

Milford Energy Limited

**Annual Report and Financial
Statements for the year ended
31 December 2011**

Registered Number 05199003

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MILFORD ENERGY LIMITED

Annual Report and Financial Statements for the year ended 31 December 2011

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MILFORD ENERGY LIMITED

Directors' Report for the year ended 31 December 2011

The directors have pleasure in submitting their report, together with the audited financial statements of the company for the year ended 31 December 2011

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The company made a profit after tax of £534,000 (2010 loss £33,000) This has been credited to reserves The directors do not recommend payment of a dividend (2010 £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

Graham Roberts
Graham Alexander
Colin Judd (resigned 7 September 2011)
Pramod Kumar Karunakaran (appointed 7 September 2011)
Klaus Reinisch (appointed 7 September 2011)

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 2011 (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.

INDEPENDENT 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

DATE 15 June 2012

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 2011 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. 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 2011 and of its profit 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



Jonathan Bound (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors, Cardiff

DATE

13 July 2012

MILFORD ENERGY LIMITED

Profit And Loss Account for the year ended 31 December 2011

| | Note | Year ended 31 December 2011 £'000 | Year ended 31 December 2010 £'000 |
|---|------|--|--|
| Turnover | 2 | 18,981 | 13,634 |
| Cost of sales | | (7,760) | (5,327) |
| Gross profit | | 11,221 | 8,307 |
| Administrative expenses | | (10,394) | (8,344) |
| Operating profit/(loss) | 3 | 827 | (37) |
| Interest receivable | | 23 | 4 |
| Profit/(loss) on ordinary activities before taxation | | 850 | (33) |
| Tax on profit/(loss) on ordinary activities | 5 | (316) | - |
| Profit/(loss) for the financial year | 11 | 534 | (33) |

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 profit/(loss) on ordinary activities before taxation and the profit/(loss) for the financial year stated above and their historical cost equivalents

MILFORD ENERGY LIMITED

Balance Sheet as at 31 December 2011

| | Note | 2011 £'000 | 2010 £'000 |
|--|------|----------------|----------------|
| Fixed assets | | | |
| Tangible assets | 6 | 86,765 | 91,035 |
| Current assets | | | |
| Stocks – equipment spares | | 656 | 608 |
| Debtors | 7 | 2,086 | 2,956 |
| Cash at bank and in hand | | 8,289 | 3,615 |
| | | <u>11,031</u> | <u>7,179</u> |
| Creditors: amounts falling due within one year | 8 | <u>(3,015)</u> | <u>(4,690)</u> |
| Net current assets | | 8,016 | 2,489 |
| Total assets less current liabilities | | 94,781 | 93,524 |
| Creditors: amounts falling due after more than one year | 8 | (91,913) | (91,913) |
| Deferred Taxation | 9 | (723) | - |
| Net assets | | <u>2,145</u> | <u>1,611</u> |
| Capital and reserves | | | |
| Called up share capital | 10 | 1 | 1 |
| Share premium account | 11 | 1,599 | 1,599 |
| Profit and loss account | 11 | 545 | 11 |
| Total shareholders' funds | 13 | <u>2,145</u> | <u>1,611</u> |

The financial statements on pages 4 to 14 were approved by the Board of directors and were signed on its behalf by



Graham Alexander
DIRECTOR

Registered number 05199003

DATE 15 JUNE 2012

MILFORD ENERGY LIMITED

Cash Flow Statement for the year ended 31 December 2011

| | Note | 2011 £'000 | 2010 £'000 |
|--|------|---------------|---------------|
| Net cash inflow from operating activities | 14 | 5,490 | 4,685 |
| Returns on investments and servicing of finance | | | |
| Interest received | | 23 | 4 |
| Capital expenditure and financial investment | | | |
| Purchase of tangible fixed assets | | (839) | (11,065) |
| Financing | | | |
| Loans received from shareholders | 15 | - | 8,488 |
| Increase in cash | 15 | 4,674 | 2,112 |

MILFORD ENERGY LIMITED

Notes to the Financial Statements for the year ended 31 December 2011

I 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 accumulated 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 fixed 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 | 3-5 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 tangible fixed assets

Any impairment of tangible 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 2011 (continued)

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 PROFIT/(LOSS)

Operating profit/(loss) is stated after charging

| | 2011 £'000 | 2010 £'000 |
|---|---------------|---------------|
| Depreciation | 5,109 | 4,205 |
| Remuneration of auditors – audit services | 10 | 9 |
| Remuneration of auditors – non audit services | 30 | 5 |

