The net book value of tangible fixed assets held under finance leases are as follows

	2013	2012
	£'000	£'000
Plant and equipment	5,727	4,496

The net book value of wind farm tangible fixed assets (such as turbines) held in Plant and Machinery

	2013	2012
	£'000	£'000
	54,300	18,967

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

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Notes to the financial statements for the year ended 30 September 2013 (continued)

12 Tangible fixed assets (continued)

Company

	Fixtures and fittings
	£'000
Cost	
01 October 2012	1,644
Additions	235
Disposal	(190)
30 September 2013	1,689
Depreciation	
01 October 2012	1,158
Charge for period	297
Disposals	(190)
30 September 2013	1,265
Net book value	
30 September 2013	424
30 September 2012	486

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Notes to the financial statements for the year ended 30 September 2013 (continued)

13 Fixed asset investments

Group

	Joint ventures	Other fixed assets	Total
	£'000	£'000	£'000
Cost			
01 October 2012	(73)	87	14
Additions	-	10	10
Disposals/written down	(28)	(5)	(33)
30 September 2013	(101)	92	(9)

	2013	2012
	£'000	£'000
Investments in joint ventures share of gross assets	2,444	2,424
Investments in joint ventures share of gross liabilities	(2,545)	(2,497)
Investments in joint ventures	(101)	(73)
Other investments	92	87
	(9)	14

Company

	2013	2012
	£'000	£'000
Shares in Group undertakings stated at cost	3,984	3,984

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Notes to the financial statements for the year ended 30 September 2013 (continued)

13 Fixed asset investments (continued)

Company

Principal subsidiary and joint venture companies, their principal activities and country of incorporation at 30 September 2013 were as follows. All subsidiaries are included in this consolidation.

Company	Principal activity	Country
100% owned by the company		
H J Banks and Company Limited	Surface mining	England
Banks Developments Limited	Holding company	England
Banks Renewables Limited	Renewable Energy	England
H J Banks (Construction) Limited	Civil Engineering	England
100% owned by H J Banks and Company Limited		
Banks Brothers Transport Limited	Road haulage	England
H J Banks (Mining) Limited	Dormant	England
HJ Banks (Shotton) Limited	Dormant	England
Crossco (281) Limited	Site leasing	England
100% owned by Banks Renewables Limited		
Banks Renewables (Armistead Wind Farm) Limited	Operational Wind Farm	England
Banks Renewables (Hazlehead Wind Farm) Limited	Operational Wind Farm	England
Banks Renewables (Marr Wind Farm) Limited	Operational Wind Farm	England
Banks Renewables (Penny Hill Wind Farm) Limited	Operational Wind Farm	England
100% owned by Banks Developments Limited		
Banks Property Limited	Property development	England
Banks Property Development Limited	Property development	Scotland
50% subsidiary owned by Banks Property Limited (Controlling vote held)		
Banks Mount Oswald Limited	Dormant	England
50% joint venture owned by Banks Property Limited		
Bates Regeneration Limited	Property development	England

In addition Banks Renewables Limited has 36 subsidiaries, all have the principal activity of wind farm development, incorporated in England

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Notes to the financial statements for the year ended 30 September 2013 (continued)**14 Stocks****Group**

	2013	2012
	£'000	£'000
Fuel and spare parts	914	1,161
Work in progress	32,585	36,493
Coal	4,677	2,450
	38,176	40,104

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

15 Debtors

	Group	Group	Company	Company
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Trade debtors	12,451	7,360	-	-
Amounts owed by Group undertakings	-	-	47,125	116,437
Deferred tax asset (note 16)	879	1,519	147	160
Corporation tax	-	134	-	-
Other debtors	91	811	998	302
Amounts recoverable on contracts	11,500	-	-	-
Prepayments and accrued income	3,500	2,247	624	535
	28,421	12,071	48,894	117,434

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Notes to the financial statements for the year ended 30 September 2013 (continued)**16 Deferred tax asset**

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Depreciation in excess of capital allowances	(1,063)	601	73	76
Trading loss	1,660	509	-	-
Short term timing differences	282	409	74	84
	879	1,519	147	160

Movement in deferred tax asset**Group**

	£'000
At 01 October 2012	1,519
Charge to the profit and loss account (note 9a)	(654)
Effect of change in tax rates on opening liability	14
At 30 September 2013 (note 15)	879

The Group has an unprovided deferred tax asset in respect of tax losses carried forward of £309,000 (2012 £247,000) in the property development companies. This has not been carried as an asset on the basis the directors believe there is insufficient evidence over timing of recovery. The assets will only be recovered following an upturn in the property market.

