Southampton to London Pipeline Project

Deadline 4

Responses to ExA's Further Written Questions - Compulsory Acquisition/ Temporary Possession (CA)

Application Document: 8.36

Planning Inspectorate Reference Number: EN070005

Revision No. 1.0

January 2020

Southampton to London Pipeline Project

Contents

1 Response to the Examining Authority's Further Written Questions – Compulsory Acquisition and Temporary Possession (CA)

Table 1.1: Applicant response to Question

ExQ2	Question:	Applicant response to Question:
CA.2.1	**Provide a completed and updated Compulsory Acquisition Objection Schedule.**	1.1 A Compulsory Acquisition Schedule has been provided at Deadline 4 (**Document Reference 8.9 (3)**).
CA.2.2	**The Funding Statement [APP-030] provides the funding position for the company as of 31 December 2017 and provides a copy of the accounts for 2017. Provide a copy of the most recent accounts and an update to the funding position.**	1.1 The most recent company accounts to 31 December 2018 are provided below at Appendix CA.2.2.1. 1.2 There is no change to the funding position that was documented in the Funding Statement (**Application Document APP-030**) within the application.

ExQ2	Question:	Applicant response to Question:
CA.2.3	**In its response to D3 [REP3-011], a further breakdown of how the £10.3 million funding would be allocated has been provided. £0.2m would be used for the purchase of land. Can you confirm what this is for? (e.g. only for the purchase of the freehold of land over which permanent rights are sought) and confirm (with evidence if necessary) that this would be sufficient.**	1.1 The Applicant confirms that £0.2m is identified for the purchase of land required for permanent valve sites (12), a pressure transducer (1) and a pigging station (1). The Applicant confirms, based on its consultant's assessment of open market values of each of the plots of land affected, that this sum is sufficient.
CA.2.4	**Paragraph 6.3.3 of the Statement of Reasons [AS-10a], set out additionally in the Book of Reference [AS-011] states that the permanent rights to maintain the replacement pipeline would be 6.3m wide, and it would not be authorised to**	1.1 Affected Parties would either have completed a voluntary legal agreement or be part of a General Vesting Declaration (GVD) process. Those who have completed a voluntary agreement would be notified of the final pipeline alignment by reference to provisions set out within that agreement. That is, a final as laid pipeline plan would be provided by the Applicant. Where rights are acquired under the GVD process, the affected parties would be notified by the service of a GVD notice (after the pipeline has been constructed) where the Applicant is a required to provide a schedule of the land plots affected. Whether by agreement or compulsion, the easements that are created will necessarily need to specify where the 6.3m strip will be located.

ExQ2	Question:	Applicant response to Question:
	maintain the pipeline within all of the Order limits. Paragraph 7.3.7 states that once the exact location of the pipeline has been determined it would be possible to reduce the extent of both permanent acquisition and temporary possession. Explain how the Applicant intends to notify all Affected Persons of the final 6.3m wide maintenance strip, and how this is secured in the dDCO [REP3-006].	1.2 Under The Pipeline Safety Regulations 1996, the Applicant has a duty to inform persons of the pipeline location and considers it good practice to provide this in the form of a final as laid pipeline plan which would identify the location and extent of the rights strip. 1.3 The Applicant secures the power to acquire the rights for a 6.3m maintenance strip under Article 22 of the draft DCO (**Document Reference 3.1 (5)**).
CA.2.5	**Paragraph 6.3.2 of the Statement of Reasons [AS-010a] states that Class 2 i) would allow the erection and maintenance of stiles, gates, bridges and culverts for the facilitation of access to the pipeline.**	1.1 In response to i), the Applicant recognises that a significant length of the replacement pipeline is located in rural and suburban areas. Therefore, in order to afford access to the pipeline easement for future maintenance, the Applicant may be required to cross watercourses, such as ditches and streams, in which case there could be the need to install a culvert to maintain the waterflow, whilst affording access across.

ExQ2	Question:	Applicant response to Question:
	The Applicant **i) Explain why would culverting be necessary.** **The Environment Agency/Lead Local Flood Authorities** **ii) Set out concerns if any regarding this power. If yes what are your concerns and what measures would be required to address your concerns.**	

ExQ2	Question:	Applicant response to Question:
CA.2.6	**The Statement of Reasons [AS-10a] differentiates between rural and urban construction compounds:** **i) Confirm how many construction compounds would be rural and how many would be urban.** **ii) A typical rural compound is 40m x 60m. Confirm the size would an urban compound.** **iii) Explain what is meant by temporary.**	1.1 In response to i) and ii), the Applicant has produced the table below which defines the project understanding of rural and urban and the approximate sizes of all compound. 1.2 In response to (iii), the Applicant can confirm that the reference to temporary is defined in the draft DCO (**Document Reference 3.1 (5)**).

"Section" served by Construction Compounds						
Compound Ref	**GA /Work Plan**	**Rural/Urban**	**From**	**To**	**Length**	**Width**
4A	1	Rural	START	TC001	42	51
4B	2	Rural	TC001	RDX004	60	62
4C	2	Rural	RDX004	RDX006	32	75
4D	4	Rural	RDX006	RDX007	44	69
4E	4	Rural	RDX007	RDX 012	49	56
4F		No longer required				
4G	9	Rural	RDX012	RDX015	50	48
4H	9	Rural	RDX015	TRX011	42	53
4I	11	Rural	TRX011	RDX016	43	52
4J	11	Rural	RDX016	TC004	43	53
4K	12	Rural	TC004	TRX015	53	42
4L	15	Rural	TRX015	TRX017	40	50
4M	16	Rural	TRX017	TRX018	32	42

ExQ2	Question:	Applicant response to Question:

4N	19	Rural	TRX018	WDBX012	56	37
4O	20	Rural	WDBX012	WCX012	66	52
4P	21	Rural	WCX012	SVX004	40	53
4Q	23	Rural	SVX004	TC008	51	38
4R	23	Rural	TC008	RDX036	80	107
4S	24	Rural	RDX036	RDX038	52	34
4T	25	Rural	RDX038	RDX042	52	66
4U	28	Rural	RDX042	RDX044	53	41
4V	29	Rural	RDX044	TC010	68	50
4W	29	Rural	TC010	RDX047	68	39
4X	30	Rural	RDX047	WCX034	60	42
4Y	30	Urban	WCX034	RDX051	67	48
4Z	31/102	Urban	RDX051	WCX038	42	59
4AA	32	Rural	WCX038	RDX055a	25	39
4AB	33	Urban	RDX055a	RDX057	52	24
4AC	33	Urban	RDX057	RDX059	32	52
4AD	34/104	Urban	RDX059	TC020	29	62
4AE	34/105	Urban	TC018	RDX060	25	25
5A	36/113	Urban	TC020	RDX061a	43	43
5B	36/112	Urban	RDX061a	RDX061b	72	22
5C	36/113	Urban	RDX061b	PROW082	55	40
7A	36/37	Urban	PROW082	RDX071	150	20
5D	38	Urban	RDX071	RDX071a	95	10
5E	41	Urban	RDX071a	WCX066	64	45

ExQ2	Question:	Applicant response to Question:

5F	42	Urban	WCX066	RDX072d	59	42
5G	43	Urban	RDX072d	RDX072f	73	32
5H	43	Rural	RDX072f	TC024	40	20
5I	44	Rural	TC024	WCX076	80	40
5J	45	Urban	WCX076	TC027	75	42
5K	46	Urban	TC027	TC028	30	24
5L	47	Urban	TC028	TC030	47	45
5M	47	Urban	TC030	WCX095	51	31
5N	49	Urban	WCX095	TC035	53	45
5O	50	Urban	TC035	RDX063	47	50
5P	50	Urban	RDX063	WCX102d	48	50
5Q	52/121	Urban	WCX102d	HCX268	93	113
5R	53/123	Urban	HCX268	RDX067	30	57
5S	53/123	Urban	RDX067	RDX068	47	35
5T	53/123	Urban	RDX068	END	53	33

ExQ2	Question:	Applicant response to Question:
CA.2.7	**Provide an update as to the progress of discussions with regards to facilitating the conclusion of voluntary agreements by the end of January 2020 as referred to in the Applicant's D3 submission [REP3-011].**	1.1 The Applicant and the Ministry of Defence (MOD) are in detailed legal drafting for a voluntary agreement and have made significant progress since Deadline 3. Both parties are actively engaged and are following a programme which identifies agreed response times for both parties, this intends to enable a voluntary agreement to be reached by the end of January 2020. At the present time, there are no significant items of concern that are raised by either party which should preclude an agreement being reached in a timely manner.

