

Company Registration No. 11091702 (England and Wales)

ENERGYBUILD RESOURCES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

ENERGYBUILD RESOURCES LIMITED

COMPANY INFORMATION

Directors Mr M R Davies
Mr K P Calder
Mr M S Randhawa
Mr M S Grewal (appointed 29 November)

Company number 11091702

Registered office 55 Station Road
55 Station Road
Beaconsfield
Bucks
HP9 1QL

Auditor Azets Audit Services
Charter Court
Phoenix Way Enterprise Park
Swansea
SA7 9FS

ENERGYBUILD RESOURCES LIMITED

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ENERGYBUILD RESOURCES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report for the year ended 31 December 2019.

Fair review of business, strategy and future outlook

On 16 March 2018, Energybuild Resources Limited acquired the entire equity share capital of Energybuild Limited, a company which operates the Aberpergwm mine, located in the Neath and Dulais Valleys of South Wales, which has significant anthracite coal reserves. In the period from 15 May 2015 up until this date, mining operations at Aberpergwm had been temporarily suspended by the board of directors of the Energybuild Limited's former ultimate parent entity, Walter Energy Inc, following a global decline in the demand for coal. Following the acquisition, new loan finance from the shareholders of the group was provided to allow the recommencement of mining activities at the Aberpergwm mine with effect from 1 September 2018.

In the first full year of operation of the mine, turnover of £8,954,000 (2018: £475,000) has been generated, resulting in an operating profit for the year of £456,000 (2018: £2,859,000 operating loss) and an overall profit for the financial year of £469,000 (2018: £3,156,000 loss). As at 31 December 2019 the group had net liabilities of £2,687,000 (2018: £3,156,000) but net current assets of £949,000 (2018: £666,000).

The strategy of the business remains to be re-establishing the Aberpergwm mine as a leading supplier of high quality anthracite coal to key targeted markets, generating attractive and sustainable rates of profitability and growth. To successfully achieve this the group has recruited individuals with extensive experience of operating in this sector globally, both from a mineral extraction and market facing perspective. Whilst the success of the business is dependent upon a range of factors, the directors believe that the successful implementation of their strategy will allow the group to take advantage of opportunities as they arise and are confident that it will see the group succeed in the future.

Key performance indicators

Up until 1 September 2018 the mine was idle with no trading activity taking place. Given this position throughout the majority of the comparative financial period, the directors are of the opinion that full analysis using KPIs for that year is not necessary for an understanding of the development, performance or position of the business.

	2019	2018
Financial KPI's		
Turnover	£8,954,000	£475,000
Average sales revenue per tonne	£117/tonne	N/A
Operating profit/(loss)	£951,000	£(2,859,000)
Profit/(loss) for the financial year	£469,000	£(3,156,000)
Non Financial KPI's		
Development metres	3,627	N/A
Number of reportable accidents	None	N/A

ENERGYBUILD RESOURCES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Principal risks and uncertainties

The nature of the business environment in which the group operates is inherently risky. Whilst it is not possible to eliminate all such risks and uncertainties, the group has a risk management and internal control system in place to manage them.

The directors and management meet regularly to identify the risks that are considered most likely to have an impact on the business and its strategic priorities. If emerging risks are identified, these are incorporated immediately into the risk management process.

The following sets out the principal risks faced by the company and how they are mitigated:

Mining exploration and development risks

- Mining exploration and development activity is subject to numerous risks, including failure to achieve estimated mineral resource, recovery and production rates and capital and operating costs. The group mitigates this risk by being prudent with its forecasts and carries insurance against mine collapse and other insurable risks.
- Success in identifying economically recoverable reserves can never be guaranteed. The group also cannot guarantee that it will be able to obtain the necessary permits and approvals required for development of its projects. To mitigate this risk, it works closely with the planning authorities and the community to ensure that it complies with planning consents and that the planning authority and the community understand the group's objectives and plans.
- The group may be required to undertake clean-up programmes resulting from any contamination from its operations or to participate in mine rehabilitation programmes which may vary from project to project. The group follows all relevant laws and regulations and is not aware of any present material issues in this regard. It also carries public liability insurance.

People

- The group depends on a skilled, flexible, diverse and well-motivated workforce. If the group does not succeed in attracting, developing and retaining skilled people, as well as understanding and embracing the diversity of those people, it will not be able to grow the business as anticipated.
- The group has in place procedures to monitor staff turnover closely and to monitor pay and conditions against the prevailing market to ensure that the group remains competitive. Succession planning and staff development are managed at all levels in the group, underpinned by a training process which is designed to assist in the career development of its staff and also to identify potential successors to key roles.

