

**Hargreaves Pension Company Limited**

**Directors' Report and Financial Statements**

Registered number 10793154

31 May 2020



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## Directors' Report

The directors present their Directors' Report and Financial Statements for the year ended 31 May 2020.

### Principal activity and business review

The company's principal activity is that of a Holding company for the Group pension scheme.

In May 2018, the Company acquired the retirement benefit scheme obligations for two defined benefit pension schemes from Maltby Colliery Limited, a fellow Group subsidiary, by means of a flexible apportionment arrangement.

The results for the year ended 31 May 2020 show a loss before tax of £286,000 (2019: loss of £338,000).

### 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.

The Company has not seen a significant impact on its trading and results for the year ended 31 May 2020 as a result of Covid-19 however the Directors continue to monitor the situation closely. Our focus has been to safeguard the health and wellbeing of our employees, support our communities and continue to provide a reliable service to customers and suppliers, including many operating in critical industries.

### Proposed dividend

The directors do not recommend the payment of a dividend (2019: £nil).

### Directors and directors' interests

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

|                                       |                              |
|---------------------------------------|------------------------------|
| SL Anson                              | (resigned 6 September 2019)  |
| Hargreaves Corporate Director Limited |                              |
| J Samuel                              | (appointed 6 September 2019) |
| GFC Banham                            | (appointed 9 September 2019) |

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

### Going Concern

The Company is party to a group composite debenture arrangement with certain of the companies in the Hargreaves Services plc group. This is in respect of the banking arrangements of Hargreaves Services plc (as outlined further in the Hargreaves Services plc group accounts) which are secured by means of both fixed and floating charges over all assets and undertakings of the Company.

The Hargreaves Group has material assets and financial resources at its disposal together with robust risk management and capital allocation processes. Committed banking facilities are in place until 31 July 2021 and the Board is confident that suitable new facilities will be secured to replace them. A rigorous process of reviewing cash flow forecasts and testing for a range of challenging downside sensitivities has been undertaken. Those sensitivities take account of severe but plausible downside scenarios as a result of the impact of Covid-19.

Only remedies to these downsides which are entirely within the Group's control have been assumed to be achievable mitigations to those sensitivities. At all times, the Group's banking covenants, and cash headroom have remained intact under this stress testing process. Therefore, and after making appropriate enquiries, including reviewing budgets and strategic plans, the Group's Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board of Hargreaves Services plc continues to adopt the going concern basis in preparing the Annual Report and Accounts of Hargreaves Services plc.

## **Directors' Report** *(continued)*

### **Going Concern** *(continued)*

As a result of the above, the financial statements of the Company have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons:

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its ultimate parent company, Hargreaves Services plc, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Hargreaves Services plc not seeking repayment of the amounts currently due to the group and providing additional financial support during that period. Hargreaves Services plc has indicated it will continue to make available such funds as are needed by the company, and that it will not seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

### **Small company exemption**

In preparing this report, the directors have taken advantage of the small company exemptions provided by section 414B of the Companies Act 2006 and have not prepared a strategic report.

### **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 all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **Independent Auditors**

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.

Following a tender process during the year PricewaterhouseCoopers LLP were appointed as the auditor of the company.

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

By order of the board

 **JOHN SAMUEL**

**Hargreaves Corporate Director Limited**  
*Director*

West Terrace  
Esh Winning  
Co Durham  
DH7 9PT

10 August 2020

## **Statement of Directors' Responsibilities in Respect of 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 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:

- 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.

## **Independent Auditors' Report to the Members of Hargreaves Pension Company Limited**

### **Report on the audit of the financial statements**

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#### **Opinion**

In our opinion, Hargreaves Pension Company Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2020 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 Directors' Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 May 2020; the Profit and Loss Account, Other Comprehensive Income and 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.

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#### **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.

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#### **Conclusion relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- 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.

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.

## **Independent Auditors' Report to the Members of Hargreaves Pension Company Limited (Continued)**

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### **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 Directors' Report, 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.

#### *Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 May 2020 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 Directors' Report.

