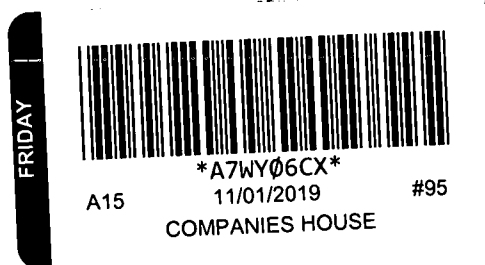


OCCW (Chalmerston) Limited

Directors' Report and Financial Statements

Registered number 08588284

31 May 2018



Contents

Directors' Report	1
Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements	2
Independent Auditor's Report to the Members of OCCW (Chalmerston) Limited	3
Profit and Loss Account and Other Comprehensive Income	5
Balance Sheet	6
Statement of Changes in Equity	7
Notes	8

Directors' Report

The directors present their Directors' Report and the financial statements for the year ended 31 May 2018.

Principal activities and business review

The company's principal activity is the management, restoration and development of the former open cast working at Chalmerston.

The results of the company are shown on page 5.

Risks and uncertainties

The risks and uncertainties facing the company are inherently linked to those of the Hargreaves Services group. The principal risks and uncertainties of the group which includes those of this company are discussed in detail in the 'Statement of risks relating to the group's business' in the financial review in the group financial statements.

Proposed dividend

The directors do not recommend the payment of a dividend (2017: £nil).

Directors

The directors who held office during the year and up to the date of this report were as follows:

ID Cockburn	(resigned 4 October 2017)
SL Anson	(resigned 19 January 2018)
GM Liggins	(appointed 19 January 2018)
IP Slater	(appointed 8 October 2018)

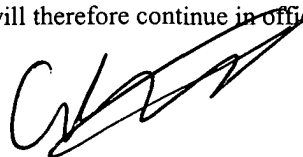
Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken relevant steps that he ought to have taken as a director to make himself aware of any relevant information and to establish that the company's auditor is aware of that information.

Auditor

The Audit Committee of Hargreaves Services plc reviews and makes recommendations with regard to the appointment of the external auditors. In making this recommendation the Committee considers auditor effectiveness, independence and partner rotation.

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



GM Liggins
Director

West Terrace
Esh Winning
Durham
DH7 9PT

22 November 2018

Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements

The directors are responsible for preparing 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 year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



KPMG LLP

Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

Independent Auditor's Report to the Members of OCCW (Chalmerston) Limited

Opinion

We have audited the financial statements of OCCW Chalmerston Limited ("the company") for the year ended 31 May 2018 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Independent Auditor's Report to the Members of OCCW (Chalmerston) Limited *(Continued)*

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 2, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Johnathan Pass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

29 November 2018

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 May 2018

	<i>Note</i>	2018 £000	2017 £000
Turnover	2	-	11
Cost of sales		-	-
Gross profit		-	11
Administrative expenses		(18)	(10)
(Loss)/profit before taxation		(18)	1
Tax on (loss)/profit	5	3	81
(Loss)/profit for the financial year		(15)	82

All results are derived from continuing operations.

There was no other comprehensive income in addition to the result for the years shown above.

Balance Sheet
at 31 May 2018

	<i>Note</i>	2018 £000	£000	2017 £000	£000
Current assets					
Debtors	7	90		143	
Cash		38		2	
		<u>128</u>		<u>145</u>	
Creditors: amounts falling due within one year	8	(5)		(7)	
		<u>128</u>		<u>145</u>	
Net current assets			123		138
Provisions					
Restoration provision	9		(500)		(500)
			<u>(377)</u>		<u>(362)</u>
Net liabilities			(377)		(362)
Capital and reserves					
Called up share capital	10		-		-
Profit and loss account			(377)		(362)
			<u>(377)</u>		<u>(362)</u>
Shareholders' deficit			(377)		(362)
			<u>(377)</u>		<u>(362)</u>

These financial statements were approved by the board of directors on 22 November 2018 and were signed on its behalf by:



GM Liggins
Director

Registered number: 08588284

Statement of Changes in Equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 June 2016	-	(444)	(444)
Total comprehensive income for the year			
Profit	-	82	82
Total comprehensive income for the year	-	82	82
Balance at 31 May 2017	-	(362)	(362)
 Balance at 1 June 2017	 -	 (362)	 (362)
Total comprehensive expense for the year			
Loss	-	(15)	(15)
Total comprehensive expense for the year	-	(15)	(15)
Balance at 31 May 2018	-	(377)	(377)

Notes

(forming part of the financial statements)

1 Accounting policies

OCCW (Chalmerston) Limited (the "Company") is incorporated, domiciled and registered in the UK.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Hargreaves Services plc includes the Company in its consolidated financial statements. The consolidated financial statements of Hargreaves Services plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Companies House.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of Hargreaves Services plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

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

Judgements made by the directors, in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed within this note.