ExQ2	Question:	Applicant response to Question:
CA.2.8	**Provide an update and a timeframe on the matter of seeking confirmation from the Crown Estate on the matter of escheat land not being Crown land for the purposes of the PA2008.**	1.1 The Applicant has sought clarification on the Crown Estate Policy in respect of land subject to escheat from the Crown Estate Solicitors Burges Salmon who administer escheat land on their behalf. 1.2 Burges Salmon have provided written confirmation as follows, which is an extract from their letter to the Applicant dated 16 January 2020 (see attached Appendix CA.2.8.1): '*Following the disclaimer of the Property by the Treasury Solicitor, the Property may be deemed subject to escheat to the Crown at common law. By longstanding convention, properties that are subject to escheat fall to be dealt with by The Crown Estate, for whom this firm acts. However, as will be apparent from this letter, The Crown Estate should not be regarded as the current owner of the Property, at least in any conventionally understood sense. In accordance with legal advice given on previous occasions, The Crown Estate does not propose to take any action which might be construed as an act of management, possession or ownership in relation to the Property since to do so may incur upon it liabilities with which the Property is, or may become, encumbered. In practical terms, this means that The Crown Estate cannot undertake, consent or object to any documents or works carried out on the land as this may be considered an act of management*'. 1.3 This advice therefore confirms the Applicant's opinion of the legal status of land within the Order Limits of the scheme which is subject to escheat. 1.4 Specifically, four landholdings are involved, as follows:

Plots	Title	Owner	Status
1036, 1053, 1069	HP43337	S Bestwick & Son	Accepted as escheat land
1139, 1140	HP44456	Tedwood Homes	Currently bona vacantia land, Crown Estate is in the process of disclaiming it

ExQ2	Question:	Applicant response to Question:

			which will make it escheat land; the Applicant will confirm when this happens
1253, 1254	HP450620	Castlemore Securities	The company is in liquidation rather than dissolved but the liquidator has disclaimed the land thereby making it escheat land
1314, 1317	SY540456	Hodson Homes	Currently bona vacantia land, Crown Estate is in the process of disclaiming it which will make it escheat land; the Applicant will confirm when this happens
2114	SY370779	Carillion Construction	For information, this company has gone into liquidation since the application was made but has not yet been dissolved so is not Crown land

ExQ2	Question:	Applicant response to Question:
CA.2.9	**Provide an update regarding the discussions between the Ministry of Justice and the Applicant and whether a voluntary agreement will be concluded before the end of the Examination and the timescale for the**	1.1 The Applicant and the Ministry of Justice (MoJ) have now agreed Heads of Terms for a voluntary agreement, including commitments to the MoJ to resolve the construction concerns raised in their previous written representations. The Applicant has provided the MoJ a legal cost undertaking to enable legal drafting to commence, and the Applicant expects a voluntary agreement to be reached by the end of the Examination. A detailed programme will be developed and adopted to ensure continuing progress.

ExQ2	Question:	Applicant response to Question:
	conclusion of such an agreement.	
CA.2.11	**A number of parcels of land are identified for environmental mitigation areas for which the Applicant is seeking temporary possession. At the CA hearing on Wednesday 27 November 2019 [EV-007a] the Applicant confirmed that the mitigation measures would include tree and hedgerow planting.** **Given the time periods proposed by Requirement 8:** **i) Explain how this would work with temporary possession.** **ii) Explain who would be responsible for the long-term**	1.1 In response to (i), under article 30 of the draft DCO (**Document Reference 3.1 (5)**), the Applicant may, during the maintenance period, enter upon and take temporary possession of any of the Order land for the purposes of maintaining the authorised development. Per article 30(12), the “maintenance period” is defined in relation to any part of the authorised development as the period of five years beginning with the date on which that part of the authorised development is brought into operational use, except where the authorised development is replacement or landscape planting, where the period is five years beginning with the date on which that part of the replacement or landscape planting is completed. 1.2 As a result, the five-year aftercare period specified in Requirement 8(3) of the draft DCO is commensurate with the Applicant’s power to take temporary possession of land to maintain replacement or landscape planting under article 30. 1.3 In response to (ii), there is no long-term management/maintenance regime or assignment of responsibility for trees and hedgerows which are reinstated by the Applicant. The Applicant has committed to a proportionate, five-year aftercare period for planting under Requirement 8 of the draft DCO and has, as noted, sought commensurate powers to take temporary possession of land for maintaining that planting under article 30 of the draft DCO. The Applicant is not seeking long-term powers to maintain or manage planting (either itself or by a third party), since this would represent a significant and disproportionate interference with landowners’ use and enjoyment of land. At the end of this five-year period, the Applicant’s duty under Requirement 8 would therefore lapse and the use and management of land, including any planting on the land, would revert to the landowner, who would have discretion to deal with the land in the normal way (subject to any encumbrances binding the land and other relevant controls).

ExQ2	Question:	Applicant response to Question:
	management/maintenance of these areas. **iii) Explain how this would be secured.**	1.4 In answer to (iii), there is as noted no proposal for a long-term management/maintenance regime or assignment of responsibility for trees and hedgerows which are reinstated by the Applicant, so this does not need to be secured as it is a reversion to the position before the works took place.
CA.2.12	**In its response at D3 [REP3-041], Rushmoor Borough Council state that it is particularly concerned about the impact of the long-term possession of land pursuant to temporary possession powers. There is no limit in the DCO as drafted aside from the requirement to give up temporary possession one year after completion of the relevant works. Since temporary possession may be taken**	1.1 The Applicant does not agree with the broad characterisation of these powers posited by the Councils. 1.2 First, temporary possession of land may only be taken in connection with the "carrying out" of the authorised development. It is not a case of the Applicant simply taking possession of land and sitting on the land without actively taking steps to progress works, as appears to be suggested. The opposite is true. The Applicant will need to complete works in an efficient and expeditious manner, having regard to the numerous and complex engineering and ecological constraints across the route of the authorised development. 1.3 Second, the Applicant's powers under article 29 must also be read alongside article 23 (time limit for exercise of authority to acquire land compulsorily), which imposes a five-year time limit from the making of the Order on the Applicant's power to acquire interests and rights in land by compulsion. Therefore, in practice, there is no doubt that the Applicant needs to work expeditiously towards completion of the works, so that its powers to acquire the rights and interests in land which it needs to maintain the pipeline do not lapse under article 23. There is no question that the power to take temporary possession of land supplants the need for those compulsory interests and rights in land.

ExQ2	Question:	Applicant response to Question:
	shortly after the DCO is granted and could continue even if works were not actively underway, the powers sought are potentially very broad. **Spelthorne Borough Council in its response to D3 [REP3-045] raised similar concerns.** **Rushmoor Borough Council also state that temporary possession powers would not secure long-term maintenance and management of replacement planting and as such should be secured by means of a planning obligation under s106 of the Town and Country Planning Act 1990.** **Provide a response.**	1.4 Third, the power to take temporary possession of land is subject to compensation obligations (see e.g. article 29(5)). It is therefore in the Applicant's interest to minimise the interference with landowners' use and enjoyment of land and the duration of interference with land is clearly a relevant component of this. 1.5 Fourth, the Applicant has listened to comments received by the Councils during the course of the examination regarding construction works within Suitable Alternative Natural Greenspaces (SANGs). In the Code of Construction Practice submitted at Deadline 4 (**Document Reference 6.4 Appendix 16.1 (3)**), the Applicant has therefore incorporated wording to clarify that the duration of construction works within SANGs would be limited to two years. The Applicant is hopeful that the Councils will take comfort from this amendment to the CoCP; indeed, it was in this context that the issue was raised by the Councils at the Issue Specific Hearings in December 2019. 1.6 Finally, the Applicant would note that the drafting of article 29 (temporary use of land for carrying out the authorised development) is based on long-standing precedent and has consistently been approved by the Secretary of State. The powers sought are not novel but are well understood and recognised. The Applicant considers that they are entirely suitable in the context of this application. 1.7 As regards Rushmoor Borough Council's assertion that long-term maintenance and management of planting should be secured by means of a s106 obligation, the Applicant has confirmed in response to written question CA.2.11 that there is no proposal for a long-term management/maintenance regime for trees and hedgerows which are reinstated by the Applicant beyond the five years stipulated in Requirement 8 of the draft DCO (**Document Reference 3.1 (5)**. The Applicant notes that the Council have failed to confirm what is meant or intended by long-term maintenance and management of replacement planting and why this is required or justified in connection with this application.

