REGISTERED NUMBER: 09100531 (England and Wales)

POW MANAGEMENT COMPANY LIMITED

STRATEGIC REPORT, REPORT OF THE DIRECTORS AND

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

POW MANAGEMENT COMPANY LIMITED (REGISTERED NUMBER: 09100531)

CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

POW MANAGEMENT COMPANY LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2018

DIRECTORS:	R O Michaelson I R Ball
SECRETARY:	Harworth Secretariat Services Limited
REGISTERED OFFICE:	Advantage House Poplar Way Catcliffe Rotherham United Kingdom S60 5TR
REGISTERED NUMBER:	09100531 (England and Wales)
INDEPENDENT AUDITORS:	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Central Square 29 Wellington St. Leeds LS1 4DL

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their strategic report for the year ended 31 December 2018 .

The POW Management Company Limited is part of Harworth Group plc (the 'Group').

OBJECTIVE
The objective of the Company is to act as a management services provider for the site known as Prince of Wales, which is owned by fellow subsidiary Harworth Estates (Waverley Prince) Limited.

STRATEGY AND KEY PERFORMANCE INDICATORS ("KPI'S")
The strategy of the Company is to manage services and maintenance of the public open space for residents of properties at the Prince of Wales site.

Key performance indicators include ensuring that appropriate levels of financing are in place in order to fund the ongoing services and maintenance at the Prince of Wales site.

BUSINESS MODEL
Management services are provided to support and maintain existing infrastructure of the public open space using income collected from residents of properties.

TREASURY POLICY
The Company seeks to cover all of its costs from income collected from residents. If costs are greater than income, the Company can request funding from Harworth Estates (Waverley Prince) Limited.

Harworth Estates (Waverley Prince) Limited is part of a borrowing facility across the wider Group which is in the name Harworth Estates Property Group Limited whose ultimate parent company is Harworth Group plc. The facility is repayable on 13 February 2023 (five year term) after being extended for two years on 13 February 2018.

POW Management Company Limited does not have any separate borrowings in its own name.

PRINCIPAL RISKS AND UNCERTAINTIES
The Directors of POW Management Company Limited and Harworth Group plc manage the risks at a Group level, rather than at an individual business unit level. For this reason, the Company's Directors believe that a discussion of the Company's risks would not be appropriate for an understanding of the development, performance or position of the Company. The principal risks and uncertainties of the Group, which include those of the Company, are discussed in the Directors' Report in the annual report of Harworth Group plc, the largest of the Group's undertakings to consolidate these financial statements at 31 December 2018, which does not form part of this report.

EMPLOYEE DIVERSITY

The Company does not directly employ any staff. Its activities are supported by staff employed by another company in the Group.

ON BEHALF OF THE BOARD:

....
R O Michaelson - Director

Date: 30 September 2019

The directors present their report with the financial statements of the company for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES
POW Management Company Limited is considered to be a management company.

POW Management Company Limited provides management services for the site known as Prince of Wales, which is owned by fellow subsidiary Harworth Estates (Waverley Prince) Limited.

DIVIDENDS
The Directors have not recommended a dividend (2017: £nil).

FUTURE DEVELOPMENTS
The Company will continue to provide management services solely to the Prince of Wales site, the quantum of these services will grow over time as further areas of the site are occupied by end users. A managing agent will be appointed when the development is sufficiently mature, with the control passing to residents on completion of the final plot sale at the site.

DIRECTORS
The directors who have held office during the period from 1 January 2018 to the date of this report are as follows:

A M D Kirkman - appointed 13 November 2018
R O Michaelson - appointed 13 November 2018
C M Birch - appointed 4 July 2018 - resigned 30 November 2018
P Henry - resigned 30 November 2018
P M Wilson - resigned 21 June 2018

I R Ball was appointed as a director after 31 December 2018 but prior to the date of this report.

A M D Kirkman ceased to be a director after 31 December 2018 but prior to the date of this report.

QUALIFYING THIRD PARTY INDEMNITY INSURANCE
Directors' and officers' insurance is maintained at an appropriate level in respect of legal action against the Directors. These arrangements were in place throughout the financial year and up to the date of approval of the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The directors are responsible for preparing the Strategic Report, Report of the Directors and Audited Financial Statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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.

DISCLOSURE OF INFORMATION TO AUDITORS
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS
The auditors, PricewaterhouseCoopers LLP, were re-appointed at the Annual General Meeting which took place on 21st May 2019.