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### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

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

In preparing the financial statements, the directors are responsible for assessing the 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

## **Independent Auditors' Report to the Members of Hargreaves Pension Company Limited (Continued)**

### *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.

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### **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.

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#### **Entitlement to exemptions**

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Nicholas Cook (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Newcastle upon Tyne  
10 August 2020



**Profit and Loss Account**  
*for the year ended 31 May 2020*

|                                       | <i>Note</i> | <b>2020<br/>£000</b> | <b>2019<br/>£000</b> |
|---------------------------------------|-------------|----------------------|----------------------|
| Administrative expenses               | 2           | (256)                | (292)                |
| <b>Operating loss</b>                 |             | <b>(256)</b>         | <b>(292)</b>         |
| Interest payable and similar expenses | 4           | (30)                 | (46)                 |
| <b>Loss before taxation</b>           |             | <b>(286)</b>         | <b>(338)</b>         |
| Tax on loss                           | 5           | (340)                | 81                   |
| <b>Loss for the financial year</b>    |             | <b>(626)</b>         | <b>(257)</b>         |

All results derive from continuing operations.

## Other Comprehensive Income

*for the year ended 31 May 2020*

|                                                                         | 2020<br>£000 | 2019<br>£000   |
|-------------------------------------------------------------------------|--------------|----------------|
| <b>Loss for the year</b>                                                | <b>(626)</b> | <b>(257)</b>   |
| <b>Other comprehensive expense</b>                                      |              |                |
| <i>Items that will not be reclassified to profit or loss:</i>           |              |                |
| Remeasurement of defined benefit liability                              | (176)        | (988)          |
| Tax recognised on items that will not be reclassified to profit or loss | 60           | 168            |
| <b>Other comprehensive expense for the year, net of tax</b>             | <b>(116)</b> | <b>(820)</b>   |
| <b>Total comprehensive expense for the year</b>                         | <b>(742)</b> | <b>(1,077)</b> |

## Balance Sheet

at 31 May 2020

|                                                       | Note | 2020<br>£000   | 2019<br>£000   | £000           |
|-------------------------------------------------------|------|----------------|----------------|----------------|
| <b>Non-current assets</b>                             |      |                |                |                |
| Deferred tax assets                                   | 6    |                | 146            | 450            |
| <b>Current assets</b>                                 |      |                |                |                |
| Debtors                                               | 7    | 2,487          | 2,453          |                |
|                                                       |      | <u>2,487</u>   | <u>2,453</u>   |                |
| <b>Creditors: amounts falling due within one year</b> | 8    | <u>(3,694)</u> | <u>(1,878)</u> |                |
| <b>Net current (liabilities)/assets</b>               |      |                | <b>(1,207)</b> | 575            |
| <b>Provisions</b>                                     |      |                |                |                |
| Pension liability                                     | 9    |                | (768)          | (2,112)        |
|                                                       |      |                | <u>(768)</u>   | <u>(2,112)</u> |
| <b>Net liabilities</b>                                |      |                | <b>(1,829)</b> | (1,087)        |
|                                                       |      |                | <u>(1,829)</u> | <u>(1,087)</u> |
| <b>Capital and reserves</b>                           |      |                |                |                |
| Called up share capital                               | 10   | -              | -              | -              |
| Profit and loss account                               |      | (1,829)        | (1,087)        | (1,087)        |
|                                                       |      | <u>(1,829)</u> | <u>(1,087)</u> | <u>(1,087)</u> |
| <b>Shareholders' deficit</b>                          |      |                | <b>(1,829)</b> | (1,087)        |
|                                                       |      |                | <u>(1,829)</u> | <u>(1,087)</u> |

These financial statements on pages 7 to 23 were approved by the board of directors on 10 August 2020 and were signed on its behalf by:

  
 JOHN SAMUEL

**Hargreaves Corporate Director Limited**  
 Director

Registered number: 10793154

## Statement of Changes in Equity

|                                                  | Called up<br>share capital<br>£000 | Profit and<br>loss account<br>£000 | Total<br>equity<br>£000 |
|--------------------------------------------------|------------------------------------|------------------------------------|-------------------------|
| Balance at 1 June 2018                           | -                                  | (10)                               | (10)                    |
| <b>Total comprehensive expense for the year</b>  |                                    |                                    |                         |
| Loss for the financial year                      | -                                  | (257)                              | (257)                   |
| Other comprehensive expense                      |                                    |                                    |                         |
| Remeasurement of defined benefit liability/asset | -                                  | (988)                              | (988)                   |
| Tax recognised on other comprehensive income     | -                                  | 168                                | 168                     |
|                                                  |                                    |                                    |                         |
| Total other comprehensive expense for the year   | -                                  | (820)                              | (820)                   |
| Total comprehensive expense for the year         | -                                  | (1,077)                            | (1,077)                 |
|                                                  |                                    |                                    |                         |
| <b>Balance at 31 May 2019</b>                    | -                                  | (1,087)                            | (1,087)                 |
|                                                  |                                    |                                    |                         |
| Balance at 1 June 2019                           | -                                  | (1,087)                            | (1,087)                 |
| <b>Total comprehensive expense for the year</b>  |                                    |                                    |                         |
| Loss for the financial year                      | -                                  | (626)                              | (626)                   |
| <b>Other comprehensive expense</b>               |                                    |                                    |                         |
| Remeasurement of defined benefit liability/asset | -                                  | (176)                              | (176)                   |
| Tax recognised on other comprehensive income     | -                                  | 60                                 | 60                      |
|                                                  |                                    |                                    |                         |
| Total other comprehensive expense for the year   | -                                  | (116)                              | (116)                   |
| Total comprehensive expense for the year         | -                                  | (742)                              | (742)                   |
|                                                  |                                    |                                    |                         |
| <b>Balance at 31 May 2020</b>                    | -                                  | (1,829)                            | (1,829)                 |

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Hargreaves Pension Company Limited (the "Company") is a private company limited by shares and is incorporated, domiciled and registered in England, within the UK. The registered address is West Terrace, Esh Winning, Durham, DH7 9PT

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

#### ***Basis of preparation***

These financial statements were prepared in accordance with the Companies Act 2006 as applicable to companies using 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:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments;
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

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.

#### **New standards, interpretations and amendments effective**

The following have been applied for the first time from 1 June 2019.

#### ***IFRS 16, Leases***

None of the standards, interpretations and amendments effective for the first time from 1 June 2019 have had a material effect on the financial statements. IFRS 16, has had no impact on the company which does not have any leases.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Measurement convention*

The financial statements are prepared on the historical cost basis.

#### *Going concern*

Notwithstanding net current liabilities of £1,207,000 as at 31 May 2020 and a loss for the year then ended of £626,000, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its ultimate parent company, Hargreaves Services plc, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Hargreaves Services plc not seeking repayment of the amounts currently due to the group, which at 31 May 2020 amounted to £1,700,000, and providing additional financial support during that period. Hargreaves Services plc has indicated it will make available such funds as are needed by the company, and that it will not seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### *Trade debtors*

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as fixed assets.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the debtors.

#### *Trade creditors*

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Share capital*

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

#### *Employee benefits – defined benefit pension scheme*

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company.

Pension scheme assets are measured using market values. For quoted securities the current bid price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

#### *Employee benefits - share based payments*

The share option programme allows employees to acquire shares of the parent company, Hargreaves Services plc.

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted.

The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where variations are due only to share prices not achieving the threshold for vesting.

Where the company's parent grants rights to its equity instruments to the company's employees, which are accounted for as equity-settled in the consolidated accounts of the parent, the company accounts for these share based payments as equity-settled.

#### *Classification of financial instruments issued by the Company*

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.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. The finance cost on the financial liability component is correspondingly higher over the life of the instrument.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

## **Notes** *(continued)*

### **1** **Accounting policies** *(continued)*

#### **Financial Instruments**

##### *Financial Assets*

Financial assets classified as "loans and receivables" under IAS 39 (being trade and other receivables) are now classified within the "amortised cost" category according to IFRS 9.

