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BAGLAN GENERATING LIMITED

Report and Financial Statements

For the year ended 31 December 2014

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BAGLAN GENERATING LIMITED

REPORT AND FINANCIAL STATEMENTS 2014

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BAGLAN GENERATING LIMITED

REPORT AND FINANCIAL STATEMENTS 2014

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D McLeish
E Metcalfe
G Parsons
K McCullough
M Higginbotham

COMPANY SECRETARY

Alter Domus (UK) Limited

REGISTERED OFFICE

Severn Power Station
West Nash Road
Newport
Gwent
Wales
NP18 2BZ

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom

BAGLAN GENERATING LIMITED

DIRECTORS' REPORT

The directors of Baglan Generating Limited (the "Company") present the annual report and the audited financial statements for the year ended 31 December 2014

These financial statements replace the original accounts, are now the statutory accounts and are prepared as they were at the date of the original accounts

The directors' report has been prepared in accordance with the special provisions applicable to companies entitled to the small companies exemption

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as a holding company and its subsidiary companies are listed in note 5 to the financial statements

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £66,000 (18 October 2012 to 31 December 2013 - £77,000)

At the year end the company had net assets of £16,571,000 (2013 - £16,637,000)

The directors do not recommend the payment of a dividend (18 October 2012 to 31 December 2013 - £nil)

DIRECTORS

The directors who served during the year and up to the date of this report, unless otherwise stated, were as follows

D McLeish

E Metcalfe

G Parsons

R Paterson (resigned 31 December 2014)

K McCullough (appointed 18 November 2014)

M Higginbotham (appointed 19 February 2015)

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report

FUTURE OUTLOOK AND FINANCIAL RISK MANAGEMENT

The future prospects of the Company are dependent on the performance of its investment in subsidiaries. The investment in Baglan Operations Limited has been reviewed and the carrying value is considered to be recoverable based on forecast performance.

However the directors recognise that the valuation of the company is dependent on a very volatile UK commodity market and in particular gas and electricity price movements. To date, the risk has been managed on a Group basis by Calon Energy Limited (formerly known as MPF Operations Limited) which uses commodity hedge contracts to mitigate the price risk.

The Company is not exposed to any other significant price, liquidity, credit, currency or interest rate risk.

BAGLAN GENERATING LIMITED

DIRECTORS' REPORT

GOING CONCERN

The directors, have considered the principal risks and uncertainties of the Company in the forecast period. The directors have documented their review of the principal risks and uncertainties and the going concern position of the Company in note 1 of the financial statements. The directors have concluded that there is a reasonable expectation that the Company has adequate resources to continue as a going concern for the foreseeable future and a period exceeding 12 months from the approval of these financial statements.

AUDITOR

Each of the persons who is a director at the date of approval of this annual report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them as auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the board of directors
and signed on behalf of the board



M. H. G. I. N. S. T. A. M.
Director

Date 28/7/15

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAGLAN GENERATING LIMITED

We have audited the financial statements of Baglan Generating Limited for the year ended 31 December 2014 which comprise the profit and loss account, the balance sheet and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, 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 member, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its loss 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.

Opinion on other matter prescribed by the Companies Act 2006

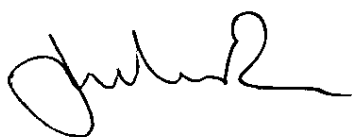
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAGLAN GENERATING LIMITED (continued)

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, 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 directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to take advantage of the small companies exemption from preparing a Strategic Report or in preparing the Directors' Report



Julian Rae (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

28 July 2015

BAGLAN GENERATING LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2014

	Note	Year ended 31 December 2014 £'000	18 October 2012 to 31 December 2013 £'000
Administrative expenses		(66)	(77)
OPERATING LOSS		<u>(66)</u>	<u>(77)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(66)	(77)
Tax on loss on ordinary activities	4	-	-
LOSS FOR THE FINANCIAL YEAR	8	<u>(66)</u>	<u>(77)</u>

All activities derive from continuing operations

There are no recognised gains and losses for the current financial year or preceding financial year other than as stated in the profit and loss account above. Accordingly, no statement of total recognised gains and losses is given.

