

Company Registration No. 03689741

BAGLAN GENERATING LIMITED

Report and Financial Statements

31 December 2013

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BAGLAN GENERATING LIMITED

REPORT AND FINANCIAL STATEMENTS 2013

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D McLeish
E Metcalfe
G Parsons
R Paterson

REGISTERED OFFICE

16 Axis Court
Mallard Way
Swansea Vale
Swansea, Wales
SA7 0AJ

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 their annual report and the audited financial statements for the period from 18 October 2012 to 31 December 2013.

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.

On 18 October 2012, the Company was sold by its then parent, International General Electric (USA), to MPF (Baglan Bay) Limited (formerly known as SI Power Limited).

On 29 October 2012, the Company entered into an advisory services agreement (the "Advisory Services Agreement") with MPF Holdings Limited (formerly known as SI Power Holdings Limited), the ultimate parent of the Company and head of the largest group of companies of which the Company is a member (the "MPF" Group). Pursuant to the terms of the Advisory Services Agreement, the Company pays a fee to MPF Holdings Limited in return for certain advisory services.

RESULTS AND DIVIDENDS

The loss for the period, after taxation, amounted to £77,000 (1 January 2012 to 17 October 2012 - £461,534,000).

The directors do not recommend the payment of a dividend (1 January 2012 to 17 October 2012 - £nil).

DIRECTORS

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

D McLeish (appointed 6 February 2013)

E Metcalfe (appointed 11 July 2013)

G Parsons (appointed 18 October 2012)

R Paterson (appointed 27 March 2013)

J Dyckhoff (appointed 18 October 2012 and resigned 6 February 2013)

G Hubert (appointed 18 October 2012 and resigned 12 November 2012)

J Walbridge (appointed 18 October 2012 and resigned 8 July 2013)

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 MPF Holdings 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 were appointed as auditor in the period and have expressed their willingness to continue in office.

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


Director 19/03/2014 E.METCALFE

BAGLAN GENERATING LIMITED

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;
- state whether applicable UK accounting Standards have been followed; 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 period from 18 October 2012 to 31 December 2013 which comprise the profit and loss account, the balance sheet and the related notes 1 to 14. 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, 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 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 2013 and of its loss for the period from 18 October 2012 to 31 December 2013;
- 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 period 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.

Anthony Matthews

22/08/2014

Anthony Matthews FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

BAGLAN GENERATING LIMITED

PROFIT AND LOSS ACCOUNT

Period from 18 October 2012 to 31 December 2013

	Note	18 October 2012 to 31 December 2013 £'000	1 January 2012 to 17 October 2012 £'000
Administrative expenses		(77)	(3,266)
Impairment of fixed asset investments		-	(467,332)
OPERATING LOSS		(77)	(470,598)
Interest receivable and similar income	4	-	7,187
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(77)	(463,411)
Tax on loss on ordinary activities	5	-	1,877
LOSS FOR THE FINANCIAL PERIOD	9	(77)	(461,534)

All activities derive from continuing operations.

There are no recognised gains and losses for the current financial period or preceding financial period 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 2013

	Note	31 December 2013 £'000	17 October 2012 £'000
FIXED ASSETS			
Investments in subsidiary companies	6	<u>16,714</u>	<u>16,714</u>
CREDITORS: amounts falling due within one year	7	<u>(77)</u>	<u>-</u>
NET CURRENT LIABILITIES		<u>(77)</u>	<u>-</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>16,637</u>	<u>16,714</u>
CAPITAL AND RESERVES			
Called up share capital	8	353,259	353,259
Share premium account	9	19,078	19,078
Profit and loss account	9	<u>(355,700)</u>	<u>(355,623)</u>
SHAREHOLDERS' FUNDS	10	<u>16,637</u>	<u>16,714</u>

The financial statements of Baglan Generating Limited, registered number 03689741, were approved by the board of directors and authorised for issue on

Signed on behalf of the board of directors

E. Metcalfe E. METCALFE

Director

19/08/2014

BAGLAN GENERATING LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Period from 18 October 2012 to 31 December 2013**

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 accounts

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts 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 ultimate parent undertaking of Baglan Generating Limited (the "Company") was incorporated on 10 October 2012 for the purposes of investment in and operation of gas fired power stations. Following incorporation, the directors instructed the acquisition of the Baglan Bay power station, in South Wales. The directors instructed this acquisition on the basis of a long term investment strategy based on anticipated market performance in the sector and that of coal and renewable energy in the medium to long term. On acquisition of each power station acquired by the MPF Holdings Limited group (the "Group") intermediate holding companies were set up including MPF (Baglan Bay) Limited which is the immediate parent of Baglan Operations Limited.