The Company classifies financial assets under the following measurement categories:

- Measured at amortised cost (non-derivative financial assets);
- Measured subsequently at fair value through either profit or loss or comprehensive income.

##### *Non-derivative financial assets*

Non-derivative financial assets include trade and other receivables and contract assets, as defined by IFRS 15. Neither of these two categories contain a significant financing element and, as such, expected credit losses are measured under IFRS 9 using the simplified impairment approach. This approach requires expected lifetime losses to be recognised upon the initial recognition of the asset.

At initial recognition, the Company measures a non-derivative financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. The Company subsequently measures trade and other receivables and contract receivables at amortised cost.

##### *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.

##### *Intra-Group Financial Instruments*

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

#### **Expenses**

##### *Interest receivable and interest payable*

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

##### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account.

##### *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.



## Notes (continued)

### 1 Accounting policies (continued)

#### *Taxation*

Tax on the profit or loss for the period comprises both current 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*

##### *Deferred tax asset*

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. The carrying value of the deferred tax asset as at 31 May 2020 is £146,000 (2019: £450,000).

##### *Post retirement employee benefits*

The Company operates two funded defined benefit schemes and an unfunded concessionary fuel scheme. Independent actuaries calculate the Company's asset/liability in respect of the defined benefit schemes. The actuaries make assumptions as to discount rates, salary escalations, net interest on scheme assets/liabilities, future pension increases, mortality rates applicable to members and future rates of inflation. These assumptions are made under the Board's direction. The Board determines the appropriateness of these assumptions by benchmarking them against those used by other schemes and by taking advice from the independent actuaries. If the actual experience of the schemes is different from the assumptions used, then the pension asset/liability may differ from that shown in these financial statements. More information is given in Note 9 to these financial statements. The impact of the equalisation of Guaranteed Minimum Pensions has been assessed to be negligible. The carrying value of the defined benefit schemes in the balance sheet as at 31 May 2020 is a liability of £0.8m (2019: liability of £2.1m).

## Notes (continued)

### 2 Expenses and auditor's remuneration

|                                     | 2020<br>£000 | 2019<br>£000 |
|-------------------------------------|--------------|--------------|
| <i>Auditor's remuneration:</i>      |              |              |
| Audit of these financial statements | -            | 4            |

The fee for the current year 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 parent, Hargreaves Services plc.

### 3 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 |      |
|-----------|---------------------|------|
|           | 2020                | 2019 |
| Directors | 2                   | 1    |

The directors did not receive any remuneration for their services to the company.

The remuneration of all directors in the year was borne by a fellow subsidiary undertaking of the ultimate holding company, Hargreaves Services plc, and the details of that remuneration are disclosed in Hargreaves Services plc's accounts.

### 4 Interest payable and similar expenses

|                              | 2020<br>£000 | 2019<br>£000 |
|------------------------------|--------------|--------------|
| Other finance costs (note 9) | 30           | 46           |

## Notes (continued)

### 5 Taxation

#### Recognised in the profit and loss account

|                                             | 2020<br>£000 | £000  | 2019<br>£000 | £000  |
|---------------------------------------------|--------------|-------|--------------|-------|
| <i>UK corporation tax</i>                   |              |       |              |       |
| Current year Group relief receivable        | (24)         |       | (226)        |       |
|                                             | <hr/>        |       | <hr/>        |       |
| Total current tax                           |              | (24)  |              | (226) |
| <i>Deferred tax</i>                         |              |       |              |       |
| Origination of temporary timing differences | 273          |       | 145          |       |
| Adjustments in respect of prior periods     | 91           |       |              |       |
|                                             | <hr/>        |       | <hr/>        |       |
|                                             |              | 364   |              | 145   |
|                                             |              | <hr/> |              | <hr/> |
| Tax on loss                                 |              | 340   |              | (81)  |
|                                             |              | <hr/> |              | <hr/> |

#### Income tax recognised in other comprehensive income

|                                            | 2020<br>£000 | 2019<br>£000 |
|--------------------------------------------|--------------|--------------|
| Remeasurement of defined benefit liability | (60)         | (168)        |
|                                            | <hr/>        | <hr/>        |
|                                            | (60)         | (168)        |
|                                            | <hr/>        | <hr/>        |

