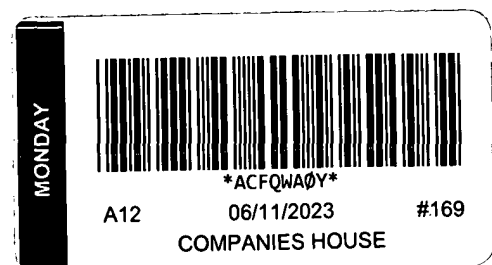


Registration number: 10793154

Hargreaves Pension Company Limited

Annual Report and Financial Statements

for the Year Ended 31 May 2023



Hargreaves Pension Company Limited

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Hargreaves Pension Company Limited

Company Information

Directors	G Banham Hargreaves Corporate Director Limited S Craigen
Registered office	West Terrace Esh Winning County Durham DH7 9PT
Independent auditors	PricewaterhouseCoopers LLP 5th and 6th Floor Central Square South Orchard Street Newcastle Upon Tyne NE1 3AZ

Hargreaves Pension Company Limited

Directors' Report for the Year Ended 31 May 2023

The directors present their report and the audited financial statements for the year ended 31 May 2023.

Dividends

The directors do not recommend the payment of a dividend (2022: £nil)

Directors of the company

The directors of the company, who were in office during the year and up to the date of signing the financial statements, were as follows:

G Banham

J Samuel (resigned 9 August 2023)

Hargreaves Corporate Director Limited

The following director was appointed after the year end:

S Craigen (appointed 9 August 2023)

Principal activity

The principal activity of the company is that of a Holding company for the Group's participation in the Industry Wide Coal Staff Superannuation Pension Scheme and the Industry Wide Mineworkers Pension Scheme. The company has now instructed the Trustees of the schemes to progress towards a full buy out of the liability, subject to obtaining satisfactory terms from the insurance market. This may take up to 18 months to complete.

The results for the year ended 31 May 2023 show a profit before tax of £225,000 (2022: loss of £192,000).

The balance sheet shows total net liabilities of £2,281,000 (2022: net assets of £1,002,000).

Business review

Key Performance Indicators

The directors do not consider KPIs to be appropriate given the nature of the business.

Principal risks and uncertainties

The risks and uncertainties facing the Company are inherently linked to those of the Hargreaves Services plc Group. The principal risks and uncertainties of the Group which includes those of this company are discussed in detail in the Risk Management section of the Group financial statements.

Directors' liabilities

All of the Directors benefited from the Group's qualifying third party indemnity provisions which were in place during the year and at the date of this Directors' Report.

Hargreaves Pension Company Limited

Directors' Report for the Year Ended 31 May 2023 (continued)

Going concern

The Company relies on the Group for support. Hargreaves Services plc has provided a letter of support covering 12 months from the date the financial statements were approved by the directors.

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.

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.

The Group's financing is not dependent on bank borrowings, there is no debenture nor any financial covenants to comply with. Notwithstanding that, a rigorous review of cash flow forecasts including testing for a range of severe but plausible downside scenarios has been undertaken. The Group's £12m invoice discounting facility is committed for a period of 17 months from July 2023 and expires on 31 October 2024. The facility is secured against certain Group debtors and there is no debenture nor any covenants associated with this facility. Mitigating strategies to these sensitivities considered by the Board exclude any remedies which are not entirely within the Group's control.

As a result, and after making appropriate enquiries including reviewing budgets and strategic plans, the Directors have a reasonable expectation that both the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board continues to adopt the going concern basis in preparing the Annual Report and Accounts of Hargreaves Services plc.

Small companies provision statement

In preparing this report, the directors have taken advantage of the small company exemptions provided by section 415A of the Companies Act 2006.

The directors have also taken advantage of small company exemptions provided by section 414B of the Companies Act 2006 and have not prepared a Strategic Report.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.


Reappointment of auditors

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of PricewaterhouseCoopers LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Hargreaves Pension Company Limited

Directors' Report for the Year Ended 31 May 2023 (continued)

Approved by the Board on 17 August 2023 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'SC', written over a dotted line.