<table>
<tr><th>ExQ2</th><th>Question:</th><th>Applicant response to Question:</th></tr>
<tr><td></td><td></td><td>1.8 The Applicant has committed under Requirement 8 of the draft DCO (Document Reference 3.1 (5)) to a five-year aftercare period for reinstatement planting. Under article 30 of the draft DCO, the Applicant seeks a commensurate power to take temporary possession of land to maintain any replacement planting for a five-year period, which starts once that planting has been completed. After the expiration of this five-year period, the use and management of land, including any planting on that land, would revert to the landowner, who would have discretion to deal with the land in the normal way (subject to any encumbrances binding the land and other relevant controls). In those circumstances, the Applicant does not consider that it is necessary or appropriate for these matters to be addressed by a s106 obligation.</td></tr>
<tr><td>CA.2.13</td><td>Provide an update on negotiations with statutory undertakers and Highways England with regards to protective provisions and a timescale for their conclusion.</td><td>1.1 The Applicant sets out the below table updating on progress of negotiations with statutory undertakers and Highways England.
<table>
<tr><th>Statutory Undertaker</th><th>Predicted Protective Provision Completion dates</th><th>Comment</th></tr>
<tr><td>Thames Water</td><td>Deadline 7</td><td>The Applicant met with representatives of Thames Water on 15 January 2020 to progress engagement on a number of technical matters. The Applicant is also in discussion with Thames Water regarding the terms of the protective provisions and, whilst there are matters still to be resolved, the Applicant is confident that an agreement on mutually acceptable terms can be reached before the end of the examination.</td></tr>
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ExQ2	Question:	Applicant response to Question:		
		Affinity Water	Deadline 7	The Applicant has sought to engage with Affinity Water on both technical and legal matters. Affinity has indicated that it will seek a different form of protection from that which would apply in the absence of contrary agreement under the draft DCO (Document Reference 3.1(5)). However, to date, the Applicant has not received any proposed drafting from Affinity. The Applicant will continue to seek positive engagement with Affinity between now and the end of the examination.
		Southern Water	Deadline 5	The Applicant has agreed the terms of a protective provisions agreement with Southern Water and this is now in the process of being signed by both parties.
		South East Water	Deadline 5	The Applicant has agreed the terms of a protective provisions agreement with Southern Water and this is now in the process of being signed by both parties.
		South East Power Networks (UKPN)	Deadline 6	The Applicant is in discussion with South East Power Networks over the terms of a protective provisions agreement. The Applicant does not envisage any significant impediment to an agreement being reached.

ExQ2	Question:	Applicant response to Question:		
		National Grid	Deadline 7	The Applicant is in active discussions with National Grid over the terms of a protective provisions agreement.
		Cadent	Deadline 6	The Applicant is in active discussions with Cadent over the terms of a protective provisions agreement.
		CLH	Deadline 6	The Applicant is in active discussions with CLH over the terms of a protective provisions agreement.
		BPA	Deadline 5	The Applicant has nearly agreed the terms of a protective provisions agreement. The Applicant is very confident that an agreement will be reached.
		SSE	UNKNOWN	The Applicant is in active discussions with SSE over the terms of a protective provisions agreement.
		SGN	UNKNOWN	The Applicant is in active discussions with SGN over the terms of a protective provisions agreement.
		ESP Utilities	Deadline 7	The Applicant is in active discussions with ESP Utilities over the terms of a protective provisions agreement.
		Highways England	Deadline 6	The Applicant has made very positive progress in discussions with Highways England regarding its

ExQ2	Question:	Applicant response to Question:		
				proposed protective provisions. There are now only a few points outstanding to be agreed between the parties, however the Applicant is very confident that an agreement will be reached.
		Network Rail	UNKNOWN	The Applicant is in discussion with Network Rail over the terms of its proposed protective provisions. The Applicant does not agree with some of the drafting proposed by Network Rail. Specifically, the Applicant does not agree that the exercise of its Order powers, including its powers to acquire interests and rights over land, should be subject to obtaining Network Rail's prior written consent. The Applicant has provided a further revised draft of the Protective Provisions to Network Rail, setting out those areas which cannot be agreed, and now awaits a response.
		Environment Agency	Deadline 7	The Applicant is in active discussions with the Environment Agency over the terms of a protective provisions agreement.
		Surrey Flood Authority	Deadline 7	The Applicant is in active discussions with Surrey County Council over the terms of a protective provisions agreement.

ExQ2	Question:	Applicant response to Question:
		Hampshire Flood Authority | Deadline 7 | The Applicant is in active discussions with Hampshire County Council over the terms of a protective provisions agreement.
CA.2.14	**In its response at D3 [REP3-050] and [REP3-051], the Independent Educational Association Limited (IEAL) state that it maintains concerns over the compulsory acquisition (CA) of its land on the basis of its perceived effects on the operation of the school. Aside from the alternative route it advances, IEAL state that its interests need to be protected via an asset agreement or through Protective Provisions.** **Provide an update as to progress with these discussions and whether issues are likely to be**	1.1 The Applicant and the Independent Educational Association Limited (IEAL) are in active discussions regarding the terms of a voluntary agreement (which would include all of the matters the IEAL wish to include in an Asset Protection Agreement) and the approach to commercial terms. The respective legal teams are reviewing the Applicant's draft voluntary agreements, but these discussions are at an early stage. 1.2 The IEAL has indicated that it will only progress discussions without prejudice to their acceptance of the Applicant's preferred route. The Applicant, in a spirit of cooperation, has confirmed that it is willing to progress legal drafting discussions on this basis. 1.3 In addition, the Applicant and the IEAL are in negotiation over the approach to the assessment of commercial terms and valuation aspects. 1.4 The Applicant believes that the concerns raised by the IEAL can be addressed within the terms of a voluntary agreement. The Applicant is confident that agreement could be reached by the close of the Examination. However, the Applicant is concerned that, currently, as the IEAL continues to object to the Applicant's preferred route it may not be possible to conclude agreement until after the outcome of the Examination.

ExQ2	Question:	Applicant response to Question:
	resolved by the close of the Examination.	
CA.2.15	**In its response at D3 [REP3-032] and [REP3-033], Surrey Heath Borough Council state that it maintains an objection to CA until matters are resolved in respect to St Catherines Road SANG. Provide an update as to progress with these discussions and whether issues are likely to be resolved by the close of the Examination and if not, what are the implications for the Proposed Development.** **You may wish to combine this answer with the other questions listed in the SANG section.**	1.1 The Applicant has prepared a Site Specific Plan to provide more details of the proposed works in the St Catherines Road SANG (Clewborough) that is submitted at Deadline 4 (**Document Reference 8.44)**. 1.2 The Site Specific Plan will form part of the CEMP and includes details of: • An indication of construction periods; • The elements of the work, construction methods to be used, illustration of the working arrangement (description and plan); and • How the works would be managed including impact on vegetation, users and reinstatement. 1.3 The Applicant met with Surrey Heath Borough Council (SHBC) on 23 January 2020 to discuss the draft of the Site Specific Plan. The outcome of the discussion will be reported in the Statement of Common Ground between the Applicant and SHBC l to be submitted at Deadline 5. 1.4 The Applicant remains hopeful that SHBC will agree that these are appropriate measures for the use of St Catherines Road SANG for the replacement pipeline and will enter into a voluntary land agreement with the Applicant. In the event that SHBC continues to reject a voluntary approach to the acquisition of land rights the Applicant will seek compulsory acquisition of the rights to construct the pipeline and the siting of the compound in support of the works in St Catherines Road and St Catherines Road SANG through the DCO.
CA.2.16	**In its response at D3 [REP3-035], Runnymede**	1.1 The Applicant confirms that the two outstanding points within legal drafting of the option agreement and easement were finalised on 15 January 2020.

ExQ2	Question:	Applicant response to Question:
	Borough Council state that it maintains an objection to CA until matters are resolved in respect to Chertsey Meads due to two outstanding points in relation to the draft options agreement and easements. **Provide an update as to progress with these discussions and whether issues are likely to be resolved by the close of the Examination.**	1.2 The Applicant and Runnymede Borough Council are now finalising the commercial terms for the option agreement and easement and are confident that this will be concluded by the close of Examination.
CA.2.17	**The D3 response on behalf of Abbey Rangers Football Club [REP3-052] would appear to indicate that in order to accommodate a trenchless crossing of pitch No 2 there would need to be a change to the current proposed limits of deviation.**	1.1 The Applicant has provided a Cover Letter at Deadline 4 (**Document Reference 8.32**) detailing the three minor amendments to the application for development consent. 1.2 This Cover Letter provides details of a minor amendment to the pipeline Limit of Deviation to accommodate an extension of trenchless construction under pitch No. 1 and pitch No. 2 at Abbey Rangers football club. No change in the Application Order Limits is required. 1.3 A commitment to trenchless construction under pitch No. 1 and No. 2 is secured in an update to the Code of Construction Practice (**Document Reference Appendix 16.1 (3)**), the Land Plans (2 of 4) sheet 103 (**Document Reference 8.65**), and Works Plans (3 of 3) sheet 103 (**Document Reference 8.65**), which have been updated and provided at Deadline 4.

