

COMPANY REGISTRATION NO. 10119615 (England and Wales)

GWENT HOLDINGS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

GWENT HOLDINGS LIMITED

COMPANY INFORMATION

Director	Mrs J H Lewis Mr A J Lewis
Company number	10119615
Registered office	C/O UHY Hacker Young Lanyon House Mission Court Newport NP20 2DW
Auditor	UHY Hacker Young Lanyon House Mission Court Newport South Wales United Kingdom NP20 2DW

GWENT HOLDINGS LIMITED

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GWENT HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The director presents the strategic report for the year ended 31 December 2018.

Fair review of the business

The results of these financial statements includes the consolidated position of the group. The main trading activity of the group is represented by the coal mining operating of Merthyr (South Wales) Limited, therefore the strategic report has been compiled to reflect this.

The results are presented on page 7.

The directors are satisfied with the group's performance during the year. The groups' activities mainly consist of selling and washing coal. The group sold 759,434 tonnes of coal in the year (2017: 671,653). The turnover in relation to these activities is disclosed in note 3 of the financial statements.

GP% which is one of the group's measures of operating effectiveness was 38.7% for the year ended 31 December 2018, compared to 31.2% for the year ended 31 December 2017. The improvement is due to increases in world coal prices and efficiency in mining costs principally excavation and haulage costs.

Overall profit before tax was £15.3m (2017: £13.6m) and profit for the year was £12.4m (2017: £10.9m). The balance sheet on page 9 shows that the company's net assets are £26.8m (2017: £15.5m).

Principal risks and uncertainties

The group'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

Demand for Ffos-y-Fran coal remains buoyant from a wide range of industrial customers who are increasingly finding difficulties in sourcing coal following the reduction in UK production. International prices have also provided a positive back drop, with API2 averaging \$84.5 per tonne for 2017, and \$90.7 for the first 8 months of 2018. The trend of higher international pricing seems to be continuing due to lack of investment in new coal producing capacity and a pick-up in demand, principally from Asia and the Far East.

Operations

The 1,000 acre Ffos-y-fran scheme is reclaiming derelict and unstable land, whilst at the same time recovering over 11m tonnes of coal reserves using surface mining techniques. Amongst the major benefits provided by the scheme will be reclamation of over 1000 acres of unstable and derelict land at no cost to the public purse, the removal and treatment of three potentially hazardous waste tips, has already been completed which has relieved the local community Merthyr Tydfil of a major liability. The scheme provides employment for up to 190 people, the majority of whom reside locally. The company continues to work closely with the local council to maximise the economic and amenity benefits for the wider area - over £6.5m has been contributed by the company to a Community Fund since the project commenced coaling in 2007.

Safety on site is paramount importance. This is key priority and we devote considerable resource to improving safety measures thus ensuring a safe working environment for all our employees.

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.

GWENT HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

On behalf of the board

Mrs J H Lewis
Director
11 December 2020

GWENT HOLDINGS LIMITED

**DIRECTOR'S RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

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 she is satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group 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 group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. She is also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

GWENT HOLDINGS LIMITED

**DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

The director presents her annual report and financial statements for the year ended 31 December 2018.

Principal activities

The principal activity of the company is that of a holding and investment company. As set out in the strategic report, the group's principal activity is the operation of a surface coal mine.

Director

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

Mrs J H Lewis

Mr A J Lewis

Results and dividends

The results for the year are set out on page 7, a review of business is set out in the strategic report on page 1.

Ordinary dividends were paid amounting to £1,103,000. The director does not recommend payment of a further dividend.

Auditor

The auditor, UHY Hacker Young, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

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 auditor of the company 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 auditor of the company is aware of that information.

On behalf of the board

Mrs J H Lewis

Director

11 December 2020

GWENT HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GWENT HOLDINGS LIMITED

Opinion

We have audited the financial statements of Gwent Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the group profit and loss account, the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 group's and the parent company's affairs as at 31 December 2018 and of the group's 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

The director is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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.

GWENT HOLDINGS LIMITED

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF GWENT HOLDINGS LIMITED**

Matters on which we are required to report by exception

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

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.

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 group's and the parent 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 group or the parent 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.