.....
Stephen Craigen for and on behalf of
Hargreaves Corporate Director Limited
Director

Hargreaves Pension Company Limited

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and 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 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.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the Board and signed on its behalf by:



.....
Stephen Craigen for and on behalf of
Hargreaves Corporate Director Limited
Director

Independent auditors' report to the members of Hargreaves Pension Company Limited

Report on the audit of the financial statements

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 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including 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 Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 May 2023; the Profit and Loss Account; the Statement of 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.

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditors' report to the members of Hargreaves Pension Company Limited (continued)

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2023 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.

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, 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.

Independent auditors' report to the members of Hargreaves Pension Company Limited (continued)

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to health & safety regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to the profit and loss account, or through management bias in manipulation of accounting estimates. Audit procedures performed by the engagement team included:

- Inquiry of management and those charged with governance around actual and potential litigation claims;
- Review minutes of meetings of those charged with governance;
- Reviewing financial statements disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Reviewing legal expenditure in the year to identify potential non-compliance with laws and regulations;
- Identifying and testing journal entries, in particular any journal entries with unusual account combinations; and
- Challenging assumptions and judgements made by management in their significant accounting estimates and on going concern.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

Hargreaves Pension Company Limited

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.

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 obtained 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.

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: prepare financial statements in accordance with the small companies regime; take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Mark Dawson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
17 August 2023

Hargreaves Pension Company Limited

Profit and Loss Account for the Year Ended 31 May 2023

	Note	2023 £ 000	2022 £ 000
Administrative expenses		<u>(166)</u>	<u>(267)</u>
Operating loss		(166)	(267)
Other finance income	4	<u>391</u>	<u>75</u>
Profit/(loss) before taxation		225	(192)
Tax on profit/(loss)	8	<u>(178)</u>	<u>(529)</u>
Profit/(loss) for the year		<u><u>47</u></u>	<u><u>(721)</u></u>

The above results were derived from continuing operations.

The notes on pages 14 to 27 form an integral part of these financial statements.

Hargreaves Pension Company Limited

Statement of Comprehensive Income for the Year Ended 31 May 2023

	2023 £ 000	2022 £ 000
Profit/(loss) for the year	<u>47</u>	<u>(721)</u>
Items that may be reclassified subsequently to profit or loss		
Actuarial (loss)/gain on defined benefit pension schemes before tax	(4,440)	5,826
Tax recognised on items that will not be reclassified to profit or loss	<u>1,110</u>	<u>(1,456)</u>
	<u>(3,330)</u>	<u>4,370</u>
Total comprehensive (expense)/income for the year	<u><u>(3,283)</u></u>	<u><u>3,649</u></u>

The notes on pages 14 to 27 form an integral part of these financial statements.

Hargreaves Pension Company Limited

(Registration number: 10793154)

Balance Sheet as at 31 May 2023

	Note	31 May 2023 £ 000	31 May 2022 £ 000
Fixed assets			
Pension asset	12	8,474	10,382
Deferred tax assets	8	-	6
		<u>8,474</u>	<u>10,388</u>
Current assets			
Debtors	9	474	359
Creditors: Amounts falling due within one year	10	<u>(9,110)</u>	<u>(7,149)</u>
Net current liabilities		<u>(8,636)</u>	<u>(6,790)</u>
Total assets less current liabilities		(162)	3,598
Provisions for liabilities	8	<u>(2,119)</u>	<u>(2,596)</u>
Net (liabilities)/assets		<u>(2,281)</u>	<u>1,002</u>
Capital and reserves			
Profit and loss account		<u>(2,281)</u>	<u>1,002</u>
Shareholders' (deficit)/funds		<u>(2,281)</u>	<u>1,002</u>

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

These financial statements on pages 10 to 27 were approved by the Board of directors on 17 August 2023 and signed on its behalf by:



.....
Stephen Craigen for and on behalf of
Hargreaves Corporate Director Limited
Director

The notes on pages 14 to 27 form an integral part of these financial statements.

