

Milford Energy Limited

**Annual Report and Financial
Statements for the year ended
31 December 2012**

Registered Number 05199003

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MILFORD ENERGY LIMITED

Annual Report and Financial Statements for the year ended 31 December 2012

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MILFORD ENERGY LIMITED

Directors' Report for the year ended 31 December 2012

The directors have pleasure in submitting their report, together with the audited financial statements of the company for the year ended 31 December 2012

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. Subsequent to the year end, the entire assets and liabilities of the company were transferred to Dragon LNG Limited. The company is not expected to have any on-going activities following this transfer. These financial statements have therefore been prepared on a break-up rather than a going concern basis.

RESULTS AND DIVIDENDS

The company's results are shown on page 4. The directors do not recommend the payment of a dividend for the year (2011: £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 (Resigned – 1 November 2012)
Graham Alexander (Resigned – 15 June 2012)
Pramod Kumar Karunakaran (Resigned – 31 March 2012)
Klaus Reinisch
Ahmad Hakimi Muhammad Radzi (Appointed – 31 March 2012, Resigned – 5 March 2013)
Stephen John Surrall (Appointed – 15 June 2012)
Ann Collins (Appointed – 1 November 2012)
Andrew Bernard Shanta (Appointed – 5 March 2013)

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

Peter Van Duzer served as company secretary during the year.

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. The company is also subject to price risk from changes in the market price of electricity.

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 2012 (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.

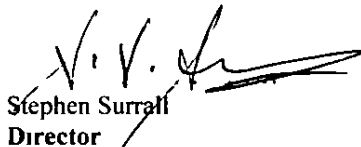
INDEPENDENT AUDITORS

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


Stephen Surrall
Director

DATE 20 JUNE 2013

MILFORD ENERGY LIMITED

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 2012 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 Statement of Directors' Responsibilities 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 2012 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

Emphasis of matter – break up basis of preparation

We draw your attention to Note 1 of the financial statements which explains that the entire assets and liabilities of the Company have been transferred to another company at their book value subsequent to the year end. The Company has then ceased trading. Accordingly, these financial statements have been prepared on a break up rather than going concern basis. Our opinion is not modified in this respect.

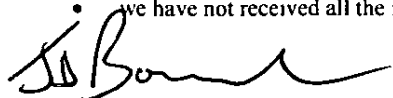
Opinion on other matter prescribed by the Companies Act 2006

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 28 June 2013

MILFORD ENERGY LIMITED

Profit And Loss Account for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Turnover	2	21,004	18,981
Cost of sales		(1,856)	(7,760)
GROSS PROFIT		19,148	11,221
Administrative expenses		(10,468)	(10,394)
OPERATING PROFIT	3	8,680	827
Interest receivable and similar income		20	23
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		8,700	850
Tax on profit on ordinary activities	5	(1,957)	(316)
PROFIT FOR THE FINANCIAL YEAR	11	6,743	534

All items relate to discontinuing 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 on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents


MILFORD ENERGY LIMITED

Balance Sheet as at 31 December 2012

	Note	2012 £'000	2011 £'000
FIXED ASSETS			
Tangible assets	6	81,667	86,765
		81,667	86,765
CURRENT ASSETS			
Stocks – equipment spares		672	656
Debtors	7	2,379	2,086
Cash at bank and in hand		9,166	8,289
		12,217	11,031
Creditors amounts falling due within one year	8	(2,316)	(3,015)
NET CURRENT ASSETS		9,901	8,016
TOTAL ASSETS LESS CURRENT LIABILITIES		91,568	94,781
Creditors amounts falling due after more than one year	8	(80,000)	(91,913)
Deferred Taxation	9	(2,680)	(723)
NET ASSETS		8,888	2,145
CAPITAL AND RESERVES			
Called up share capital	10	1	1
Share premium account	11	1,599	1,599
Profit and loss account	11	7,288	545
TOTAL SHAREHOLDERS' FUNDS		8,888	2,145