Reputation and corporate responsibility

- The group's ability to win new business and its relationship with customers, supply chain partners, employees and other stakeholders depends in large part on a good reputation. The group's growth targets may not be achieved if its reputation is adversely affected.
- The steps taken to maintain, protect and enhance the group's reputation include effective leadership, community engagement and striving to operate a safe and sustainable business.
- The group takes its corporate responsibility seriously and is committed to implementing appropriate policies and systems, including concern for employees and their health and safety, the environment and the community.

Health and safety and the environment

- The group's activities are often complex and require the continuous monitoring and management of health, safety and environmental risks. Failure to manage these risks could expose the group to a significant potential liability and to reputational damage.

ENERGYBUILD RESOURCES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

- Detailed policies and procedures exist to mitigate such risks and are subject to review and monitoring by the business and external specialists. Compliance is monitored in a number of ways including audit, leadership involvement and inspections.
- The environmental policy of the group is to mitigate pollution, comply with environmental legislation and to maintain management systems to a high standard in order to ensure that environmental incidents are kept to a minimum.

Covid-19

- In light of the situation arising in the UK and globally in respect of Covid-19 and the measures taken by the UK Government to contain the virus, the day to day operations of the business has been disrupted. The extent of the impact of Covid-19 is unclear and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.
- The directors have prepared updated and sensitised forecasts for the year and taken steps to secure additional funding to bridge the period of disruption and to manage the group's cash flow requirements as appropriate during this period of uncertainty and to enable the group to meet its obligations as they fall due.

Treasury operations and financial instruments

The group's operations expose it to a variety of financial risks that include the effects of price risk, credit risk, liquidity risk and interest rate risk.

The group has in place an informal risk management programme that seeks to limit the adverse effects on the financial performance of the group by monitoring levels of debt finance and the related finance costs.

Given the size of the group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the group's finance department.

Price risk

The group is exposed to commodity price risk as a result of its operations. The price of commodities depends on a wide range of factors, most of which are outside of the control of the group. Where possible the group will seek to mitigate the risk by fixing prices at favourable terms. However, given the current size of the group's operations, the costs of managing exposure to commodity risk exceed any potential benefits. The directors' will revisit the appropriateness of this policy as the group's operations change in size or nature.

Credit risk

The group has in place policies that require appropriate credit checks on potential customers to be undertaken before sales are made. The amounts of exposure to any individual counterparty will be continually monitored in line with the group's credit control procedures.

Liquidity risk and interest rate risk

The group actively maintains short-term and long-term debt finance that is designed to ensure the group has sufficient available funds for operations and planned expansions. The directors are satisfied that the group has sufficient funds and facilities for the planned operations through the availability of loan funding from the group shareholders and external parties. The directors recognise that unforeseen events could change the assumption but are sufficiently satisfied that available steps to raise short term finance would ensure there are sufficient funds for the period.

Exposure to interest rate fluctuations is minimal as the group currently has no external variable rate bank debt and its loans payable are at a fixed rate of interest.

ENERGYBUILD RESOURCES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

On behalf of the board

Mr M R Davies

Director

23 December 2020

ENERGYBUILD RESOURCES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and financial statements for the year ended 31 December 2019.

Principal activities

The principal activity of the company is that of an intermediate holding company. The principal activity of the group is that of development of the Aberpergwm mine, located in the Neath and Dulais Valleys of South Wales, which has significant anthracite coal reserves.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr M R Davies

Mr K P Calder

Mr A S Randhawa

Mr M S Randhawa

Mr M S Grewal

(Resigned 29 November 2019)

(Appointed 29 November 2019)

ENERGYBUILD RESOURCES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Results and dividends

The results for the year are set out on page 11.

No ordinary dividends were paid or proposed in respect of the period.

Going concern

As at 31 December 2019 the group had net liabilities of £2,687,000 (2018: £3,156,000) but net current assets of £949,000 (2018: £666,000).

The directors have reviewed the balance sheet, the likely future cash flows of the business and have considered the facilities that are in place at the date of signing the report. Following the acquisition of Energybuild Limited in the prior year and its mining operations, the group required loan finance to re-establish its anthracite production and this was provided initially by its shareholders. In order to continue its development plans and implement the strategy for the business during the year, access to a third party loan facility has been required, and as at the date of signing these financial statements, a drawn facility of £5,000,000 is currently being utilised.

The situation arising post year end in the UK and globally in respect of Covid-19 and the measures taken by the UK Government to contain the virus has significantly impacted upon the business, with operations temporarily ceasing for a period in September/October 2020 in order to comply with Government guidance. Operations have now been successfully recommenced and activity levels are starting to return to more anticipated levels. However, the financial impact of the temporary closure and disruption caused by the pandemic has meant that the group is forecast at future measurement dates to be in breach of a financial loan covenant attached to the third party loan facility. The directors have been in open dialogue with the facility provider and they are fully aware of the position. The directors have received written confirmation from the facility provider that it is their intention to work with the business to renegotiate the covenants and not redeem the loan.

