

Company registration number 04261274 (England and Wales)



**MERTHYR (SOUTH WALES) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**Helping you prosper**

**MERTHYR (SOUTH WALES) LIMITED**

**COMPANY INFORMATION**

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<b>Director</b>	Mr D Lewis
<b>Company number</b>	04261274
<b>Registered office</b>	Bradbury House Mission Court Newport Gwent NP20 2DW
<b>Auditor</b>	UHY Hacker Young Bradbury House Mission Court Newport Gwent United Kingdom NP20 2DW

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**MERTHYR (SOUTH WALES) LIMITED**

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## **MERTHYR (SOUTH WALES) LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022**

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The director presents the strategic report for the year ended 31 December 2022.

#### **Review of the business**

The results for the year are presented on page 10. All coaling operation ceased following the year on 30 November 2023. All former miners were made redundant with effect from this date. All remaining coal was sold by February 2024.

The director is satisfied with the company's operational performance during the year.

The overall result was impacted by further significant increases in provisions due to increases in fuel costs. The company's activities consist of selling coal. The total tonnage of coal sales in the year was 495,764 (2021: 546,310) a 9% decrease. The average coal price achieved increased by 94% to £151.66 per tonne.

GP% which is one of the company's key areas of operating effectiveness was 14.5% for the year ended 31 December 2022 compared to -3.2% for the year ended 31 December 2021.

The gross profit includes £18.0m (2021: £5.8m) of exceptional cost related to provision adjustments (see note 2, 7, 17); adjusting for these items the GP% was 38.4% compared to 10.3% in 2021. The site continued to operate a single shift operation through 2021, directly impacting the amount of coal extracted from the mine. This was necessary to ensure the ongoing safety of the workforce as local outbreaks of covid continued; this inevitably impacted on the margin.

Overall profit before tax was £7.9m (2021: loss before tax £3.7m) and profit for the year was £2.5m (2021: loss for the year of £2.8m) which includes the exceptional costs mentioned above.

The balance sheet on page 12 shows that the company's net assets are £3.9m (2021: £1.4m).

#### **Principal risks and uncertainties**

The company's principal activity is the reclamation of direct land to the east of Merthyr Tydfil, South Wales, through the operation of a surface coal mine. The principal risks and uncertainties faced by the company are documented below:

##### **Market**

The company works in close co-operation with the relevant regulatory authorities to satisfy both the planning permissions and licence requirements.

The world commodity markets determines the price of coal but the company minimises risk by securing fixed term contracts with key customers.

##### **Operations**

Our mining Engineers are constantly reviewing detailed geographical and engineering models to maximise efficiencies within the mine.

Heavy equipment is used in the restoration project and health and safety is of primary concern to the business. Working practices are designed to ensure safety and also minimise the impact of the project on local residents and the local environment.

##### **Risk management**

The principle risk for the company is to achieve sales for the product at satisfactory pricing levels. Currently these remain positive and are likely to be so for the foreseeable future.

The UK Steel and Cement sectors provide our key customer base. Our mine plan is fully-costed and regularly reviewed and includes appropriate allowances for contingencies such as adverse weather. The most significant variable cost is fuel. Coal prices and fuel costs are currently providing a natural hedge. Full account has been taken for funding the restoration obligation in the future costs and cash flows.

**MERTHYR (SOUTH WALES) LIMITED**  
**STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

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**Other information and explanations**

The company's coal licence expired and coaling ceased on 30 November 2023. All miners were made redundant. The company continued to sell the remaining coal extracted until February 2024. The company now has no alternative other than to cease trading.

The directors have prepared cashflow projections and at the time of approving the financial statements, the director has a reasonable expectation that the company has adequate resources to meet its debts as they fall due, however, since the director has no alternative other than for the company to cease trading, these financial statements have been prepared on a basis other than going concern; no significant adjustments were required as a result of ceasing to adopt the going concern basis.

**Promoting the success of the company**

This report sets out how the director complies with the requirements of section 172 Companies Act 2006 and how these requirements have impacted on the decision making of the Merthyr (South Wales) Limited directors.

Our director has always acted in good faith in ways which promotes the success of the company with regard to its members and stakeholders whilst maintaining the highest level of business conduct.