ExQ2	Question:	Applicant response to Question:
	i) Provide details of the proposed change. **ii) Indicate when/if a change request would be required and if so when it will be submitted.**	
CA.2.18	**In their D3 response [REP3-058] the owner of Lower Preshaw Farm has indicated that amendments to the land rights in relation to the location of valve 3 would be required to accommodate the turning area in the location preferred by the owner. i) Provide details of the proposed change.** **ii) Indicate when/if a change request would be required and if so when it will be submitted.**	1.1 The Applicant has provided a Cover Letter at Deadline 4 (**Document Reference 8.32**) detailing the three minor amendments to the application for development consent. 1.2 The Cover Letter provides details of a minor amendment to the permanent access rights to the Valve 3 enclosure to accommodate the landowner's request to position the valve to the northern section of the valve Limit of Deviation. No changes in the Application Order Limits or Limits of Deviation are required. 1.3 A commitment to position the valve to the northern section of the valve Limit of Deviation will be made within a Land Agreement with the landowner. The amendment to permanent access rights to the north of the valve enclosure will be secured in an update to the Land Plans sheet 7 (**Document Reference 8.65**) at Deadline 4.

ExQ2	Question:	Applicant response to Question:
CA.2.19	**Provide an update on the progress of discussions and an indicative timeline for their conclusion in light of the comments made in MHA Fleet's D3 response [REP3-055].**	1.1 The Applicant confirms that, following further detailed discussions with MHA Fleet on 15 January 2020, the legal drafting for the voluntary agreement has been agreed. 1.2 The Applicant has advised MHA Fleet of its intention to route the pipeline within the public highway (Beacon Hill Road). However, confirmation of the final alignment will be dependent on the Applicant concluding investigations into the location of utility services trial trenching to confirm the precise position of existing buried services, which is currently programmed to be completed before the end of March 2020. 1.3 The Applicant and MHA Fleet are engaged in continuing discussions regarding commercial terms, which are dependent on the final alignment.
CA.2.20	**Provide an update on the ongoing discussions regarding the garages at Stake Lane; the timescale for the conclusion of these discussions and whether there is likely to be agreement between the parties before the end of the Examination.**	1.1 The Applicant met affected garage owners, together with their appointed agent, at a site meeting on 16 December 2019. All the garage owners' key concerns were raised and discussed. The Applicant has now confirmed its commitment to replace the garages after the project has been constructed and has also confirmed that the cul de sac is not required for use as a temporary construction compound. The Applicant is exploring ways in which to resolve the temporary storage of the contents of the garages in a way convenient to the individual needs of each garage owner and is confident agreement can be reached in this regard. 1.2 The Applicant is confident that voluntary agreements will be reached with the individual garage owners by the end of the Examination as there are no major impediments that are unresolved. 1.3 The Applicant confirms that the legal drafting of the voluntary agreements between the parties is finalised, subject to the agreement of certain commercial terms, including the compensation arrangements relating to temporary loss of the garages.

ExQ2	Question:	Applicant response to Question:
CA.2.22	**Given the outstanding objections listed above, explain whether the SoS should withhold consent for the Proposed Development if these and other objections remain unresolved at the close of the Examination.**	1.1 It is the Applicant's case that development consent should be granted because the benefits of the project as set out in Chapter 2 of the Planning Statement (**Application Document** APP-132) far outweigh any adverse impacts, including the powers of compulsory acquisition (as evidenced in the Applicant's Statement of Reasons (**Additional Submission** AS-010(a))). The compulsory acquisition of land and rights in land is necessary to deliver the Proposed Development which would provide an important and critical supply of aviation fuel to key London airports. 1.2 The Applicant has taken a proportionate approach to the proposed acquisition mindful of the impact on affected landowners; there is very limited outright acquisition, and almost all landowners subject to compulsory acquisition would have an easement under their land similar to the existing pipeline, which has not caused them any problems. The Applicant has been engaged with, and continues to engage with, affected persons with an interest in land since the launch of the project with a view to negotiating the acquisition of land and rights in land through voluntary agreements in the first instance, and many such agreements have been concluded and will continue to be concluded. Should the DCO be made, a person aggrieved may challenge the DCO by judicial review in the High Court if they consider that the grounds for doing so are made out. 1.3 For these reasons, the Applicant considers that it would be appropriate and proportionate for the SoS to grant consent for the Proposed Development.

2 Appendices

Appendix CA.2.2.1: Annual Report and Financial Statements - For the year ended 31 December 2018

Registered number: 26538

ESSO PETROLEUM COMPANY, LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

COMPANY INFORMATION

DIRECTORS	P P Clarke (resigned 5 March 2018) R M Cooper (appointed 5 March 2018) W A E D Don (resigned 1 March 2019) S P Downing A M Johnson (appointed 1 March 2019) P J Simon (resigned 30 January 2018)
COMPANY SECRETARY	F H Harness
REGISTERED NUMBER	26538
REGISTERED OFFICE	Ermyn House Ermyn Way Leatherhead Surrey KT22 8UX
INDEPENDENT AUDITORS	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH
COMPANY TYPE	Esso Petroleum Company, Limited is a private company, limited by shares and registered in England and Wales

ESSO PETROLEUM COMPANY, LIMITED

CONTENTS

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the audited financial statements for Esso Petroleum Company, Limited (the "Company") for the year ended 31 December 2018.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Directors' Report, the Strategic 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 elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under Company law the directors must not approve the financial statements unless 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 then apply them consistently;
- make judgements and accounting 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

FINANCIAL RISK MANAGEMENT

The Company has chosen in accordance with section 414C(11) of the Companies Act 2006, to set out information related to financial risk management, in the Company's Strategic Report below.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £76M *(2017 - profit £259M)*.

No dividends were recommended by the directors or paid during the year *(2017 - £500M)*.

CHARITABLE CONTRIBUTIONS

During 2018, the Company made charitable donations in support of the community of £0.4M *(2017 - £0.5M)*.

FUTURE DEVELOPMENTS

The Company intends to continue with its current principal activity.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

DIRECTORS

The directors who served during the year were:

P P Clarke (resigned 5 March 2018)
R M Cooper (appointed 5 March 2018)
W A E D Don (resigned 1 March 2019)
S P Downing
P J Simon (resigned 30 January 2018)

RESEARCH AND DEVELOPMENT ACTIVITIES

The Company is able to call on the extensive research and development resources of its ultimate parent company, Exxon Mobil Corporation.

This includes research into automotive and aviation fuels and engine lubricants and comprehensive technical support, covering crude oils, industrial fuels and lubricants, bitumen and greases. Research and guidance on environmental matters is also provided by other members of the ExxonMobil group.

EMPLOYEE INVOLVEMENT

The Company is an equal opportunity employer and complies with all relevant legislation.

The Company's policy is also to ensure that equal opportunities, including applications for employment, training, career development and promotion exist for disabled persons and employees who have become disabled while employed by the Company having regard to their particular circumstances.

The Company has established over many years a comprehensive programme of employee communication and consultation to systematically provide employees with information on matters of concern to them or their representatives, so that their views can be taken into account when making decisions that are likely to affect their interests. The directors are committed to the continued involvement of employees in this way as an essential element in the Company remaining efficient and competitive. It is an integral part of management's responsibility to ensure that all employees understand the Company's objectives and the contribution that each individual can make to the achievement of those objectives.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This report was approved by the board and signed on its behalf.

[redacted]....

A M Johnson
Director

Date: 10/9/2019

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

PRINCIPAL ACTIVITIES

The principal activities of the Company are the refining, distribution and marketing of petroleum products in the United Kingdom. The principal subsidiaries of the Company are listed in note 16 to the Financial Statements.

BUSINESS REVIEW

During 2018, the Company recorded a decrease in gross profit as a result of lower refining margins than the prior year. Loss for the year after taxation £76M (2017 - profit £259M) mainly due a higher turnaround operating expenditure in 2018.

The Company has net assets of £1,576M *(2017 - £1,264M)*.

In May 2018, the Company paid an amount of £6M cash to the Merchant Navy Officers Pension Fund ("MNOPF"), which represented all amounts owed to the fund under deferred deficit contributions, as at 31 December 2017.

On 15 June 2018 the Company issued 180,000,000 £1 ordinary shares at par to its parent ExxonMobil UK Limited ("EMUKL") for cash.

On 5 October 2018 the Company issued 200,000,000 £1 ordinary shares at par to its parent ExxonMobil UK Limited ("EMUKL") for cash.

On 28 June 2018 the Company completed the purchase of 423,590 of the 423,600 ordinary shares in issue of PT Federal Karyatama ("FKT"), a lubricants manufacturer based in Indonesia, for cash consideration of $436M.