ON BEHALF OF THE BOARD:

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R O Michaelson - Director

Date: 30 September 2019

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, POW Management Company Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, Report of the Directors and Audited Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Andy Ward (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

Date: 30 September 2019

POW MANAGEMENT COMPANY LIMITED (REGISTERED NUMBER: 09100531)

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £'000	2017 £'000
REVENUE	3	27	12
Cost of sales		(27)	(29)
GROSS LOSS		-	(17)
LOSS BEFORE TAXATION	5	-	(17)
Tax on loss	7	(2)	2
LOSS FOR THE FINANCIAL YEAR		(2)	(15)

The notes on pages 13 to 21 form part of these financial statements

POW MANAGEMENT COMPANY LIMITED (REGISTERED NUMBER: 09100531)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £'000	2017 £'000
LOSS FOR THE YEAR		(2)	(15)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(2)	(15)

The notes on pages 13 to 21 form part of these financial statements

POW MANAGEMENT COMPANY LIMITED (REGISTERED NUMBER: 09100531)

STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2018

	Notes	2018 £'000	2017 £'000
CURRENT ASSETS			
Debtors: amounts falling due within one year	8	22	-
Debtors: amounts falling due after more than one year	8	-	2
Cash at bank		6	3
		28	5
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(58)	(33)
NET CURRENT LIABILITIES		(30)	(28)
TOTAL ASSETS LESS CURRENT LIABILITIES		(30)	(28)
RESERVES			
Retained earnings	10	(30)	(28)
		(30)	(28)

The financial statements were approved by the Board of Directors on 30 September 2019 and were signed on its behalf by:

....
R O Michaelson - Director

The notes on pages 13 to 21 form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Retained earnings £'000	Total equity £'000
Balance at 1 January 2017	(13)	(13)
Changes in equity		
Deficit for the year	(15)	(15)
Total comprehensive loss	(15)	(15)
Balance at 31 December 2017	(28)	(28)
Changes in equity		
Deficit for the year	(2)	(2)
Total comprehensive loss	(2)	(2)
Balance at 31 December 2018	(30)	(30)

The notes on pages 13 to 21 form part of these financial statements

1. STATUTORY INFORMATION

POW Management Company Limited is a private company, limited by guarantee, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparation
These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The principal accounting policies adopted in the preparation of these financial statements are in line with those used for the Group and set out in the financial statements of Harworth Group Plc, and also set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held for Sale and Discontinued Operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
  - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
  - paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10)(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

continued...

2. ACCOUNTING POLICIES - continued

Going concern
These financial statements are prepared on the basis that the Company is a going concern. In forming its opinion as to going concern, the Directors have considered the reliance the Company places on the ability of the Group to provide financial support to the Company.

The Board of Harworth Group plc prepares cash flow forecasts based upon its assumptions with particular consideration to the key risks and uncertainties as summarised in 'Managing Risk' in the Harworth Group plc annual report, as well as taking into account the available borrowing facilities in line with the Treasury Policy disclosed in the Strategic Report.

The key factor that has been considered in this regard is:
Bank funding arrangements for the Group contain, in certain cases, covenants based upon, in particular, revenue and loan to property values. Property valuations affect the loan to value covenants. Breach of covenants could result in the need to pay down in part some of these loans, additional costs, or a renegotiation of terms or, in extremis, a reduction or withdrawal of facilities by the banks concerned.

The Directors confirm their belief it is appropriate to use the going concern basis of preparation for these financial statements.

Critical accounting judgements and key sources of estimation uncertainty
There are no amounts included in the financial statements which involve the use of judgement and/or estimation.

Revenue
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Following the adoption of IFRS 15 'Revenue from contracts with customers', revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the goods or service.

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured.

continued...

2. ACCOUNTING POLICIES - continued

Taxation

Current Tax

The charge or credit for current tax is based on the results for the year adjusted for items that are either not subject to taxation or for expenditure which cannot be deducted in computing the tax charge or credit. The tax charge or credit is calculated using taxation rates that have been enacted or substantively enacted at the balance sheet date.

Deferred Tax

Deferred tax is recognised using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax is recognised in respect of all taxable temporary timing differences, with certain limited exceptions:

- Deferred tax is not provided on the initial recognition of an asset or liability in a transaction that does not affect accounting profit or taxable profit and is not a business combination; and
- Deferred tax assets are only recognised if it is probable that there will be sufficient profits from which the future reversal of the underlying timing differences can be deducted.

In deciding whether future reversal is probable, the Directors review the Group's forecasts and make an estimate of the aggregate deferred tax asset that should be recognised. This aggregate deferred tax asset is then allocated into the different categories of deferred tax. Deferred tax is calculated at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the income statement, except where it applies to items credited or charged to equity, in which case the deferred tax is also dealt with in equity. The carrying value of the Group's investment property is assumed to be realised by sale at the end of use. The capital gains tax rate applied is that which would apply on a direct sale of the property recorded in the Balance Sheet regardless of whether the Group would structure the sale via the disposal of the subsidiary holding the asset, to which a different tax rate may apply. The deferred tax is then calculated based on the respective temporary differences and tax consequences arising from recovery through sale.

Cash

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Trade receivables

Trade receivables are recognised initially at fair value and are subsequently reduced by any provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due. Indicators of impairment would include financial difficulties of the debtor, likelihood of the debtor's insolvency, default in payment or a significant deterioration in credit worthiness. Any impairment is recognised in the Income statement within 'cost of sales'. When a trade receivable is uncollectible, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against 'cost of sales' in the Income statement.

continued...