The company is governed by external planning consents, coal licences and coal resources and the company plans to operate safely and responsibly within these constraints.

On completion of coaling the site will be restored in accordance with the agreed terms of the reclamation project.

**The likely consequences of any decision in the long term**

The director constantly reviews the capital expenditure requirements with a view to the finite timescale of the reclamation project. Progress is constantly reviewed in order to achieve both the extraction and the restoration targets.

Funding is provided via the holding company where appropriate.

**The interest of the company employees**

The director recognises the importance of all Employees and their roles for the company to achieve its objectives in the reclamation project.

Health and safety is an absolute priority on site and additional measures were introduced immediately during Covid 19 to minimise any risk to the workforce.

On site, additional cleaning, segregation and washing measures continued throughout the year. The single shift pattern also continued to reduce risk of cross contamination of vehicles. This was necessary as localised outbreaks of covid continued.

The company engages regularly with the workforce through toolbox talks and other forms of communication.

The workforce will continue to operate under these protected procedures until the threat of covid is reduced. The company will continue to monitor the situation and agree with the workforce acceptable working practices going forward.

**The need to foster the company's business relationships with suppliers, customers and others**

The director understands the importance of our suppliers to achieve the long-term plans of the business. Supplier relationships are key to the business and regular meetings and performance reviews are carried out to ensure the quality of supplies and services are maintained.

All customers are regularly contacted to support our relationship and to ensure quality standards and delivery terms are achieved.

Other stakeholders include governing bodies, local authorities, finance partners, regulatory bodies and residents.

**MERTHYR (SOUTH WALES) LIMITED**  
**STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

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**The impact of the company's operations on the community and environment**

The director is aware of the impact of the restoration project on the local community and operates in ways which minimises the impact on the environment, wildlife and residents in the local community. Funding and sponsorship are provided for many local events.

**Desirability of the company maintaining a reputation for high standards of business conduct**

The director ensures the reputation of the company is maintained in all business transactions.

There is a commitment to ensure the workforce fully reflects society and is included as a key element to deliver the corporate plan.

**The need to act fairly between members of the company**

The group is family owned and regularly engages with the director of the company.

On behalf of the board

Mr D Lewis  
**Director**

29 May 2024

**MERTHYR (SOUTH WALES) LIMITED**

**DIRECTOR'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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The director presents his annual report and financial statements for the year ended 31 December 2022.

**Results and dividends**

The results for the year are set out on page 10 and are discussed in the Strategic Report on page 1.

**Post balance sheet events**

As noted in the Strategic Report the company ceased coaling on 30 November 2023 and made the majority of its workforce redundant; the cost of the redundancies was approximately £1.5m. The directors are currently assessing other costs of closure including the company's obligations for restoration (refer to Note 2).

**Director**

The director who held office during the year and up to the date of signature of the financial statements was as follows:

Mr D Lewis

**Auditor**

UHY Hacker Young have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointment as auditor in the absence of an Annual General Meeting.

**Energy and carbon report**

We have reported on all sources of GHG emissions and Energy usage:

	<b>2022</b>	<b>2021</b>
<i>Energy consumption</i>	<b>kWh</b>	<b>kWh</b>
Aggregate of energy consumption in the year	880,367	933,602
	<u>          </u>	<u>          </u>
	<b>2022</b>	<b>2021</b>
<i>Emissions of CO2 equivalent</i>	<b>metric tonnes</b>	<b>metric tonnes</b>
Scope 1 - direct emissions		
- Gas combustion	-	-
- Fuel consumed for owned transport	14,216.00	16,598.00
	<u>          </u>	<u>          </u>
	14,216.00	16,598.00
Scope 2 - indirect emissions		
- Electricity purchased	858,661.00	910,923.00
Scope 3 - other indirect emissions		
- Fuel consumed for transport not owned by the	3,712.00	3,012.00
	<u>          </u>	<u>          </u>
Total gross emissions	876,589.00	930,533.00
	<u>          </u>	<u>          </u>
<i>Intensity ratio</i>		
Tonnes CO2e per £m of revenue	0.0117	0.0232
	<u>          </u>	<u>          </u>

*Quantification and reporting methodology*

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2020 UK Government's Conversion Factors for Company Reporting.

