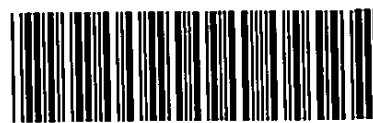


Milford Energy Limited

**Annual Report and Financial
Statements for the year ended
31 December 2010**

Registered Number 05199003

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MILFORD ENERGY LIMITED

Annual Report and Financial Statements for the year ended 31 December 2010

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MILFORD ENERGY LIMITED

Directors' Report for the year ended 31 December 2010

The directors have pleasure in submitting their report, together with the audited financial statements of the company for the year ended 31 December 2010

PRINCIPAL ACTIVITY

The principal activity of the company is the generation and supply of energy at its cogeneration plant and associated equipment at an industrial site in Milford Haven

A major refit and refurbishment programme of these assets have been carried out over the past 2 years and commercial operations commenced on the 1 March 2010

RESULTS AND DIVIDENDS

The Company made a loss after tax of £33,000 (2009 profit £83,000) This has been charged to reserves The directors do not recommend payment of a dividend (2009 £nil)

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and up to the date of signing the financial statements were as follows

Alan Michael (resigned 2 August 2010)
Graham Roberts (appointed 2 August 2010)
Graham Alexander
Colin Judd
Saheera Ahmad (resigned 22 October 2010)

None of the directors had any interests in the shares of the Company as at either year end

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and execution of the Company's strategy are subject to a number of risks, these include credit risk and liquidity risk The Company has two main customers at this time, both of which it considers to be of a high calibre Liquidity risk is managed through the close monitoring of cash resources and the use of shareholder loan facilities

KEY PERFORMANCE INDICATORS

Given the current activities of the company, the directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business

MILFORD ENERGY LIMITED

Directors' Report for the year ended 31 December 2010 (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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 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 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.

AUDITORS

As part of the audit process each director has confirmed, as at the date of the financial statements, that

- a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- b) they have taken all the steps that ought to have been taken as a director in order to make them self aware of any relevant audit information and to establish that the company's auditors are aware of that information.

It is intended that PricewaterhouseCoopers LLP shall remain in office as auditors of the company.

By Order of the Board



Graham Alexander
Director

Independent Auditors' Report to the Members of Milford Energy Limited

We have audited the financial statements of Milford Energy Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. 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).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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.

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 2010 and of its loss and cash flows 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.

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.



Jason Clarke (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff

20 July

2011

MILFORD ENERGY LIMITED

Profit And Loss Account for the year ended 31 December 2010

	Note	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Turnover	2	13,634	250
Cost of sales		(5,327)	-
Gross profit		8,307	250
Administrative expenses		(8,344)	(146)
Operating (loss)/ profit	3	(37)	104
Interest receivable		4	9
(Loss)/profit on ordinary activities before taxation		(33)	113
Tax on (loss)/profit on ordinary activities	5	-	(30)
(Loss)/profit for the financial year	11	(33)	83

All items relate to continuing operations

The company has no recognised gains and losses other than those included above and therefore no separate statement of total recognised gains and losses has been prepared

There is no difference between the (loss)/profit on ordinary activities before taxation and the (loss)/profit for the year stated above and their historical cost equivalents

MILFORD ENERGY LIMITED

Balance Sheet as at 31 December 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Tangible assets	6	91,035	84,443
Current assets			
Inventory – equipment spares		608	-
Debtors due within one year	7	2,956	1,916
Cash at bank and in hand		3,615	1,503
		7,179	3,419
Creditors: Amounts falling due within one year	8	(4,690)	(2,525)
Net current assets		2,489	894
Total assets less current liabilities		93,524	85,337
Creditors: Amounts falling due after one year	8	(91,913)	(83,425)
Deferred income	9	-	(268)
Net assets		1,611	1,644
Capital and reserves			
Called up share capital	10	1	1
Share premium account	11	1,599	1,599
Profit and loss account	11	11	44
Shareholders' funds	13	1,611	1,644

The financial statements on pages 4 to 13 were approved by the board of directors and were signed on its behalf by



Graham Alexander
DIRECTOR

Milford Energy Limited
Registered number 05199003

7 July 2011

MILFORD ENERGY LIMITED

Cash Flow Statement for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Net cash inflow from operating activities	14	4,685	1,147
Returns on investments and servicing of finance			
Interest received		4	9
Taxation			
Tax paid		-	(35)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(11,065)	(29,898)
Financing			
Loans received from shareholders	15	8,488	25,705
Increase/(decrease) in cash	15	2,112	(3,072)

MILFORD ENERGY LIMITED

Notes to the Financial Statements for the year ended 31 December 2010

1 ACCOUNTING POLICES

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom and with the Companies Act 2006. A summary of the more important accounting policies is set out below.