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

11 December 2020

Chartered Accountants
Statutory Auditor

Newport
South Wales

GWENT HOLDINGS LIMITED**GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2018**

		2018	2017
	Notes	£	£
Turnover	3	53,441,627	56,081,788
Cost of sales (including exceptional credit of £3.8m (note 4))		(32,784,262)	(38,583,778)
Gross profit		20,657,365	17,498,010
Administrative expenses		(2,360,456)	(1,630,469)
Operating profit	6	18,296,909	15,867,541
Interest receivable and similar income	8	156,071	58,944
Interest payable and similar expenses	9	(3,111,888)	(2,302,937)
Profit before taxation		15,341,092	13,623,548
Tax on profit	10	(2,947,947)	(2,746,788)
Profit for the financial year		12,393,145	10,876,760

Profit for the financial year is all attributable to the owners of the parent company.

GWENT HOLDINGS LIMITED

**GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018	2017
	£	£
Profit for the year	12,393,145	10,876,760
Other comprehensive income	-	-
Total comprehensive income for the year	<u>12,393,145</u>	<u>10,876,760</u>

Total comprehensive income for the year is all attributable to the owners of the parent company.

GWENT HOLDINGS LIMITED

**GROUP BALANCE SHEET
AS AT 31 DECEMBER 2018**

		2018		2017	
	Notes	£	£	£	£
Fixed assets					
Goodwill	12		3,718,684		3,839,485
Tangible assets	13		35,932,346		47,939,683
Investment properties	14		3,318,919		1,463,461
Investments	15		4,643,100		2,553,500
			<u>47,613,049</u>		<u>55,796,129</u>
Current assets					
Stocks	18	1,657,252		1,783,111	
Debtors	19	8,209,704		9,906,285	
Cash at bank and in hand		46,949,987		37,388,067	
		<u>56,816,943</u>		<u>49,077,463</u>	
Creditors: amounts falling due within one year	20	(22,862,281)		(19,731,013)	
Net current assets			<u>33,954,662</u>		<u>29,346,450</u>
Total assets less current liabilities			81,567,711		85,142,579
Creditors: amounts falling due after more than one year	21		(1,923,497)		(13,939,423)
Provisions for liabilities	24		(52,884,787)		(55,733,874)
Net assets			<u>26,759,427</u>		<u>15,469,282</u>
Capital and reserves					
Called up share capital	27		1		1
Profit and loss reserves			26,759,426		15,469,281
Total equity			<u>26,759,427</u>		<u>15,469,282</u>

The financial statements were approved by the board of directors and authorised for issue on 11 December 2020 and are signed on its behalf by:

Mrs J H Lewis
Director

GWENT HOLDINGS LIMITED**COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2018**

		2018		2017	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	13		327,208		273,813
Investment properties	14		3,318,919		1,463,461
Investments	15		6,443,101		4,353,501
			<u>10,089,228</u>		<u>6,090,775</u>
Current assets					
Debtors	19	40,245,147		17,825,147	
Cash at bank and in hand		<u>38,716,114</u>		<u>28,419,423</u>	
		78,961,261		46,244,570	
Creditors: amounts falling due within one year	20	<u>(59,023,875)</u>		<u>(32,373,594)</u>	
Net current assets			<u>19,937,386</u>		<u>13,870,976</u>
Total assets less current liabilities			<u>30,026,614</u>		<u>19,961,751</u>
Creditors: amounts falling due after more than one year	21		(280,926)		(604,394)
Net assets			<u><u>29,745,688</u></u>		<u><u>19,357,357</u></u>
Capital and reserves					
Called up share capital	27		1		1
Profit and loss reserves			<u>29,745,687</u>		<u>19,357,356</u>
Total equity			<u><u>29,745,688</u></u>		<u><u>19,357,357</u></u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £11,491,331 (2017 - £14,992,910 profit).