Action taken by the directors to reduce costs during the main impact to date of the pandemic has meant that the group has been able to, and is forecast to continue to, operate within its existing facilities, inclusive of the loan facility. However, the extent of any future impact of Covid-19 is unclear and it is difficult to evaluate all the potential implications on the group's trade, customers, suppliers and the wider economy.

Indeed, the success of the business remains dependent upon a range of factors, including the UK's decision to leave the EU, the impact of which has not yet been fully understood, particularly on the availability and quality of markets available to the business. These factors could impact upon revenue and profitability, however the directors are confident that the high quality of the anthracite that they will be able to provide to key targeted markets will stand the group in good stead. In addition the recruitment of individuals with extensive experience of operating globally should help to mitigate risks caused by potential changes in markets and import/export procedures.

Should the forecast level of sales and profitability not be achieved or should a renegotiation of the facility agreement not occur on a mutually acceptable basis, the business would need to seek further sources of funding in order to bridge the cashflow position. This represents a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern.

Based on the future forecasts of the group, a review of the facilities in place and discussions with the providers of loan finance, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Future developments

The strategy and future developments in the business are set out in the Strategic Report.

Post reporting date events

Information relating to events since the end of the financial year is given in the notes to the financial statements.

ENERGYBUILD RESOURCES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Auditor

On 7 September 2020 Group Audit Services Limited, trading as Baldwins Audit Services, changed its name to Azets Audit Services Limited. The name they practice under is Azets Audit Services and accordingly they have signed their report in their new name.

Azets Audit Services were appointed as auditor to the group and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

The directors are 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. They are also 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.

Statement of disclosure to 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 of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board

Mr M R Davies
Director

23 December 2020

ENERGYBUILD RESOURCES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ENERGYBUILD RESOURCES LIMITED

Opinion

We have audited the financial statements of Energybuild Resources Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

In forming our opinion, which is not modified, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the group and parent company's ability to continue as a going concern. Should the forecasts prepared by the board not be realised or should the renegotiation of the loan facility not conclude on a mutually acceptable basis, further sources of funding would need to be sought to bridge the cashflow position. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the the group and parent company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group or parent company was unable to continue as a going concern.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

ENERGYBUILD RESOURCES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ENERGYBUILD RESOURCES LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

ENERGYBUILD RESOURCES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ENERGYBUILD RESOURCES LIMITED

Use of our report

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

James Edward Dobson BSc(Hons) FCA (Senior Statutory Auditor)
for and on behalf of Azets Audit Services

23 December 2020

Statutory Auditor

Charter Court
Phoenix Way Enterprise Park
Swansea
SA7 9FS

ENERGYBUILD RESOURCES LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

		Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
	Notes		
Turnover	3	8,954	475
Cost of sales		(7,593)	(2,703)
Gross profit/(loss)		1,361	(2,228)
Administrative expenses		(645)	(633)
Other operating income		235	2
Operating profit/(loss)	4	951	(2,859)
Interest payable and similar expenses	7	(482)	(297)
Profit/(loss) before taxation		469	(3,156)
Tax on profit/(loss)	8	-	-
Profit/(loss) for the financial year		469	(3,156)

Profit/(loss) for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

ENERGYBUILD RESOURCES LIMITED

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2019

		2019		2018	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Negative goodwill	9		(9,710)		(10,115)
Tangible assets	10		14,482		14,100
Investments	11		1,450		1,450
			<u>6,222</u>		<u>5,435</u>
Current assets					
Stocks	14	3,759		2,055	
Debtors	15	1,608		281	
Cash at bank and in hand		1,307		53	
		<u>6,674</u>		<u>2,389</u>	
Creditors: amounts falling due within one year	16	(5,725)		(1,723)	
Net current assets			<u>949</u>		<u>666</u>
Total assets less current liabilities			<u>7,171</u>		<u>6,101</u>
Creditors: amounts falling due after more than one year	17		(6,952)		(6,388)
Provisions for liabilities	19		(2,906)		(2,869)
Net liabilities			<u>(2,687)</u>		<u>(3,156)</u>
Capital and reserves					
Profit and loss reserves			<u>(2,687)</u>		<u>(3,156)</u>

The financial statements were approved by the board of directors and authorised for issue on 23 December 2020 and are signed on its behalf by:

Mr M R Davies
Director

ENERGYBUILD RESOURCES LIMITED

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2019

		2019	2018
	Notes	£'000	£'000
Fixed assets			
Investments	11	1,759	1,759
Current assets			
Debtors	15	6,056	2,263
Cash at bank and in hand		4	-
		6,060	2,263
Creditors: amounts falling due within one year	16	(3,567)	(6)
Net current assets		2,493	2,257
Total assets less current liabilities		4,252	4,016
Creditors: amounts falling due after more than one year	17	(5,085)	(4,356)
Net liabilities		(833)	(340)
Capital and reserves			
Profit and loss reserves		(833)	(340)

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £492,182 (2018 - £340,445 loss).