2. ACCOUNTING POLICIES - continued

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

Changes in accounting policy and disclosures
The new standards, amendments or interpretations effective for the first time for the financial year beginning on or after 1 January 2018 are:

IFRS 9
IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling through profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different from that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. The impact of IFRS 9 has been assessed on the financial instruments of the Company and no adjustments have been required.

IFRS 15
IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018. The Group performed a detailed assessment of the impact of IFRS 15 on revenue streams and policies for 2017. This highlighted that revenues relating to the sales of development properties, particularly where revenue involves a deferred element or conditions subsequent exist, were specifically affected by the standard as were certain promote agreements. There was no impact of IFRS 15 on profit for 2018 or 2017.

continued...

3. REVENUE

	2018 £'000	2017 £'000
Service charges	27	12
	27	12

4. EMPLOYEES AND DIRECTORS

The Company has no employees (2017: none). Harworth Estates Limited's employees carried out all of the activities of the Company, for which there is no recharge (2017: £nil).

The Directors receive emoluments for services to the wider Group for which no recharges occur (2017: £nil), as the Directors are directors of a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries.

Details of the emoluments of the Directors of the Company are disclosed in the financial statements of Harworth Group plc, the ultimate parent company at 31 December 2018 of Harworth Estates Limited.

5. LOSS BEFORE TAXATION

Profit before taxation is £nil (2017: loss of £17,000). There are no costs which are required to be disclosed separately.

6. AUDITORS' REMUNERATION

The cost of the audit of the Group subsidiaries pursuant to legislation is borne by Harworth Estates Limited for which there is no recharge. The total cost for all subsidiaries for the year was £121,000 (2017: £111,000).

In the context of a group audit, work will often be performed on a subsidiary's accounts by both a head office audit team and a subsidiary audit team from the parent company's auditor. It is considered to be generally reasonable to allocate the fee for all such work performed by the head office team to the group audit fee. As such, whilst there is no recharge of audit fees around the Group, under Regulation 5(1)(a), a reasonable allocation to each subsidiary represents £8,500 (2017:£8,000) where the subsidiary has a portfolio of properties, £1,700 (2017: £1,500) where no portfolio is held, £2,500 (2017: £2,000) for management companies and £5,000 (2017: £4,750) for holding companies providing management services.

continued...

7. TAXATION

Analysis of tax expense/(income)

	2018 £'000	2017 £'000
Deferred tax:		
Adjustment in respect of prior years	2	(2)
Total tax expense/(income) in income statement	2	(2)

Factors affecting the tax expense
The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2018 £'000	2017 £'000
Loss before income tax	-	(17)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19.250%)	-	(3)
Effects of:		
Adjustments in respect of prior periods	2	(2)
Group relief for nil payment	-	2
Other	-	1
Tax expense/(income)	2	(2)

Deferred taxation

The gross movement on the deferred income tax liability/ (asset) is as follows:

	2018 £'000	2017 £'000
At 1 January	(2)	-
Adjustment in respect of prior years	2	(2)
At 31 December	-	(2)

continued...

7. TAXATION - continued

	Tax losses £'000	Total £'000
At 1 January 2017	-	-
Prior year adjustment	(2)	(2)
At 31 December 2017	(2)	(2)
Prior year adjustment	2	2
At 31 December 2018	-	-

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (2017: 17%). A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020), was enacted as part of the Finance Act 2015. The deferred tax liabilities are shown at 17% (2017: 17%) being the rate expected to apply to the reversal of the liability.

8. DEBTORS

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Trade receivables	13	-
Other debtors	7	-
Prepayments and accrued income	2	-
	22	-
Amounts falling due after more than one year:		
Deferred tax asset	-	2
Aggregate amounts	22	2

Amounts owed by other Group companies are payable on demand, are unsecured and carry interest at LIBOR + 2% (2017: LIBOR + 2%).

continued...

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £'000	2017 £'000
Trade payables	1	1
Amounts owed to group undertakings	42	23
Accruals and deferred income	15	9
	58	33

Amounts owed to other Group companies are payable on demand, are unsecured and carry interest at LIBOR + 2% (2017: LIBOR + 2%). No interest is charged to the Company if the Company has negative net assets.

10. RESERVES

	Retained earnings £'000
At 1 January 2018	(28)
Deficit for the year	(2)
At 31 December 2018	(30)

11. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

Harworth Group plc is regarded by the directors as being the company's ultimate parent company.

The immediate parent company at the 31 December 2018 was Harworth Estates Limited, a company incorporated in the United Kingdom.

Harworth Group plc is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2018. The consolidated financial statements of Harworth Group plc are available from Advantage House, Poplar Way, Catcliffe, Rotherham, United Kingdom, S60 5TR.

continued...

12. LIMITED BY GUARANTEE

This is a company limited by guarantee and consequently does not have share capital. Harworth Estates Limited has undertaken to contribute £1 to the assets of the company to meet its liabilities if called to do so.