

Milford Energy Limited

**Annual Report and Financial
Statements for the year ended
31 December 2021**

Registered Number 05199003

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MILFORD ENERGY LIMITED

Annual Report and Financial Statements for the year ended 31 December 2021

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MILFORD ENERGY LIMITED

Directors' Report for the year ended 31 December 2021

The directors present their report and financial statements for the year ended 31 December 2021.

Results and dividends

After several years of being dormant, the company commenced pre trading activities during 2021. The company plans to own and operate renewable energy assets subject to obtaining the relevant planning and regulatory permissions. It is hoped that trading will commence during 2022 which will primarily involve the generation of renewable electricity for sale to Dragon LNG Limited – a company under common control.

Directors and their interests

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

Thomas Summers	
Omar Yaqoob Sheikh	Resigned 31 July 2021
Roel Maas	Appointed 1 August 2021

Lee Stephen Mellor
Timothy Power

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.

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK adopted International Accounting Standards. 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

MILFORD ENERGY LIMITED

Directors' Report for the year ended 31 December 2021 (continued)

Statement of Directors' responsibilities (continued)

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.

Statement of disclosure of information to auditors

As part of the audit process each director has confirmed, as at the date of approval 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 themselves 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.

Small company exemptions

In preparing this report, the directors have taken advantage of the small companies exemptions provided by Section 415A of the Companies Act 2006.

Business background and ownership

The company is currently planning the development and construction of renewable electricity generation assets in Milford Haven, West Wales.

Milford Energy Limited is a 100% subsidiary of Dragon LNG Group Limited which is a joint venture between BG Energy Holdings Limited (BGEH) - a UK registered company controlled by Royal Dutch Shell plc, and Ancala LNG Limited - a UK registered company owned by investment funds managed by Ancala Partners LLP, who each own 50% of the issued share capital.

Review of the business

After several years being dormant the company commenced pre trading activities during 2021. A planning application has been submitted for a solar park on land adjacent to the Dragon LNG import terminal. If planning permission is granted it is anticipated that generation will commence during late 2022, with plans for further generation capacity to be added over the coming years.

MILFORD ENERGY LIMITED

Directors' Report for the year ended 31 December 2021 (continued)

Principal risks and uncertainties

The management of the business and execution of the company's strategy are subject to a number of risks.

During the planning and construction phase of the renewable electricity generation assets the principal risk will be health and safety. The company will mitigate this risk through a strict vendor prequalification process along with ensuring that the project is overseen by a team of competent HSE experts.

All activities are planned and organised in order to minimise health, safety and environmental impacts and the company works closely with all of the relevant regulatory bodies.

Financial risk management

Interest rate risk is negligible because the company does not have any borrowings on which interest is being charged.

Credit risk is the risk that a customer fails to pay an amount due, causing the company to incur a financial loss. Currently the company is not trading, consequently credit risk is considered minimal.


Foreign currency risk relating to normal operations is considered low given the low level of foreign currency transactions (approximately 1% of total expenditure).

Once trading the company will import electricity from the grid to cover any shortfall in electricity generated from renewables in meeting the demand of its customers. Electricity import costs will be subject to price risk from changes in the market price of electricity – however as all these import costs will be passed on to customers, they will be no financial risk to the company.

Future developments

During 2022 it is hoped that planning permission will be granted for the solar park, allowing construction to begin, with generation planned to commence before the end of the year. Longer term the company hopes to develop further assets to increase its renewable electricity generation capacity.

On behalf of the Board of Directors



Roel Maas
Director

23 March 2022

MILFORD ENERGY LIMITED

Independent auditors' report to the members of Milford Energy Limited

Report on the audit of the financial statements

Opinion

In our opinion, Milford Energy Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2021; the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

MILFORD ENERGY LIMITED

Independent auditors' report to the members of Milford Energy Limited

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

MILFORD ENERGY LIMITED

Independent auditors' report to the members of Milford Energy Limited

Auditors' responsibilities for the audit of the financial statements (continued)

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraudulent transactions designed to overstate the financial performance and position of the Company. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations or fraud;
- Reviewing Board minutes;
- Identifying and testing journal entries, in particular those having unusual account combinations;
- Obtaining third party confirmations of the Company's banking arrangements.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

MILFORD ENERGY LIMITED

Independent auditors' report to the members of Milford Energy Limited

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Other matter

The financial statements for the year ended 31 December 2020, forming the corresponding figures of the financial statements for the year ended 31 December 2021, are unaudited.