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 23 December 2020 and are signed on its behalf by:

Mr M R Davies
Director

Company Registration No. 11091702

ENERGYBUILD RESOURCES LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Profit and loss reserves	Total
	£'000	£'000
Balance at 1 December 2017	-	-
	<hr/>	<hr/>
Period ended 31 December 2018:		
Loss and total comprehensive income for the period	(3,156)	(3,156)
	<hr/>	<hr/>
Balance at 31 December 2018	(3,156)	(3,156)
	<hr/>	<hr/>
Year ended 31 December 2019:		
Profit and total comprehensive income for the year	469	469
	<hr/>	<hr/>
Balance at 31 December 2019	(2,687)	(2,687)
	<hr/> <hr/>	<hr/> <hr/>

ENERGYBUILD RESOURCES LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Profit and loss reserves
	£'000
Balance at 1 December 2017	-
Period ended 31 December 2018:	
Loss and total comprehensive income for the period	(340)
Balance at 31 December 2018	(340)
Year ended 31 December 2019:	
Loss and total comprehensive income for the year	(493)
Balance at 31 December 2019	(833)

ENERGYBUILD RESOURCES LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

		2019		2018	
	Notes	£'000	£'000	£'000	£'000
Cash flows from operating activities					
Cash absorbed by operations	26		(1,660)		(145)
Interest paid			(482)		(297)
Net cash outflow from operating activities			(2,142)		(442)
Investing activities					
Purchase of business		-		(1,743)	
Purchase of tangible fixed assets		(384)		(16)	
Proceeds on disposal of tangible fixed assets		13		-	
Other investments and loans made		-		1,380	
Proceeds from other investments and loans		-		(1,450)	
Net cash used in investing activities			(371)		(1,829)
Financing activities					
Proceeds from borrowings		3,767		2,324	
Net cash generated from financing activities			3,767		2,324
Net increase in cash and cash equivalents			1,254		53
Cash and cash equivalents at beginning of year			53		-
Cash and cash equivalents at end of year			1,307		53

ENERGYBUILD RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

Energybuild Resources Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is 55 Station Road, Beaconsfield, HP9 1QL. 55 Station Road, Beaconsfield, UK, HP9 1QL.

The group consists of Energybuild Resources Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 4 'Statement of Financial Position': Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

ENERGYBUILD RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

The consolidated financial statements incorporate those of Energybuild Resources Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2019. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Energybuild Limited has been included in the group financial statements using the purchase method of accounting. Accordingly, the group profit and loss account and statement of cash flows include the results and cash flows of Energybuild Limited for the period from its acquisition on 16 March 2018. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

The group profit and loss account and statement of cash flows also include the results and cash flows of dormant companies Energybuild Mining Limited and Mineral Extraction and Handling Limited for the period from their acquisition on 16 March 2018.

ENERGYBUILD RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.3 Going concern

These financial statements are prepared on the going concern basis. The directors have a reasonable expectation that the company will continue in operational existence for the foreseeable future. However, the directors are aware of certain material uncertainties which may cause doubt on the group's ability to continue as a going concern.

As at 31 December 2019 the group had net liabilities of £2,687,000 (2018:£3,156,000) but net current assets of £949,000 (2018: £666,000).

The directors have reviewed the balance sheet, the likely future cash flows of the business and have considered the facilities that are in place at the date of signing the report. Following the acquisition of Energybuild Limited in the prior year and its mining operations, the group required loan finance to re-establish its anthracite production and this was provided initially by its shareholders. In order to continue its development plans and implement the strategy for the business during the year, access to a third party loan facility has been required, and as at the date of signing these financial statements, a drawn facility of £5,000,000 is currently being utilised.

The situation arising post year end in the UK and globally in respect of Covid-19 and the measures taken by the UK Government to contain the virus has significantly impacted upon the business, with operations temporarily ceasing for a period in September/October 2020 in order to comply with Government guidance. Operations have now been successfully recommenced and activity levels are starting to return to more anticipated levels. However, the financial impact of the temporary closure and disruption caused by the pandemic has meant that the group is forecast at future measurement dates to be in breach of a financial loan covenant attached to the third party loan facility. The directors have been in open dialogue with the facility provider and they are fully aware of the position. The directors have received written confirmation from the facility provider that it is their intention to work with the business to renegotiate the covenants and not redeem the loan.

