

Miller Argent Holdings Limited

Directors' report and financial statements

Registered number 6330412

31 December 2011

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Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2011

Corporate restructurings

To simplify the Group structure and improve the transparency of the financial reporting to stakeholders, the following change was made. On 1 February 2011, Miller Developments (South Wales) Limited and Argent Estates Limited retired as limited partners, leaving Miller Argent (Ffos-y-fran) Limited as the sole limited partner, holding a 99.99% interest in the Ffos-y-fran Limited Partnership. There is no change to the ultimate shareholders who remain The Miller Group and Argent Estates Limited.

Principal activities

The principal activity of the Group is the reclamation of derelict land in East Merthyr, South Wales through the operation of an opencast coal mine. The result for the year is set out in the profit and loss on page 5.

Market

Demand for Welsh Dry Steam coal remained strong during 2011, with demand outstripping supply. API#2 prices remained high and the dollar to sterling exchange rate was stable.

Performance

During the year the Group supplied high quality coal to key markets such as RWE nPower and Tata steel. In addition high quality coal was supplied to both the domestic and industrial markets under a number of individual supply agreements. The business produced a strong performance for the year on the back of a site record coal extraction of 930,000 tonnes. As a result of this great performance, our operating profit of £15.5m (2010 £1.3m) was ahead of expectation. This is welcome news and will go towards starting to recoup the last sixteen years of investment by the ultimate shareholders of the business.

Risk management

The principal risk is sales and finding suitable markets for our coal in the future. RWE nPower's power station at Aberthaw and Tata's Port Talbot steelworks are our key customers for the future. 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 and we hedge the majority of our medium-term fuel requirements.

Directors

The directors of the company during the year were

J T Poyner
A J S Prower
P J Smyth
S Tillman
DW Borland
RN Madelin
GJ Taylor

Resigned 16th May 2012

Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

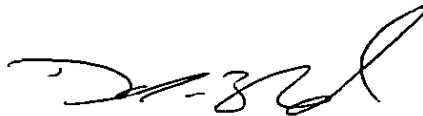
Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG will therefore continue in office

By order of the board



A J S Prower
Director



D W Borland
Director

Cwmbargoed Disposal Point
Fochriw Road
Merthyr Tydfil
GLAMORGAN CF48 4AE

25th May 2012

Statement of Directors' Responsibilities in respect of the Directors' Report and the financial statements

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities

KPMG LLP

Independent auditor's report to the members of Miller Argent Holdings Limited

We have audited the financial statements of Miller Argent Holdings Limited for the year ended 31 December 2011 set out on pages 5 to 18. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2011 and the group's profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

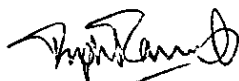
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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



Hugh Harvie (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

6 June 2012

**Consolidated Profit and Loss Account
 for the year ended 31 December 2011**


	<i>Note</i>	2011	2010
		£	£
Turnover	1	63,376,089	35,419,063
Cost of sales		(47,118,969)	(32,698,326)
Gross profit		16,257,120	2,720,737
Administration expenses		(736,875)	(1,375,497)
Operating profit		15,520,245	1,345,240
Profit on disposal of fixed asset		42,143	-
Profit before interest		15,562,388	1,345,240
Interest payable and similar charges	4	(4,532,729)	(3,836,774)
Taxation	5	-	67,540
Profit/(loss) after tax for financial year	3	11,029,659	(2,423,994)

**Consolidated Balance sheet
 at 31 December 2011**

	Note	2011	2010
		£	£
Fixed assets			
Intangible assets	7	9,324,882	10,336,469
Tangible assets	8	110,923,819	119,106,312
		<u>120,248,701</u>	<u>129,442,781</u>
Stock	9	809,172	1,638,199
Debtors	10	7,879,708	6,030,463
Cash at bank and in hand		8,748,620	9,915,660
		<u>17,437,500</u>	<u>17,584,322</u>
Creditors amounts falling due within one year	11	(20,269,318)	(18,841,198)
Net current liabilities		<u>(2,831,818)</u>	<u>(1,256,876)</u>
Total assets less current liabilities		117,416,883	128,185,905
Creditors amounts falling after more than one year	12	(50,673,510)	(77,991,050)
Provision for liabilities and charges	13	(60,032,639)	(54,513,780)
Net assets/(liabilities)		<u>6,710,734</u>	<u>(4,318,925)</u>
Capital and reserves			
Called up share capital	14	100	100
Profit and loss account	15	6,710,634	(4,319,025)
Shareholders' funds	16	<u>6,710,734</u>	<u>(4,318,925)</u>