Hargreaves Pension Company Limited

Statement of Changes in Equity for the Year Ended 31 May 2023

	Called up share capital £ 000	(Accumulated losses)/Retained earnings £ 000	Total £ 000
At 1 June 2021	-	(2,647)	(2,647)
Loss for the year	-	(721)	(721)
Actuarial gain on defined benefit pension schemes	-	4,370	4,370
Total comprehensive income	-	3,649	3,649
At 31 May 2022	-	1,002	1,002
		Retained earnings/	
	Called up share capital £ 000	(Accumulated losses) £ 000	Total £ 000
At 1 June 2022	-	1,002	1,002
Profit for the year	-	47	47
Actuarial loss on defined benefit pension schemes	-	(3,330)	(3,330)
Total comprehensive expense	-	(3,283)	(3,283)
At 31 May 2023	-	(2,281)	(2,281)

The notes on pages 14 to 27 form an integral part of these financial statements.

Hargreaves Pension Company Limited

Notes to the Financial Statements for the Year Ended 31 May 2023

1 General information

The company is a private company limited by share capital, incorporated and domiciled in England within the UK.

The address of its registered office is:

West Terrace
Esh Winning
County Durham
DH7 9PT

These financial statements were authorised for issue by the Board on 17 August 2023.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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") and are prepared under the historic cost modified by revaluation of financial assets and financial liabilities held at fair value through profit and loss.

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 and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

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

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

Hargreaves Pension Company Limited

Notes to the Financial Statements for the Year Ended 31 May 2023 (continued)

2 Accounting policies (continued)

Going concern

The financial statements have been prepared on a going concern basis.

The company has net current liabilities of £8,636,000 (2022: £6,790,000) including a £7,700,000 (2022: £5,700,000) creditor due to group undertakings. The company meets its day to day working capital requirements through support from related companies and the company's parent undertaking, Hargreaves Services plc, has indicated through provision of a letter of support that it will continue to provide support to enable the company to trade for at least 12 months from the date of approval of these accounts.

The directors have prepared group 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 group will have sufficient funds, to meet its liabilities as they fall due for that period.

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.

Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 June 2022 have had a material effect on the financial statements.

Finance income and costs policy

Net financing costs comprise interest payable, finance charges on leases and interest receivable on funds invested net of the interest on the defined benefit pension scheme liability. This is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the net defined benefit liability.

Interest income and interest payable is recognised in the Income Statement as it accrues, using the effective interest method. Dividend income is recognised in the Income Statement on the date the entity's right to receive payment is established.

Hargreaves Pension Company Limited

Notes to the Financial Statements for the Year Ended 31 May 2023 (continued)

2 Accounting policies (continued)

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Depreciation of right of use assets is based on the same categorisation as above.

Dividends

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.

Defined benefit pension obligation

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.

Hargreaves Pension Company Limited

Notes to the Financial Statements for the Year Ended 31 May 2023 (continued)

2 Accounting policies (continued)

Financial instruments

Initial recognition

Financial assets and financial liabilities comprise all assets and liabilities reflected in the statement of financial position, although excluding property, plant and equipment, investment properties, intangible assets, deferred tax assets, prepayments, deferred tax liabilities and employee benefits plan.

The company recognises financial assets and financial liabilities in the statement of financial position when, and only when, the company becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

All regular way purchases and sales of financial assets and financial liabilities classified as fair value through profit or loss ("FVTPL") are recognised on the trade date, i.e. the date on which the company commits to purchase or sell the financial assets or financial liabilities. All regular way purchases and sales of other financial assets and financial liabilities are recognised on the settlement date, i.e. the date on which the asset or liability is received from or delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the market place.

Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

Classification and measurement

Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:-

Financial assets are classified into one of the following three categories:-

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income (FVTOCI); or
- financial assets at fair value through the profit or loss (FVTPL).

Financial liabilities are classified into one of the following two categories:-

- financial liabilities at amortised cost; or
- financial liabilities at fair value through the profit or loss (FVTPL).