Action taken by the directors to reduce costs during the main impact to date of the pandemic has meant that the group has been able to, and is forecast to continue to, operate within its existing facilities, inclusive of the loan facility. However, the extent of any future impact of Covid-19 is unclear and it is difficult to evaluate all the potential implications on the group's trade, customers, suppliers and the wider economy.

Indeed, the success of the business remains dependent upon a range of factors, including the UK's decision to leave the EU, the impact of which has not yet been fully understood, particularly on the availability and quality of markets available to the business. These factors could impact upon revenue and profitability, however the directors are confident that the high quality of the anthracite that they will be able to provide to key targeted markets will stand the group in good stead. In addition the recruitment of individuals with extensive experience of operating globally should help to mitigate risks caused by potential changes in markets and import/export procedures.

Should the forecast level of sales and profitability not be achieved or should a renegotiation of the facility agreement not occur on a mutually acceptable basis, the business would need to seek further sources of funding in order to bridge the cashflow position. This represents a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern.

Based on the future forecasts of the group, a review of the facilities in place and discussions with the providers of loan finance, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

ENERGYBUILD RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Turnover comprises the sales of coal and the undertaking of ancillary mining activities. Turnover is recognised on the despatch of coal to customers.

1.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Negative goodwill represents the excess of the fair value of net assets acquired over the cost of acquisition of a business and the goodwill is initially recognised at cost. The negative goodwill is subsequently recognised up to the fair value of non-monetary assets acquired in the profit or loss account in the periods in which the non-monetary assets are recovered.

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Heavy mining and other plant and equipment are depreciated at varying rates depending upon its expected usage. Depreciation rates are as follows:

Land and buildings	Over the period of the lease
Plant, machinery and motor vehicles	3-50 years
Mine development and surface works	8-20 years
Restoration assets	Units of production

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

ENERGYBUILD RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Mine development

The purpose of the mine development is to establish secure working conditions and infrastructure to allow the safe and efficient extraction of recoverable reserves. The cost of mine development includes all costs, including labour and materials directly attributable to development of the mine infrastructure and surface. Depreciation on mine development is not charged until full production commences or the assets are put to use. On commencement of full production, depreciation is charged on a tonnage-extracted basis over the estimated life of the recoverable reserves. Prior to coal production, costs incurred are allocated between mine development costs and operating costs on an appropriate basis taking into account expected long run operating costs per tonne of the mine.

Surface mine development and restoration assets

Expenditure incurred in identifying, assessing and obtaining leases and licences for surface mine sites is written off as incurred. Subsequent expenditure incurred in developing surface mine sites prior to the commencement of production, net of any residual value, is capitalised within tangible fixed assets and charged to the profit and loss account over the coaling life of the site. The restoration asset includes the estimated cost of restoration and closure.

Grant income, including Coal Investment Aid

Grant income including Coal Investment Aid is received as a contribution towards expenditure by the Company. If the actual expenditure has been charged to the cost of sales in the profit and loss account, then the Grant Income or Investment Aid is accounted for in the same period as the actual expenditure to which it relates. Where the Grant Income or Investment Aid relates to the purchase of fixed assets, the Grant income or Investment Aid is held on the balance sheet as deferred income and is credited to the profit and loss account over the life of the assets to which it relates.

Restoration and closure costs

Surface mines – the total costs of reinstatement of soil excavation and of surface restoration are recognised as a provision on site commissioning when the obligation arises. The amount provided represents the present value of the expected costs. Costs are charged to the provision as incurred. A tangible fixed asset is created for an amount equivalent to the initial provision. This is charged to the profit and loss account on a unit of production basis over the life of a site.

Drift mines – closure costs relating to drift closure and pit-top restoration are recognised as a provision on a discounted basis at the commissioning stage or on acquisition. The amount provided represents the present value of the expected costs. Costs are charged to the provision as incurred. A tangible fixed asset is created for an amount equivalent to the initial provision and is depreciated in accordance with the accounting policy set out above. Provision for other closure costs is made when there is a demonstrable commitment to the closure.

1.7 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

ENERGYBUILD RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.8 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.10 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

ENERGYBUILD RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.11 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

ENERGYBUILD RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.12 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

ENERGYBUILD RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.14 Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.16 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.17 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

ENERGYBUILD RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.18 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

2 Judgements and key sources of estimation uncertainty

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

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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Carrying value of tangible fixed assets

The group considers whether tangible assets are impaired or whether recognised impairment losses should be reversed. Where an indication of impairment is identified or where the reasons for a previous impairment have ceased to apply, the estimation of recoverable value will require estimation of the recoverable value of the cash generating units as detailed in the accounting policy set out in note 1.

Provisions

Provision is made for restoration and aftercare obligations. These provisions require managements best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of cash flows and the discount rates used to establish net present value of the obligations require managements judgement.