The notes on pages 10 to 18 form part of these accounts

These financial statements were approved by the board of directors on 25th May 2012 and were signed on its behalf by


A J S Prower
 Director


D W Borland
 Director

**Company Balance sheet
 at 31 December 2011**

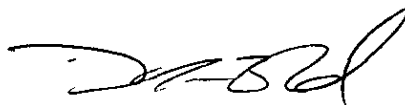
	Note	2011	2010
		£	£
Fixed assets			
Investments	6	160	160
Current assets			
Debtors	10	15,044,177	15,111,717
Creditors amounts falling due within one year	11	(172,355)	(172,355)
Net current assets		<u>14,871,822</u>	<u>14,939,362</u>
Creditors: amounts falling due after more than one year	12	(13,559,138)	(13,626,678)
Net assets		<u><u>1,312,844</u></u>	<u><u>1,312,844</u></u>
Capital and reserves			
Called up share capital	14	100	100
Profit and loss account	15	<u>1,312,744</u>	<u>1,312,744</u>
Shareholders' funds	16	<u><u>1,312,844</u></u>	<u><u>1,312,844</u></u>

The notes on pages 10 to 18 form part of these accounts

These financial statements were approved by the board of directors on 25th May 2012 and were signed on its behalf by



A J S Prower
 Director



D W Borland
 Director

**Consolidated cash flow statement
for the year ended 31 December 2011**

	2011 £	2010 £
Operating Profit	15,520,245	1,345,240
Decrease/(increase) in stripping deferral	3,913,867	(4,860,000)
Increase in debtors	(2,355,417)	(3,542,507)
Increase in creditors	1,428,120	1,884,560
Decrease/(increase) in stocks	829,027	(719,107)
Depreciation	10,269,617	7,798,876
Amortisation of intangible asset	1,011,587	822,932
Net cash inflow from operating activities	30,617,046	2,729,994
Returns on Investment and Servicing of Finance	(2,458,688)	(1,920,525)
Corporation tax received	67,540	138,382
Capital expenditure		
Purchase of tangible fixed assets	(2,309,398)	(3,491,563)
Disposal of tangible fixed assets	234,000	-
Net cash outflow from capital expenditure	(2,075,398)	(3,491,563)
Net cash inflow/(outflow) before financing	26,150,500	(2,543,712)
Financing		
Decrease in funding from limited partners	(3,067,540)	(35,905,093)
(Repayment)/proceeds from bank loan	(24,250,000)	45,000,000
(Decrease)/Increase in cash at bank and in hand	(1,167,040)	6,551,195

Reconciliation of net cash flow to movement in net debt

	2011 £	2010 £
(Decrease)/increase in cash in year	(1,167,040)	6,551,195
Cash outflow/(inflow) from decrease/(increase) in funding	27,317,540	(9,094,907)
Movement in net debt in year	26,150,500	(2,543,712)
Net debt at start of year	(79,325,390)	(76,781,678)
Net debt at end of year	(53,174,890)	(79,325,390)

Analysis of net debt

	<i>At 31 December 2010</i>	<i>Cash flows</i>	<i>At 31 December 2011</i>
	£	£	£
Cash at bank and in hand	9,915,660	(1,167,040)	8,748,620
Debt due within one year	(11,250,000)	-	(11,250,000)
Debt due after one year	(77,991,050)	27,317,540	(50,673,510)
	<hr/>	<hr/>	<hr/>
Net debt	(79,325,390)	26,150,500	(53,174,890)
	<hr/>	<hr/>	<hr/>

Notes

(forming part of the financial statements)

1. Accounting policies

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

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2011 using merger accounting. The financial statements have been prepared in line with the reporting requirements of Financial Reporting Standard No 6 "Acquisitions and Mergers". Therefore the group financial statements have been prepared as if the group was in existence for the whole of the current and prior financial periods.

Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

Going concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The company finances its day to day working capital requirements through a combination of funds advanced to the company by its shareholders, as detailed in note 12 and bank term facilities. The funds provided by the shareholders, which at 31 December 2011 amounted to £41.2m, are not repayable until the company has sufficient funds remaining, following required repayments of the bank indebtedness, to settle the shareholder indebtedness.

In relation to the company's short term working capital requirements, the directors have prepared cash flow forecasts which indicate that the company should continue to have sufficient resources available to it to enable it to continue in operational existence by meeting its day to day liabilities as they fall due for payment for a period of at least twelve months from the date of approval of these financial statements.

In light of the foregoing, and after making appropriate enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the annual financial statements.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Tangible fixed assets

The cost of tangible fixed assets comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. Provision is made for impairment when identified.