**MERTHYR (SOUTH WALES) LIMITED**  
**DIRECTOR'S REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

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*Intensity measurement*

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO<sub>2</sub>e per £'m of revenue.

**Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Mr D Lewis  
**Director**

29 May 2024



**MERTHYR (SOUTH WALES) LIMITED**

**DIRECTOR'S RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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The director is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is 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 director is 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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. He is 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.

## MERTHYR (SOUTH WALES) LIMITED

### INDEPENDENT AUDITOR'S REPORT

#### TO THE MEMBERS OF MERTHYR (SOUTH WALES) LIMITED

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#### **Opinion**

We have audited the financial statements of Merthyr (South Wales) Limited (the 'company') for the year ended 31 December 2022 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Emphasis of matter - financial statements prepared on a basis other than going concern.**

We draw attention to note 1.2 and note 2 of the financial statements (Going concern), which explains that the company's coal licence expired and coaling ceased at the end of November 2023, and the director therefore does not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly the financial statements have been prepared on a basis other than going concern as described in note 1.2. Our opinion is not modified in respect of this matter.

#### **Emphasis of matter - provisions**

We draw attention to note 2, which explains that the company's restoration provision is based on the existing planning consent and original restoration plan and that certain costs within the provision relate to recharges from other group companies. Changes to the restoration plan or to amounts recharged from other group companies could have a fundamental effect on the provision. Our opinion is not modified in respect of this matter, however it is significant to the understanding of the financial statements.

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

#### **Other information**

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The director is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

**MERTHYR (SOUTH WALES) LIMITED**

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)  
TO THE MEMBERS OF MERTHYR (SOUTH WALES) LIMITED**

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**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the director's report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

**Responsibilities of director**

As explained more fully in the director's responsibilities statement, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director determines 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 director is 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 director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

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

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

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the relevant sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006 and ISO standards;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

**MERTHYR (SOUTH WALES) LIMITED**

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)  
TO THE MEMBERS OF MERTHYR (SOUTH WALES) LIMITED**

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We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial statements, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Mr Paul Byett (Senior Statutory Auditor)  
For and on behalf of UHY Hacker Young**

29 May 2024

**Chartered Accountants  
Statutory Auditor**

Newport  
Gwent  
United Kingdom

**MERTHYR (SOUTH WALES) LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	2022 £	2021 £
<b>Turnover</b>	<b>3</b>	75,178,533	42,815,452
Cost of sales (including exceptional cost of £18.0m (2021: £5.8m))	7	(64,280,666)	(44,198,474)
<b>Gross profit/(loss)</b>		10,897,867	(1,383,022)
Administrative expenses		(800,065)	(945,736)
Profit/(loss) on sale of tangible assets		283,566	20,790
Other operating income		-	253,327
<b>Operating profit/(loss)</b>	<b>6</b>	10,381,368	(2,054,641)
Interest payable and similar expenses	9	(2,490,487)	(1,636,937)
<b>Profit/(loss) before taxation</b>		7,890,881	(3,691,578)
Tax on profit/(loss)	8	(5,193,598)	869,889
<b>Profit/(loss) for the financial year</b>		2,697,283	(2,821,689)

The profit and loss account has been prepared on the basis that all operations are continuing operations. The coaling operations which comprise the majority of the company's activities were discontinued post year end.

**MERTHYR (SOUTH WALES) LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

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	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
<b>Profit/(loss) for the year</b>	2,697,283	(2,821,689)
<b>Other comprehensive income</b>	-	-
<b>Total comprehensive income for the year</b>	<u>2,697,283</u>	<u>(2,821,689)</u>

**MERTHYR (SOUTH WALES) LIMITED****BALANCE SHEET****AS AT 31 DECEMBER 2022**

		2022		2021	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Intangible assets	10		-		167,027
Tangible assets	11		1,550,178		4,567,869
Investments	12		10		10
			<u>1,550,188</u>		<u>4,734,906</u>
<b>Current assets</b>					
Stocks	14	1,546,013		1,143,126	
Debtors	15	98,465,141		64,566,763	
Cash at bank and in hand		10,483,335		16,916,152	
		<u>110,494,489</u>		<u>82,626,041</u>	
<b>Creditors: amounts falling due within one year</b>	16	(17,015,400)		(14,531,004)	
<b>Net current assets</b>			<u>93,479,089</u>		<u>68,095,037</u>
<b>Total assets less current liabilities</b>			<u>95,029,277</u>		<u>72,829,943</u>
<b>Provisions for liabilities</b>					
Provisions	17	90,948,885		71,446,834	
		<u>(90,948,885)</u>		<u>(71,446,834)</u>	
<b>Net assets</b>			<u>4,080,392</u>		<u>1,383,109</u>
<b>Capital and reserves</b>					
Called up share capital	20		402		402
Profit and loss reserves			4,079,990		1,382,707
<b>Total equity</b>			<u>4,080,392</u>		<u>1,383,109</u>

