PETRONAS ENERGY TRADING LIMITED

Directors' Report and Financial Statements
for the period ended
31 December 2011
(9 months)

Company Registration No 03359379 (England and Wales)

PETRONAS ENERGY TRADING LIMITED
Report and financial statements
for the period ended 31 December 2011

Contents | **Page**

Directors

Mr Anuar Ahmad
Mr Klaus Reinisch
Mr Adnan Zainol Abidin
Mr Mohd Farid Adnan
Madam Swee Yoke Yap

Secretary and registered office

Nailesh Rambhai
1 Blake Mews
Kew Gardens
Richmond Upon Thames
TW9 3GA

Company number

03359379

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Bankers

HSBC
City of London Branch
60 Queen Victoria Street
London
EC4 N4TR

Solicitor

LXL LLP
1 Blake Mews
Kew Gardens
Richmond Upon Thames
TW9 3GA

The directors present their report together with the audited financial statements for the 9 months period ended 31 December 2011

Petroliam Nasional Berhad is the ultimate parent undertaking and will together with its subsidiaries be referred to as "the PETRONAS Group"

Principal activities and business review

The principal activities of PETRONAS Energy Trading Limited ("the Company") during the period were to trade re-gassified liquid natural gas ("LNG") processed using the Company's capacity at Dragon LNG's import, storage and re-gassification terminal in Milford Haven Waterway in Pembrokeshire, South West Wales ("Dragon LNG") It also provides services to other undertakings within the PETRONAS Group

At the end of the financial year ended 31 March 2011, the PETRONAS Group restructured its European LNG and downstream gas trading business to better support the PETRONAS Group's ambition of becoming a leading integrated energy player in Europe As part of this restructuring exercise, the Company was designated as the entity responsible for developing a fully functional European downstream energy trading business The Company's strategy for doing so was via an asset-backed trading business This, combined with the development of the Company's own internal trading capability, will allow the Company to generate value through optionality gained from the asset Whilst the Company continued to provide a Shipper's Service to help monetise any LNG that is delivered to Dragon LNG and realise additional value through optimisation opportunities at Dragon LNG, efforts during the period were also focused on building a significant trading portfolio on the back of having access to gas storage capacities

As part of this strategy, the Company acquired exclusive use of the Humbly Grove gas storage facility that is owned by Star Energy HG Gas Storage Limited on 1 April 2011 Star Energy HG Gas Storage Limited is also member of the PETRONAS Group The terms and conditions of the contract are identical to those with the former exclusive user of the gas storage facility, Vitol SA The Company also entered into an unsecured term loan facility for £41 million and an uncommitted revolving credit facility for £59 million with CIMB Bank Berhad, London Branch on 1 April 2011 to finance the above acquisition The Company also entered into other gas storage arrangements to better optimize the Company's trading positions

The Company's new business strategy was further reinforced by the acquisition of Star Energy's gas storage business on 14 December 2012 for a total consideration of £47,288,000 The Company also accepted related intercompany debt totaling £82,076,000 This acquisition was funded by the Company issuing an additional 129,363,644 ordinary shares of £1 each to PETRONAS LNG Sdn Bhd These additional ordinary shares were issued and fully subscribed on 14th December 2011

The results of the Company for the 9 months period ended 31 December 2011 are set out on pages 11 to 48 and have been prepared in accordance with International Financial Reporting Standards (IFRS) The Company made a profit after tax for the period of £4,538,000 million (2010/11 – loss of £27,122,000) The turnaround reflects the Company's success in executing PETRONAS Group's re-structured focus as a pure downstream energy trading player in Europe

Dividends

The Company has not declared any dividend during the year (2010/11 - £nil) and the directors do not recommend the payment of a dividend

Business environment, principal risks and uncertainties

The United Kingdom is becoming increasingly reliant on imported gas The country also has the lowest level of gas storage capacity when compared to other major EU economies The directors believe that these factors will lead to an increase in the uncertainty arising from possible movements in prices for liquid natural gas, natural gas and related products (commodity price risk) This risk together with interest rate risk, constitute market risk Market, credit and liquidity risks represent the principal financial risks to the Company These risks and the strategies in place to mitigate them, are detailed in Note 29 on pages 43 to 48

Business strategy

The Company is an energy trading entity with an asset-backed trading strategy, generating profits from optimizing low-risk positions, backed by a variety of physical asset positions Apart from regas send-out, the Company's immediate focus is to grow its gas storage position followed by