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Notes to the financial statements for the year ended 30 September 2013 (continued)**17 Creditors. amounts falling due within one year**

	Group	Group	Company	Company
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Group secured bank loans and overdraft	11,250	4,392	11,250	4,392
Wind farm secured bank loans	689	471	-	-
Obligations under finance leases	1,768	1,332	-	-
Trade creditors	7,024	7,497	434	326
Corporation tax	828	-	-	-
Amounts owed to Group undertakings	-	-	12,603	79,121
Other taxes and social security costs	2,409	1,938	15	-
Other creditors	3,819	3,551	3,331	3,173
Accruals and deferred income	6,605	5,605	1,427	977
	34,392	24,786	29,060	87,989

18 Creditors amounts falling due after more than one year

	Group	Group	Company	Company
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Group secured bank loans	15,969	19,926	15,968	19,926
Wind farm secured bank loans	52,617	22,600	-	-
Obligations under finance leases	2,565	2,500	-	-
Accruals and deferred income	574	913	-	-
	71,725	45,939	15,968	19,926

Wind farm secured loans relate to financing on operational windfarms at Hazelhead, Marr, Pennyhill and Armistead secured on assets of the individual wind farms. These loans are repayable in variable instalments over 15 years. Interest rates on these loans are charged at between 2.4% and 3.1% above LIBOR.

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Notes to the financial statements for the year ended 30 September 2013 (continued)**19 Loans**

An analysis of the maturity of loans is given below

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Group secured bank loans				
Repayable in one year or less	11,250	4,392	11,250	4,392
Repayable between two and five years	15,969	19,926	15,969	19,926
	27,219	24,318	27,219	24,318
Wind Farm secured loans				
Repayable in one year or less	689	471	-	-
Repayable between two and five years	9,926	4,057	-	-
Repayable after 5 years	42,691	18,543	-	-
	53,306	23,071	-	-
Total				
Repayable in one year or less	11,939	4,863	11,250	4,392
Repayable between two and five years	25,895	23,983	15,969	19,926
Repayable after 5 years	42,691	18,543	-	-
	80,525	47,389	27,219	24,318

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Notes to the financial statements for the year ended 30 September 2013 (continued)**20 Obligations under hire purchase contracts and leases**

Obligations under finance leases contracts are repayable as follows

	Group 2013 £'000	Group 2012 £'000
Within one year	1,875	1,386
In two to five years	2,723	2,693
	4,598	4,079
Less finance charges included above	(265)	(247)
	4,333	3,832

The following annual operating lease payments are committed to be paid

	Plant & Machinery		Land & Buildings	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Expiring between two and five years	4,341	4,303	825	811
Expiring in more than 5 years	-	-	34	-
	4,341	4,303	859	811

21 Secured debts

The following secured debts are included within creditors

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Bank secured loans and overdrafts	27,500	24,750	27,500	24,750
Wind farm secured bank loans	54,733	24,531	-	-
Obligations under finance leases	4,333	3,832	-	-
	86,566	53,113	27,500	24,750
Debt issue costs	(1,708)	(1,892)	(281)	(432)
	84,858	51,221	27,219	24,318

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

Hire purchase creditors are secured on the assets concerned

Notes to the financial statements for the year ended 30 September 2013 (continued)

22 Provisions for liabilities**Group**

	Wind farm site restoration	Mining site restoration	Total
	£'000	£'000	£'000
01 October 2012	167	42,549	42,716
Provided	498	7,273	7,771
Unwinding of discount	-	1,133	1,133
Utilised	-	(401)	(401)
30 September 2013	665	50,554	51,219

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

Restoration is expected to commence at Shotton in 2016/17, at Brenkley in 2018/19 and at Rusha in 2016. Aftercare expenditure can extend after soil replacement for a period of up to 6 years.