The financial statements were approved and signed by the director and authorised for issue on 29 May 2024

Mr D Lewis  
**Director**

Company registration number 04261274 (England and Wales)

**MERTHYR (SOUTH WALES) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

	Share capital	Profit and loss reserves	Total
	£	£	£
<b>Balance at 1 January 2021</b>	402	4,204,396	4,204,798
<b>Year ended 31 December 2021:</b>			
Loss and total comprehensive income	-	(2,821,689)	(2,821,689)
<b>Balance at 31 December 2021</b>	402	1,382,707	1,383,109
<b>Year ended 31 December 2022:</b>			
Profit and total comprehensive income	-	2,697,283	2,697,283
<b>Balance at 31 December 2022</b>	402	4,079,990	4,080,392



## MERTHYR (SOUTH WALES) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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#### **1 Accounting policies**

##### **Company information**

Merthyr (South Wales) Limited is a private company limited by shares incorporated in England and Wales. The registered office is Bradbury House, Mission Court, Newport, Gwent, NP20 2DW.

##### **1.1 Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Gwent Holdings Limited. These consolidated financial statements are available from its registered office, C/O UHY Hacker Young, Lanyon House, Mission Court, Newport, NP20 2DW.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Merthyr (South Wales) Limited is a wholly owned subsidiary of Gwent Holdings Limited and the results of Merthyr (South Wales) Limited are included in the consolidated financial statements of Gwent Holdings Limited which are available from C/O UHY Hacker Young, Lanyon House, Mission Court, Newport, NP20 2DW.

##### **1.2 Going concern**

The company's coal licence expired and coaling ceased on 30 November 2023. All miners were made redundant. The company continued to sell the remaining coal extracted until February 2024. The company now has no alternative other than to cease trading.

The directors have prepared cashflow projections and at the time of approving the financial statements, the director has a reasonable expectation that the company has adequate resources to meet its debts as they fall due, however, since the director has no alternative other than for the company to cease trading, these financial statements have been prepared on a basis other than going concern; no significant adjustments were required as a result of ceasing to adopt the going concern basis.

**MERTHYR (SOUTH WALES) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**1 Accounting policies** **(Continued)**

**1.3 Turnover**

Turnover relates to amounts derived from coal sales and other services. Turnover is recognised at the fair value of the consideration received or receivable, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of coal is recognised when the significant risks and rewards of ownership have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**1.4 Intangible fixed assets other than goodwill**

Intangible fixed assets represent mining rights which were amortised on a coal extraction basis. The asset was fully written down during the year.

**1.5 Tangible fixed assets**

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings Freehold	Coal extraction basis
Plant and machinery	3-15 years
Deferred stripping costs	Not depreciated
Mining projects	Coal extraction basis
Restoration asset	Coal extraction basis

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

The remaining mining projects and restoration asset balance was fully written down during the year.

**Deferred stripping costs**

Stripping costs incurred during the production stage of operations are deferred and included within fixed assets. The amount of stripping cost deferred is based on the ratio of overburden removed to coal extraction. Stripping costs incurred in the period are deferred to the extent the current period ratio exceeds the life of mine ratio. Such deferred costs are charged against profits to the extent that, in subsequent periods, the ratio is below the life of mine ratio. The remaining balance has been released as coaling ceased in 2023.

**Mining projects**

Mining projects include the costs of site establishment and costs incurred prior to commencement of operations and costs transferred from intangible fixed assets. Costs have now been fully written off.