#### Reconciliation of effective tax rate

|                                                          | 2020<br>£000 | 2019<br>£000 |
|----------------------------------------------------------|--------------|--------------|
| Loss for the year                                        | (626)        | (257)        |
| Total tax charge/(credit)                                | 340          | (81)         |
|                                                          | <hr/>        | <hr/>        |
| Loss excluding taxation                                  | (286)        | (338)        |
| Tax using the UK corporation tax rate of 19% (2019: 19%) | (54)         | (64)         |
| Losses not recognised                                    | 289          | 10           |
| Effect of change in rate on deferred tax balances        | -            | (27)         |
| Non-deductible expenses                                  | 14           | -            |
| Adjustments in respect of prior periods                  | 91           | -            |
|                                                          | <hr/>        | <hr/>        |
| Total tax charge/(credit)                                | 340          | (81)         |
|                                                          | <hr/>        | <hr/>        |

#### Factors that may affect future tax expenses

The rate of tax for the current and prior year was 19%. On 16 March 2016 it was announced that the main rate of UK Corporation Tax would reduce to 17% on 1 April 2020. This change was substantively enacted on 6 September 2016. Following the March 2020 budget, the corporate tax rate will now remain at 19% and will not reduce to 17% in April 2020 as previously announced. The deferred tax balances at 31 May 2020 and 31 May 2019 have been calculated based on the rate substantively enacted at the balance sheet date of 19% (2019: 17%).

## Notes (continued)

### 6 Deferred tax

Recognised deferred tax assets are attributable to the following:

|                   | Assets       |              |
|-------------------|--------------|--------------|
|                   | 2020<br>£000 | 2019<br>£000 |
| Employee benefits | 146          | 359          |
| Losses            | -            | 91           |
|                   | <hr/>        | <hr/>        |
| Tax assets        | 146          | 450          |
|                   | <hr/> <hr/>  | <hr/> <hr/>  |

Movement in deferred tax during the year:

|                   | 31 May<br>2019<br>£000 | Recognised in<br>income<br>£000 | Recognised in<br>equity<br>£000 | 31 May<br>2020<br>£000 |
|-------------------|------------------------|---------------------------------|---------------------------------|------------------------|
| Employee benefits | 359                    | (273)                           | 60                              | 146                    |
| Losses            | 91                     | (91)                            | -                               | -                      |
|                   | <hr/>                  | <hr/>                           | <hr/>                           | <hr/>                  |
|                   | 450                    | (364)                           | 60                              | 146                    |
|                   | <hr/> <hr/>            | <hr/> <hr/>                     | <hr/> <hr/>                     | <hr/> <hr/>            |

Movement in deferred tax during the prior year:

|                   | 31 May<br>2018<br>£000 | Recognised in<br>income<br>£000 | Recognised in<br>equity<br>£000 | 31 May<br>2019<br>£000 |
|-------------------|------------------------|---------------------------------|---------------------------------|------------------------|
| Employee benefits | 427                    | (236)                           | 168                             | 359                    |
| Losses            | -                      | 91                              | -                               | 91                     |
|                   | <hr/>                  | <hr/>                           | <hr/>                           | <hr/>                  |
|                   | 427                    | (145)                           | 168                             | 450                    |
|                   | <hr/> <hr/>            | <hr/> <hr/>                     | <hr/> <hr/>                     | <hr/> <hr/>            |

## Notes (continued)

### 7 Debtors

|                                    | 2020<br>£000 | 2019<br>£000 |
|------------------------------------|--------------|--------------|
| Amounts owed by group undertakings | 2,222        | 2,222        |
| Other tax and social security      | 7            | 5            |
| Prepayments and accrued income     | 7            | -            |
| Group relief receivable            | 251          | 226          |
|                                    | <u>2,487</u> | <u>2,453</u> |

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

### 8 Creditors: amounts falling due within one year

|                                   | 2020<br>£000 | 2019<br>£000 |
|-----------------------------------|--------------|--------------|
| Bank overdraft                    | 1,615        | 73           |
| Amounts owed to group undertaking | 1,700        | 1,700        |
| Accruals and deferred income      | 153          | 105          |
| Corporation tax payable           | 226          | -            |
|                                   | <u>3,694</u> | <u>1,878</u> |

The bank overdraft is denominated in sterling, does not attract interest and is repayable on demand. It is part of the group's banking facility which is secured by a debenture over Hargreaves Services plc group's assets.