KEY PERFORMANCE INDICATORS

The business of the Company is managed on a divisional basis and performance is measured in areas such as safety, the environment, operations and finance. Performance indicators are regularly shared with divisional management, including representatives of the ultimate parent company, Exxon Mobil Corporation.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's principal risks and uncertainties comprise financial risks, health and safety and environment. The Company's policies relating to financial risk management, health and safety and environment are set out in the paragraphs below.

The Company is also aware of the United Kingdom's decision to leave the European Union and is continuing to monitor and, where appropriate, actively manage any potential impact of that decision on the Company.

FINANCIAL RISK MANAGEMENT

The Company is exposed to financial risks from a variety of factors that include price, credit and liquidity.

Price risk - The Company is exposed to fluctuations in oil, petrochemical and gas prices as a result of its operations. The Company does not use derivative financial instruments to manage the risk of fluctuating prices, so no hedge accounting is applied. The Company will revisit the appropriateness of this policy should operations change in nature.

FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk - The Company has implemented policies and procedures which require appropriate credit checks on potential customers before sales are made. The Company also has systems and processes to ensure the ongoing monitoring of customer creditworthiness and has in place procedures to enable it to respond where change in customer credit risk is detected.

Liquidity risk - The Company actively manages its finances to ensure that it has sufficient available funds for its operations. It is the directors' understanding that the ExxonMobil group companies will continue to provide suitable resources to the Company to meet its needs. The Company has a process in place to monitor the best financing structure and periodically reviews its strategies. Following such review, loans may be repaid prior to their maturity date or extended or replaced by alternative funding arrangements.

HEALTH AND SAFETY

The Company's policy is to conduct its business in a manner that protects the safety of those involved in its operations, customers and the public. The Company strives to prevent all accidents, injuries and occupational illnesses through its Operations Integrity Management System. This is embedded into everyday work processes at all levels of the organisation and addresses all aspects of managing safety and health, as well as security, environmental and social risks at our facilities. The Company is committed to continuous efforts to identify and eliminate or manage health and safety risks associated with its activities.

ENVIRONMENTAL POLICY

The Company has a policy to ensure that it conducts its business in a manner that is compatible with the balanced environmental and economic needs of the community. Further, it is the Company's policy to comply with all applicable environmental laws and regulations and apply responsible standards where laws and regulations do not exist.

The Company's key principles and commitments in the areas of safety, health and the environment, among others, are consistent with those of its ultimate parent company, Exxon Mobil Corporation. Each year, Exxon Mobil Corporation publishes a detailed and comprehensive Corporate Citizenship Report that gives a full account of its positions, actions and performance.

Copies of this publication can be obtained by writing to: Exxon Mobil Corporation, Attn Public & Government Affairs, CCR Requests, 5959 Las Colinas Boulevard, Irving, Texas 75039-2298, USA. Alternatively, it can be viewed on www.exxonmobil.com.

This report was approved by the board and signed on its behalf.

[redacted]

A M Johnson
Director

Date: 10/9/2019

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ESSO PETROLEUM COMPANY, LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, Esso Petroleum Company, Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', 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 statement of financial position as at 31 December 2018; 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

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

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

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

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

Reporting on other information

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ESSO PETROLEUM COMPANY, LIMITED

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

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

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

Strategic Report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 1, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ESSO PETROLEUM COMPANY, LIMITED

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

[redacted]

Nigel Comello (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
Date: 11/09/19

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £M	2017 £M
Turnover	3	**7,831**	*6,383*
Cost of sales		**(7,753)**	*(5,958)*
Gross profit		**78**	*425*
Distribution costs		**(141)**	*(144)*
Administrative expenses		**(59)**	*(41)*
Other operating income		**2**	*33*
Operating (loss) / profit	4	**(120)**	*273*
Income from fixed asset investments	8	**2**	*24*
Interest receivable and similar income	9	**1**	*1*
Interest payable and similar expenses	10	**(1)**	*(1)*
Other finance income / (expenses)		**5**	*(5)*
(Loss) / Profit before tax		**(113)**	*292*
Tax on (loss)/profit	12	**37**	*(33)*
(Loss) / Profit for the financial year		**(76)**	*259*
Other comprehensive income for the year			
Actuarial gains on defined benefit pension scheme		**9**	*454*
Movement of deferred tax relating to pension surplus		**(1)**	*(86)*
Other comprehensive income for the year		**8**	*368*
Total comprehensive (expense) / income for the year		**(68)**	*627*

ESSO PETROLEUM COMPANY, LIMITED
REGISTERED NUMBER: 26538

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note		2018 £M		2017 £M
Fixed assets					
Intangible fixed assets	14		22		13
Tangible fixed assets	15		666		630
Investments	16		332		-
			1,020		643
Current assets					
Inventories	17	722		671	
Debtors: amounts falling due after more than one year	18	20		21	
Debtors: amounts falling due within one year	18	1,164		957	
Pension asset	26	337		388	
		2,243		2,037	
Creditors: amounts falling due within one year	19	(1,320)		(1,078)	
Net current assets			923		959
Total assets less current liabilities			1,943		1,602
Creditors: amounts falling due after more than one year	20		(100)		(100)
Provisions for liabilities					
Deferred tax	23	(47)		(58)	
Other provisions	24	(27)		(22)	
			(74)		(80)
Pension liability	26		(193)		(158)
Net assets			1,576		1,264
Capital and reserves					
Called up share capital	28		953		573
Other reserves	29		3		3
Profit and loss account	29		620		688
			1,576		1,264

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

[redacted]......

A M Johnson
Director
Date: 10/9/2019

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

	Share capital	Other reserves	Profit and loss account	Total equity
	£M	£M	£M	£M
At 1 January 2018	573	3	688	1,264
Comprehensive income for the year				
Loss for the financial year	-	-	(76)	(76)
Other comprehensive income	-	-	8	8
Contributions by and distributions to owners				
Shares issued during the year	380	-	-	380
At 31 December 2018	953	3	620	1,576

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital	Other reserves	Profit and loss account	Total equity
	£M	£M	£M	£M
At 1 January 2017	573	3	561	1,137
Comprehensive income for the year				
Profit for the financial year	-	-	259	259
Other comprehensive income	-	-	368	368
Contributions by and distributions to owners				
Dividends: Equity capital	-	-	(500)	(500)
At 31 December 2017	573	3	688	1,264

The notes on pages 11 to 35 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with Financial Reporting Standard 102, (The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland) and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).

The Company is itself a subsidiary company and is exempt from the requirement to prepare group financial statements by virtue of section 401 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

The following principal accounting policies have been applied consistently:

1.2 Financial reporting standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Exxon Mobil Corporation as at 31 December 2018 and these financial statements may be obtained from Exxon Mobil Corporation, Shareholder Relations, Post Office Box 140369, Irving, Texas 75014 - 0369, USA.

1. ACCOUNTING POLICIES (CONTINUED)

1.3 Revenue

The Company's activities consist solely of the processing and sale of crude oil, natural gas, petroleum products and related goods and services.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

In the course of normal business, the Company enters into contracts with third parties, including contracts giving rise to linked sales and cost of sales entries such as location swaps. These linked transactions are not reported separately in Turnover and Cost of Sales, but are reported net.

1.4 Intangible fixed assets

Intangible assets are initially recognised at cost. Under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

Goodwill arising on acquisitions of businesses and recorded in the statement of financial position is amortised through the statement of comprehensive income. The Company amortises such purchased goodwill by equal instalments over the goodwill's expected useful life, which is typically between 10 and 20 years, being the directors' best estimate of the period over which the goodwill will be realised.

1. ACCOUNTING POLICIES (CONTINUED)

1.4 Intangible fixed assets (continued)

The estimated useful lives range as follows:

Software	-	5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

The cost of intangible assets represents software and allocated and purchased CO2 emission rights. The CO2 emission rights are not amortised during the year as they are surrendered following the completion of an independent audit of the actual emissions.

1.5 Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

Premiums paid on operating leases for land and buildings have been capitalised and included within land and buildings.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Buildings	- 3.3% to 4.0% per annum
Long leasehold land	- 0.5% to 6.67% per annum
Plant and equipment	- 3.3% to 20.0% per annum
Assets under construction	- Not depreciated until brought into use

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the statement of comprehensive income.

1.6 Operating leases: the Company as lessee

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

1.7 Research and development costs

Research and development expenditure is written off in the year in which it is incurred.

1. ACCOUNTING POLICIES (CONTINUED)

1.8 Valuation of investments

Investments held as fixed assets are shown at cost less provision for impairment.

The cost of investment in a subsidiary is based on the discounted future cash flows of that subsidiary. In doing so, critical estimates and assumptions are made with respect to the discount rate used and the projected future activity of the business.

Annually at the reporting date, the Company assesses whether there may be an indication for impairment. Only if the assessment determines that there may be an impairment, does the Company estimate the recoverable amount of the subsidiary.