**Restoration and closure costs**

The total costs of reinstatement of soil excavation and of surface restoration are recognised as a provision at site commissioning when the obligation arises. The amount provided represents the present value of the expected costs. Costs are charged to the provision as incurred and the unwinding of the discount is included in the interest charge for the year. An asset is created for an amount equivalent to the initial provision. This is charged to the profit and loss account on a coal extraction basis over the life of the site. The asset is now fully amortised,

**MERTHYR (SOUTH WALES) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**1 Accounting policies** **(Continued)**

**1.6 Fixed asset investments**

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses are recognised immediately in profit or loss.

**1.7 Impairment of fixed assets**

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

As noted above as coaling ceased post year end the remaining balance of mining rights (intangible), mining projects and restoration asset have been fully amortised.

**1.8 Stocks**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

**1.9 Financial instruments**

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the profit and loss account in other administrative expenses.

**MERTHYR (SOUTH WALES) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**1 Accounting policies**

**(Continued)**

**Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

**Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

**Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

**Other financial liabilities**

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

**Derecognition of financial liabilities**

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

**1.10 Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

**Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

**MERTHYR (SOUTH WALES) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**1 Accounting policies**

**(Continued)**

**Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

**1.11 Provisions**

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

**1.12 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

**1.13 Retirement benefits**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

**1.14 Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**1.15 Government grants**

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

**MERTHYR (SOUTH WALES) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**2 Judgements and key sources of estimation uncertainty**

In the application of the company's accounting policies, the director is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

**Critical judgements**

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

**Going concern**

The company's coal licence expired and coaling ceased on 30 November 2023. All miners were made redundant. The company continued to sell the remaining coal extracted until February 2024. The company now has no alternative other than to cease trading.

The directors have prepared cashflow projections and at the time of approving the financial statements, the director has a reasonable expectation that the company has adequate resources to meet its debts as they fall due, however, since the director has no alternative other than for the company to cease trading, these financial statements have been prepared on a basis other than going concern; no significant adjustments were required as a result of ceasing to adopt the going concern basis.

**Restoration provisions**

The restoration provision is based on managements best estimate of the cash flow expected in order to restore the mine in accordance with the planning consent. The restoration is based on the original restoration plan. Changes to any of the factors included in the estimate can have a significant impact on the overall expected cost; in particular the overall cost is significantly impacted by the cost of plant including fuel. As discussed further in notes 7 and 20 the provision was re-assessed during the year and as a consequence the estimate was increased by £18.0m; this was debited to the profit and loss account (2021: £5.8m was debited to the profit and loss account). This is regarded as an exceptional item, refer to note 7. The main cause of the increase is significant anticipated increases in plant hire costs. Some of the plant hire costs have been recharged from other group companies. Changes to the restoration plan could have a fundamental impact on the provision. Elimination of inter-group costs also materially affects the provision.

**Restoration asset**

A restoration asset was created for an amount equivalent to the initial provision. The asset is amortised on a unit of production basis. The carrying value of the restoration asset is therefore susceptible to the same uncertainties as the provision. The amortisation charge is affected by estimates of remaining reserves.

**Other assets amortised on the unit of production basis**

Mining rights (Intangible) and Mining Projects (Tangible) are also amortised on a unit of production basis, therefore the amortisation of these assets is also affected by the estimate of future recoverable reserves.

**Deferred stripping**

As disclosed in section 1 above costs are deferred to the extent that the current ratio of overburden to coal exceeds the ratio expected in the company's life of mine (LOM) projections and costs are released when the current ratio is below the LOM rate. These ratios are derived from extensive geographical survey and bore-hole testing, however the asset can clearly be significantly affected by managements judgement and estimate of future coal recovery and much shift. The remaining balance has been written off.

**Recoverability of intercompany balances**

**MERTHYR (SOUTH WALES) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**2 Judgements and key sources of estimation uncertainty (Continued)**

At 31 December 2022, the company was owed balances from other group companies. The directors have considered the recoverability of these balances and are satisfied that the balance are recoverable; this involves an assessment of future cashflows of group companies and future plans. This clearly requires significant judgement and estimation uncertainty.

**3 Turnover and other revenue**

An analysis of the company's turnover is as follows:

	2022	2021
	£	£
<b>Turnover analysed by class of business</b>		
Coal sales	67,825,379	35,017,207
Washing services	7,337,272	7,783,855
Other	15,882	14,390
	<u>75,178,533</u>	<u>42,815,452</u>
	2022	2021
	£	£
<b>Other revenue</b>		
Grants received	-	253,327
	<u>-</u>	<u>253,327</u>

All turnover relates to the UK by origin and destinations.

