OCCW (Duncanziemere) Limited

Directors' report and financial statements

Registered number 08382384

31 May 2015

Contents

Directors' Report

The directors present their Directors' Report and the financial statements for the year ended 31 May 2015.

Principal activities and business review

The company was incorporated on 30 January 2013 as a wholly-owned subsidiary of Aardvark TMC Limited (a company incorporated in England and Wales).

Aardvark TMC Limited went into liquidation on 15 May 2013. Pursuant to certain permissions granted to its liquidators by the High Court of Justice, Aardvark TMC Limited's open cast coal works at Duncanziemere were sold to the company.

The company's principal activity is continued open cast coal working at Duncanziemere. The activity has preserved employment opportunities at the site, and is being carried out in a manner designed to mitigate the outstanding restoration liabilities resulting from the prior workings of the site.

The results for the company show turnover of £377k *(2014: £1,367k)* and a profit before tax for the year of £61k *(2014: £45k)*.

Key financial performance indicators

	2015	2014
Turnover	**£377k**	£1,367k
Gross margin	**34.0%**	43.5%
Profit before tax/turnover	**16.2%**	3.3%

Risks and uncertainties

The risks and uncertainties facing the company are inherently linked to those of the 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.

Those that have particular importance for this company are:

- Human resources and operations;
- Environmental; and
- Health and safety.

Current trading and outlook

The Board is pleased to report that steady progress is being made in designing and delivering a mining plan that mitigates the outstanding restoration liabilities at the site, enabling it ultimately to be restored more effectively than would have been possible upon the liquidation of Aardvark TMC Limited, the previous owner and operator of the site.

Proposed dividend

The directors do not recommend the payment of a dividend.

Director's Report *(continued)*

Directors

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

IM Crossland	(resigned 10 December 2015)
ID Cockburn	(appointed 10 December 2015)
SL Anson	(appointed 10 December 2015)

Employees

Applications for employment by disabled persons are always fully considered. Employment policies are designed to provide opportunities irrespective of colour, ethnic or national origin, nationality, sex or marital status. In the event of employees becoming disabled every effort is made, including appropriate training, to ensure that their employment with the company continues.

The directors recognise the importance of good communications and good relations with employees.

Exemption from audit

For the year to 31 May 2015 the company qualified as small under section 477 of the Companies Act 2006 ("the Act"). The ultimate parent company, Aardvark TMC Limited, is in liquidiation and has not been required to submit audited financial statements in the last three years, as such the Directors are satisfied that these financial statements are entitled to an exemption from audit.

The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476. The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

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

On behalf of the board

ID Cockburn
Director

West Terracee
Esh Winning
Durham
DH7 9PT

15 April 2016

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Profit and loss account

for the year ended 31 May 2015

	Note	2015 £000	2014 £000
Turnover	*1,2*	**377**	1,367
Cost of sales		**(249)**	(772)
Gross profit		**128**	595
Administrative expenses		**(67)**	(550)
Profit on ordinary activities before taxation	*3*	**61**	45
Tax on profit on ordinary activities	*4*	**(13)**	(10)
Profit for the financial year	*9*	**48**	35

All results derive from continuing operations. The Company had no recognised gains or losses other than the result for the year.

The comparative results are for the period 30 January 2013 to 31 May 2014.

Balance sheet
at 31 May 2015

	Note	2015 £000	£000	2014 £000	£000
Fixed assets					
Tangible assets	5		**117**		117
Current assets					
Debtors	6	**209**		32	
Cash at bank and in hand		**23**		186	
		232		218	
Creditors: amounts falling due within one year	7	**(266)**		(300)	
Net current liabilities			**(44)**		(82)
Net assets			**83**		35
Capital and reserves					
Called up share capital	8		**-**		-
Profit and loss account	9		**83**		35
Shareholders' funds			**-**		35

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The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476. The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

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

These financial statements were approved by the board of directors on 15 April 2016 and were signed on its behalf by:

ID Cockburn
Director

Registered number: 08382379

Reconciliation of movements in shareholders' funds
for the year ended 31 May 2015

	2015 £000	2014 £000
Profit for the financial year	**48**	35
Issue of share capital	-	-
Net addition to shareholders' funds	48	35
Opening shareholders' funds	**35**	-
Closing shareholders' funds	**83**	35

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently, in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards under Financial Reporting Standard for Smaller Entities, and under the historical cost accounting rules.

The current economic conditions create an element of uncertainty over demand for the company's products but the company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company is expected to have a sufficient level of financial resources available through current banking and other facilities and therefore the directors believe that the company is well placed to manage its business risks successfully despite the economic uncertainty. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to prepare the financial statements on a going concern basis.

Under Financial Reporting Standards for Smaller Entities the company is exempt from the requirement to prepare a cashflow statement.

As the company is a wholly owned subsidiary of Aardvark TMC Limited (in liquidation), the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned entities which form part of the group.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets over their estimated useful economic lives. The land held by the Company is not depreciated, the Company does not hold any other categories of tangible fixed assets.

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.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Notes *(continued)*

1 Accounting policies *(continued)*

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, 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.

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, are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

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.

Turnover

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

2 Turnover

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

Notes *(continued)*

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	
	2015	2014
Directors	**1**	2
	1	2

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

4 Taxation

Analysis of charge in year

	2015	2014
	£000	£000
UK Corporation tax		
Current tax expense	**13**	10
Tax on profit on ordinary activities	**13**	10

Factors affecting the tax charge for the current year

The current tax charge for the year is equal *(2014: equal)* to the standard rate of corporation tax in the UK of 20.83% *(2014: 22.68%).*

	2015	2014
	£000	£000
Current tax reconciliation		
Profit on ordinary activities before tax	**61**	45
Current tax at 20.83% *(2014: 22.68%)*	**13**	10
Total current tax charge (see above)	**13**	10

Factors that may affect future tax expenses

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future current tax change accordingly.

Notes *(continued)*

5 Tangible fixed assets

	Land and buildings £000
Cost	
At beginning of year	117
Additions	-
At end of year	**117**
Depreciation	
At beginning of year	-
Charge for year	-
At end of year	-
Net book value	
At 31 May 2015	**117**
At 31 May 2014	117

6 Debtors

	2015 £000	2014 £000
Trade debtors	**209**	9
Prepayments and accrued income	**-**	23
	209	32

7 Creditors: amounts falling due within one year

	2015 £000	2014 £000
Amounts owed to group undertakings	**174**	174
Trade creditors	**62**	50
Accruals and deferred income	**1**	45
Corporation tax	**13**	10
VAT payable	**16**	21
	266	300

Notes *(continued)*

8 Called up share capital

	2015	2014
	£	£
Allotted, called up and fully paid		
1 Ordinary share of £1 each	**1**	1

9 Reserves

	Profit and loss account
	£000
At beginning of year	35
Profit for the year	48
At end of year	**83**

Notes *(continued)*

10 Ultimate parent company and parent undertaking of larger group

The company is a subsidiary undertaking of Aardvark TMC Limited (in liquidation). Aardvark TMC Limited (acting by its liquidators) is the company's ultimate controlling party.

The only group in which the results of the company would be consolidated is that headed by Aardvark TMC Limited (in liquidation). However, as the parent company is in liquidation no such consolidated accounts have been prepared.

11 Post balance sheet event

On 10 December 2015, Hargreaves Surface Mining Limited exercised its option to purchase the company. The company's new ultimate parent is Hargreaves Services plc."