The directors acknowledge that the Group and Company are 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 Group.

Plant margins of gas fired power stations were impacted significantly in 2013 due to a combination of weak spark spreads as a result of overcapacity in the market and low power price volatility. This trend continued across the winter trading activity with suppressed power demand owing to mild weather alongside unfavourable supply side conditions for gas plant due to higher than anticipated availability and record levels of wind generation. The winter was described by the Met Office as the wettest in nearly 250 years. This had a direct impact on performance.

The directors have considered the historic performance of the plant and produced both a base case and a resilience case applying significant downside sensitivities which the directors believe is a robust downside sensitivity for the forecast period, being a minimum of 12 months from the date of approval of these financial statements.

The resilience case uses third party data provided by external market consultants under a low spark spread scenario for the market in the forecast period. The directors are satisfied with the robustness of this data for low spark spread scenarios in the market. Additionally the resilience case includes significant downside assumptions on:

- Technical outage and plant availability;
- Gross margin performance;
- Insurance considerations; and
- Other strategic based factors

The directors are satisfied that the resilience case is their best estimate of prudent downside performance of the Group in the forecast period and includes a robust range of reasonably possible sensitivity scenarios.

BAGLAN GENERATING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period from 18 October 2012 to 31 December 2013

1. ACCOUNTING POLICIES (continued)

Going concern (continued)

On considering the output of the resilience case and the cash requirements of the Group and Company, the directors agreed revised loan terms with its facility providers on 30 May 2014 which converted the existing group facilities into one pooled facility across the entire MPF Holdings Group with a corresponding increase in the quantum of debt available to the Group. Additionally the directors have addressed a scenario where a breach of the facility in the forecast period is addressed under pre-determined clauses within the revised loan agreements whereby the investors would have the opportunity to invest further equity, or the facility provider would have the opportunity to provide further debt to the Group through an additional facility. Whilst the additional facility is not committed, it is the directors belief that further equity or debt would be available in line with the pre-determined clause in the unlikely event it was required.

This revised facility puts in place adequate headroom on the sensitised cash flows in the forecast period. The directors, taking into account the revised facility available and considering the principal risks and uncertainties that the Group faces, as detailed in the Strategic Report, have concluded that there is a reasonable expectation that the Group 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.

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 the MPF Group, whose consolidated accounts 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.

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 period the auditor will receive remuneration of £1,000 (1 January 2012 to 17 October 2012 - £4,000) for the audit of the Company's financial statements. No other services were provided by the auditor during this period.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The directors received no remuneration for their services during the period (1 January 2012 to 17 October 2012 - £nil).

BAGLAN GENERATING LIMITED

NOTES TO THE FINANCIAL STATEMENTS Period from 18 October 2012 to 31 December 2013

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	18 October 2012 to 31 December 2013 £'000	1 January 2012 to 17 October 2012 £'000
Interest receivable from Group companies	-	7,187

5. TAX ON LOSS ON ORDINARY ACTIVITIES

	18 October 2012 to 31 December 2013 £'000	1 January 2012 to 17 October 2012 £'000
Current taxation		
United Kingdom corporation tax charge	-	-
Adjustment in respect of prior period	-	(1,877)
Tax on loss on ordinary activities	-	(1,877)

The tax assessed for the period differs from that resulting from applying the standard rate of corporation tax in the UK of 23.4% (1 January 2012 to 17 October 2012 - 24.6%). The differences are explained below:

	18 October 2012 to 31 December 2013 £'000	1 January 2012 to 17 October 2012 £'000
Loss on ordinary activities before taxation	(77)	(463,411)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.4% (1 January 2012 to 17 October 2012 - 24.6%)	(18)	(114,116)
Effect of:		
Adjustments to tax charge in respect of prior periods	-	(1,877)
Group relief	-	(1,770)
Impairment of investments	-	115,083
Tax losses not recognised	18	-
Expenses not deductible for tax purposes	-	803
Current tax charge for year	-	(1,877)

The Finance Act 2013, which provides for reductions in the main rate of corporation tax from 23% to 21% effective from 1 April 2014 and to 20% effective from 1 April 2015, was substantively enacted on 2 July 2013.