Going concern basis of preparation

The financial statements have been prepared on a going concern basis. At this stage of its development the Company is dependent on the continued financial support of its shareholders. This support is currently received by means of interest free loans (see note 12). These balances are to be repaid (in whole or in part) to all Shareholders simultaneously, at a date determined by the Board in accordance with the Shareholders Agreement.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic cost less depreciation. Cost represents purchase price together with any incremental costs that are directly attributable to bringing the asset into working condition for its intended use. Depreciation is provided on a straight line basis on all tangible assets at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following basis:

Long leasehold	299 year term of lease
Plant and machinery	15 - 20 years
Tooling and equipment	30 years

Assets in the course of construction are not depreciated.

At the point the asset is commissioned, it is transferred out of this category and into the relevant fixed asset category. From this point it is depreciated in accordance with its relevant asset category.

Impairment of fixed assets

Any impairment of fixed assets is calculated as the difference between the carrying value of the project and its recoverable amount, being the higher of the estimated value in use or fair value less costs to sell at the date the impairment loss is recognised. Value in use represents the net present value of expected future cash flows discounted on a pre-tax basis.

Deferred taxation

Provision is made 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 tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements. Deferred tax is measured on a non-discounted basis.

Deferred tax assets are recognised only to the extent they are considered recoverable.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet.

MILFORD ENERGY LIMITED

Notes to the Financial Statements for the year ended 31 December 2010 (continued)

1 ACCOUNTING POLICES (Continued)

Turnover

Turnover represents the value of goods and services provided during the year as calculated with the reference to the Energy Supply Agreement with Dragon LNG Limited and the Import & Export Agreement with Scottish & Southern Electric. Turnover is wholly derived within the UK.

2 TURNOVER

The turnover arose from the principal activity of the Company, and arose entirely within the United Kingdom. As a result, no segmental disclosures are required in the financial statements.

3 OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging

	2010 £'000	2009 £'000
Depreciation	4,205	16
Remuneration of auditors – audit services	9	9

4 EMPLOYEE INFORMATION

The Company currently has no employees of its own with staff being provided on a secondment basis from its shareholders. The costs of the staff are recharged to the company and are included in note 12.

MILFORD ENERGY LIMITED

Notes to the Financial Statements for the year ended 31 December 2010 (continued)

5 TAXATION

	2010 £'000	2009 £'000
Current tax		
UK corporation tax on (loss)/profit for the year	-	30
Adjustments in respect of prior year	-	(2)
Total current tax	-	28

The tax assessed for the year is different from the standard rate in the UK (28%) The differences are explained below

	2010 £'000	2009 £'000
(Loss)/profit before tax	(33)	113
(Loss)/profit before tax multiplied by standard rate of corporation tax of 28% (2009 28%)	(9)	32
Effects of		
Trading losses carried forward	9	-
Adjustments in respect of prior year	-	(2)
Current tax charge	-	30

6 TANGIBLE ASSETS

	Long leasehold £'000	Tooling and Equipment £'000	Plant and machinery £'000	Assets under construction £'000	Total £'000
Cost					
At 1 January 2010	550	1,385	-	82,524	84,459
Additions	-	4	-	10,793	10,797
Transfers	-	-	93,317	(93,317)	-
At 31 December 2010	550	1,389	93,317	-	95,256
Accumulated depreciation					
At 1 January 2010	-	16	-	-	16
Charged in the year	2	61	4,142	-	4,205
At 31 December 2010	2	77	4,142	-	4,221
Net book value					
At 31 December 2010	548	1,312	89,175	-	91,035
At 31 December 2009	550	1,369	-	82,524	84,443

There are no assets held under finance leases in either year

MILFORD ENERGY LIMITED

Notes to the Financial Statements for the year ended 31 December 2010 (continued)

7 DEBTORS

	2010 £'000	2009 £'000
Amounts due from Dragon LNG Limited (see note 12)	1,901	1,538
Other debtors	883	67
Prepayments	168	-
VAT receivable	4	311
	<u>2,956</u>	<u>1,916</u>

8 CREDITORS

Amounts falling due within one year:

	2010 £'000	2009 £'000
Trade creditors	107	1,947
Amounts due to shareholders and their subsidiaries (see note 12)	213	258
Amounts due to Dragon LNG Limited (see note 12)	4,178	253
Accruals	157	35
Other taxation and social security	3	-
Corporation tax	32	32
	<u>4,690</u>	<u>2,525</u>

Amounts falling due after more than one year:

	2010 £'000	2009 £'000
Shareholder Loans (see note 12)	91,913	83,425
	<u>91,913</u>	<u>83,425</u>

9 DEFERRED INCOME

	2010 £'000	2009 £'000
WEFO grant received	-	268
	<u>-</u>	<u>268</u>

MILFORD ENERGY LIMITED

Notes to the Financial Statements for the year ended 31 December 2010 (continued)

10 SHARE CAPITAL

	2010 £'000	2009 £'000
Authorised		
1,000 Ordinary shares of £1 each	1	1
Allotted, called up and fully paid		
1,000 Ordinary shares of £1 each	1	1

11 PROFIT AND LOSS ACCOUNT

	Share premium account £'000	Profit and loss account £'000
At 1 January 2010	1,599	44
Loss for the year	-	(33)
At 31 December 2010	1,599	11

12 RELATED PARTY TRANSACTIONS

	Invoiced or accrued during the year to 31 December 2010 £'000	Outstanding as at 31 December 2010 £'000	Invoiced or accrued during the year to 31 December 2009 £'000	Outstanding as at 31 December 2009 £'000
Income				
Dragon LNG Limited	10,199	1,901	4,295	1,538
	10,199	1,901	4,295	1,538
Purchases				
	£'000	£'000	£'000	£'000
BG Group PLC and its subsidiaries	1,002	188	1,836	217
Petroliam Nasional Berhad and its subsidiaries	191	25	186	40
Dragon LNG Limited	8,439	4,178	632	253
	9,632	4,391	2,654	510

Included within the recharge from BG Group above was amount of £96,244 (2009 nil) in respect of a provision for general management services by a Milford Energy Ltd director

MILFORD ENERGY LIMITED

Notes to the Financial Statements for the year ended 31 December 2010 (continued)

12 RELATED PARTY TRANSACTIONS (Continued)

	Outstanding as at 31 December 2010 £'000	Outstanding as at 31 December 2009 £'000
Short term, interest free loans received by the company		
BG Group PLC and its subsidiaries	45,957	41,713
Petroliam Nasional Berhad and its subsidiaries	45,957	41,713
	91,914	83,426

Note Dragon LNG Limited is a joint venture company of which BG Group PLC and Petroliam Nasional Berhad held a 50% and 30% interest in the ordinary share capital respectively at 31 December 2010. The income figures disclosed above in relation to Dragon LNG Limited represent the gross amount of invoices raised to the company in respect of recharged electricity.

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010 £'000
Loss for the financial year	(33)
Opening shareholders' funds	1,644
Closing shareholders' funds	1,611

14 RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASHFLOW FROM OPERATING ACTIVITIES

	2010 £'000	2009 £'000
Operating (loss)/profit	(37)	104
Depreciation	4,205	16
Increase in inventory – equipment spares	(608)	-
(Increase)/decrease in debtors	(1,040)	1,062
Increase in creditors	2,165	-
Decrease in deferred income	-	(35)
	4,685	1,147

MILFORD ENERGY LIMITED

Notes to the Financial Statements for the year ended 31 December 2010 (continued)

15 ANALYSIS AND RECONCILIATION OF MOVEMENT IN NET DEBT

	31 December 2009 £'000	Cash flow £'000	31 December 2010 £'000
Cash	1,503	2,112	3,615
Amounts owed to shareholders	(83,425)	(8,488)	(91,913)
	<u>(81,922)</u>	<u>(6,376)</u>	<u>(88,298)</u>
			£'000
Increase in cash			2,112
Increase in loans due to shareholders			(8,488)
			<u>(81,922)</u>
Opening net debt			(81,922)
Closing net debt			<u>(88,298)</u>

16 PARENT UNDERTAKING AND CONTROLLING PARTY

The company's share capital is held 50% by BG Energy Holdings Limited and 50% by Petronas International Corporation Limited

BG Energy Holdings Limited is a wholly owned subsidiary of BG Group PLC a company incorporated in Great Britain and registered in England and Wales Petronas International Corporation Limited is a wholly owned subsidiary of Petroliaam Nasional Berhad, a company registered in Malaysia

17 CAPITAL COMMITMENTS

The company had no capital commitments at the balance sheet date in either year