The financial statements were approved by the board of directors and authorised for issue on 11 December 2020 and are signed on its behalf by:

Mrs J H Lewis
Director

Company Registration No. 10119615

GWENT HOLDINGS LIMITED

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

		Share capital	Profit and loss reserves	Total
	Notes	£	£	£
Balance at 1 January 2017		1	7,592,521	7,592,522
Year ended 31 December 2017:				
Profit and total comprehensive income for the year		-	10,876,760	10,876,760
Dividends	11	-	(3,000,000)	(3,000,000)
Balance at 31 December 2017		1	15,469,281	15,469,282
Year ended 31 December 2018:				
Profit and total comprehensive income for the year		-	12,393,145	12,393,145
Dividends	11	-	(1,103,000)	(1,103,000)
Balance at 31 December 2018		1	26,759,426	26,759,427

GWENT HOLDINGS LIMITED

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

		Share capital	Profit and loss reserves	Total
	Notes	£	£	£
Balance at 1 January 2017		1	7,364,446	7,364,447
Year ended 31 December 2017:				
Profit and total comprehensive income for the year		-	14,992,910	14,992,910
Dividends	11	-	(3,000,000)	(3,000,000)
Balance at 31 December 2017		1	19,357,356	19,357,357
Year ended 31 December 2018:				
Profit and total comprehensive income for the year		-	11,491,331	11,491,331
Dividends	11	-	(1,103,000)	(1,103,000)
Balance at 31 December 2018		1	29,745,687	29,745,688

GWENT HOLDINGS LIMITED

**GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

		2018	2017
	Notes	£	£
Cash flows from operating activities			
Cash generated from operations	32	19,781,051	34,248,029
Interest paid		(777,993)	(754,937)
Income taxes paid		(2,911,927)	(5,151,101)
Net cash inflow from operating activities		16,091,131	28,341,991
Investing activities			
Purchase of subsidiary	15	-	-
Purchase of tangible fixed assets		(2,555,023)	(1,970,273)
Proceeds on disposal of tangible fixed assets		1,094,465	42,424
Purchase of investments		(2,089,600)	(1,500,000)
Interest received		156,071	58,944
Net cash used in investing activities		(3,394,087)	(3,368,905)
Financing activities			
Repayment of borrowings		(1,696,707)	(4,025,000)
Payment of finance leases obligations		(335,417)	(359,992)
Dividends paid to equity shareholders		(1,103,000)	(3,000,000)
Net cash used in financing activities		(3,135,124)	(7,384,992)
Net increase in cash and cash equivalents		9,561,920	17,588,094
Cash and cash equivalents at beginning of year		37,388,067	19,799,973
Cash and cash equivalents at end of year		46,949,987	37,388,067

GWENT HOLDINGS LIMITED

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

1 Accounting policies

Company information

Gwent Holdings Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is C/o UHY Hacker Young, Lanyon House, Mission Court, NP20 2DW.

The group consists of Gwent Holdings Limited and all of its subsidiaries.

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, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The consolidated financial statements incorporate those of Gwent Holdings Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits).

The acquisition of Gwent Investments Limited has been treated as a group reconstruction since there was no change in the ultimate ownership. Accordingly the acquisition was accounted for using the merger accounting method.

Merthyr (Holdings) Limited and Merthyr (South Wales) Limited have been included in the group financial statements using the purchase method of accounting.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the parent company financial statements, group reorganisation relief has been applied to the acquisition of Gwent Investments Limited in accordance with s.612 of the Companies Act 2006 therefore no premium has been accounted for and the investment has been recorded at the nominal value of the shares issued.

1.2 Going concern

At the time of approving the financial statements, the director has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the director continues to adopt the going concern basis of accounting in preparing the financial statements.

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 goods is recognised when the significant risks and rewards of ownership of the goods 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.

GWENT HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

1 Accounting policies

(Continued)

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is over the remaining life of the mining operation.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

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	Coal Extraction basis
Plant and machinery	3 - 15 years
Deferred stripping costs	Not depreciated
Mining projects	Coal Extraction basis
Restoration asset	Coal Extraction basis
Motor vehicles	25% straight line

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 recognised in the profit and loss account.

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 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.

GWENT HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

1 Accounting policies (Continued)

1.6 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. Changes in fair value are recognised in profit or loss.

Where fair value cannot be achieved without undue cost or effort, investment property is accounted for as tangible fixed assets.

1.7 Fixed asset investments

In the parent company financial statements, investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Investments in prestige vehicles are measured at fair value through profit or loss, except for vehicles that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

1.8 Impairment of fixed assets

At each reporting period end date, the group 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.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

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.

1.9 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 replacement cost and 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.

GWENT HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

1 Accounting policies

(Continued)

1.10 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.11 Financial instruments

The group 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 group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

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 group 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.

GWENT HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

1 Accounting policies

(Continued)

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

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 group's contractual obligations expire or are discharged or cancelled.