BAGLAN GENERATING LIMITED

NOTES TO THE FINANCIAL STATEMENTS Period from 18 October 2012 to 31 December 2013

6. INVESTMENTS IN SUBSIDIARY COMPANIES

	£'000
Cost	
At 18 October 2012 and 31 December 2013	484,046
Depreciation	
At 18 October 2012 and 31 December 2013	467,332
Net book value	
At 31 December 2013	16,714
At 17 October 2012	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.

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2013 £'000	17 October 2012 £'000
Amounts owed to Group companies	76	-
Accruals and deferred income	1	-
	<u>77</u>	<u>-</u>

BAGLAN GENERATING LIMITED

NOTES TO THE FINANCIAL STATEMENTS Period from 18 October 2012 to 31 December 2013

8. CALLED UP SHARE CAPITAL

	31 December 2013 £'000	17 October 2012 £'000
Allotted, called up and fully paid		
1 'A' redeemable share of £1	-	-
353,258,689 'B' ordinary shares of £1 each	353,259	353,259
	<u>353,259</u>	<u>353,259</u>

9. STATEMENT OF MOVEMENTS ON RESERVES

	Share premium account £'000	Profit and loss account £'000
At 18 October 2012	19,078	(355,623)
Loss for the period	-	(77)
At 31 December 2013	<u>19,078</u>	<u>(355,700)</u>

10. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	31 December 2013 £'000	17 October 2012 £'000
Loss for the financial period	(77)	(461,534)
Shares issued during the period	-	40,000
Share premium on shares issued (net of expenses)	-	19,078
Net decrease in shareholders' funds	(77)	(402,456)
Opening shareholders' funds	<u>16,714</u>	<u>419,170</u>
Closing shareholders' funds	<u>16,637</u>	<u>16,714</u>

11. 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.

A mortgage charge, in favour of Macquarie Bank Limited, over the shares in Baglan Generating Limited has been provided as security in respect of working capital and letter of credit facilities for Baglan Operations Limited.

BAGLAN GENERATING LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Period from 18 October 2012 to 31 December 2013**

12 RELATED PARTIES

In accordance with FRS 8 'Related party disclosures', the Company is exempt from disclosing transactions with entities that are part of the Company or investees of the Company qualifying as related parties, as it is a wholly-owned subsidiary of a parent, which prepares consolidated accounts which may be obtained from 1st Floor, Waterloo House, Don Street, St Helier, Jersey, Channel Islands, JE1 1AD.

13. PARENT UNDERTAKING AND CONTROLLING PARTY

MPF (Baglan Bay) Limited wholly owns the Company and is considered to be the immediate parent company. MPF (Baglan Bay) Limited heads the smallest group for which consolidated accounts are prepared which include the results of the Company. Copies of that company's consolidated financial statements are available from 16 Axis Court, Mallard Way, Swansea Vale, Swansea, Wales, SA7 0AJ.

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

14. POST BALANCE SHEET EVENTS

On 1 May 2014, MPF Operations Limited was incorporated as a direct subsidiary of MPF Investments Limited.

On 30 May 2014 100% of the shares in the Company's immediate parent company, MPF (Baglan Bay) Limited, were transferred by MPF Investments to MPF Operations Limited at book value.

On 30 May 2014 MPF Operations Limited and all its subsidiary companies, including the company entered into a new 4 year group facilities agreement with MBL which replaced the original facilities provided to the Company. The group facilities agreement provides group debt and letter of credit facilities. The shares in MPF Operations Limited and its subsidiary companies were provided as security for the facilities.