The notes on pages 7 to 14 form part of these financial statements

Approved by the Board on 20 JUNE 2013


 Stephen Surrall
 Director
 DATE

MILFORD ENERGY LIMITED

Cash Flow Statement for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Net cash inflow from operating activities	13	12,809	5,490
Returns on investments and servicing of finance			
Interest received		20	23
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(39)	(839)
Net cash inflow before financing		12,790	4,674
Financing			
Loans repayments to shareholders	14	(11,913)	-
Increase in cash	14	877	4,674

Reconciliation of Movement in Shareholders' Funds for the year ended 31 December 2012

	2012 £'000	2011 £'000
Profit for the financial year	6,743	534
NET INCREASE TO SHAREHOLDERS' FUNDS	6,743	534
Opening shareholders' funds	2,145	1,611
CLOSING SHAREHOLDERS' FUNDS	8,888	2,145

MILFORD ENERGY LIMITED

Notes to the Financial Statements for the year ended 31 December 2012

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. The principal accounting policies which have been applied consistently throughout the year are set out below.

Break up basis of preparation

Subsequent to the year end the assets and liabilities of the company have been transferred, at book value, to a fellow subsidiary – Dragon LNG Limited. No further trading is expected in the company following this transfer. Accordingly, these financial statements have been prepared on a break up rather than a going concern basis.

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	5 years

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 2012 (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.

Stocks

Stock is comprised of equipment spare parts which are valued at the lower of average cost or net realisable value with an appropriate provision for obsolete items where necessary.

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

Profit on ordinary activities before taxation is stated after charging the following	2012 £'000	2011 £'000
Depreciation	5,137	5,109
Remuneration of auditors – audit services	10	10
Remuneration of auditors – non audit services (tax compliance)	5	30

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 2012 (continued)

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2012 £'000	2011 £'000
Current Tax		
Corporation tax at 24.50 % (2011: 26.49%) on results for the year	-	-
Adjustments in respect of prior year	-	(407)
Deferred Tax		
Origination and reversal of timing differences	2,014	761
Changes in tax rates or laws	(57)	(38)
Taxation on profit on ordinary activities	1,957	316

The taxation assessed for the year is lower (2011: lower) than the standard rate applying in the UK. The differences are explained below:

	2012 £'000	2011 £'000
Profit on ordinary activities before taxation	8,700	850
Profit on ordinary activities multiplied by the UK standard companies' rate of Corporation Tax of 24.50% (2011: 26.49%)	2,132	225
Effects of:		
Expenses not deductible for tax purposes	24	35
Accelerated capital allowances	(2,156)	(260)
Adjustments in respect of prior years	-	(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. The Finance Act 2012, which was substantively enacted on 3 July 2012, included legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013. Accordingly, the closing deferred tax liability in the financial statements has been recognised at 23%. Further reductions were announced in the March 2013 UK Budget Statement to 20% from April 2015. These changes have yet to be substantively enacted.

MILFORD ENERGY LIMITED

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

6 TANGIBLE FIXED ASSETS

	Long leasehold £'000	Tooling and equipment £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 January 2012	599	39	95,457	96,095
Additions	-	-	39	39
At 31 December 2012	599	39	95,496	96,134
Accumulated depreciation				
At 1 January 2012	4	7	9,319	9,330
Charged in the year	2	9	5,126	5,137
At 31 December 2012	6	16	14,445	14,467
Net book value				
At 31 December 2012	593	23	81,051	81,667
At 31 December 2011	595	32	86,138	86,765

There are no assets held under finance leases in either year

7 DEBTORS

	2012 £'000	2011 £'000
Amounts due from Dragon LNG Limited (see note 12)	1,059	296
Amounts due from ultimate shareholders and their other subsidiaries (see note 12)	-	146
Other debtors	1,171	1,044
VAT receivable	-	76
Corporation tax recoverable	-	375
Prepayments	149	149
	2,379	2,086

MILFORD ENERGY LIMITED

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

8 CREDITORS

Amounts falling due within one year:

	2012 £'000	2011 £'000
Trade creditors	11	230
Amounts due to ultimate shareholders and their other subsidiaries (see note 12)	149	253
Amounts due to Dragon LNG Limited (see note 12)	2,059	2,317
Other taxation and social security	1	1
Accruals	96	214
	2,316	3,015

Amounts falling due after more than one year:

	2012 £'000	2011 £'000
Shareholder loans (see note 12)	80,000	91,913
	80,000	91,913

At the year end, these balances were due to be repaid (in whole or in part) to all shareholders simultaneously, at a date to be determined by the Board in accordance with the shareholders agreement. As set out in note 1, subsequent to the year end, all of the assets and liabilities of the company have been transferred to Dragon LNG Limited.