BAGLAN GENERATING LIMITED

BALANCE SHEET

31 December 2014

	Note	2014 £'000	2013 £'000
FIXED ASSETS			
Investments in subsidiary companies	5	<u>16,714</u>	<u>16,714</u>
CREDITORS: amounts falling due within one year	6	<u>(143)</u>	<u>(77)</u>
NET CURRENT LIABILITIES		<u>(143)</u>	<u>(77)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>16,571</u>	<u>16,637</u>
CAPITAL AND RESERVES			
Called up share capital	7	353,259	353,259
Share premium account	8	19,078	19,078
Profit and loss account	8	<u>(355,766)</u>	<u>(355,700)</u>
SHAREHOLDERS' FUNDS	9	<u>16,571</u>	<u>16,637</u>

The financial statements of Baglan Generating Limited, Company Registration number 03689741, were approved by the board of directors and authorised for issue on 28/7/15

Signed on behalf of the board of directors



M. H. G. CHINDHAM

Director

BAGLAN GENERATING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1 ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Group financial statements

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

Going concern

The directors acknowledge that the Company is trading in a difficult economic environment with the impact of the weather, unplanned outages, volatility of prices and demand and government legislation having a significant impact on the gross margin and cash requirements of the Company.

The directors have considered the historic performance of each of the plants and produced both a base case and a number of downside sensitivities which the directors believe are robust downside sensitivities for the forecast period, being a minimum of 12 months from the date of approval of these financial statements.

On considering the output of the base case, sensitivity scenarios and the cash requirements of the Company, the directors successfully refinanced the Company on 30 April 2015. Calon Energy Limited (formerly known as MPF Operations Limited) and all its subsidiary companies entered into a new 5 year group facilities agreement with Beal Bank USA which replaced the original facilities provided to the Calon Energy Limited group by Macquarie Bank Limited (MBL). This has resulted in a significant enhancement to the liquidity of the Company.

The directors, taking into account the revised facility available and considering the principal risks and uncertainties that the Company faces, as detailed in the Directors' Report, have concluded that there is a reasonable expectation that the Company has adequate resources to continue as a going concern for the foreseeable future and a period exceeding 12 months from the approval of these financial statements.

A letter of financial support has been provided to the Company by Calon Energy Limited. The letter confirms that Calon Energy Limited intends to continue to provide the necessary support for a period of twelve months from the date of approval of the 31 December 2014 financial statements of the Company to enable the Company to continue trading and meet its debts as they fall due. Calon Energy Limited also confirmed that they will ensure Baglan Operations Limited will not demand repayment of intercompany liabilities from Baglan Generating Limited for a period of at least 12 months from the date of approval of the 31 December 2014 financial statements should it not have the ability or funds to settle the balances in the normal course of business.

Cash flow statement

The company is exempt from preparing a cash flow statement under the terms of FRS 1 'Cash flow statements (revised 1996)' as it is a member of MPF Holdings Limited, whose consolidated financial statements include a cash flow statement and may be obtained from 1st Floor, Waterloo House, Don Street, St Helier, Jersey, Channel Islands, JE1 1AD.

Investments

Investments in subsidiary companies are stated at cost less provision for impairment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. ACCOUNTING POLICIES (continued)

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised without discounting, in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred at the balance sheet date, with the following exceptions

- provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets with no likely subsequent rollover or available capital losses,
- provision is made for gains on re-valued fixed assets only where there is a commitment to dispose of the re-valued assets and the attributable gain can neither be rolled over nor eliminated by capital losses, and
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted

2. AUDITOR'S REMUNERATION

For the year the auditor will receive remuneration of £2,000 (18 October 2012 to 31 December 2013 - £1,000) for the audit of the Company's financial statements. No other services were provided by the auditor during the year.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The directors received no remuneration for their services during the year (18 October 2012 to 31 December 2013 - £nil)

BAGLAN GENERATING LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2014

4. TAX ON LOSS ON ORDINARY ACTIVITIES

	Year ended 31 December 2014 £'000	18 October 2012 to 31 December 2013 £'000
Current taxation		
United Kingdom corporation tax charge	-	-
Tax on loss on ordinary activities	-	-

The tax assessed for the year is more than from that resulting from applying the standard rate of corporation tax in the UK of 21.5% (18 October 2012 to 31 December 2013 - 23.4%) The differences are explained below

	Year ended 31 December 2014 £'000	18 October 2012 to 31 December 2013 £'000
Loss on ordinary activities before taxation	(66)	(77)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (18 October 2012 to 31 December 2013 - 23.4%)	(14)	(18)
Effect of Tax losses not recognised	14	18
Current tax charge for year	-	-

The company has unused tax losses of £143,360 (2013 £77,547) available for offset against future profits. A deferred tax asset has not been recognised in respect of these losses because in the opinion of the directors there is insufficient certainty of suitable taxable profits against which they can be offset. Under present tax obligations, these losses and timing differences may be carried forward indefinitely.