Grants received of £253,327 in 2021 is furlough income from the UK Government due to the Covid-19 pandemic.

**4 Auditor's remuneration**

	2022	2021
	£	£
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the company	54,175	49,250
	<u>54,175</u>	<u>49,250</u>

**5 Employees**

The average monthly number of persons (including directors) employed by the company during the year was:

	2022	2021
	Number	Number
Site operatives	98	116
Management and administration	19	19
	<u>117</u>	<u>135</u>

**MERTHYR (SOUTH WALES) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**5 Employees** **(Continued)**

Their aggregate remuneration comprised:

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Wages and salaries	5,038,976	5,200,662
Social security costs	577,609	552,810
Pension costs	150,474	134,674
	<u>5,767,059</u>	<u>5,888,146</u>

**6 Operating profit/(loss)**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Operating profit/(loss) for the year is stated after charging/(crediting):		
Government grants	-	(253,327)
Depreciation of owned tangible fixed assets	980,967	4,445,816
Depreciation of tangible fixed assets held under finance leases	-	72,000
Profit on disposal of tangible fixed assets	(283,566)	(20,790)
Amorisation of intangible assets	167,027	501,083
	<u>167,027</u>	<u>501,083</u>

**7 Exceptional item**

**Restoration provision/asset**

As discussed in notes 2 and 17 during the year the directors again reassessed the restoration provision based on current operating costs in particular plant hire costs and diesel prices which have increased significantly and as a result increased the restoration provision by £18.0m to £90.9m; this followed an internal re-evaluation as well as a review by independent consultants. The £18.0m increase was debited to the profit and loss account.

This followed significant increases in the restoration provision of £5.8m in 2021 and these increases were principally a result of significant increases in fuel costs following the fuel duty changes which mean that the duty charge to the company increases from 11.14p per litre to 57.95p per litre from 1 April 2022 and further increases in fuel costs are to rising pump prices.

**8 Taxation**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
<b>Current tax</b>		
UK corporation tax on profits for the current period	4,618,275	464,281
Adjustments in respect of prior periods	575,323	-
	<u>5,193,598</u>	<u>464,281</u>
Total current tax	<u>5,193,598</u>	<u>464,281</u>



**MERTHYR (SOUTH WALES) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

<b>8 Taxation</b>	<b>(Continued)</b>	
	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	(1,397,520)
Changes in tax rates	-	63,350
	<u>-</u>	<u>(1,334,170)</u>
Total deferred tax	-	(1,334,170)
	<u>-</u>	<u>(1,334,170)</u>
Total tax charge/(credit)	<u>5,193,598</u>	<u>(869,889)</u>

The actual charge/(credit) for the year can be reconciled to the expected charge/(credit) for the year based on the profit or loss and the standard rate of tax as follows:

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Profit/(loss) before taxation	<u>7,890,881</u>	<u>(3,691,578)</u>
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	1,499,267	(701,400)
Tax effect of expenses that are not deductible in determining taxable profit	3,432,061	23,247
Gains not taxable	(46,954)	(136,544)
Adjustments in respect of prior years	575,323	-
Effect of change in corporation tax rate	-	(272,055)
Permanent capital allowances in excess of depreciation	(297,834)	-
Depreciation on assets not qualifying for tax allowances	31,735	216,863
	<u>5,193,598</u>	<u>(869,889)</u>
Taxation charge/(credit) for the year	<u>5,193,598</u>	<u>(869,889)</u>

<b>9 Interest payable and similar expenses</b>	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	114,859	1,303
<b>Other finance costs:</b>		
Interest on finance leases and hire purchase contracts	8,180	87,634
Unwinding of discount on provisions	1,548,000	1,548,000
Other interest	819,448	-
	<u>2,490,487</u>	<u>1,636,937</u>
	<u>2,490,487</u>	<u>1,636,937</u>