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

## Notes (continued)

### 9 Employee benefits

#### Defined benefit pension scheme

During 2018, the Group completed a Flexible Apportionment Arrangement, which effectively transferred the defined benefit obligations and scheme assets for two defined benefit pension schemes from Maltby Colliery Limited to the Company, this was completed at the end of May 2018. These two defined benefit pension schemes provide benefits based on final pensionable pay. The latest full actuarial valuation of these schemes was carried out at 31 December 2018 by AON Hewitt. The valuation of the IWCSSS showed a deficit of £6.4m (previously £7.5m) and a contribution schedule was agreed at £1.4m per annum to meet the technical provisions of the scheme by 30 April 2023. The valuation of the IWMPS showed a deficit of £2.8m (previously £2.7m) and a contribution schedule was agreed at £0.4m per annum to meet the technical provisions of the scheme by 31 May 2023. For accounting purposes under IAS 19, actuaries use different assumptions than for the triennial valuation. The major difference relates to assumptions concerning the future return on the growth assets portfolio. The 2018 valuations have been used as the basis, adjusted for the requirements of IAS 19 to 31 May 2019 by a qualified independent actuary, to enable the Directors to account for the schemes as follows:

|                                                     | 2020<br>£000 | 2019<br>£000 |
|-----------------------------------------------------|--------------|--------------|
| Present value of funded defined benefit obligations | (56,446)     | (55,506)     |
| Fair value of plan assets                           | 55,678       | 53,394       |
|                                                     | <hr/>        | <hr/>        |
| Deficit in the schemes – Pension liability          | (768)        | (2,112)      |
|                                                     | <hr/>        | <hr/>        |

#### Movement in the present value of defined benefit obligation:

|                                      | 2020<br>£000 | 2019<br>£000 |
|--------------------------------------|--------------|--------------|
| At beginning of the year             | (55,506)     | (52,716)     |
| Interest cost                        | (1,307)      | (1,432)      |
| Remeasurement (losses)/gains:        |              |              |
| – Changes in demographic assumptions | (751)        | 1,221        |
| – Changes in financial assumptions   | (4,449)      | (3,849)      |
| – Experience                         | 3,442        | (32)         |
| Benefits paid                        | 2,125        | 1,302        |
|                                      | <hr/>        | <hr/>        |
| At end of year                       | (56,446)     | (55,506)     |
|                                      | <hr/>        | <hr/>        |

#### Movement in the fair value of plan assets

|                                                | 2020<br>£000 | 2019<br>£000 |
|------------------------------------------------|--------------|--------------|
| Fair value of plan assets at beginning of year | 53,394       | 50,202       |
| Net interest on plan assets                    | 1,277        | 1,386        |
| Remeasurement gain                             | 1,582        | 1,672        |
| Employer contributions                         | 1,783        | 1,676        |
| Benefits paid                                  | (2,125)      | (1,302)      |
| Expenses paid                                  | (233)        | (240)        |
|                                                | <hr/>        | <hr/>        |
| Fair value of plan assets at end of year       | 55,678       | 53,394       |
|                                                | <hr/>        | <hr/>        |

## Notes (continued)

### 9 Employee benefits (continued)

#### Expense recognised in the profit and loss account

|                                                                | 2020<br>£000 | 2019<br>£000 |
|----------------------------------------------------------------|--------------|--------------|
| Expenses paid from plan                                        | 233          | 240          |
| Interest expense on net defined benefit pension plans (note 4) | 30           | 46           |
|                                                                | <u>263</u>   | <u>286</u>   |

