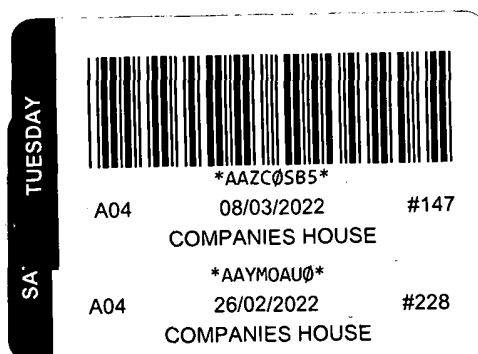


Registration number: 08588508

OCCW (Damside) Limited

Annual Report and Unaudited Financial Statements

for the Year Ended 31 May 2021



OCCW (Damside) Limited

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OCCW (Damside) Limited

Company Information

| | |
|--------------------------|--|
| Directors | D Anderson |
| | Hargreaves Corporate Director Limited |
| | I Slater |
| Registered office | West Terrace Esh Winning Durham DH7 9PT |

OCCW (Damside) Limited

Directors' Report for the Year Ended 31 May 2021

The directors present their report and the audited financial statements for the year ended 31 May 2021.

Principal activity

The principal activity of the company is planning the operation of a reduced restoration scheme at Damside.

Future developments

The directors foresee no material change in the nature of the Company's activities.

Business review

Principal 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 2021 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.

Dividends

The directors do not recommend the payment of a dividend (2020: £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:

D Anderson

Hargreaves Corporate Director Limited

J Burks (resigned 31 October 2020)

I Slater (appointed 31 October 2020)

Directors' liabilities

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

OCCW (Damside) Limited

Directors' Report for the Year Ended 31 May 2021 (continued)

Going concern

The Group's financing is no longer dependent on bank borrowings, there is no longer any debenture or financial covenants to comply with. Notwithstanding that, a rigorous review of cash flow forecasts including testing for a range of challenging downside sensitivities has been undertaken. These sensitivities include testing without utilising the Group's £12m invoice discounting facility which was put in place on 27 July 2021. 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.

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 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.

Approved by the Board on 3 December 2021 and signed on its behalf by:


..... John Samuel
For and on behalf of
Hargreaves Corporate Director Limited
Director

OCCW (Damside) Limited

Profit and Loss Account for the Year Ended 31 May 2021

| | Note | 2021 £ 000 | 2020 £ 000 |
|-------------------------|------|---------------------|-----------------|
| Administrative expenses | | - | - |
| Other income | 4 | <u>1,290</u> | <u>-</u> |
| Profit before tax | | 1,290 | - |
| Tax on profit | 6 | <u>(222)</u> | <u>6</u> |
| Profit for the year | | <u><u>1,068</u></u> | <u><u>6</u></u> |

The above results were derived from continuing operations.

There was no other comprehensive income in addition to the result for the year shown above. (2020: £nil).

OCCW (Damside) Limited

(Registration number: 08588508)

Balance Sheet as at 31 May 2021


| | Note | 31 May 2021 £ 000 | 31 May 2020 £ 000 |
|---|------|-------------------------|-------------------------|
| Fixed assets | | | |
| Deferred tax assets | 6 | 83 | 60 |
| Current assets | | | |
| Debtors | 7 | 799 | - |
| Cash at bank and in hand | | - | 15 |
| | | 799 | 15 |
| Creditors: Amounts falling due within one year | 8 | (290) | (551) |
| Net current assets/(liabilities) | | 509 | (536) |
| Total assets less current liabilities | | 592 | (476) |
| Provisions for liabilities | 9, 6 | (316) | (316) |
| Net assets/(liabilities) | | 276 | (792) |
| Capital and reserves | | | |
| Called up share capital | 10 | - | - |
| Profit and loss account | | 276 | (792) |
| Shareholders' funds/(deficit) | | 276 | (792) |

For the financial year ending 31 May 2021 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

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

These financial statements on pages 4 to 16 were approved by the Board of directors on 3 December 2021 and signed on its behalf by:



 John Samuel

 For and on behalf of

 Hargreaves Corporate Director Limited

 Director

The notes on pages 7 to 16 form an integral part of these financial statements.