Inventory provisioning

Provision is made for those items of stock which are obsolete and where the net realisable value is estimated to be lower than cost. Net realisable value is based on both historic experience and assumptions regarding future selling values, and is consequently a source of estimation uncertainty.

Recognition of deferred tax asset

Tax losses are available to be utilised against future profits. Further there are fixed asset timing differences. The directors have taken the decision not to recognise a deferred tax asset in respect of these due to uncertainty over utilisation.

ENERGYBUILD RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

3	Turnover and other revenue	2019	2018
		£'000	£'000
	Turnover analysed by class of business		
	Drift mine	8,954	475
		<u> </u>	<u> </u>
		2019	2018
		£'000	£'000
	Other significant revenue		
	Grants received	165	-
		<u> </u>	<u> </u>
4	Operating profit/(loss)	2019	2018
		£'000	£'000
	Operating profit/(loss) for the year is stated after charging/(crediting):		
	Government grants	(165)	-
	Profit on disposal of tangible fixed assets	(11)	-
	Amortisation of intangible assets	(405)	-
	Operating lease charges	592	276
		<u> </u>	<u> </u>
5	Auditor's remuneration	2019	2018
		£'000	£'000
	Fees payable to the company's auditor and associates:		
	For audit services		
	Audit of the financial statements of the group and company	6	3
	Audit of the financial statements of the company's subsidiaries	17	13
		<u> </u>	<u> </u>
		23	16
		<u> </u>	<u> </u>
	For other services		
	Audit-related assurance services	2	-
	Taxation compliance services	3	2
	All other non-audit services	5	-
		<u> </u>	<u> </u>
		10	2
		<u> </u>	<u> </u>

ENERGYBUILD RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2019 Number	2018 Number	Company 2019 Number	2018 Number
Drift mine and coal preparation	90	34	-	-
Administration	5	2	4	2
	<u>95</u>	<u>36</u>	<u>4</u>	<u>2</u>

Their aggregate remuneration comprised:

	Group 2019 £'000	2018 £'000	Company 2019 £'000	2018 £'000
Wages and salaries	3,784	1,370	-	-
Social security costs	383	127	-	-
Pension costs	60	11	-	-
	<u>4,227</u>	<u>1,508</u>	<u>-</u>	<u>-</u>

7 Interest payable and similar expenses

	2019 £'000	2018 £'000
Interest payable to group undertakings	292	142
Other interest on financial liabilities	128	-
Unwinding of discount on provisions	62	155
	<u>482</u>	<u>297</u>

ENERGYBUILD RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

8 Taxation

The actual charge for the year can be reconciled to the expected charge/(credit) for the year based on the profit or loss and the standard rate of tax as follows:

	2019 £'000	2018 £'000
Profit/(loss) before taxation	469	(3,156)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	89	(600)
Tax effect of expenses that are not deductible in determining taxable profit	82	-
Tax effect of income not taxable in determining taxable profit	(7)	-
Tax effect of utilisation of tax losses not previously recognised	17	-
Unutilised tax losses carried forward	471	600
Permanent capital allowances in excess of depreciation	(652)	-
Taxation charge	-	-

There is an unprovided deferred tax asset at 31 December 2019 of £24.8m (2018: £21.9m) which relates to fixed asset timing differences and losses carried forward. This deferred tax asset has not been provided as there is uncertainty as to its recoverability.

9 Intangible fixed assets

Group	Negative goodwill £'000
Cost	
At 1 January 2019 and 31 December 2019	(10,115)
Amortisation and impairment	
At 1 January 2019	-
Amortisation charged for the year	(405)
At 31 December 2019	(405)
Carrying amount	
At 31 December 2019	(9,710)
At 31 December 2018	(10,115)

The company had no intangible fixed assets at 31 December 2019 or 31 December 2018.

ENERGYBUILD RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

10 Tangible fixed assets

Group	Land and buildings	Plant, machinery and motor vehicles	Mine development and surface works	Restoration assets	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2019	83	3,351	10,475	191	14,100
Additions	-	379	5	-	384
Disposals	-	(58)	-	-	(58)
At 31 December 2019	83	3,672	10,480	191	14,426
Depreciation and impairment					
At 1 January 2019	-	-	-	-	-
Eliminated in respect of disposals	-	(56)	-	-	(56)
At 31 December 2019	-	(56)	-	-	(56)
Carrying amount					
At 31 December 2019	83	3,728	10,480	191	14,482
At 31 December 2018	83	3,351	10,475	191	14,100

The company had no tangible fixed assets at 31 December 2019 or 31 December 2018.