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 2011 (continued)

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 2011 £'000 | 2010 £'000 |
|---|---------------|---------------|
| Current Tax | | |
| Corporation tax at 26.49 % (2010 - 28%) on results for the year | - | - |
| Adjustments in respect of prior year | (407) | - |
| Deferred Tax | | |
| Origination and reversal of timing differences | 761 | - |
| Changes in tax rates or laws | (38) | - |
| Taxation on profit/(loss) on ordinary activities | 316 | - |

The taxation assessed for the year is lower than the standard rate applying in the UK. The differences are explained below

| | 2011 £'000 | 2010 £'000 |
|--|---------------|---------------|
| Profit/(loss) on ordinary activities before taxation | 850 | (33) |
| Profit/(loss) on ordinary activities multiplied by the UK standard companies' rate of Corporation Tax of 26.49% (2010 - 28%) | 225 | (9) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 35 | - |
| Accelerated capital allowances | (260) | - |
| Movement in carried forward losses | - | 9 |
| Adjustments in respect of previous period | (407) | - |
| Total current tax (credit)/charge | (407) | - |

A number of changes to the UK Corporation tax system were announced in the March 2012 UK Budget Statement. A resolution passed by Parliament on 26 March 2012 reduced the main rate of corporation tax to 24% from 1 April 2012. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 is expected to be included in the Finance Act 2012. A further reduction to the main rate is also proposed to reduce the rate to 22% from 1 April 2014. None of these rate reductions have been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. Accordingly, the closing deferred tax liability in these financial statements has been recognised at 25%.

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Notes to the Financial Statements for the year ended 31 December 2011 (continued)

6 TANGIBLE FIXED ASSETS

| | Long leasehold £'000 | Tooling and equipment £'000 | Plant and machinery £'000 | Total £'000 |
|---------------------------------|----------------------------|-----------------------------------|---------------------------------|----------------|
| Cost | | | | |
| At 1 January 2011 | 550 | 1,389 | 93,317 | 95,256 |
| Additions | 49 | 34 | 756 | 839 |
| Transfers | - | (1,384) | 1,384 | - |
| At 31 December 2011 | 599 | 39 | 95,457 | 96,095 |
| Accumulated depreciation | | | | |
| At 1 January 2011 | 2 | 77 | 4,142 | 4,221 |
| Charged in the year | 2 | 6 | 5,101 | 5,109 |
| Transfers | - | (76) | 76 | - |
| At 31 December 2011 | 4 | 7 | 9,319 | 9,330 |
| Net book value | | | | |
| At 31 December 2011 | 595 | 32 | 86,138 | 86,765 |
| At 31 December 2010 | 548 | 1,312 | 89,175 | 91,035 |

There are no assets held under finance leases in either year

7 DEBTORS

| | 2011 £'000 | 2010 £'000 |
|--|---------------|---------------|
| Amounts due from Dragon LNG Limited (see note 12) | 296 | 1,904 |
| Amounts due from shareholders and their subsidiaries (see note 12) | 146 | - |
| Other debtors | 1,044 | 880 |
| Prepayments | 149 | 168 |
| VAT receivable | 76 | 4 |
| Corporation tax recoverable | 375 | - |
| | 2,086 | 2,956 |

MILFORD ENERGY LIMITED

Notes to the Financial Statements for the year ended 31 December 2011 (continued)

8 CREDITORS

Amounts falling due within one year:

| | 2011 £'000 | 2010 £'000 |
|--|---------------|---------------|
| Trade creditors | 230 | 107 |
| Amounts due to shareholders and their subsidiaries (see note 12) | 253 | 213 |
| Amounts due to Dragon LNG Limited (see note 12) | 2,317 | 4,178 |
| Accruals | 214 | 157 |
| Other taxation and social security | 1 | 3 |
| Corporation tax | - | 32 |
| | <u>3,015</u> | <u>4,690</u> |

Amounts falling due after more than one year:

| | 2011 £'000 | 2010 £'000 |
|---------------------------------|---------------|---------------|
| Shareholder loans (see note 12) | 91,913 | 91,913 |
| | <u>91,913</u> | <u>91,913</u> |

9 DEFERRED TAXATION

| | 2011 £'000 | 2010 £'000 |
|---|---------------|---------------|
| At 1 January | - | - |
| Charge to profit and loss account | 723 | - |
| Provision/(asset) at 31 December | 723 | - |