OCCW (Damside) Limited

Statement of Changes in Equity for the Year Ended 31 May 2021

| | Called up share capital £ 000 | Retained earnings £ 000 | Total £ 000 |
|----------------------------|--|--|------------------------|
| At 1 June 2019 | - | (798) | (798) |
| Profit for the year | - | 6 | 6 |
| Total comprehensive income | - | 6 | 6 |
| At 31 May 2020 | - | (792) | (792) |
| | Called up share capital £ 000 | Retained earnings £ 000 | Total £ 000 |
| At 1 June 2020 | - | (792) | (792) |
| Profit for the year | - | 1,068 | 1,068 |
| Total comprehensive income | - | 1,068 | 1,068 |
| At 31 May 2021 | - | 276 | 276 |

The notes on pages 7 to 16 form an integral part of these financial statements.
Page 6

OCCW (Damside) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 May 2021

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
Co Durham
DH7 9PT

These financial statements were authorised for issue by the Board on 3 December 2021.

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.

OCCW (Damside) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 May 2021 (continued)

2 Accounting policies (continued)

Going concern

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

The company has net current assets of £509,000 (2020: £536,000 net current liabilities) including a £- (2020: £551,000) creditor due to group undertakings. 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.

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 2020 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.

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.

OCCW (Damside) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 May 2021 (continued)

2 Accounting policies (continued)

Investment property

Investment properties are properties which are held either to earn rental income, capital appreciation, or both. Investment properties are stated at cost less accumulated depreciation and impairment. Investment properties are not remeasured to fair value at each reporting date, however, a review for impairment is carried out at each reporting date, giving consideration to the fair value of the property. An impairment is recognised when the fair value of the property is lower than the book value.

Land is not depreciated.

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 goods 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 non-current 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 debtor 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. Trade creditors 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.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

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.

OCCW (Damside) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 May 2021 (continued)

2 Accounting policies (continued)

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.

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:-

OCCW (Damside) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 May 2021 (continued)

2 Accounting policies (continued)

Impairment of financial assets

Measurement of Expected Credit Losses

The company recognises loss allowances for expected credit losses (ECL) on financial instruments that are not measured at FVPTL, namely:

- Financial assets that are debt instruments
- Accounts and other receivables
- Financial guarantee contracts issued; and
- Loan commitments issued.

The company classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the company recognises an allowance based on the 12-month ECL.

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the company recognises an allowance for the lifetime ECL.

Stage 3: for credit-impaired financial instruments, the company recognises the lifetime ECL.

Evidence that the financial asset is credit-impaired include the following;

- Significant financial difficulties of the borrower or issuer;
- A breach of contract such as default or past due event;
- The restructuring of the loan or advance by the company on terms that the company would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for the security because of financial difficulties; or
- There is other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the company, or economic conditions that correlate with defaults in the company.

For trade receivables, the company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

OCCW (Damside) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 May 2021 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty

Restoration costs

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

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

The carrying value of the restoration provision as at 31 May 2021 is £316,000 (2020: £316,000).

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 income

The analysis of the company's other gains and losses for the year is as follows:

| | 2021 | 2020 |
|---|--------------|--------------|
| | £ 000 | £ 000 |
| Gain (loss) from sales of investment properties | <u>1,290</u> | <u>-</u> |

5 Staff costs

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

| | 2021 | 2020 |
|-----------|-------------|-------------|
| | No. | No. |
| Directors | <u>2</u> | <u>2</u> |

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

The remuneration of certain directors in the year was borne by a fellow subsidiary undertaking of the ultimate holding company, Hargreaves Services plc.