9 DEFERRED TAXATION PROVISION

	2012 £'000	2011 £'000
At 1 January	723	-
Charge to profit and loss account	1,957	723
At 31 December	2,680	723

All of the deferred tax provision relates to accelerated capital allowances.

10 CALLED UP SHARE CAPITAL

	2012 £'000	2011 £'000
Allotted and fully paid 1,000 (2011: 1,000) Ordinary shares of £1 each	1	1

MILFORD ENERGY LIMITED

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

11 RESERVES

	Share premium account £'000	Profit and loss account £'000
At 1 January 2012	1,599	545
Profit for the year	-	6,743
At 31 December 2012	1,599	7,288

12 RELATED PARTY TRANSACTIONS

Income	Invoiced or accrued during the year to 31 December 2012 £'000	Outstanding as at 31 December 2012 £'000	Invoiced or accrued during the year to 31 December 2011 £'000	Outstanding as at 31 December 2011 £'000
Dragon LNG Limited	8,748	1,059	9,338	296
BG Group PLC and its subsidiaries	-	-	146	146
	8,748	1,059	9,484	442
Purchases	£'000	£'000	£'000	£'000
BG Group PLC and its subsidiaries	97	47	223	151
Petroleum Nasional Berhad and its subsidiaries	54	102	231	102
Dragon LNG Limited	4,307	2,059	8,487	2,317
	4,458	2,208	8,941	2,570

Included within the recharge from BG Group above was an amount of £97,419 (2011 £94,188) in respect of a provision for general management services by a Milford Energy Limited director

MILFORD ENERGY LIMITED

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

12 RELATED PARTY TRANSACTIONS (continued)

	Outstanding as at 31 December 2012 £'000	Outstanding as at 31 December 2011 £'000
Interest free loans received by the company		
BG Group PLC and its subsidiaries	40,000	45,956.5
Petroleum Nasional Berhad and its subsidiaries	40,000	45,956.5
	80,000	91,913.0

Note: Dragon LNG Limited is a subsidiary of Dragon LNG Group Limited which 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 2012. Following Dragon LNG Group Limited's acquisition of Milford Energy Limited on 15 October 2012, Dragon LNG Limited became a fellow subsidiary of Milford Energy Limited.

13 RECONCILIATION OF OPERATING PROFIT TO NET CASHFLOW FROM OPERATING ACTIVITIES

	2012 £'000	2011 £'000
Operating profit	8,680	827
Depreciation	5,137	5,109
(Increase)/decrease in stocks	(16)	(48)
(Increase)/decrease in debtors	(293)	1,245
(Decrease)/increase in creditors	(699)	(1,643)
Net cash inflow from operating activities	12,809	5,490

MILFORD ENERGY LIMITED

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

14 ANALYSIS AND RECONCILIATION OF MOVEMENT IN NET DEBT

	31 December 2012 £'000	31 December 2011 £'000
Cash at bank	9,166	8,289
Shareholders' loans	(80,000)	(91,913)
	(70,834)	(83,624)
	£'000	£'000
Increase in cash	877	4,674
Movement in shareholder loan	11,913	-
Movement in net debt arising from cash flows	12,790	4,674
Opening net debt	(83,624)	(88,298)
Closing net debt	(70,834)	(83,624)

15 PARENT UNDERTAKING AND CONTROLLING PARTY

The company's share capital was held 50% by BG Energy Holdings Limited and 50% by Petronas International Corporation Limited until 15 October 2012 when 100% of it was acquired by Dragon LNG Group Limited – a company registered in England and Wales

The share capital of Dragon LNG Group Limited 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 Petrolham Nasional Berhad, a company registered in Malaysia

16 CAPITAL COMMITMENTS

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

17 POST BALANCE SHEET EVENT

Subsequent to the year end all of the company's assets and liabilities were sold to Dragon LNG Limited (a company also owned 100% by Dragon LNG Group Limited) at their book value The company will no longer trade following this transfer