MERTHYR (SOUTH WALES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022

**10 Intangible fixed assets**

**Mining rights**

**Cost**

At 1 January 2022 and 31 December 2022 8,609,663

**Amortisation and impairment**

At 1 January 2022 8,442,636

Amortisation charged for the year 167,027

At 31 December 2022 8,609,663

**Carrying amount**

At 31 December 2022 -

At 31 December 2021 167,027

**11 Tangible fixed assets**

	<b>Land and buildings Freehold</b>	<b>Plant and machinery</b>	<b>Deferred stripping costs</b>	<b>Mining projects</b>	<b>Restoration asset</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>						
At 1 January 2022	8,982,414	24,776,841	3,173,815	29,881,269	27,769,375	94,583,714
Additions	-	763,275	-	-	-	763,275
Deferral reversal	-	-	(2,800,000)	-	-	(2,800,000)
Disposals	-	(206,502)	-	-	-	(206,502)
At 31 December 2022	8,982,414	25,333,614	373,815	29,881,269	27,769,375	92,340,487
<b>Depreciation and impairment</b>						
At 1 January 2022	8,737,334	24,393,867	-	29,387,172	27,497,472	90,015,845
Depreciation charged in the year	172,857	42,110	-	494,097	271,903	980,967
Eliminated in respect of disposals	-	(206,503)	-	-	-	(206,503)
At 31 December 2022	8,910,191	24,229,474	-	29,881,269	27,769,375	90,790,309
<b>Carrying amount</b>						
At 31 December 2022	72,223	1,104,140	373,815	-	-	1,550,178
At 31 December 2021	245,080	382,974	3,173,815	494,097	271,903	4,567,869

**MERTHYR (SOUTH WALES) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022****12 Fixed asset investments**

	Notes	2022 £	2021 £
Investments in subsidiaries	13	10	10

**13 Subsidiaries**

Details of the company's subsidiaries at 31 December 2022 are as follows:

Name of undertaking	Nature of business	Class of shares held	% Held	
			Direct	Indirect
Ffos-y-fran (Commoners) Limited	Dormant	Ordinary	100.00	0
Merthyr (Nominee No.1) Limited	Dormant	Ordinary	100.00	0

The registered office address for all of the above is Cwmbargoed Disposal Point Fochriw Road, Cwmbargoed, Merthyr Tydfil, Wales, CF48 4AE.

**14 Stocks**

	2022 £	2021 £
Coal stocks	1,388,973	1,048,042
Other stocks	157,040	95,084
	<u>1,546,013</u>	<u>1,143,126</u>

**15 Debtors**

	2022 £	2021 £
<b>Amounts falling due within one year:</b>		
Trade debtors	11,647,349	9,940,368
Unpaid share capital	402	402
Amounts due from parent undertakings	70,342,254	38,856,673
Prepayments and accrued income	254,884	222,745
	<u>82,244,889</u>	<u>49,020,188</u>

**MERTHYR (SOUTH WALES) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

<b>15 Debtors</b>	<b>(Continued)</b>	
	<b>2022</b>	<b>2021</b>
<b>Amounts falling due after more than one year:</b>	<b>£</b>	<b>£</b>
Other debtors	15,086,689	14,413,012
Deferred tax asset (note 18)	1,133,563	1,133,563
	<u>16,220,252</u>	<u>15,546,575</u>
<b>Total debtors</b>	<u><u>98,465,141</u></u>	<u><u>64,566,763</u></u>

Other debtors falling due after more than one year includes cash funds held by LPAs of £15,086,689 (2021: £14,413,012).

Cash funds held by Local Planning Authorities (LPAs) are cash balances paid by the company as part of its Section 106 commitments and will be repaid to the company on milestones during the restoration and rehabilitation of the relevant sites.

<b>16 Creditors: amounts falling due within one year</b>		<b>2022</b>	<b>2021</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>
Obligations under finance leases		-	71,100
Trade creditors		1,763,385	1,156,081
Amounts due to group undertakings		142,469	-
Corporation tax		11,326,400	5,313,354
Other taxation and social security		512,555	5,768,859
Other creditors		2,655,607	1,466,256
Accruals and deferred income		614,984	755,354
		<u>17,015,400</u>	<u>14,531,004</u>

<b>17 Provisions for liabilities</b>	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Operating provisions	<u>90,948,885</u>	<u>71,446,834</u>

**MERTHYR (SOUTH WALES) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**17 Provisions for liabilities** **(Continued)**

Movements on provisions:	<b>Operating provisions</b>
	<b>£</b>
At 1 January 2022	71,446,834
Additional provisions in the year	17,954,051
Unwinding of discount	1,548,000
At 31 December 2022	<u>90,948,885</u>

The provision relates to the costs of returning land disturbed during mining activities including aftercare costs. Restorations will commence while mining operations are ongoing and the provision is expected to be largely utilised over the next 8 years.