Depreciation is provided to write off the cost of an asset over its useful economic life as follows:

Plant and machinery	3-15 years
Buildings	Coal extraction basis
Mining Projects	Coal extraction basis
Restoration asset	Coal extraction basis

Intangible fixed assets

Intangible fixed assets represent mining rights and are amortised on a coal extraction basis.

Accounting policies (*continued*)

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.

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.

Restoration and closure costs

The total costs of reinstatement of soil excavation and of surface restoration are recognized 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.

Pension costs

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Pension contributions to this scheme are expensed as incurred.

Turnover

Turnover represents the amounts derived from coal sales.

Notes (continued)

2 Staff numbers and costs

The average number of persons employed during the year, analysed by category was as follows

	2011	2010
Site operatives	107	125
Management and administration	29	29
	<u>136</u>	<u>154</u>

	2011 £	2010 £
Wages and salaries	4,668,717	4,742,452
Social security costs	697,625	708,642
Other pension costs	97,821	106,748
	<u>5,464,163</u>	<u>5,557,842</u>

None of the directors received any emoluments from the company

3. Profit/(loss) for the financial year

The profit/(loss) for the financial year is stated after charging

	2011 £	2010 £
Depreciation	10,269,617	7,798,876
Amortisation of mining rights in Ffos-y-fran Limited Partnership	1,011,587	822,932
Auditors remuneration in respect of Audit of these financial statements	8,000	8,000
Other services relating to taxation	7,000	7,000
	<u></u>	<u></u>

4. Interest

	2011 £	2010 £
Interest payable	(2,475,460)	(1,926,510)
Interest receivable	16,772	5,985
Unwind of discount on restoration provision	(1,635,409)	(1,587,780)
Amortisation of finance costs	(438,632)	(328,469)
	<u></u>	<u></u>
	<u>(4,532,729)</u>	<u>(3,836,774)</u>

Notes (continued)

5. Taxation

Analysis of tax charge in the year

	2011	2010
	£	£
Current tax	-	67,540
	<u> </u>	<u> </u>

Factors affecting the tax charge for the current year

The current tax charge for the year is lower than the standard rate of corporation tax in the UK (26.5%)
 The differences are explained below

	2011	2010
	£	£
Current tax reconciliation		
Profit/(loss) on ordinary activities before tax	11,029,659	(2,491,534)
Current tax at 26.5% (2010: 28%)	2,922,860	(697,630)
Effects of		
Group relief for which no consideration is given	(2,922,860)	697,630
Contaminated land relief	-	67,540
	<u> </u>	<u> </u>
Total current tax	-	67,540
	<u> </u>	<u> </u>

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and a further reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012.

6 Investments

Company

Investments in subsidiary undertakings and joint ventures are stated at cost less amounts written off

	Subsidiary undertakings	Joint ventures	Total
	£	£	£
At the beginning and end of the year	100	60	160
	<u> </u>	<u> </u>	<u> </u>

The principal subsidiary is Miller Argent (Ffos-y-fran) Limited, which is the sole Limited Partner in the Ffos-y-fran Limited Partnership.

Notes (continued)

7 Intangible fixed assets – mining rights

	2011 £	2010 £
Opening	10,336,469	11,159,401
Amortisation	(1,011,587)	(822,932)
At end of year	<u>9,324,882</u>	<u>10,336,469</u>

The intangible asset represents the acquisition a 15% interest in the mining rights of the Ffos-y-Fran Limited Partnership

8 Tangible fixed assets

Cost	Land and buildings	Mining projects	Deferred stripping costs	Plant and machinery	Restoration asset	Total
At the beginning of year using merger accounting	9,299,255	27,047,635	25,509,000	26,966,233	49,390,094	138,212,217
Additions	-	21,381	-	2,288,017	3,883,450	6,192,848
Disposals	-	-	(3,913,867)	(334,994)	-	(4,248,861)
At the end of year	9,299,255	27,069,016	21,595,133	28,919,256	53,273,544	140,156,204
Depreciation						
At the beginning of year using merger accounting	(1,408,961)	(4,263,548)	-	(5,622,430)	(7,810,966)	(19,105,905)
Charge for the year	(734,008)	(2,242,407)	-	(2,289,914)	(5,003,288)	(10,269,617)
On disposal	-	-	-	143,137	-	143,137
At the end of year	(2,142,969)	(6,505,955)	-	(7,769,207)	(12,814,254)	(29,232,385)
Net Book Value (NBV)						
At the end of year	7,156,286	20,563,061	21,595,133	21,150,049	40,459,290	110,923,819
At the beginning of year using merger accounting	7,890,294	22,784,087	25,509,000	21,343,803	41,579,128	119,106,312