1.12 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.13 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 group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

GWENT HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

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.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. 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 if, and only if, there is 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.

1.14 Provisions

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

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.

1.15 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.

1.16 Retirement benefits

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

1.17 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.

GWENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

2 Judgements and key sources of estimation uncertainty

In the application of the group'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.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Restoration provision

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. 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 fuel. As discussed further in notes 4 and 24 the provision was re-assessed during the year and as a consequence the estimate was reduced by approximately £4.8m, of which £3.8m has been credited to the profit and loss account with the remainder credited to the restoration asset (see note 13). This is regarded as an exceptional item, refer to note 4.

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.

3 Turnover and other revenue

	2018	2017
	£	£
Turnover analysed by class of business		
Coal sales	41,885,912	39,396,290
Washing services	9,189,135	10,686,761
Other	2,366,580	5,998,737
	<u>53,441,627</u>	<u>56,081,788</u>

GWENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

3	Turnover and other revenue	(Continued)	
		2018	2017
		£	£
	Other significant revenue		
	Interest income	156,071	58,944
		<u> </u>	<u> </u>
4	Exceptional costs/(Income)		
	Restoration provision/asset		
	A discussed in note 24 during the year the directors reassessed the restoration provision and as a result reduced it by £4.8m to £52.5m; this followed an internal re-evaluation as well as a review by independent consultants. £1.0m was credited to the restoration asset (see note 13); this represents the proportion of remaining reserves, the remainder of the adjustment, £3.8m was credited to the profit and loss account.		
5	Auditor's remuneration	2018	2017
		£	£
	Fees payable to the company's auditor and associates:		
	For audit services		
	Audit of the financial statements of the group and company	9,500	7,000
	Audit of the financial statements of the company's subsidiaries	43,500	41,000
		<u> </u>	<u> </u>
		53,000	48,000
		<u> </u>	<u> </u>
	For other services		
	Taxation compliance services	7,000	7,000
	Services relating to corporate finance transactions	5,000	5,000
		<u> </u>	<u> </u>
		12,000	12,000
		<u> </u>	<u> </u>
6	Operating profit	2018	2017
		£	£
	Operating profit for the year is stated after charging/(crediting):		
	Depreciation of owned tangible fixed assets	8,253,235	8,525,950
	Depreciation of tangible fixed assets held under finance leases	1,780,381	802,134
	Profit on disposal of tangible fixed assets	(2,909)	(89,242)
	(Profit)/loss on disposal of investment property	-	4,703
	Amortisation of intangible assets	120,801	120,802
	Exceptional items (note 4)	(3,822,675)	-
	Cost of stocks recognised as an expense	17,256,170	23,168,615
		<u> </u>	<u> </u>

GWENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

7 Employees

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

	Group 2018 Number	2017 Number	Company 2018 Number	2017 Number
Site operatives	129	119	-	-
Management and administration	26	27	-	-
	<u>155</u>	<u>146</u>	<u>-</u>	<u>-</u>

Their aggregate remuneration comprised:

	Group 2018 £	2017 £	Company 2018 £	2017 £
Wages and salaries	5,540,236	5,940,742	-	-
Social security costs	640,576	565,147	-	-
Pension costs	147,123	139,984	-	-
	<u>6,327,935</u>	<u>6,645,873</u>	<u>-</u>	<u>-</u>

8 Interest receivable and similar income

	2018 £	2017 £
Interest income		
Interest on bank deposits	<u>156,071</u>	<u>58,944</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	<u>156,071</u>	<u>58,944</u>
--	----------------	---------------

9 Interest payable and similar expenses

	2018 £	2017 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	783	90,267
Other finance costs:		
Interest on finance leases and hire purchase contracts	224,353	180,565
Unwinding of discount on provisions	2,333,741	1,548,000
Other interest	<u>553,011</u>	<u>484,105</u>
Total finance costs	<u>3,111,888</u>	<u>2,302,937</u>

GWENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

10 Taxation

	2018	2017
	£	£
Current tax		
UK corporation tax on profits for the current period	3,301,726	3,315,543
	<u> </u>	<u> </u>
Deferred tax		
Origination and reversal of timing differences	(412,898)	(448,026)
Changes in tax rates	59,119	(64,833)
Adjustment in respect of prior periods	-	(55,896)
	<u> </u>	<u> </u>
Total deferred tax	(353,779)	(568,755)
	<u> </u>	<u> </u>
Total tax charge	2,947,947	2,746,788
	<u> </u>	<u> </u>