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

23 March 2022

MILFORD ENERGY LIMITED

Statement of Comprehensive Income for the year ended 31 December 2021

Registered Number 05199003

	Note	2021 £'000	2020 £'000
Administrative expenses		(549)	-
Operating loss	3	(549)	-
Loss before taxation		(549)	-
Income tax expense	4	-	-
Loss after taxation		(549)	-

The above results are derived from continuing operations in the United Kingdom. There are no items of 'Other comprehensive income' and therefore the Loss after taxation equates to the Total Comprehensive Income for the year.

MILFORD ENERGY LIMITED

Statement of Financial Position as at 31 December 2021

	Note	2021 £'000	2020 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	437	-
		437	-
Current assets			
Cash and cash equivalents	6	13	5
		13	5
TOTAL ASSETS		450	5
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	7	994	-
		994	-
Capital and reserves			
Ordinary shares	8	-	-
(Accumulated loss)/Retained earnings		(544)	5
TOTAL EQUITY		(544)	5
TOTAL LIABILITIES AND EQUITY		450	5

The notes on pages 13 to 19 form part of these financial statements.

The financial statements on pages 9 to 19 were authorised for issue by the board of directors on 23/3/22...
and were signed on its behalf by;


Roel Maas
Director

23 March 2022

MILFORD ENERGY LIMITED

Statement of Changes in Equity for the year ended 31 December 2021

	Share capital	Share premium	Retained earnings/ (Accumulated loss)	TOTAL EQUITY
	£'000	£'000	£'000	£'000
Balance at 1 January 2020	-	-	5	5
Result for the year	-	-	-	-
Dividends paid	-	-	-	-
Balance at 31 December 2020	-	-	5	5
Balance at 1 January 2021	-	-	5	5
Loss for the year	-	-	(549)	(549)
Dividends paid	-	-	-	-
Balance at 31 December 2021	-	-	(544)	(544)

MILFORD ENERGY LIMITED

Statement of Cash Flows for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Cash flows from operating activities			
Cash expended on operations	9	(459)	-
Net cash used in operating activities		(459)	-
Cash flows from investing activities			
Purchases of property, plant & equipment		(437)	-
Net cash used in investing activities		(437)	-
Cash flows from financing activities			
Amounts received from group undertaking		904	-
Net cash generated from financing activities		904	-
Net increase in cash and cash equivalents		8	-
Cash and cash equivalents at beginning of year		5	5
Cash and cash equivalents at end of year	6	13	5

MILFORD ENERGY LIMITED

Notes to the Financial Statements for the year ended 31 December 2021

1 AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE

The financial statements for the year ended 31 December 2021 were authorised for issue by the Board of Directors on 23 March 2022. Milford Energy Limited is a private limited company limited by shares and incorporated in the United Kingdom and registered in England and Wales. The registered office address is at Main Road, Waterston, Milford Haven, Pembrokeshire, SA73 1DR.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements are prepared in accordance with UK adopted International Accounting Standards.

The financial statements have been prepared on the going concern basis and under the historic cost convention. The financial statements are prepared in GBP sterling and all values are rounded to the nearest thousand pounds unless otherwise stated.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied to all the years presented unless otherwise stated.

Towards the end of 2021 the company recommenced pre trading activities. The company plans to construct and operate various renewable energy assets that will supply electricity to Dragon LNG Limited – a company under common control.

New standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the company. The company's assessment of the impact of these new standards and interpretations is that they will not have a material impact of the financial statements.

Property, plant and equipment

Other than as noted below, non-current assets are held at cost which represents purchase price together with any incremental costs that are directly attributable to bringing the asset into working condition for its intended use.

Land and assets under construction are not depreciated.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short term deposits with an original maturity of three months or less where deposits can be recalled on demand, usually within forty-eight hours.

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Notes to the Financial Statements for the year ended 31 December 2021 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting estimates

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual outcomes could differ from these estimates.

Given the current stage of the company's development, there are not considered to be any critical estimates in these financial statements.

3 OPERATING LOSS

Operating loss is stated after charging the following:	2021 £'000	2020 £'000
Remuneration of auditors – audit related assurance services	7	-

The average monthly number of employees during the year was nil (2020 – nil).

The remuneration of the directors is paid and dealt with by the group shareholders, Royal Dutch Shell plc, and Ancala Partners LLP. Milford Energy Limited is not recharged for the services of the directors, nor is it practicable to allocate their remuneration related to their services to the company.