- Transportation
- Gas-to-Power tolling
- Upstream gas supplies
- Emissions

Statement of Going Concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, and its exposure to market, credit and liquidity risks are detailed above

The financial position of the Company is set out in the financial statements The liquidity position and borrowing facilities of the Company are set out in Note 29 to the financial statements The Company is also part of a group that has considerable financial resources

Having considered the Company's financial position, including the amounts payable to other PETRONAS Group companies as well as the Company's forecast and projections, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook and have a reasonable expectation that the Company, with the support from the PETRONAS Group, has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the financial statements

Charitable and political donations

The Company made no charitable nor political contributions in the UK during the year (2010 – £nil)

PETRONAS ENERGY TRADING LIMITED
Report of directors
for the period ended 31 December 2011

Directors and directors' interests

The directors of the Company who served during the year and subsequent to the year end were as follows

Mr Klaus Reinisch
Mr Anuar bin Ahmad
Mr Adnan bin Zainol Abidin
Mr Mohd Farid bin Mohd
Madam Swee Yoke Yap (appointed on 23 September 2011)

Supplier payment policy

It is the Company's policy to settle all debts with creditors on a timely basis and in accordance with the terms of credit agreed with each supplier

The number of days' purchases represented by trade creditors as at 31 December 2011 was equivalent to 30 (2010/11 – 30)

Auditors

In the absence of a notice proposing that the appointment be terminated, Ernst & Young LLP will be deemed to be re-appointed as the Company's auditor for the next year

Directors' Statement as to the Disclosure of Information to the Auditor

The directors who were members of the board at the time of approving the directors' report are listed on the contents page Having made enquiries of fellow directors and of the Company's auditor, each of these directors confirms that

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of the Company's report of which the Company's auditor is unaware, and

- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information

By Order of the Board

Chief Executive Officer
Klaus Reinisch
24 / 9 /2012

PETRONAS ENERGY TRADING LIMITED
Statement of directors' responsibilities
for the period ended 31 December 2011

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law, International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and IFRS as adopted by the European Union The directors are required to prepared financial statements for each financial year that present fairly the financial position of the Company and the financial performance and cash flows of the Company for the period In preparing those financial statements, the directors are required to

- Select suitable accounting policies and then apply them consistently,

- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,

- Provide additional disclosure when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance,

- State that the Company has complied with IFRS, subject to any material departures disclosed and explained in the financial statements

The directors are responsible for keeping proper accounting records that 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

The Company's business activities, performance, position and risk are set out in the report The financial position of the Company, its cash flows, liquidity position and borrowing facilities are detailed in the appropriate sections on pages 11 - 14 and elsewhere in the notes on financial statements the report also includes details of the Company's risk mitigation and management The Company has considerable financial resources, and the director's believe that the Company is well placed to manage its business risk successfully After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

Having made the requisite enquiries, so as the directors are aware, there is no relevant audit information (as defined by Section 418 (3) of the Companies Act 2006) of which the Company's auditors are unaware, and the directors have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

The Directors confirm that to the best of their knowledge

- The financial statements, prepared in accordance with IFRS as issued by the International Accounting Standards Board, IFRS as adopted by the European Union and in accordance with the provisions of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the Company, and

PETRONAS ENERGY TRADING LIMITED
Statement of directors' responsibilities
for the period ended 31 December 2011

- The management report, which is incorporated in the directors' report, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risk and uncertainties

By Order of the Board

Director

Date 24/9/2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PETRONAS ENERGY TRADING LIMITED

We have audited the financial statements of PETRONAS Energy Trading Limited for the period ended 31 December 2011 which comprise the Income Statement, the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flow and the Statement of Changes in Equity and the related notes 1 to 30 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 7 and 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements 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 for the period then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, 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

P Wallek

Paul Wallek (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
25 / 9 /2012

PETRONAS ENERGY TRADING LIMITED
Income statement
for the period ended 31 December 2011

	Notes	01.04 11 to 31.12.11 £'000	01.04.10 to 31.03.11 £'000 (restated)
Revenue	4	415,730	275,032
Gains / (losses) from financial instruments	18	18,391	(2,037)
Cost of sales		(417,157)	(289,288)
Gross profit / (loss)		16,964	(16,293)
Other operating income	5	1,736	2,297
Selling and distribution cost		(6,240)	(7,708)
Administrative expenses		(5,870)	(3,825)
Operating profit / (loss)	8	6,590	(25,529)
Finance costs	6	(3,312)	(1,633)
Finance income	7	217	40
Profit / (loss) before taxation		3,495	(27,122)
Income tax expense	10	1,043	-
Profit / (loss) for the period / year		4,538	(27,122)