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

	2018	2017
	£	£
Profit before taxation	15,341,092	13,623,548
	<u> </u>	<u> </u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	2,914,807	2,622,533
Tax effect of expenses that are not deductible in determining taxable profit	232,228	(92,273)
Tax effect of income not taxable in determining taxable profit	(136,599)	-
Unutilised tax losses carried forward	(5,757)	-
Group relief	(8,040)	-
Permanent capital allowances in excess of depreciation	-	216,528
Depreciation on assets not qualifying for tax allowances	13,254	-
Deferred tax adjustments in respect of prior years	(2,827)	-
Effect of changes in tax rate	(59,119)	-
	<u> </u>	<u> </u>
Taxation charge	2,947,947	2,746,788
	<u> </u>	<u> </u>

11 Dividends

	2018	2017
	£	£
Final paid	1,103,000	3,000,000
	<u> </u>	<u> </u>

GWENT HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018****12 Intangible fixed assets**

Group	Goodwill £
Cost	
At 1 January 2018 and 31 December 2018	4,700,821
Amortisation and impairment	
At 1 January 2018	861,336
Amortisation charged for the year	120,801
At 31 December 2018	982,137
Carrying amount	
At 31 December 2018	3,718,684
At 31 December 2017	3,839,485

The company had no intangible fixed assets at 31 December 2018 or 31 December 2017.

GWENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

13 Tangible fixed assets

Group	Land and buildings	Plant and machinery	Deferred stripping costs	Mining projects	Restoration asset	Motor vehicles	Total
	£	£	£	£	£	£	£
Cost							
At 1 January 2018	4,255,424	28,444,686	11,308,130	11,048,344	10,062,756	312,690	65,432,030
Additions	-	593,358	-	-	221,183	-	814,541
Deferral reversal	-	-	(1,693,797)	-	-	-	(1,693,797)
Adjustment as a result of restoration re-measurement	-	-	-	-	(1,109,505)	-	(1,109,505)
At 31 December 2018	4,255,424	29,038,044	9,614,333	11,048,344	9,174,434	312,690	63,443,269
Depreciation and impairment							
At 1 January 2018	1,373,913	8,473,845	-	3,928,339	3,677,373	38,877	17,492,347
Depreciation charged in the year	634,406	5,959,123	-	1,814,525	1,625,562	-	10,033,616
Eliminated in respect of disposals	-	-	-	-	(15,040)	-	(15,040)
At 31 December 2018	2,008,319	14,432,968	-	5,742,864	5,287,895	38,877	27,510,923
Carrying amount							
At 31 December 2018	2,247,105	14,605,076	9,614,333	5,305,480	3,886,539	273,813	35,932,346
At 31 December 2017	2,881,511	19,970,841	11,308,130	7,120,005	6,385,383	273,813	47,939,683

GWENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

Company	Motor vehicles
	£
Cost	
At 1 January 2018	312,690
Additions	221,183
Disposals	(103,131)
	<u>430,742</u>
At 31 December 2018	
Depreciation and impairment	
At 1 January 2018	38,877
Depreciation charged in the year	79,697
Eliminated in respect of disposals	(15,040)
	<u>103,534</u>
At 31 December 2018	
Carrying amount	
At 31 December 2018	<u>327,208</u>
At 31 December 2017	<u>273,813</u>

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Plant and machinery	3,501,150	5,412,733	-	-
Motor vehicles	229,345	302,102	213,180	273,813
	<u>3,730,495</u>	<u>5,714,835</u>	<u>213,180</u>	<u>273,813</u>
Depreciation charge for the year in respect of leased assets	<u>1,780,381</u>	<u>802,134</u>	<u>78,749</u>	<u>38,877</u>

14 Investment property

	Group	Company
	2018	2018
	£	£
Fair value		
At 1 January 2018	1,463,461	1,463,461
Additions through external acquisition	1,855,458	1,855,458
At 31 December 2018	<u>3,318,919</u>	<u>3,318,919</u>

GWENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

14 Investment property

(Continued)

Investment property comprises of freehold property held for capital appreciation. The fair value of the investment property has been arrived at on the basis of a valuation carried out at independent third parties, who are not connected with the company. The valuation was made on an open market value basis by reference to market evidence of transaction prices for similar properties.