MILFORD ENERGY LIMITED

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

4 INCOME TAX EXPENSE

The taxation assessed for the year is higher than (2020: the same as) the rate applying in the UK. The differences are explained below:

	2021 £'000	2020 £'000
Loss before taxation	(549)	-
Loss before taxation multiplied by the UK rate of Corporation Tax of 19.00% (2020: 19.00%)	(104)	-
Effects of:		
Expenses not deductible for tax purposes	104	-
Total income tax	-	-

The corporation tax rate remains unchanged at 19%. However, changes to the UK corporation tax rate were enacted during 2021 increasing the rate to 25% from 1 April 2023

MILFORD ENERGY LIMITED

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

5 PROPERTY, PLANT AND EQUIPMENT

	Assets Under Construction £'000	TOTAL £'000
Cost or valuation		
At 1 January 2021	-	-
Additions	437	437
At 31 December 2021	437	437
Accumulated Depreciation		
At 1 January 2021	-	-
Charge for year	-	-
At 31 December 2021	-	-
Net Book Value		
At 31 December 2021	437	437
At 31 December 2020	-	-

6 CASH AND CASH EQUIVALENTS

	2021 £'000	2020 £'000
Cash at bank	13	5
	13	5

Cash is held in the form of current account balances and short term treasury deposits. Interest is earned at floating rates based upon the daily spot rates.

The carrying value of cash is held at amortised cost and is considered to approximate to its fair value.

7 TRADE AND OTHER PAYABLES

	2021 £'000	2020 £'000
Trade payables	90	-
Balance owed to Dragon LNG Limited	904	-
	994	-

The balance owed to Dragon LNG Limited (a fellow subsidiary of the company's immediate parent) is due on demand and is interest free.

MILFORD ENERGY LIMITED

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

8 ORDINARY SHARES

	2021 £	2020 £
Issued and fully paid		
1 (2020: 1) Ordinary Share of £1 each	1	1

9 CASH GENERATED FROM OPERATIONS

	2021 £'000	2020 £'000
Operating loss	(549)	-
Increase in trade and other payables	90	-
Cash expended on operations	(459)	-

10 IMMEDIATE AND ULTIMATE PARENT COMPANIES

The immediate parent company is Dragon LNG Group Limited, which is the parent company of the largest and smallest group within which the results of the company are included by full consolidation. The consolidated financial statements of Dragon LNG Group Limited can be obtained from the company at Main Road, Waterston, Milford Haven, Pembrokeshire SA73 1DR.

The Dragon LNG Group Limited share capital is held 50% by BG Energy Holdings Limited and 50% by Ancala LNG Limited.

BG Energy Holdings Limited is a wholly owned subsidiary of BG Group Limited (formerly BG Group plc) which is ultimately controlled by Royal Dutch Shell plc, a company registered in England and Wales.

Ancala LNG Limited is owned by investment funds managed by Ancala Partners LLP, a limited liability partnership registered in England and Wales.

MILFORD ENERGY LIMITED

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

11 FINANCIAL INSTRUMENTS

The table below provides a summary of the company's financial instruments.

	Financial assets at amortised cost £'000	Total £'000
Financial assets - 2021		
Cash and cash equivalents	13	13
Total	13	13
Financial assets - 2020		
Cash and cash equivalents	5	5
Total	5	5

The company's financial assets are held in a business model whose purpose is to collect contractual cash flows and consist solely of principal and interest. Financial assets are initially measured at fair value and are subsequently measured at amortised cost.

There has been no change to the measurement categories of financial instruments as a result of adopting IFRS 9, and no financial assets have been de-recognised in the year.

	Financial liabilities at amortised cost £'000	Total £'000
Financial liabilities - 2021		
Trade and other payables (excluding tax)	994	994
Total	994	994
Financial liabilities - 2020		
Trade and other payables (excluding tax)	-	-
Total	-	-

MILFORD ENERGY LIMITED

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

12 FINANCIAL RISK MANAGEMENT

Liquidity risk

The company has no obligation to make any payments to shareholders and has no third-party finance liabilities other than short term trade payables. As the company is currently funded by cash advances from a group company with significant cash resources this risk is considered low.

Interest rate risk

The company does not have any borrowings upon which interest is being charged and no interest is being earned on the company's small cash balance, so this risk is negligible.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company's exposure to credit risk is indicated by the carrying amount of its assets which consist principally of bank balances. The directors believe that this risk is minimal as the bank balances are held with a major financial institution.

The maximum exposure to credit risk is represented by the carrying values of the assets below;

	2021 £'000	2020 £'000
Cash and cash equivalents	13	5
	13	5

Foreign currency risk

The company is not involved in any foreign currency transactions, so this risk is also negligible.

Capital risk

The company does not have any borrowings other than an interest free trade payable from a group company. Consequently, gearing calculations are not required and capital risk is negligible.