The recoverable amount of the subsidiary is the higher of its fair value less costs to sell and its value in use. If either of these estimates exceeds the carrying value of the subsidiary, it is not impaired.

The value in use is determined by re-estimating the discounted future cashflows of that subsidiary, using a discount rate that is based on a pre-tax risk free rate.

If it is determined that the recoverable amount of the asset is lower than the carrying value of the asset, the resulting impairment is recognised immediately in the statement of comprehensive income.

1.9 Inventories

Inventories are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase, including taxes and duties, on a first in, first out basis. Work in progress and finished goods include labour and overheads directly attributable to bringing the inventory to its present location and condition.

The selling price is based on an estimate of the prevailing market conditions as at the date of the statement of financial position. Where the valuation of inventory is determined by reference to the selling price, an element of estimation uncertainty is introduced.

At each reporting date, inventories are assessed for impairment. If an item of inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the statement of comprehensive income.

1.10 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and loans to related parties.

Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. Debt instruments, like loans and other accounts receivable and payable, are initially measured at present value of the future payments and subsequently at amortised cost using the effective interest method.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

1. ACCOUNTING POLICIES (CONTINUED)

1.10 Financial instruments (continued)

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

All financial liabilities are held at amortised cost.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.11 Foreign currency translation

Functional and presentation currency of the Company is GBP.

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

1.12 Borrowing costs

Borrowing costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

1.13 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid.

1. ACCOUNTING POLICIES (CONTINUED)

1.14 Pensions

Defined benefit pension plan

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The asset / liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets at the reporting date (if any) out of which the obligations are to be settled.

The Company recognises a surplus to the extent that it is able to recover the surplus through reduced contributions in the future.

Defined benefit pension obligations and net income statement costs are based on key assumptions, including discount rates, mortality and inflation. Changes in these assumptions, individually or collectively, may result in significant changes in the size of the net surplus / deficit.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Actuarial gains and losses'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

a) the increase in net pension benefit liability arising from employee service during the period; and

b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the statement of comprehensive income as 'other finance costs'.

Pension costs and contributions are determined by the sponsoring company by which the past and present members are and were employed.

1. ACCOUNTING POLICIES (CONTINUED)

Multi-employer pension plan

The Company is a member of the Merchant Navy Officers Pension Fund ('MNOPF') and the Merchant Navy Ratings Pension Fund ('MNRPF'), both are multi-employer plans. It is not possible for the Company to obtain sufficient information to enable it to account for these plans as defined benefit plans and therefore accounts for them as defined contribution plans.

Pension costs and contributions are determined by the sponsoring company by which the past and present members are and were employed.

1.15 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

1.16 Provisions

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

1.17 Current and deferred taxation

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

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 income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

1. ACCOUNTING POLICIES (CONTINUED)

1.18 Cash

As part of ExxonMobil's Treasury operations, the Company participates in an interest bearing bank account sweeping arrangement with another ExxonMobil group undertaking whereby the transactions cleared by the banks included in this arrangement are transferred to that undertaking on a daily basis. The net amount as at the statement of financial position date is fully liquid with the Company retaining full ability to access the cash at any time. Interest is charged at GBP LIBOR plus 0.30 % on overdraft positions and GBP LIBOR less 0.15 % on deposit positions.

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Significant Judgements

In preparing the financial statements, no significant judgements have been made in applying the Company's accounting policies.

Estimates

In applying the Company's accounting policies described above, the key sources of estimation uncertainty that carry risk of a material adjustment to the carrying value of assets or liabilities in the preparation of these financial statements include:

- should an impairment be indicated, the carrying value of investments in subsidiaries.
- the key assumptions used in the valuation of the defined benefit pension scheme asset or (liability).

The details of the assumptions used are set out in the accounting policies and the notes to the financial statements.

3. ANALYSIS OF TURNOVER

Analysis of turnover by country of destination:

	2018 £M	*2017* *£M*
United Kingdom	5,459	*4,356*
Rest of Europe	1,427	*998*
Rest of the world	945	*1,029*
	7,831	*6,383*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

4. OPERATING (LOSS)/PROFIT

The operating (loss)/profit is stated after charging/(crediting):

	2018 £M	*2017 £M*
Depreciation of tangible fixed assets	44	*57*
Amortisation of intangible fixed assets, including goodwill	2	*1*
Research & development	8	*7*
Foreign exchange differences	11	*(16)*
Operating lease expense - plant and equipment	7	*7*
Defined benefit pension cost	80	*88*

5. AUDITORS' REMUNERATION

	2018 £'000	*2017 £'000*
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	150	*120*

Fees payable to the Company's auditor in respect of:

Audit related assurance services	55	*55*

6. PERSONNEL COSTS

Personnel costs were as follows:

	2018 £M	*2017 £M*
Wages and salaries	100	*99*
Social security costs	35	*35*
Pension costs	80	*88*
	215	*222*

PERSONNEL COSTS (CONTINUED)

The average number of employees during the year was as follows:

	2018 No.	2017 No.
Marketing, refining and transportation	**1,266**	*1,291*

The above numbers exclude the following employees seconded to other ExxonMobil affiliates. The Company does not bear the cost of these employees.

	2018 No.	2017 No.
Marketing, refining and transportation	**160**	*176*
Exploration and production	**320**	*336*
	480	*512*

The average headcount numbers above are determined on a quarterly basis. The directors are confident that these are not significantly different to numbers determined on a monthly basis.

7. DIRECTORS' REMUNERATION

Each of the directors is an employee, either of the Company, or of another ExxonMobil affiliate. Those individuals are paid for their functional roles, receiving no identifiable increment for the qualifying services they provide in their role as directors of the Company, or separately, as directors of any other ExxonMobil affiliate. The directors' remuneration is aggregated with other costs and recharged to other ExxonMobil affiliates that are supported by the directors' functional role. Therefore, the Company has made no disclosures with respect to the costs of the qualifying services provided by its directors, as these cannot be separately identified.

8. INCOME FROM FIXED ASSET INVESTMENTS

	2018 £M	2017 £M
Dividends received from unlisted investments	**2**	*24*

9. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 £M	*2017 £M*
Interest receivable from group undertakings	1	*1*

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2018 £M	*2017 £M*
Interest payable to group undertakings	1	*1*

11. OTHER FINANCE INCOME / (EXPENSES)

	2018 £M	*2017 £M*
Net interest income/(expense) on defined benefit pension	134	*134*
Net interest income/(expense) on defined benefit liability	(129)	*(139)*
	5	*(5)*

12. TAXATION

	2018 £M	*2017 £M*
Corporation tax		
Current tax on (loss)/profit for the year	(4)	*62*
Adjustments in respect of prior periods	(21)	*(5)*
Total current tax	(25)	*57*
Deferred tax		
Origination and reversal of timing differences	(12)	*(24)*
Tax on (loss)/profit	(37)	*33*

12. TAXATION (CONTINUED)

FACTORS AFFECTING TAX (CREDIT)/CHARGE FOR THE YEAR

The tax assessed for the year is lower than *(2017 - lower than)* the standard rate of corporation tax in the UK of 19% *(2017 - 19.25%)*. The differences are explained below:

	2018 £M	*2017 £M*
(Loss)/profit before tax	**(113)**	*292*
(Loss)/profit multiplied by average standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	**(21)**	*56*
Effects of:		
Net (income) / expenses not deductible for tax purposes	**6**	*(6)*
Capital allowances for year in excess of depreciation	**(1)**	*(7)*
Adjustments in respect of prior periods	**(21)**	*(5)*
Non-taxable dividend income	**-**	*(5)*
Total tax (credit)/charge for the year	**(37)**	*33*

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

Corporation Tax has been calculated at 19% of the taxable profits for the year (2017 - 19.25%). Legislation was enacted in September 2016 to reduce the rate to 17% effective from 1 April 2020.