OCCW (Damside) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 May 2021 (continued)

6 Tax on profit/(loss)

Tax charged/(credited) in the profit and loss account

| | 2021 £ 000 | 2020 £ 000 |
|--|---------------|---------------|
| Current taxation | | |
| UK corporation tax | 245 | - |
| Deferred taxation | | |
| Arising from origination and reversal of temporary differences | (3) | - |
| Arising from changes in tax rates and laws | (20) | (6) |
| Total deferred taxation | (23) | (6) |
| Tax expense/(receipt) in the profit and loss account | <u>222</u> | <u>(6)</u> |

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2020 - lower than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

| | 2021 £ 000 | 2020 £ 000 |
|--|---------------|---------------|
| Profit before tax | <u>1,290</u> | <u>-</u> |
| Corporation tax at standard rate | 245 | - |
| Deferred tax credit from unrecognised tax loss or credit | (3) | - |
| Deferred tax credit relating to changes in tax rates or laws | (20) | (6) |
| Total tax charge/(credit) | <u>222</u> | <u>(6)</u> |

Factors that may affect future tax expenses

Following the March 2021 budget, the corporate tax rate will increase from 19% to 25%, with effect from 1 April 2025. The deferred tax balances at 31 May 2021 and 31 May 2020 have been calculated based on the rate substantively enacted at the balance sheet date of 25% and 19% respectively.

OCCW (Damside) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 May 2021 (continued)

6 Tax on profit/(loss) (continued)

Deferred tax

Deferred tax assets and liabilities

Deferred tax movement during the year:

| | At 1 June 2020 £ 000 | Recognised in income £ 000 | At 31 May 2021 £ 000 |
|------------------------------|----------------------------|----------------------------------|----------------------------|
| Tangible fixed assets | - | (58) | (58) |
| Tax losses carry-forwards | - | 62 | 62 |
| Temporary timing differences | 60 | 19 | 79 |
| Net tax assets/(liabilities) | <u>60</u> | <u>23</u> | <u>83</u> |

Deferred tax movement during the prior year:

| | At 1 June 2019 £ 000 | Recognised in income £ 000 | At 31 May 2020 £ 000 |
|------------------------------|----------------------------|----------------------------------|----------------------------|
| Tangible fixed assets | - | - | - |
| Tax losses carry-forwards | - | - | - |
| Temporary timing differences | 54 | 6 | 60 |
| Net tax assets/(liabilities) | <u>54</u> | <u>6</u> | <u>60</u> |

7 Debtors

| | 31 May 2021 £ 000 | 31 May 2020 £ 000 |
|-----------------------------|-------------------------|-------------------------|
| Loans to group undertakings | <u>799</u> | <u>-</u> |

8 Creditors: amounts falling due within one year

| | 31 May 2021 £ 000 | 31 May 2020 £ 000 |
|-----------------------------------|-------------------------|-------------------------|
| Amounts due to group undertakings | - | 551 |
| Bank overdraft | 45 | - |
| Income tax liability | <u>245</u> | <u>-</u> |
| | <u>290</u> | <u>551</u> |

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

OCCW (Damside) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 May 2021 (continued)

9 Provisions for liabilities

| | Restoration provisions £ 000 | Total £ 000 |
|----------------|------------------------------------|----------------|
| At 1 June 2020 | 316 | 316 |
| At 31 May 2021 | 316 | 316 |

The Company is subject to certain restoration obligations due to its ownership of the land at the Damside open cast coal works. The provision above relates solely to the expenses that the Directors expect to incur with reasonable certainty. The provision is not expected to be utilised in the next 12 months.

10 Called up share capital

Allotted, called up and fully paid shares

| | 31 May 2021 | | 31 May 2020 | |
|----------------------------|----------------|---|----------------|---|
| | No. | £ | No. | £ |
| Ordinary shares of £1 each | 1 | 1 | 1 | 1 |

11 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.

12 Contingent liabilities

The Company is party to a group composite 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). The total amount drawn on the group banking facility at 31 May 2021 was £nil (2020: £32,000,000).

OCCW (Damside) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 May 2021 (continued)

13 Parent and ultimate parent undertaking

The company's immediate parent is Hargreaves Land Limited.

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.