The Finance Act 2014, which provides for a reduction in the main rate of corporation tax from 21% to 20% effective from 1 April 2015, was substantively enacted on 17 July 2014. This rate reduction has been reflected in the calculation of deferred tax at the balance sheet date.

The 2015 Budget included planned reductions in corporation tax to 19% in 2017 and 18% in 2020. This was not substantially enacted at the Statement of financial position date.

BAGLAN GENERATING LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2014

5. INVESTMENTS IN SUBSIDIARY COMPANIES

	£'000
Cost	
At 1 January 2014 and 31 December 2014	484,046
Impairment	
At 1 January 2014 and 31 December 2014	467,332
Net book value	
At 31 December 2014	16,714
At 31 December 2013	16,714

Details of the Company's subsidiaries are set out below, all of which are incorporated in England and Wales

Name and nature of business	Activity	Class of shares held	Percentage of shares held
Baglan Operations Limited	Production and distribution of electricity	Ordinary shares of £1 each	100%
Baglan Pipeline Limited	Operate and own gas pipeline	Ordinary shares of £1 each	50%
BP Chemicals Limited has a legal charge over the issued share capital of Baglan Pipeline Limited			

6. CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £'000	2013 £'000
Amounts owed to Group companies	141	76
Accruals and deferred income	2	1
	143	77

BAGLAN GENERATING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

7 CALLED UP SHARE CAPITAL

	2014 £'000	2013 £'000
Allotted, called up and fully paid		
1 'A' redeemable share of £1	-	-
353,258,688 'B' ordinary shares of £1 each	353,259	353,259
	<u>353,259</u>	<u>353,259</u>

The company has one class of ordinary share and one class of redeemable share, both of which carry no right to fixed income

The profit and loss reserve represents cumulative profits or losses

8. STATEMENT OF MOVEMENTS ON RESERVES

	Share premium account £'000	Profit and loss account £'000
At 1 January 2014	19,078	(355,700)
Loss for the year	-	(66)
At 31 December 2014	<u>19,078</u>	<u>(355,766)</u>

9 RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	2014 £'000	2013 £'000
Loss for the financial year	(66)	(77)
Net decrease in shareholder's funds	(66)	(77)
Opening shareholder's funds	16,637	16,714
Closing shareholder's funds	<u>16,571</u>	<u>16,637</u>

10. COMMITMENTS

The Company has entered into a long term Advisory Service Agreement with MPF Holdings Limited whereby MPF Holdings Limited will supply certain advisory services to the Company and its subsidiaries

11. RELATED PARTIES

In accordance with FRS 8 'Related party disclosures', the Company is exempt from disclosing transactions with entities that are part of the MPF Holdings Limited group of companies ("the Group"), as it is a wholly-owned subsidiary of a parent, which prepares consolidated financial statements which may be obtained from 1st Floor, Waterloo House, Don Street, St Helier, Jersey, Channel Islands, JE1 1AD

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

12. PARENT UNDERTAKING AND CONTROLLING PARTY

Calon Energy (Baglan Bay) Limited (formerly known as MPF (Baglan Bay) Limited) wholly owns the Company and is considered to be the immediate parent company. Copies of that company's financial statements are available from Severn Power Station, West Nash Road, Nash, Newport, NP18 2BZ.

Calon Energy Limited (formerly known as MPF Operations Limited) heads the smallest group for which consolidated financial statements are prepared which will include the results of the Company. The first consolidated financial statements for this group will be prepared as at 31 March 2015 and copies will be available from Severn Power Station, West Nash Road, Nash, Newport, NP18 2BZ.

MPF Holdings Limited heads the largest group for which consolidated financial statements are prepared and is also regarded as the Company's ultimate parent company and controlling party. Copies of that company's consolidated financial statements are available from 1st Floor, Waterloo House, Don Street, St Helier, Jersey, Channel Islands, JE1 1AD.

13. POST BALANCE SHEET EVENTS

On 30 April 2015 Calon Energy Limited (formerly known as MPF Operations Limited) and all its subsidiary companies entered into a new 5 year group facilities agreement with Beal Bank USA which replaced the original facilities provided to the Calon Energy Limited group by Macquarie Bank Limited (MBL). The group facilities agreement provides group debt and letter of credit facilities. The shares in Calon Energy Limited and its subsidiary companies were provided as security for the facilities.

On this date MBL released the security it held over the shares and assets of Calon Energy Limited and its subsidiary companies.