The carrying value of land and buildings comprises:

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Freehold	3,318,919	1,463,461	3,318,919	1,463,461
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

15 Fixed asset investments

		Group		Company	
		2018	2017	2018	2017
	Notes	£	£	£	£
Investments in subsidiaries	16	-	-	1,800,001	1,800,001
Investments in prestige vehicles		4,643,100	2,553,500	4,643,100	2,553,500
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
		4,643,100	2,553,500	6,443,101	4,353,501
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

Investments in prestige vehicles includes the purchase of a Ferrari Leferrari AB S-A Coupe -16LF, Rools Roco Corniche Series V 2002 and a Bugati Veyron Sports Coupe which was purchased in the year.

Movements in fixed asset investments

Group	Investments in prestige vehicles
	£
Cost or valuation	
At 1 January 2018	2,553,500
Additions	2,089,600
	<u> </u>
At 31 December 2018	4,643,100
	<u> </u>
Carrying amount	
At 31 December 2018	4,643,100
	<u> </u>
At 31 December 2017	2,553,500
	<u> </u>

GWENT HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

15 Fixed asset investments (Continued)

Movements in fixed asset investments Company	Shares in group undertakings	Investments in prestige vehicles	Total
	£	£	£
Cost or valuation			
At 1 January 2018	1,800,001	2,553,500	4,353,501
Additions	-	2,089,600	2,089,600
At 31 December 2018	1,800,001	4,643,100	6,443,101
Carrying amount			
At 31 December 2018	1,800,001	4,643,100	6,443,101
At 31 December 2017	1,800,001	2,553,500	4,353,501

16 Subsidiaries

Details of the company's subsidiaries at 31 December 2018 are as follows:

Name of undertaking	Class of shares held	% Held	
		Direct	Indirect
Gwent Investments Limited	Ordinary	100.00	-
Merthyr (Holdings) Limited	Ordinary	0	100.00
Merthyr (South Wales) Limited	Ordinary	0	100.00
Merthyr (Ffos-y-Fran) Limited	Ordinary	0	100.00
Ffos-y-fran (commoners) Limited	Ordinary	0	100.00
Merthyr (Nominee No. 1) Limited	Ordinary	0	100.00
Ffos-y-Fran Limited partnership	Ordinary	0	100.00

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

17 Financial instruments

	Group 2018 £	2017 £	Company 2018 £	2017 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	6,962,409	8,535,656	40,245,147	17,825,147
Instruments measured at fair value through profit or loss	4,643,100	2,553,500	4,643,100	2,553,500
Carrying amount of financial liabilities				
Measured at amortised cost	20,662,420	28,955,207	59,302,066	32,975,253

GWENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

18 Stocks

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Coal stocks	1,558,758	1,668,909	-	-
Other stocks	98,494	114,202	-	-
	<u>1,657,252</u>	<u>1,783,111</u>	<u>-</u>	<u>-</u>

19 Debtors

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	6,882,088	8,537,150	-	-
Unpaid share capital	402	402	-	-
Amounts owed by group undertakings	-	-	40,245,147	17,825,147
Other debtors	883,671	801,856	-	-
Prepayments and accrued income	443,543	566,877	-	-
	<u>8,209,704</u>	<u>9,906,285</u>	<u>40,245,147</u>	<u>17,825,147</u>

20 Creditors: amounts falling due within one year

		Group		Company	
		2018	2017	2018	2017
	Notes	£	£	£	£
Bank loans	22	-	335,417	-	-
Obligations under finance leases	23	2,100,431	2,711,570	403,376	389,757
Trade creditors		2,503,688	1,083,783	-	-
Corporation tax payable		3,740,184	3,350,385	2,735	2,735
Other taxation and social security		383,174	1,364,844	-	-
Other creditors		400,137	1,239,342	58,617,764	31,981,102
Accruals and deferred income		13,734,667	9,645,672	-	-
		<u>22,862,281</u>	<u>19,731,013</u>	<u>59,023,875</u>	<u>32,373,594</u>

21 Creditors: amounts falling due after more than one year

		Group		Company	
		2018	2017	2018	2017
	Notes	£	£	£	£
Obligations under finance leases	23	1,923,497	2,939,423	280,926	604,394
Other creditors		-	11,000,000	-	-
		<u>1,923,497</u>	<u>13,939,423</u>	<u>280,926</u>	<u>604,394</u>

GWENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

21 Creditors: amounts falling due after more than one year (Continued)

Other creditors relates to the deferred contingent consideration in relation to the acquisition of Merthyr (Holdings) Limited, refer to note 12.