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

23 Called up share capital**Group and company**

	Allotted, issued and fully paid 2013 £'000	Allotted, issued and fully paid 2012 £'000
Ordinary shares of £1 each	2,205	2,205
	Number	Number
Ordinary shares of £1 each	2,204,832	2,204,832

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Notes to the financial statements for the year ended 30 September 2013 (continued)**23 Called up share capital (continued)**

Unapproved share option scheme

	2013	2012
	Number	Number
At 01 October 2012	-	39,058
Expired	-	(39,058)
At 30 September	-	-

24 Reserves

Group

	Capital reserve	Capital redemption reserve	Profit and loss account
	£'000	£'000	£'000
01 October 2012	352	900	28,725
Profit for the financial year	-	-	4,877
Dividends	-	-	(2,204)
At 30 September 2013	352	900	31,398

Company

	Capital redemption reserve	Profit and loss account
	£'000	£'000
01 October 2012	900	12,917
Loss for the financial period	-	(260)
Dividends	-	(2,204)
At 30 September 2013	900	10,453

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Notes to the financial statements for the year ended 30 September 2013 (continued)**25 Equity Shareholders' funds**

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Profit/(loss) for the financial period	4,877	2,691	(260)	31
Dividends	(2,204)	(1,102)	(2,204)	(1,102)
Net change in shareholders' funds	2,673	1,589	(2,464)	(1,071)
Shareholders' funds at 01 October	32,182	30,593	16,022	17,093
Shareholders' funds at 30 September	34,855	32,182	13,558	16,022

26 Analysis of changes in net debt**Group**

	At 1 October 2012 £'000	Cashflow £'000	Non-cash movement £'000	At 30 September 2013 £'000
Cash in hand	4,315	7,046	-	11,361
Bank loans and overdraft				
Due within one year	(4,863)	2,723	(9,799)	(11,939)
Due after one year	(42,526)	(35,593)	9,533	(68,586)
Finance leases	(3,832)	(501)	-	(4,333)
	(46,906)	(26,325)	(266)	(73,497)

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Notes to the financial statements for the year ended 30 September 2013 (continued)

27 Pension commitments

Group companies contribute to money purchase schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. Pension contributions payable to the funds for the year amounts to £333,000 (2012 £148,000). Outstanding contributions at the year end were £1,091,000 (2012 £1,459,000).

28 Contingent liabilities

Group

There is a contingent liability in respect of counter indemnities to Insurance Companies for bonds granted to guarantee outstanding site costs of coal and major property developments amounting to £8,622,000 (2012 £7,334,000). The statutory accounts include a full provision for all site restoration obligations.

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

29 Derivatives

The Group has the following derivatives -

- Interest rate swaps to manage interest rate risk volatility
- Forward foreign currency hedge contracts to hedge currency exposure on firm future commitments
- Forward fuel price hedge contracts to hedge price exposure on expected future commitments
- Coal price hedge contracts to manage coal price risk volatility

The fair values of the derivatives held at the balance sheet date, determined by reference to their market values, are as follows -

	2013
	£'000
Interest rate swaps - Group	(463)
Interest rate swaps - windfarms	(3,637)
Fuel price hedge contracts	(1,006)
Coal price hedge contracts	763
	<u>(4,343)</u>

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Notes to the financial statements for the year ended 30 September 2013 (continued)**30 Capital commitments**

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Contracted but not provided for	689	25,351	-	-

31 Related party disclosures**Directors and related parties**

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

	2013 £'000	2012 £'000
H J Banks	1,741	1,662
J P Banks	416	371
Mrs J A Banks	1,173	1,139

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

	2013 £'000	2012 £'000
H J Banks	41	63
J P Banks	8	14
Mrs J A Banks	26	43

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

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

Entity	Site	2013 £'000	2012 £'000
Amounts due from joint ventures			
Bates Regeneration Limited	Thoroton & Croft	1,108	1,080
Amounts due from Group undertakings			
Banks Mount Oswald Limited	Mount Oswald	367	367

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Notes to the financial statements for the year ended 30 September 2013 (continued)

31 Related party disclosures (continued)

The company is exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with its subsidiaries where the Group controls 100% of the share capital

32 Ultimate controlling party

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