13. DIVIDENDS

	2018 £M	*2017 £M*
Dividends paid on equity capital	**-**	*500*

14. INTANGIBLE FIXED ASSETS

	Software £M	Other £M	Goodwill £M	Total £M
Cost				
At 1 January 2018	42	8	7	57
Additions	-	3	-	3
Transfer between classes	1	14	-	15
Disposals	-	(7)	(7)	(14)
At 31 December 2018	43	18	-	61
Accumulated Amortisation				
At 1 January 2018	37	-	7	44
Charge for the year	2	-	-	2
Disposals	-	-	(7)	(7)
At 31 December 2018	39	-	-	39
Net book value				
At 31 December 2018	4	18	-	22
At 31 December 2017	*5*	*8*	*-*	*13*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

15. TANGIBLE FIXED ASSETS

	Retail sites £M	Other land and buildings £M	Plant and equipment £M	Assets under construction £M	Total £M
Cost or valuation					
At 1 January 2018	98	108	1,694	43	1,943
Additions	-	-	-	96	96
Disposals	(1)	-	(12)	-	(13)
Transfers between classes	3	6	25	(49)	(15)
At 31 December 2018	100	114	1,707	90	2,011
Accumulated depreciation					
At 1 January 2018	33	55	1,225	-	1,313
Charge for the year	1	3	40	-	44
Disposals	(1)	-	(11)	-	(12)
At 31 December 2018	33	58	1,254	-	1,345
Net book value					
At 31 December 2018	67	56	453	90	666
At 31 December 2017	*65*	*53*	*469*	*43*	*630*

The net book value of land and buildings may be further analysed as follows:

	2018 £M	*2017 £M*
Freehold	67	*65*
Long leasehold	56	*53*
	123	*118*

16. FIXED ASSET INVESTMENTS

	Investments in subsidiary undertakings £M
Cost or valuation	
At 1 January 2018	-
Additions	332
At 31 December 2018	332

Direct subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding
ExxonMobil Pension Trust Limited	Ordinary	100%
ROC UK Limited	Ordinary	100%
PT Federal Karyatama	Common stock	100%

Other investments

The following were entities in which the Company had a minority interest:

Name	Class of shares	Holding
Gatwick Airport Storage and Hydrant Company Limited	Ordinary	25%
Heathrow Hydrant Operating Company Limited	Ordinary	20%
Stansted Fuelling Company Limited	Ordinary	29%

All the companies except FKT operate in the United Kingdom, are registered in England and Wales.

FKT is registered in Indonesia and has its registered office at Prominence Tower, Jl. Jalur Sutera Barat Kav. 15, Pinang, Tangerang, Banten, Indonesia.

All of the other subsidiary companies have their registered offices at: Ermyn House, Ermyn Way, Leatherhead, Surrey, KT22 8UX.

The registered office of Gatwick Airport Storage and Hydrant Company Limited is: 8 York Road, London, SE1 7NA and that of Heathrow Hydrant Operating Company Limited is: Building 1204 Sandringham Road, Heathrow Airport, Hounslow, Middlesex, TW6 3SH.

17. INVENTORIES

	2018 £M	*2017 £M*
Raw materials and consumables	235	*232*
Work in progress	134	*132*
Finished goods and goods for resale	353	*307*
	722	*671*

The replacement cost of all categories of inventories held by the Company at 31 December 2018 was £730M *(2017 - £699M)*.

18. DEBTORS

	2018 £M	*2017 £M*
Due after more than one year		
Other debtors	6	*6*
Prepayments and accrued income	14	*15*
	20	*21*

	2018 £M	*2017 £M*
Due within one year		
Trade debtors	819	*651*
Amounts owed by group undertakings	240	*252*
Other debtors	51	*43*
Prepayments and accrued income	7	*6*
Tax recoverable	47	*5*
	1,164	*957*

The Company participates in an interest-bearing bank account sweeping arrangement with another ExxonMobil group undertaking whereby the transactions cleared by the banks included in this arrangement are transferred to that undertaking on a daily basis. The net amount of £135M as at 31 December 2018 is included in 'Amounts owed by group undertakings' *(2017 - £174M)*.

All other balances are unsecured, interest free and have no fixed repayment date.

19. CREDITORS: Amounts falling due within one year

	2018 £M	*2017 £M*
Trade creditors	61	*59*
Amounts owed to group undertakings	399	*268*
Corporation tax	-	*32*
Other taxation and social security	624	*554*
Other creditors	7	*7*
Multi-employer pension plan	-	*6*
Accruals and deferred income	229	*152*
	1,320	*1,078*

In 2018 the Company agreed with the Merchant Navy Officers Pension Fund to settle all deficit contributions due, that were outstanding as at 31 December 2017, for a one-off payment of £6M. The net amount is included above in 'Multi-employer pension plan'.

20. CREDITORS: Amounts falling due after more than one year

	2018 £M	*2017 £M*
Amounts owed to group undertakings	100	*100*

Except for the loans detailed in note 21 all other amounts are unsecured, interest free and have no fixed repayment date.

21. LOANS

Analysis of the maturity of loans is given below:

	2018 £M	*2017 £M*
Amounts owed to group undertakings		
Repayable after 1 year	100	*100*

LOANS (CONTINUED)

Amounts repayable after one year include loans at the following interest rates:

Interest at a rate of 3 month LIBOR +0.0625% (2017 - 3 month LIBOR +0.0625%)	**100**	*100*

Included in the amounts falling due after one year is an amount of £100M with interest payable in quarterly instalments and principal which is repayable on or before 31 December 2033 and carries variable interest at LIBOR +0.0625%.

22. FINANCIAL INSTRUMENTS

	2018 £M	*2017 £M*
Financial assets		
Financial assets that are debt instruments measured at amortised cost	**1,115**	*953*
Financial liabilities		
Financial liabilities measured at amortised cost	**795**	*585*

23. DEFERRED TAXATION

	2018 £M
At 1 January	**58**
(Credited) / charged to the profit or loss	**(11)**
At 31 December	**47**

23. DEFERRED TAXATION (CONTINUED)

The provision for deferred taxation is made up as follows:

	2018 £M	*2017 £M*
Accelerated capital allowances	31	*26*
Pension surplus	16	*32*
	47	*58*

Estimated deferred tax due to be released within one year amounts to £2M.

24. PROVISIONS

	URBS £M	Other £M	Total £M
At 1 January 2018	10	12	22
Charged to profit or loss	2	17	19
Utilised in year	(12)	(2)	(14)
At 31 December 2018	-	27	27

The Unfunded Retirement Benefit Scheme ('URBS') provision relates to salary sacrifices by the members of the ExxonMobil supplementary pension plan (see note 26).

Other provisions consist of an environmental remediation reserve for terminals.

25. CAPITAL COMMITMENTS

At 31 December the Company had capital commitments as follows:

	2018 £M	*2017 £M*
Contracted for but not provided in these financial statements	24	*30*

26. PENSION COMMITMENTS

The Company operates a Defined Benefit Pension Scheme.

The Company is the principal employer of a Defined Benefit Pension Scheme providing final salary benefits. The scheme is open to new members. The scheme is subject to the statutory funding objective and so must aim to have sufficient and appropriate assets to cover the scheme's liabilities on the funding basis which is agreed between the member companies and the Trustee of the scheme.

As at the date of the most recently completed actuarial valuation (31 December 2017) the statutory funding objective was met. However, if the statutory funding objective is not met, the shortfall revealed between the scheme's assets and liabilities must be repaired through the payment of deficiency contributions. As the scheme is a 'cross border' arrangement, these deficiency contributions must be paid within the period of 2 years following the valuation date.

In recognition of the past service surplus, the Trustee and the Member Companies agreed that the Member Companies will make no employer contributions over the calendar year 2018.

	2018 £M	2017 £M
Reconciliation of present value of scheme liabilities:		
At the beginning of the year	5,102	5,294
Current service cost	80	88
Interest cost	129	139
Actuarial gains	(227)	(211)
Benefits paid	(209)	(213)
Plan introductions, changes, curtailments and settlements	26	-
Foreign exchange effects on revaluation	1	5
At the end of the year	4,902	5,102

	2018 £M	2017 £M
Reconciliation of present value of scheme assets:		
At the beginning of the year	5,332	5,120
Interest income	134	134
Actuarial (losses)/gains	(218)	243
Contributions	8	44
Benefits paid	(209)	(213)
Administration costs paid	(3)	(2)
Foreign exchange effects on revaluation	2	6
At the end of the year	5,046	5,332

26. PENSION COMMITMENTS (CONTINUED)

	2018 £M	*2017 £M*
Composition of scheme assets:		
Equity securities	**1,455**	*1,595*
Debt securities	**3,580**	*3,723*
Other	**11**	*14*
Total scheme assets	**5,046**	*5,332*

	2018 £M	*2017 £M*
Fair value of scheme assets	**5,046**	*5,332*
Present value of scheme liabilities	**(4,902)**	*(5,102)*
Net pension scheme asset	**144**	*230*

The amounts recognised in statement of comprehensive income are as follows:

	2018 £M	*2017 £M*
Current service cost	**(80)**	*(88)*
Interest on obligation	**(129)**	*(139)*
Interest income on scheme assets	**134**	*134*
Plan introductions, changes, curtailments and settlements	**(26)**	-
Administration costs paid	**(3)**	*(2)*
Foreign exchange effects on revaluation	**1**	*1*
Total	**(103)**	*(94)*

Plan introductions, changes, curtailments and settlements relate to the accural for GMP equalisation, following the Lloyds court case ruling in October 2018.

The cumulative amount of actuarial gains and losses recognised in the Statement of Comprehensive Income was £1,064M *(2017 - £1,073M)*.