Statement of comprehensive income for the period ended 31 December 2011

	01.04.11 to 31.12.11 £'000	01.04.10 to 31.03.11 £'000 (restated)
Profit / (loss) for the period / year	4,538	(27,122)
Other comprehensive income		
- Increase in capital contribution reserve	-	653
- Deferred tax charge / (credit) recognised through Reserves	(1,043)	-
Total comprehensive income / (loss) for the period / year	3,495	(26,469)

Statement of changes in equity for the period ended 31 December 2011

	Share capital £'000	Retained deficit £'000	Capital contribution reserve £'000	Total £'000
As at 1 April 2011	-	(50,979)	5,709	(45,270)
Profit for the period	-	4,538	-	4,538
Issue of share	129,364	-	-	129,364
Deferred tax charge / (credit) recognised through Reserves	-	-	(1,043)	(1,043)
As at 31 December 2011	129,364	(46,441)	4,666	87,589
As at 1 April 2010	-	(24,526)	5,056	(19,470)
Change in accounting policy (Note 2 2 17)	-	669	-	669
As at 1 April 2010 (restated)	-	(23,857)	5,056	(18,801)
Loss for the year	-	(27,122)	-	(27,122)
Increase in capital contribution reserve	-	-	653	653
As at 31 March 2011	-	(50,979)	5,709	(45,270)

PETRONAS ENERGY TRADING LIMITED
Statement of financial position
for the period ended 31 December 2011

	Notes	01.04.11 to 31.12.11 £'000	01.04.10 to 31.03.11 £'000 (restated)
Assets			
Non-current assets			
Property, plant and equipment	11	622	513
Intangible assets	12	1,153	132
Prepaid lease	13	18,562	-
Investments in subsidiaries	14	56,447	-
Amount due from subsidiaries	15	69,131	-
		145,915	645
Current assets			
Prepaid lease	13	8,250	-
Inventories	16	81,590	4,238
Trade and other receivables	17	74,387	30,336
Other financial assets	18	21,713	880
Cash and cash equivalents	20	33,353	11,564
		219,293	47,018
Total assets		365,208	47,663
Equity and liabilities			
Equity			
Share capital	21	129,364	-
Retained deficit		(46,441)	(50,979)
Capital contribution reserve	22	4,666	5,709
		87,589	(45,270)
Non-current liabilities			
Long-term borrowings	23	91,799	66,945
		91,799	66,945
Current liabilities			
Trade and other payables	24	82,460	24,778
Other financial liabilities	18	3,652	1,210
Short term borrowings	25	99,708	-
		185,820	25,988
Total liabilities		277,619	92,933
Total equity and liabilities		365,208	47,663

By order of Board

Director

Date 24\9\2012

PETRONAS ENERGY TRADING LIMITED
Statement of cashflow
for the period ended 31 December 2011

	01.04.11 to 31.12.11 £'000	01.04.10 to 31.03.11 £'000
Cash flows from operating activities		
Cash receipts from customers	253,370	243,727
Cash paid to suppliers and employees	(386,699)	(273,533)
Net cash flows used in operating activities	(133,329)	(29,806)
Cash flows from investing activities		
Interest income on short term deposits	30	40
Purchase of property, plant and equipment and intangible assets	(1,370)	(130)
Advances to subsidiaries	(2,500)	(56)
Net cash flows used in investing activities	(3,840)	(146)
Cash flows from financing activities		
Drawdown of short term borrowings	41,000	75,795
Repayment of term loans	(2,150)	-
Drawdown of shareholders loan	-	13,282
Drawdown of revolving credit	223,749	-
Repayment of short term borrowings	(102,225)	(75,795)
Interest expense paid	(1,416)	(220)
Net cash inflows from financing activities	158,958	13,062
Net increase/(decrease) in cash and cash equivalents	21,789	(16,890)
Cash and cash equivalents at beginning of the year	11,564	28,454
Cash and cash equivalents at the end of the year	33,353	11,564