22 Loans and overdrafts

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Bank loans	-	335,417	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Payable within one year	-	335,417	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The long-term loans are secured by fixed charges over the Tangible fixed assets held in Merthyr (South Wales) Limited.

The loan is subject to a variable interest rate which is currently 2.25% per annum above 0.5% Base rate. Interest is calculated on the daily total of the then outstanding balance of the Loan (including any outstanding finance charge).

23 Finance lease obligations

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Future minimum lease payments due under finance leases:				
Within one year	2,077,013	2,711,570	379,958	389,757
In two to five years	1,877,273	2,939,423	234,702	604,394
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	3,954,286	5,650,993	614,660	994,151
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Difference remains - please check</i>	69,642	-	69,642	-

Finance lease payments represent rentals payable by the company or group for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3.7 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

24 Provisions for liabilities

		Group		Company	
		2018	2017	2018	2017
	Notes	£	£	£	£
Operating provisions		52,451,937	54,947,245	-	-
Deferred tax liabilities	25	432,850	786,629	-	-
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
		52,884,787	55,733,874	-	-
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

GWENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

24 Provisions for liabilities

(Continued)

Movements on provisions apart from deferred tax liabilities:

Group	Operating provisions £
At 1 January 2018	54,947,245
Reversal of provision	(4,829,049)
Unwinding of discount on restoration costs	2,333,741
At 31 December 2018	<u>52,451,937</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 10 years.

During the year the provision was reviewed based on experience of progressive restoration and changes in key variables such as fuel costs; and as a result the provision was reduced by £4.8m.

25 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

	Liabilities 2018 £	Liabilities 2017 £
Group		
Accelerated capital allowances	2,263,036	4,069,786
Other timing differences	(1,830,186)	(3,283,157)
	<u>432,850</u>	<u>786,629</u>

The company has no deferred tax assets or liabilities.

	Group 2018 £	Company 2018 £
Movements in the year:		
Liability at 1 January 2018	786,629	-
Credit to profit or loss	(412,898)	-
Effect of change in tax rate - profit or loss	59,119	-
Liability at 31 December 2018	<u>432,850</u>	<u>-</u>

The deferred tax liability set out above is expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

GWENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

26 Retirement benefit schemes

	2018	2017
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	147,123	139,984
	<u> </u>	<u> </u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

27 Share capital

	Group and company	
	2018	2017
	£	£
Ordinary share capital		
Issued and fully paid		
1 Ordinary shares of £1 each	1	1
	<u> </u>	<u> </u>

28 Operating lease commitments

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

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Within one year	14,432	18,385	-	-
Between two and five years	6,492	17,421	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	20,924	35,806	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

29 Events after the reporting date

On 14th February 2020 Gwent Holdings Limited acquired a majority shareholding in St Joseph's Independent Hospital Limited for £2.5 million. St Josephs Independent Hospital Limited owns the property and operates the business of St Josephs private hospital based in Newport.

GWENT HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018****30 Related party transactions****Transactions with related parties**

The group 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.

31 Controlling party

The ultimate controlling party of the company and the group is Mrs J H Lewis by virtue of their shareholding.

32 Cash generated from group operations

	2018	2017
	£	£
Profit for the year after tax	12,393,145	10,876,760
Adjustments for:		
Taxation charged	2,947,947	2,746,788
Finance costs	3,111,888	2,302,937
Investment income	(156,071)	(58,944)
Amortisation and impairment of intangible assets	120,801	120,802
Depreciation and impairment of tangible fixed assets	10,033,616	9,328,084
(Decrease)/increase in provisions	(4,829,049)	250,907
Deferred stripping	1,693,797	966,981
Movements in working capital:		
Decrease in stocks	125,859	380,816
Decrease in debtors	1,696,581	2,748,653
(Decrease)/increase in creditors	(7,357,463)	4,584,245
Cash generated from operations	19,781,051	34,248,029

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.