The Company expects to contribute £48M to its Defined Benefit Pension Scheme in 2019, mainly in respect of employee 'salary sacrifices'.

Following the 2017 actuarial valuation which resulted in an increase to the surplus, the Company and the Trustee have agreed a normal employer contribution holiday during 2019.

26. PENSION COMMITMENTS (CONTINUED)

	2018 £M	2017 £M
Analysis of actuarial gains/losses recognised in other comprehensive income		
Actual return less interest income included in net interest income	(218)	243
Experience gains and losses arising on the scheme liabilities	(19)	44
Changes in assumptions underlying the present value of the scheme liabilities	246	167
TOTAL	9	454

Principal actuarial assumptions at the statement of financial position date (expressed as weighted averages):

	2018 %	2017 %
Discount rate	2.90 %	2.60 %
Expected return on scheme assets	2.90 %	2.60 %
Price Inflation (RPI)	3.10 %	3.10 %
Price Inflation (CPI)	2.10 %	2.10 %
Future salary increases	3.10 %	3.10 %
Pension increases for in-payment benefits:		
- Pre - 1997 benefits	2.20 %	2.20 %
- 1997 - 2006 benefits	3.10 %	3.10 %
- Post April 06	2.50 %	2.50 %
Pension Increases for deferred benefits	2.10 %	2.10 %
Non contributory benefits	2.10 %	-
Mortality assumptions		
- for a male aged 60 now	27.4	27.4
- at 60 for a male aged 50 now	28.0	28.1
- for a female aged 60 now	29.2	29.1
- at 60 for a female aged 50 now	30.1	29.9

PENSION COMMITMENTS (CONTINUED)

ExxonMobil Supplementary Plan

There is an additional ExxonMobil Supplementary Pension Plan which is an unfunded pension scheme.

Included in the valuation above is an amount of £193.3M (2017 - £157.5M) which relates to the unfunded ExxonMobil Supplementary Plan.

Merchant Navy Officers Pension Fund

The Company is a participating employer in the Merchant Navy Officers Pension Fund ("MNOPF"). Company contributions to this fund amounted to £6M (2017 - £2M) during the year. In 2018 and 2017 this consisted entirely of deficit contributions.

The actuarial valuation as at 31 March 2012 showed an aggregate fund deficit of £492M (2009 - £740M). Additional contributions as a result of this valuation were requested with effect from September 2013 that were due to be made until September 2023. Following discussions with the trustees of MNOPF, the Company agreed to settle its share of this deficit by paying a total of £6M in full settlement of all amounts due in respect of these obligations.

The last valuation report for this fund was carried out by a qualified independent actuary as at 31 March 2018. No additional contributions were requested as a result.

The schedules provided by the fund's trustees to the Company detail only the amount for which it is seeking contribution, so the Company is unable to identify its share of the underlying assets and liabilities of the plan on a consistent and reliable basis and in accordance with paragraph 28.11A of FRS 102 is therefore treating the plan as a defined contribution plan.

All employers participating in the MNOPF are joint and severally liable for obligations of the fund.

Merchant Navy Ratings Pension Fund

The Company is also a participating employer in the Merchant Navy Ratings Pension Fund. Company contributions amounted to £2.7M (2017 - NIL) during the year consisting entirely of deficit contributions.

The latest actuarial valuation as at 31 March 2017 showed an aggregate fund deficit of £89M. As a result of this valuation the Company's share of this deficit amounts to £4M, the first instalment was paid on 30 October 2018 with the remaining £1.4M to be paid on 30 October 2019. The total future liability relating to this obligation has been charged to the statement of comprehensive income and reflected in the statement of financial position, in these financial statements.

The schedules provided by the fund's trustees to the Company detail only the amount for which it is seeking contribution, so the Company is unable to identify its share of the underlying assets and liabilities of the plan on a consistent and reliable basis and in accordance with paragraph 28.11A of FRS 102 is therefore treating the plan as a defined contribution plan.

All employers participating in the Merchant Navy Ratings Pension Fund are jointly and severally liable for obligations of the fund.

27. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £M	*2017 £M*
Not later than 1 year	2	*1*
Later than 1 year and not later than 5 years	4	*3*
Later than 5 years	5	*7*
	11	*11*

28. SHARE CAPITAL

Shares classified as equity

	2018 £M	*2017 £M*
Allotted, called up and fully paid		
608,385,200 *(2017 - 228,385,200)* ordinary shares of £1 each	608	*228*
345,000,000 *(2017 - 345,000,000)* redeemable ordinary shares of £1 each	345	*345*
	953	*573*

During the year the Company issued a total of 380,000,000 £1 ordinary shares at par to EMUKL its immediate parent, for cash.

The redeemable ordinary shares have a nominal value of £1 per share and a share premium of NIL (2017 - NIL). Both the Company and the holders of such shares, have an option to redeem them on demand at any time by, giving three days notice, for the original consideration. The shares rank pari passu with the ordinary shares of the Company as regards to priority and amounts receivable on a winding up, the payment of dividends and voting rights. There has been no change or modification to the rights attached to the shares in the year.

29. RESERVES

Other reserves

Other reserves relate to amounts used to capitalise the Company other than by sale of stock.

Profit and loss account

Profit and loss account represents accumulated comprehensive income for the year and prior years less dividends.

30. RELATED PARTY TRANSACTIONS

During the financial year, the Company entered into sales and purchasing transactions with other related parties.

The related parties, as defined by FRS 102 section 33, the nature of the relationship and the extent of the transactions with them are summarised below.

The following table details balances from and to other related parties divided between trade and loan accounts at the statement of financial position date in accordance with the disclosure requirements of FRS 102 section 33. The related parties disclosed in the table below are affiliated entities, which are not wholly owned within the Exxon Mobil Corporation group. Balances and transactions between the Company and related parties, which are wholly owned within the Exxon Mobil Corporation are not disclosed.

	2018 £M	*2017 £M*
Turnover	16	*6*
Cost of Sales	16	*2*
Debtors	37	*39*
Creditors	35	*37*

31. CONTROLLING PARTY

The immediate parent company is ExxonMobil UK Limited. The ultimate parent company and controlling party is Exxon Mobil Corporation, incorporated in New Jersey, USA. Exxon Mobil Corporation is listed on the New York Stock Exchange and its shares are widely dispersed. The smallest and the largest group of which the Company is a member and for which group financial statements are prepared is Exxon Mobil Corporation. Financial statements can be obtained from Exxon Mobil Corporation, Shareholder Relations, Post Office Box 140369, Irving, Texas 75014 - 0369, USA.

Appendix CA.2.8.1: Letter from Burges Salmon

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Our ref: HJ0325/RO01/31932.8382 Your ref:

16 January 2020

Dear Sirs

Property: Land on the north side of Cove Road, Cove, Farnborough
Company: S Bestwick & Sons Limited (Dissolved)

Thank you for your recent email.

We hope that the information below will be of assistance in clarifying the general position here from the Crown Estate perspective.

BACKGROUND

Following the disclaimer of the Property by the Treasury Solicitor, the Property may be deemed subject to escheat to the Crown at common law. By longstanding convention, properties that are subject to escheat fall to be dealt with by The Crown Estate, for whom this firm acts. However, as will be apparent from this letter, The Crown Estate should not be regarded as the current owner of the Property, at least in any conventionally understood sense.

POLICY

In accordance with legal advice given on previous occasions, The Crown Estate does not propose to take any action which might be construed as an act of management, possession or ownership in relation to the Property, since to do so may incur upon it liabilities with which the Property is, or may become, encumbered. Neither this letter nor any other correspondence passing between us should be construed as such an act.

The reasoning behind this approach is that The Crown Estate does not accept that it should be, in effect, the guarantor of last resort for companies and individuals who have failed financially, leaving onerous property in their wake. To do so would not be an appropriate application of The Crown Estate's revenues, nor is it a function envisaged for The Crown Estate by Parliament. Properties which may be subject to escheat are not infrequently onerous in nature and many have little or no monetary value. The total cost of all potential past, present and future liabilities connected to such properties, of which there are many, would be enormous. As The Crown Estate accounts to the Treasury for its operating surplus, such cost would end up as a burden on the public purse.

In practical terms, this means that The Crown Estate cannot undertake consent or object to any documents or works carried out on the land as this may be considered an act of management.

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CONCLUSION

We appreciate that this may appear to be an unsatisfactory state of affairs, but trust that you will understand that the events leading up to the current situation are not of The Crown Estate's making and its role in relation to the Property is limited. This is a complex and arcane area of our property and constitutional law but we hope that our letter is helpful to explain the constraints upon The Crown Estate in dealing with the properties that may be subject to escheat.

Yours faithfully

BURGES SALMON LLP