All of the deferred tax provision relates to accelerated capital allowances

10 CALLED UP SHARE CAPITAL

| | 2011 £'000 | 2010 £'000 |
|---|---------------|---------------|
| Authorised | | |
| 1,000 (2010 1,000) Ordinary shares of £1 each | 1 | 1 |
| Allotted and fully paid | | |
| 1,000 (2010 1,000) Ordinary shares of £1 each | 1 | 1 |

MILFORD ENERGY LIMITED

Notes to the Financial Statements for the year ended 31 December 2011 (continued)

11 RESERVES

| | Share premium account £'000 | Profit and loss account £'000 |
|---------------------|--------------------------------------|--|
| At 1 January 2011 | 1,599 | 11 |
| Profit for the year | - | 534 |
| | <hr/> | <hr/> |
| At 31 December 2011 | 1,599 | 545 |
| | <hr/> | <hr/> |

12 RELATED PARTY TRANSACTIONS

| | Invoiced or accrued during the year to 31 December 2011 £'000 | Outstanding as at 31 December 2011 £'000 | Invoiced or accrued during the year to 31 December 2010 £'000 | Outstanding as at 31 December 2010 £'000 |
|---|---|--|--|--|
| Income | | | | |
| Dragon LNG Limited | 9,338 | 296 | 8,741 | 1,904 |
| BG Group PLC and its subsidiaries | 146 | 146 | - | - |
| | <hr/> 9,484 | <hr/> 442 | <hr/> 8,741 | <hr/> 1,904 |
| Purchases | | | | |
| | £'000 | £'000 | £'000 | £'000 |
| BG Group PLC and its subsidiaries | 223 | 151 | 1,002 | 188 |
| Petroleum Nasional Berhad and its subsidiaries | 231 | 102 | 191 | 25 |
| Dragon LNG Limited | 8,487 | 2,317 | 7,268 | 4,178 |
| | <hr/> 8,941 | <hr/> 2,570 | <hr/> 8,461 | <hr/> 4,391 |

Included within the recharge from BG Group above was amount of £94,188 (2010 £96,244) in respect of a provision for general management services by a Milford Energy Limited's director

MILFORD ENERGY LIMITED

Notes to the Financial Statements for the year ended 31 December 2011 (continued)

12 RELATED PARTY TRANSACTIONS (continued)

| | Outstanding as at 31 December 2011 £'000 | Outstanding as at 31 December 2010 £'000 |
|--|---|---|
| Short term, interest free loans received by the company | | |
| BG Group PLC and its subsidiaries | 45,957 | 45,957 |
| Petroleum Nasional Berhad and its subsidiaries | 45,957 | 45,957 |
| | 91,914 | 91,914 |

Note Dragon LNG Limited is a joint venture company of which BG Group PLC and Petroleum Nasional Berhad each held 50% of the ordinary share capital at 31 December 2011

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 2011 £'000 |
|-------------------------------|---------------|
| Profit for the financial year | 534 |
| Opening shareholders' funds | 1,611 |
| | <hr/> |
| Closing shareholders' funds | 2,145 |
| | <hr/> |

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

| | 2011 £'000 | 2010 £'000 |
|----------------------------------|---------------|---------------|
| Operating profit/(loss) | 827 | (37) |
| Depreciation | 5,109 | 4,205 |
| Increase in stocks | (48) | (608) |
| Decrease/(increase) in debtors | 1,245 | (1,040) |
| (Decrease)/increase in creditors | (1,643) | 2,165 |
| | <hr/> | <hr/> |
| | 5,490 | 4,685 |
| | <hr/> | <hr/> |

MILFORD ENERGY LIMITED

Notes to the Financial Statements for the year ended 31 December 2011 (continued)

15 ANALYSIS AND RECONCILIATION OF MOVEMENT IN NET DEBT

| | 31 December 2010 £'000 | Cash flow £'000 | 31 December 2011 £'000 |
|---------------------|------------------------------|--------------------|------------------------------|
| Cash | 3,615 | 4,674 | 8,289 |
| Shareholders' loans | (91,913) | - | (91,913) |
| | <u>(88,298)</u> | <u>4,674</u> | <u>(83,624)</u> |
| | | | <u>£'000</u> |
| Increase in cash | | | <u>4,674</u> |
| Opening net debt | | | <u>(88,298)</u> |
| Closing net debt | | | <u>(83,624)</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 Petroliam Nasional Berhad, a company registered in Malaysia

17 CAPITAL COMMITMENTS

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