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

The company has net liabilities of £377,000 (2017: £362,000). The company meets its day to day working capital requirements through support from related companies and the company's parent undertaking, Hargreaves Services plc, has indicated that it will continue to provide support to enable the company to trade for at least 12 months from the date of approval of these accounts. As with any company placing reliance on other group entities there is no guarantee that the support will continue, although the directors have no reason to believe that it will do so. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to prepare the financial statements on a going concern basis.

Notes (continued)

1 Accounting policies (continued)

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors. These are initially recognised at fair value and subsequently measured at amortised cost.

Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

Notes (continued)

1 Accounting policies (continued)

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is reversed if and only if the reasons for the impairment have ceased to apply.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. Turnover is recognised when services are delivered and title has passed.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Taxation

Tax on the profit or loss for the period comprises both current and deferred tax. Tax is recognised in the profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Accounting estimates and judgements

Restoration costs

Obligations exist at the Chalmerston site to carry out restoration at the end of the productive life. The related provisions are based on the nature and extent of the contamination and the estimated costs of restoration. These key assumptions are reviewed on a regular basis and these reviews may lead to adjustments to the provisions over their lives.

Where management have assessed the likelihood of incurring such restoration expenses as remote, due to certain mitigating factors, the obligation is accounted for as a contingent liability.

Notes (continued)

2 Turnover

	2018 £000	2017 £000
Royalty income	-	11

The total turnover of the company for the prior year was derived from its principal activity, wholly undertaken in the United Kingdom.

3 Expenses and auditor's remuneration

The fee for the audit of the Company was borne by the ultimate parent company.

Amounts receivable by the Company's auditor in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, Hargreaves Services plc.

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2018	2017
Directors	1	2

The directors received no remuneration in respect of their services to the company during the current year or previous year.

Notes (continued)

5 Taxation

Recognised in the profit and loss account:

	2018 £000	£000	2017 £000	£000
<i>UK corporation tax</i>				
Adjustment to group relief in respect of prior years	(3)		4	
Total current tax		(3)		4
<i>Deferred tax</i>				
Adjustment in respect of prior years	-		(90)	
Effect of tax rate change	-		5	
		-		(85)
Tax on (loss)/profit		(3)		(81)

Reconciliation of effective tax rate:

	2018 £000	2017 £000
(Loss)/profit for the year	(15)	82
Total tax credit	(3)	(81)
(Loss)/profit excluding taxation	(18)	1
Tax using the UK corporation tax rate of 19% (2017: 19.83%)	(3)	-
Reduction in rate on deferred tax balances	-	5
Over provided in prior years	-	(86)
Total tax credit	(3)	(81)

Factors that may affect future tax expenses

The UK corporation tax rate reduced from 20% to 19% (effective from 1 April 2017) and remained at 19% for the tax year beginning 1 April 2018. On 16 March 2016 it was announced that the main rate of UK Corporation Tax would reduce further to 17% on 1 April 2020. This change was substantively enacted on 6 September 2016. This will reduce the company's current tax charge accordingly. The deferred tax balances at 31 May 2018 and 31 May 2017 have been calculated based on the rate of 17% substantively enacted at the Balance Sheet date.

Notes (continued)

6 Deferred taxation

Recognised deferred tax assets and (liabilities) are attributable to the following:

	Assets		Liabilities	
	2018 £000	2017 £000	2018 £000	2017 £000
Temporary timing differences	85	85	-	-
Tax assets/(liabilities)	<u>85</u>	<u>85</u>	<u>-</u>	<u>-</u>

Movement in deferred tax during the year:

	31 May 2017 £000	Recognised in income £000	Recognised in equity £000	31 May 2018 £000
Temporary timing differences	85	-	-	85

Movement in deferred tax during the prior year:

	31 May 2016 £000	Recognised in income £000	Recognised in equity £000	31 May 2017 £000
Temporary timing differences	-	85	-	85

7 Debtors

	2018 £000	2017 £000
Trade debtors	1	-
Amounts owed by group undertakings	-	58
Deferred tax asset (note 6)	85	85
Corporation tax	4	-
	<u>90</u>	<u>143</u>

8 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Amounts owed to group undertakings	-	3
Corporation tax	-	4
Accruals	5	-
	<u>5</u>	<u>7</u>

Notes (continued)

9 Provisions

	Restoration provision £000
At beginning and end of year	500

The Company is subject to certain restoration obligations due to its ownership of the land at the Chalmerston open cast coal works. The provision above relates solely to the expenses that the Directors expect to incur with reasonable certainty. Any movement in the provision is included in cost of sales.

10 Capital and reserves

	2018 £	2017 £
<i>Allotted, called up and fully paid</i>		
1 Ordinary share of £1 each	1	1

11 Ultimate parent company and parent undertaking of larger group

The Company is a subsidiary undertaking of Hargreaves Services plc. Hargreaves Services plc is the Company's ultimate controlling party.

The Company's immediate controlling party is Hargreaves Land Limited which has a registered address at West Terrace, Esh Winning, Durham, DH7 9PT.

The only group in which the results of the Company are consolidated is that headed by Hargreaves Services plc. The consolidated financial statements of this company are available to the public and may be obtained from their registered address West Terrace, Esh Winning, Durham, DH7 9PT.