As discussed in note 7 the provision was reassessed in 2022 and 2021 and increased by £18.0m and £5.8m respectively.

**18 Deferred taxation**

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	<b>Assets</b>	<b>Assets</b>
	<b>2022</b>	<b>2021</b>
<b>Balances:</b>	<b>£</b>	<b>£</b>
Accelerated capital allowances	<u>1,133,563</u>	<u>1,133,563</u>

There were no deferred tax movements in the year.

The deferred tax asset set out above relates to accelerated capital allowances and this is expected to reverse over the useful lives of the related assets.

**19 Retirement benefit schemes**

	<b>2022</b>	<b>2021</b>
<b>Defined contribution schemes</b>	<b>£</b>	<b>£</b>
Charge to profit or loss in respect of defined contribution schemes	<u>150,474</u>	<u>134,674</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

**MERTHYR (SOUTH WALES) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022****20 Share capital**

	2022	2021	2022	2021
Ordinary share capital	Number	Number	£	£
<b>Issued and not fully paid</b>				
Ordinary A share of £1 each	1	1	1	1
Ordinary B share of £1 each	1	1	1	1
Ordinary C shares of £1 each	400	400	400	400
	<u>402</u>	<u>402</u>	<u>402</u>	<u>402</u>
	<u><u>402</u></u>	<u><u>402</u></u>	<u><u>402</u></u>	<u><u>402</u></u>

**21 Financial commitments, guarantees and contingent liabilities**

The Company has entered a lease with The Geraint Morgan Legacy Limited (the land owner); under the terms of the lease, the Company has given an unlimited guarantee and indemnity against all damage; loss; costs claims; and expenses whatsoever resulting from the Mining Operations or restoration and aftercare of the Mining Land.

**22 Events after the reporting date**

As noted in the Strategic Report the company ceased coaling on 30 November 2023 and made the majority of its workforce redundant; the costs of the redundancies was approximately £1.5m. The directors are currently assessing other costs of closure which includes the company's obligations for restoration ( refer to Note 2).

The company is aware that these operational costs are likely to be significant and material, not least due to the heavy equipment required to carry out the restoration being owned by a third party, the lead times and vast cost of replacing this 15 year old specialist equipment would be insurmountable.

**23 Operating lease commitments**

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2022	2021
	£	£
Within one year	1,995	4,788
Between two and five years	-	1,995
	<u>1,995</u>	<u>6,783</u>
	<u><u>1,995</u></u>	<u><u>6,783</u></u>

**24 Related party transactions****Transactions with related parties**

The company has taken advantage of the exemption, under the terms of FRS 102, section 33.1A, not to disclose related party transactions with wholly owned subsidiaries within the group.

During the year the company paid royalties of £9,318,588 (2021: £4,778,251) and electricity recharges of £170,380 (2021: £nil) to Geraint Morgan Legacy Ltd, of which Mr D Lewis is a director and shareholder. At the year end an amount of £2,639,611 (2021: £1,345,137) was due to Geraint Morgan Legacy Ltd and this amount was included within creditors due within one year.

**MERTHYR (SOUTH WALES) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**25 Ultimate controlling party**

The company is a wholly owned subsidiary of Merthyr Holdings Limited, a company incorporated in Great Britain and registered in England and Wales.

Merthyr Holdings Limited is owned by Gwent Investments Limited which is 100% owned by Gwent Holdings Limited, the ultimate parent undertaking. Both Gwent Investments Limited and Gwent Holdings Limited are registered in England & Wales.

Gwent Holdings Limited is the parent of the smallest and largest group of which the company is a member for which group accounts are prepared. Copies of the Gwent Holdings Limited accounts can be obtained from the company's registered office; c/o UHY Hacker Young, Bradbury House, Mission Court, Newport, NP20 2DW.

The ultimate controlling party is Mrs J H Lewis by virtue of their shareholding in Gwent Holdings Limited.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.