The expense is recognised in the following line items in the profit and loss account:

|                                               | 2020<br>£000 | 2019<br>£000 |
|-----------------------------------------------|--------------|--------------|
| Administrative expenses                       | 233          | 240          |
| Interest payable and similar charges (note 4) | 30           | 46           |
|                                               | <u>263</u>   | <u>286</u>   |

Remeasurement gains and (losses) recognised directly in equity in the Statement of Other Comprehensive Income:

|                             | 2020<br>£000   | 2019<br>£000 |
|-----------------------------|----------------|--------------|
| Cumulative amount at 1 June | (988)          | -            |
| Recognised in the year      | (176)          | (988)        |
|                             | <u>(1,164)</u> | <u>(988)</u> |

#### Scheme Assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, were:

|                          | 2020<br>£000  | 2019<br>£000  |
|--------------------------|---------------|---------------|
| Equities and hedge funds | 26,114        | 25,116        |
| Corporate bonds          | 25,636        | 23,678        |
| Property                 | 3,402         | 3,586         |
| Other – cash             | 526           | 1,014         |
|                          | <u>55,678</u> | <u>53,394</u> |

The major assumptions used in this valuation were:

|                                             | 2020  | 2019  |
|---------------------------------------------|-------|-------|
| Rate of increase in deferred pensions       | 2.70% | 3.20% |
| Rate of increase in pensions in payment     | 2.70% | 3.20% |
| Discount rate applied to scheme liabilities | 1.50% | 2.40% |
| Inflation assumption                        | 2.80% | 3.30% |

## Notes (continued)

### 9 Employee benefits (continued)

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The assumptions relating to longevity underlying the pension liability at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 60-year-old to live for a number of years as follows:

#### IWMPS

Current pensioner aged 60: 23.4 years (male), 27.1 years (female) (2019: 22.9 years (male), 26.7 years (female)).

Future retiree upon reaching 60: 24.7 years (male), 28.4 years (female) (2019: 24.2 years (male), 28.0 years (female)).

#### IWCSS

Current pensioner aged 60: 24.9 years (male), 27.5 years (female) (2019: 24.7 years (male), 26.8 years (female)).

Future retiree upon reaching 60: 26.0 years (male), 28.8 years (female) (2019: 25.9 years (male), 28.0 years (female)).

#### Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the actuarial assumptions, holding other assumptions constant, would have increased/(decreased) the defined benefit obligation by the amounts shown below.

|                             | 2020<br>£000      | 2019<br>£000      |
|-----------------------------|-------------------|-------------------|
| Discount rate (1% increase) | (9,983)           | (10,364)          |
| Inflation (1% increase)     | 11,125            | 10,916            |
|                             | <u>          </u> | <u>          </u> |
|                             | 2020<br>£000      | 2019<br>£000      |
| Discount rate (1% decrease) | 12,945            | 13,668            |
| Inflation (1% decrease)     | (9,068)           | (9,600)           |
|                             | <u>          </u> | <u>          </u> |



## Notes (continued)

### 10 Capital and reserves

|                                           | 2020 | 2019 |
|-------------------------------------------|------|------|
| Share capital                             | £000 | £000 |
| <i>Allotted, called up and fully paid</i> |      |      |
| 1 (2019: 1) Ordinary share of £1 each     | 1    | 1    |

### 11 Related party disclosures

In these financial statements, the company has applied the exemption available under FRS 101 regarding disclosures in respect of transactions with wholly owned subsidiaries within the group. At the current and previous year end, the company had no balances outstanding with, or sales to/purchases from any other related parties.

### 12 Contingent liabilities

The Company is party to a group composite debenture arrangement with certain of the companies in the Hargreaves Services plc group. This is in respect of the banking arrangements of Hargreaves Services plc (as outlined further in the Hargreaves Services plc group accounts) which are secured by means of both fixed and floating charges over all assets and undertakings of the Company. The total amount drawn on the group banking facility at 31 May 2020 was £32,000,000 (2019: £27,000,000).

### 13 Ultimate parent company and parent undertaking of larger group of which the company is a member

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 (UK) Limited.

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.