11 Fixed asset investments

	Notes	Group 2019 £'000	2018 £'000	Company 2019 £'000	2018 £'000
Investments in subsidiaries	12	-	-	1,759	1,759
Mine reinstatement bonds		1,450	1,450	-	-
		1,450	1,450	1,759	1,759

Movements in fixed asset investments

Group	Mine reinstatement bonds £'000
Cost or valuation	
At 1 January 2019 and 31 December 2019	1,450
Carrying amount	
At 31 December 2019	1,450
At 31 December 2018	1,450

ENERGYBUILD RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

11 Fixed asset investments (Continued)

Movements in fixed asset investments Company	Shares in group undertakings
	£'000
Cost or valuation	
At 1 January 2019 and 31 December 2019	1,759
Carrying amount	
At 31 December 2019	1,759
At 31 December 2018	1,759

12 Subsidiaries

Details of the company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
Energybuild Limited	Wales	Ordinary	100.00
Energybuild Mining Limited	Wales	Ordinary	100.00
Mineral Extraction and Handling Limited	Wales	Ordinary	100.00

13 Financial instruments

	Group 2019 £'000	2018 £'000	Company 2019 £'000	2018 £'000
Carrying amount of financial assets				
Instruments measured at fair value through profit or loss	1,450	1,450	-	-

14 Stocks

	Group 2019 £'000	2018 £'000	Company 2019 £'000	2018 £'000
Consumable stock	1,584	1,496	-	-
Coal stock	2,175	559	-	-
	3,759	2,055	-	-

ENERGYBUILD RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

15 Debtors

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	1,015	109	-	-
Amounts owed by group undertakings	-	-	3,000	138
Other debtors	151	63	56	-
Prepayments and accrued income	442	109	-	-
	<u>1,608</u>	<u>281</u>	<u>3,056</u>	<u>138</u>
Amounts falling due after more than one year:				
Amounts owed by group undertakings	-	-	3,000	2,125
	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>2,125</u>
Total debtors	<u>1,608</u>	<u>281</u>	<u>6,056</u>	<u>2,263</u>

The amounts owed by group undertakings are due from the subsidiary company, Energybuild Limited. Interest is charged at 6% per annum which in the period amounted to £236,000 (2018: £52,000) and a loan arrangement fee of 5% of the amount advanced was charged. The loan is secured over the assets of the subsidiary company and under the terms of the agreement £3,000,000 (2018: £2,125,000) will not fall due for payment until at least 12 months from the date of approval of these financial statements.

Other debtors for both the group and the company include amounts due from a party with a shareholding in the company, being £56,000 (2018: £nil) due from DNA (Mining) Limited. The amount is interest free, unsecured and has no fixed terms for repayment.

16 Creditors: amounts falling due within one year

		Group		Company	
		2019	2018	2019	2018
	Notes	£'000	£'000	£'000	£'000
Other borrowings	18	3,038	-	3,038	-
Trade creditors		1,155	586	-	-
Amounts owed to group undertakings		-	-	445	-
Other taxation and social security		259	177	-	-
Other creditors		183	10	84	6
Accruals and deferred income		1,090	950	-	-
		<u>5,725</u>	<u>1,723</u>	<u>3,567</u>	<u>6</u>

ENERGYBUILD RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

16 Creditors: amounts falling due within one year (Continued)

Other creditors for both the group and the company include amounts due to related undertakings by virtue of their shareholding in the company, being £84,000 (2018: £nil) due to Speciality Carbons Limited and £nil (2018: £6,000) due to DNA (Mining) Limited. The amounts are interest free, unsecured and have no fixed terms for repayment.

Amounts owed to group undertakings for the company are due from the subsidiary company, Energybuild Limited. The amounts are interest free and unsecured.

17 Creditors: amounts falling due after more than one year

		Group 2019 £'000	2018 £'000	Company 2019 £'000	2018 £'000
	Notes				
Other borrowings	18	5,085	4,356	5,085	4,356
Government grants	20	1,867	2,032	-	-
		<u>6,952</u>	<u>6,388</u>	<u>5,085</u>	<u>4,356</u>

18 Loans and overdrafts

	Group 2019 £'000	2018 £'000	Company 2019 £'000	2018 £'000
Loans from group undertakings	5,085	4,356	5,085	4,356
Other loans	3,038	-	3,038	-
	<u>8,123</u>	<u>4,356</u>	<u>8,123</u>	<u>4,356</u>
Payable within one year	3,038	-	3,038	-
Payable after one year	5,085	4,356	5,085	4,356
	<u>8,123</u>	<u>4,356</u>	<u>8,123</u>	<u>4,356</u>

Loans from group undertakings relate to loans from shareholders in the company, being £2,036,000 (2018: £2,180,000) due to Speciality Carbons Limited and £3,049,000 (2018: £2,176,000) due to DNA (Mining) Limited. The amounts incur interest at 6% per annum which in the period amounted to £292,000 (2018: £142,000). The amount due to Speciality Carbons Limited is unsecured, and the amount due to DNA (Mining) Limited is secured by a cross guarantee provided by the subsidiary companies.