The classification and the basis for measurement are subject to the company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:-

Hargreaves Pension Company Limited

Notes to the Financial Statements for the Year Ended 31 May 2023 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty

Post retirement employee benefits (estimate)

The Company operates two funded defined benefit schemes. 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. 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 2023 is an asset of £8.5m (2022: £10.4).

There are no material judgements made by the directors, in the application of these accounting policies that are expected to have a significant effect on the financial statements or any estimates with a significant risk of material adjustment in the next year.

4 Other finance income

	2023 £ 000	2022 £ 000
Net pension interest	<u>391</u>	<u>75</u>

5 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	Note	2023 £ 000	2022 £ 000
Pension costs, defined contribution scheme	12	<u>186</u>	<u>341</u>

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

	2023 No.	2022 No.
Directors	<u>2</u>	<u>2</u>

6 Directors' remuneration

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

Hargreaves Pension Company Limited

Notes to the Financial Statements for the Year Ended 31 May 2023 (continued)

7 Auditors' remuneration

	2023 £ 000	2022 £ 000
Audit of the financial statements	<u>20</u>	<u>16</u>

Amounts receivable by the Company's auditors in respect of services to the Company and their 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.

8 Tax on profit/(loss)

Tax charged in the profit and loss account

	2023 £ 000	2022 £ 000
Current taxation		
Group relief	(461)	(345)
Deferred taxation		
Arising from origination and reversal of temporary differences	633	406
Arising from write-down or reversal of write-down of deferred tax asset	<u>6</u>	<u>468</u>
Total deferred taxation	<u>639</u>	<u>874</u>
Tax expense in the profit and loss account	<u>178</u>	<u>529</u>

Hargreaves Pension Company Limited

Notes to the Financial Statements for the Year Ended 31 May 2023 (continued)

8 Tax on profit/(loss) (continued)

The tax on profit/(loss) before taxation for the year is higher than the standard rate of corporation tax in the UK of 20% (2022 - 19%). The UK corporation tax rate increased from 19% to 25% on 1 April 2023, therefore a blended rate of 20% has been used.

The differences are reconciled below:

	2023 £ 000	2022 £ 000
Profit/(loss) before taxation	225	(192)
Corporation tax at standard rate	45	(37)
Increase from effect of expenses not deductible in determining taxable profit	-	99
Deferred tax credit from unrecognised tax loss or credit	-	(1)
Deferred tax expense from unrecognised temporary difference from a prior period	6	468
Increase from changes in pension fund prepayment	127	-
Total tax charge	178	529

Factors That May Affect Future Current and Total Tax Charges

Following the March 2023 budget, the corporate tax rate increased from 19% to 25% on 1 April 2023. The deferred tax balances at 31 May 2023 and 31 May 2022 have been calculated based on the rate substantively enacted at the balance sheet date of 25%.

Amounts recognised in other comprehensive income

	Before tax £ 000	2023 Tax benefit £ 000	Net of tax £ 000	Before tax £ 000	2022 Tax expense £ 000	Net of tax £ 000
Remeasurements of post employment benefit obligations	(4,440)	1,110	(3,330)	5,826	(1,456)	4,370

Hargreaves Pension Company Limited

Notes to the Financial Statements for the Year Ended 31 May 2023 (continued)

8 Tax on profit/(loss) (continued)

Deferred tax

Deferred tax assets and liabilities

Deferred tax movement during the year:

	At 1 June 2022 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 31 May 2023 £ 000
Pension benefit obligations	(2,596)	(633)	1,110	(2,119)
Tax losses carry-forwards	6	(6)	-	-
Net tax liabilities	<u>(2,590)</u>	<u>(639)</u>	<u>1,110</u>	<u>(2,119)</u>

Deferred tax movement during the prior year:

	At 1 June 2021 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 31 May 2022 £ 000
Pension benefit obligations	(728)	(412)	(1,456)	(2,596)
Tax losses carry-forwards	468	(462)	-	6
Net tax liabilities	<u>(260)</u>	<u>(874)</u>	<u>(1,456)</u>	<u>(2,590)</u>

9 Debtors

	31 May 2023 £ 000	31 May 2022 £ 000
Prepayments and accrued income	6	8
Group relief receivable	461	345
Other taxes and social security	7	6
	<u>474</u>	<u>359</u>

Hargreaves Pension Company Limited

Notes to the Financial Statements for the Year Ended 31 May 2023 (continued)

10 Creditors: amounts falling due within one year

	31 May 2023 £ 000	31 May 2022 £ 000
Amounts due to group undertakings	7,700	5,700
Accrued expenses	23	24
Bank overdraft	1,387	1,425
	<u>9,110</u>	<u>7,149</u>

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

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 the group's assets.