Notes (continued)

9 Stocks

	Group	
	2011	2010
	£	£
Coal Stocks	716,744	1,379,730
Other Stocks	92,428	258,469
	809,172	1,638,199

10. Debtors

	Company		Group	
	2011	2010	2011	2010
	£	£	£	£
Trade Debtors	-	-	5,701,459	2,925,517
Prepayments and accrued income	-	-	2,160,168	1,871,863
Amounts due from subsidiary undertakings	15,044,177	15,111,717	-	-
Amounts due from related companies	-	-	-	67,540
Other debtors	-	-	18,081	1,165,543
	15,044,177	15,111,717	7,879,708	6,030,463

11. Creditors. amounts falling due within one year

	Company		Group	
	2011	2010	2011	2010
	£	£	£	£
Trade creditors	-	-	1,480,846	1,731,478
VAT	-	-	755,607	1,434,753
Accruals	-	-	6,722,584	4,364,686
Amounts owed to related companies	172,355	172,355	60,281	60,281
Bank loan	-	-	11,250,000	11,250,000
	172,355	172,355	20,269,318	18,841,198

Notes (continued)

12. Creditors: amounts falling due after more than one year

	Company		Group	
	2011	2010	2011	2010
	£	£	£	£
Bank loan	-	-	9,500,000	33,750,000
Shareholder loans	13,559,138	13,626,678	41,173,510	44,241,050
	<u>13,559,138</u>	<u>13,626,678</u>	<u>50,673,510</u>	<u>77,991,050</u>

Analysis of debt

	Company		Group	
	2011	2010	2011	2010
	£	£	£	£
In one year or less	-	-	11,882,000	11,640,000
Between two and five years	13,559,138	13,626,678	51,212,510	79,162,050
Unamortised finance costs	-	-	(1,171,000)	(1,561,000)
	<u>13,559,138</u>	<u>13,626,678</u>	<u>61,923,510</u>	<u>89,241,050</u>

13 Provision for liabilities and charges

	Group	
	2011	2010
	£	£
At beginning of year using merger accounting	54,513,780	52,926,000
Additions	3,883,450	-
Unwind of discount on restoration costs	1,635,409	1,587,780
At end of year	<u>60,032,639</u>	<u>54,513,780</u>

The provision relates to the costs of returning land disturbed during the mining activities of the Ffos-y-fran Limited Partnership and includes aftercare costs. Restoration will commence while mining operations are ongoing and the provision is expected to be largely utilized over the next 15 years.

14 Called up share capital

Company and Group

	2011	2010
	£	£
Authorised and issued share capital	100	100
100 £1 ordinary shares	<u>100</u>	<u>100</u>

Notes (continued)

15 Reserves

Group

	2011 £
At beginning of year as stated using merger accounting	(4,319,025)
Profit for the year	11,029,659
At end of year	<u><u>6,710,634</u></u>

Company

	2011 £
At beginning of year	1,312,744
Profit for the year	-
At end of year	<u><u>1,312,744</u></u>

16 Reconciliation of movements in shareholders' funds

Group

	2011 £	2010 £
Profit/(loss) for the financial year	11,029,659	(2,423,994)
Opening shareholders' funds as stated using merger accounting	<u>(4,318,925)</u>	<u>(1,894,931)</u>
Closing shareholders' funds	<u><u>6,710,734</u></u>	<u><u>(4,318,925)</u></u>

Company

	2011 £	2010 £
Profit/(loss) for the financial year	-	-
Opening shareholders' funds	<u>1,312,844</u>	<u>1,312,844</u>
Closing shareholders' funds	<u><u>1,312,844</u></u>	<u><u>1,312,844</u></u>

Notes (continued)

17. Commitments

The Group has commitments under non-cancellable operating leases to make payments in the year to 31 December 2012 as follows

	Plant 2011 £	2010 £
Leases expiring		
Within one year	-	-
Between two and five years	1,460,781	117,981
Outwith five years	-	-
	<u>1,460,781</u>	<u>117,981</u>

18 Related party transactions

The company is jointly controlled by The Miller Group Limited and Argent Estates Ltd. Loans of £41,173,510 (2010 £44,241,050) are outstanding at the year end. During the year to 31 December 2011, The Miller Group recharged directly attributable costs of £468,994 (2010 £440,478), Argent Estates Limited, recharged directly attributable costs of £17,023 (2010 £17,560).