The other loan relates to a balance which was drawn down against the available third party loan facility in August 2019 and incurs interest at 12% per annum, which in the period amounted to £128,000. The loan was advanced for an initial period of 12 months, with an option to extend for a further 3 months, and is secured by a cross guarantee provided by the subsidiary companies.

ENERGYBUILD RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

19 Provisions for liabilities

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	2018 £'000
Drift Mines	2,788	2,788	-	-
Surface Mines	118	118	-	-
	<u>2,906</u>	<u>2,906</u>	<u>-</u>	<u>-</u>

Movements on provisions:

	Drift Mines £'000	Surface Mines £'000	Total £'000
Group			
At 1 January 2019	2,736	131	2,867
Unwinding of discount	52	-	52
Utilisation of provision	-	(13)	(13)
	<u>2,788</u>	<u>118</u>	<u>2,906</u>
At 31 December 2019			

Restoration and closure costs – Drift mines

Drift closure and pit-top provisions are made to meet the liability to fill and cap all mine drifts and return pit-top areas to a condition consistent with the required planning permission. No transfer of economic benefits will arise until the decommissioning of each individual colliery. The current pit-top provision reflects existing planning permissions that require pit-top areas to be restored to former use, usually agriculture.

The provision level has been reassessed and the amount of £2,788,000 represents the cost of the restoration obligations discounted at 6% risk free rate per annum to present day value. The provision is not expected to be utilised for at least ten years.

The provision, along with the mine life, will be considered annually.

Restoration and closure costs – Surface mines

This provision relates to the total estimated costs of reinstatement of soil excavation and of surface restoration such as topsoil replacement and landscaping. Restoration costs will be payable when individual sites are completed and payments against aftercare liabilities will extend beyond the life of each contract. The costs accrued are expected to be incurred during the next two years.

The provision level was assessed and the amount of £118,000 represents the cost of restoration obligations. The restoration liability is expected to be completed in the near term and therefore discounting the provisions is not required.

20 Government grants

	Group 2019 £'000	2018 £'000	Company 2019 £'000	2018 £'000
Government grants	<u>1,867</u>	<u>2,032</u>	<u>-</u>	<u>-</u>

ENERGYBUILD RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

21 Retirement benefit schemes

	2019	2018
Defined contribution schemes	£'000	£'000
Charge to profit or loss in respect of defined contribution schemes	60	11
	<u>60</u>	<u>11</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

22 Share capital

On incorporation one ordinary share of £1 each was issued at par. This was subsequently converted to a B ordinary share and a A ordinary share of £1 each was also issued at par. These shares rank equally.

23 Operating lease commitments

Lessee

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

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Within one year	19	19	-	-
Between two and five years	72	74	-	-
In over five years	522	540	-	-
	<u>613</u>	<u>633</u>	<u>-</u>	<u>-</u>

24 Events after the reporting date

As per note 1.3 the directors have considered the impact of COVID-19 on the operations of the group, and the groups ability to continue as a going concern. The directors consider that the group has adequate resources to continue in operational existence for the foreseeable future. Further the directors consider this a non-adjusting post balance sheet event due to the pandemic and related restrictions not being known as at 31 December 2019.

25 Related party transactions

Management charges for the services of directors Mr K P Calder and Mr M R Davies of £83,333 (2018: £250,000) were payable in the period to a related company by virtue of their shareholding in the company, Speciality Carbons Limited.

A loan arrangement fee of £178,750 (2018: £106,250) was payable in the period to a related company by virtue of their shareholding in the company, DNA (Mining) Limited.

ENERGYBUILD RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

26 Cash absorbed by group operations

	2019 £'000	2018 £'000
Profit/(loss) for the year after tax	469	(3,156)
Adjustments for:		
Finance costs	482	297
Gain on disposal of tangible fixed assets	(11)	-
Amortisation and impairment of intangible assets	(405)	-
Increase in provisions	37	143
Movements in working capital:		
Increase in stocks	(1,704)	(289)
Increase in debtors	(1,327)	(206)
Increase in creditors	964	1,034
(Decrease)/increase in deferred income	(165)	2,032
Cash absorbed by operations	(1,660)	(145)

27 Analysis of changes in net debt - group

	1 January 2019 £'000	Cash flows £'000	31 December 2019 £'000
Cash at bank and in hand	53	1,254	1,307
Borrowings excluding overdrafts	(4,356)	(3,767)	(8,123)
	<u>(4,303)</u>	<u>(2,513)</u>	<u>(6,816)</u>

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.