11 Called up share capital

Allotted, called up and fully paid shares

	31 May 2023		31 May 2022	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

Hargreaves Pension Company Limited

Notes to the Financial Statements for the Year Ended 31 May 2023 (continued)

12 Pension and other schemes

Defined benefit pension schemes

The Company has two defined benefit schemes, which are both part of industry-wide schemes relating to the coal industry. Details of the two schemes are consolidated in the tables below because the two schemes share the same characteristics and risks, and as such, the disclosures have been aggregated. The Company is only liable for its own section of the scheme. Any deficit or surplus is not shared with other members of the multi-employer scheme.

In common with most company pension schemes the Industry Wide Coal Staff Superannuation Scheme ("IWCSSS") and Industry Wide Mineworkers Pension Scheme ("IWMPS") are both established as a trust under which the assets of the Scheme are held separately from those of the sponsoring employers. The management of the Scheme is the responsibility of its trustee board, the Committee of Management, who are required to manage the Scheme in accordance with its Deed and Rules. The Scheme is sectionalised so that each employer or group of associated employers has a separate sub-fund within the Scheme. Each employer is liable for the benefits accrued by its member employees but has no liability for benefits accrued in other employer sub-funds. This means that in practice each employer sub-fund effectively operates as a separate pension scheme.

The schemes were most recently valued on 31 December 2021. The latest full actuarial valuation of these schemes was carried out at 31 December 2021 by AON Hewitt. The valuation of the IWCSSS showed a deficit of £2.4m (previously £6.4m) and a contribution schedule was agreed at £0.4m per annum to meet the technical provisions of the scheme by 31 March 2024. The valuation of the IWMPS showed a deficit of £2.6m (previously £2.8m) and a contribution schedule was agreed at £1.3m per annum to meet the technical provisions of the scheme by 31 March 2024.

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 2021 valuations have been used as the basis, adjusted for the requirements of IAS 19 to 31 May 2023 by a qualified independent actuary, to enable the Directors to account for the schemes as follows:

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the balance sheet are as follows:

	31 May 2023 £ 000	31 May 2022 £ 000
Fair value of scheme assets	41,966	52,214
Present value of scheme liabilities	(33,492)	(41,832)
Defined benefit pension scheme surplus	<u>8,474</u>	<u>10,382</u>

Hargreaves Pension Company Limited

Notes to the Financial Statements for the Year Ended 31 May 2023 (continued)

12 Pension and other schemes (continued)

Scheme assets

Changes in the fair value of scheme assets are as follows:

	31 May 2023 £ 000	31 May 2022 £ 000
Fair value at start of year	52,214	58,425
Interest income	1,812	1,131
Return on plan assets, excluding amounts included in interest income/(expense)	(12,885)	(6,192)
Employer contributions	2,327	1,911
Benefits paid	(1,316)	(2,720)
Administrative expenses paid	(186)	(341)
Fair value at end of year	<u>41,966</u>	<u>52,214</u>

Analysis of assets

The major categories of scheme assets are as follows:

	31 May 2023 £ 000	31 May 2022 £ 000
Cash and cash equivalents	790	897
Equity instruments	16,843	29,192
Debt instruments	24,333	22,125
	<u>41,966</u>	<u>52,214</u>

Quoted and non-quoted assets

The split between quoted and non-quoted assets can be further categorised as follows:

	31 May 2023 £ 000	31 May 2022 £ 000
Quoted assets	3,679	4,353
Non-quoted assets	38,287	47,861
	<u>41,966</u>	<u>52,214</u>

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

Hargreaves Pension Company Limited

Notes to the Financial Statements for the Year Ended 31 May 2023 (continued)

12 Pension and other schemes (continued)

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	31 May 2023 £ 000	31 May 2022 £ 000
Present value at start of year	(41,832)	(55,515)
Current service cost	(1,421)	(1,055)
Actuarial gains arising from changes in demographic assumptions	345	21
Actuarial gains arising from changes in financial assumptions	11,432	13,158
Actuarial losses arising from experience adjustments	(3,332)	(1,161)
Benefits paid	1,316	2,720
Present value at end of year	<u>(33,492)</u>	<u>(41,832)</u>
Analysed as:		
Present value of scheme liabilities arising from wholly or partly funded schemes	<u>(33,492)</u>	<u>(41,832)</u>

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the balance sheet date are as follows:

	31 May 2023 %	31 May 2022 %
Rate of increase in pensions in payment	3.05	3.20
Rate of increase in deferred pensions	3.25	3.20
Discount rate	5.25	3.45
RPI Inflation	3.25	3.45
CPI Inflation	<u>2.70</u>	<u>2.95</u>

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to 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:

Hargreaves Pension Company Limited

Notes to the Financial Statements for the Year Ended 31 May 2023 (continued)

12 Pension and other schemes (continued)

Post retirement mortality assumptions

IWMPS

Current pensioner aged 60: 23.0 years (male), 26.9 years (female) (2022: 23.5 years (male), 27.2 years (female)).

Future retiree upon reaching 60: 24.4 years (male), 28.5 years (female) (2022: 24.7 years (male), 28.5 years (female)).

IWCSS

Current pensioner aged 60: 24.5 years (male), 26.9 years (female) (2022: 24.9 years (male), 27.6 years (female)).

Future retiree upon reaching 60: 25.7 years (male), 28.2 years (female) (2022: 26.1 years (male), 28.8 years (female)).

The weighted average duration of the defined benefit obligation is 14 years (2022: 18 years).

Amounts recognised in the profit and loss account

	31 May 2023 £ 000	31 May 2022 £ 000
Amounts recognised in operating profit		
Administrative expenses paid	186	341
Amounts recognised in finance income or costs		
Net interest income	<u>(391)</u>	<u>(75)</u>
Total recognised in the profit and loss account	<u><u>(205)</u></u>	<u><u>266</u></u>

Amounts taken to the Statement of Comprehensive Income

	31 May 2023 £ 000	31 May 2022 £ 000
Actuarial gains arising from changes in demographic assumptions	345	21
Actuarial gains arising from changes in financial assumptions	11,432	13,158
Actuarial losses arising from experience adjustments	(3,332)	(1,161)
Return on plan assets, excluding amounts included in interest income	<u>(12,885)</u>	<u>(6,192)</u>
Amounts recognised in the Statement of Comprehensive Income	<u><u>(4,440)</u></u>	<u><u>5,826</u></u>

Hargreaves Pension Company Limited

Notes to the Financial Statements for the Year Ended 31 May 2023 (continued)

12 Pension and other schemes (continued)

Sensitivity analysis

A sensitivity analysis for the principal assumptions used to measure scheme liabilities is set out below:

	31 May 2023			31 May 2022		
Adjustment to discount rate	+ 1%	0.0%	- 1%	+ 1%	0.0%	- 1%
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Present value of total obligation	12,392	8,474	3,685	16,970	10,382	1,023
	31 May 2023			31 May 2022		
Adjustment to rate of inflation	+ 1%	0.0%	- 1%	+ 1%	0.0%	- 1%
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Present value of total obligation	5,024	8,474	11,823	4,277	10,382	16,073

13 Related party transactions

Summary of transactions with other related parties

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.

All transactions and outstanding balances relate to general intercompany trade and working capital management.

14 Parent and ultimate parent undertaking

The company's immediate parent is Hargreaves Services plc.

The ultimate parent is Hargreaves Services plc. 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.