1 Corporate information

The financial statements of PETRONAS Energy Trading Limited ("The Company") for the period ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on 24 September 2012 The Company is incorporated and domiciled in the United Kingdom under the Companies Act 2006 The address of the registered office is given on the general information page The principal activities of the Company are set out in the directors' report on page 3

2 Basis of preparation

The financial statement of the Company has been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as endorsed for use in the European Union (EU) and with those parts of the Companies Act 2006 that are applicable to companies reporting under IFRSs

The principal accounting policies adopted in the preparation of the financial statements are set out below

The financial statements have been prepared on a historical cost basis, except unless otherwise stated The financial statements are presented in UK Sterling and all values are rounded to the nearest thousand (£'000), except when otherwise indicated

The Company has changed their financial year end from 31 March to 31 December Consequently, the current financial statements, being the Company's first financial statements under the new financial year, are for a period of 9 months from 1 April 2011 to 31 December 2011 The comparative figures are for the previous 12-month period from 1 April 2010 to 31 March 2011

2.2 Summary of significant accounting policies

The following are the significant accounting policies applied by the Company in preparing its financial statements

2.2.1 Foreign Currency Translation

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date Exchange gains or losses on translation are included in the income statement

2.2 Summary of significant accounting policies (continued)

2.2.2 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent The Company has concluded that it is acting as a principal in all of its revenue arrangements The following specific recognition criteria must also be met before revenue is recognised

Sale of goods

Revenue from the sale of natural gas is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer

Provision of services

Revenue from management services are billed on a cost-plus basis and are recognised when services are rendered

Option fees

Option fees income is recognised when the Company's right to receive payment is established

Interest income

Interest income is recognised as interest occurs using the effective interest method

2.2.3 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the United Kingdom where the Company operates and generates taxable income

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes

Deferred tax liabilities are recognised for all taxable temporary differences

2.2 Summary of significant accounting policies (continued)

2.2.3 Taxation

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority

Sales Tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except

a) Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable

b) Receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position

2.2.4 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any All repair and maintenance costs are recognised in the income statement as incurred

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows

Computer equipment	- 3 years
Furniture and fittings	- 3 years

2.2 Summary of significant accounting policies (continued)

2.2.4 Property, plant and equipment

Tank heel has an indefinite useful life and therefore is not depreciated Tank heel is the minimum level of LNG that is needed to maintain the operations at the Dragon terminal

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate

2.2.5 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement

For arrangements entered into prior to 1 April 2010, the date of inception is deemed to be 1 April 2010 in accordance with the IFRS 1

A leased asset is depreciated over the useful life of the asset

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term

2.2.6 Borrowings

All borrowing costs are expensed in the period they occur Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds

2.2.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any

2.2 Summary of significant accounting policies (continued)

2.2.7 Intangible assets

Intangible assets are amortised over their useful economic lives Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired The amortisation period and the amortisation method for an intangible asset are reviewed at least at the end of each reporting period Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates The amortisation expense on intangible assets is recognised in the income statement in the expense category consistent with the function of the intangible assets

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised

2.2.8 Financial instruments — initial recognition and subsequent measurement

i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate The Company determines the classification of its financial assets at initial recognition

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i e , the date that the Company commits to purchase or sell the asset

The Company's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables and derivative financial instruments

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows

2.2 Summary of significant accounting policies (continued)

2.2.8 Financial instruments — initial recognition and subsequent measurement

i) Financial assets

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39 Derivatives, including separated derivatives are also classified as held for trading unless they are designated as effective hedging instruments Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement

The Company is currently not using hedge accounting The Company has not designated any financial assets upon initial recognition as at fair value through profit or loss

The Company evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate When the Company is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Company may elect to reclassify these financial assets in rare circumstances The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation

Derivatives in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss These derivatives are measured at fair value with changes in fair value recognised in the income statement Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR The EIR amortisation is included in finance income in the income statement The losses arising from impairment are recognised in the income statement in finance costs

2.2 Summary of significant accounting policies (continued)

2.2.8 Financial instruments — initial recognition and subsequent measurement

i) Financial assets

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognised when

a) the rights to receive cash flows from the asset have expired

b) The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement, and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risk and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Company's continuing involvement in it

In that case, the Company also recognises an associated liability The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay

ii) Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults

2.2 Summary of significant accounting policies (continued)

2.2.8 Financial instruments — initial recognition and subsequent measurement

ii) Impairment of financial assets

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss The interest income is recorded as part of finance income in the income statement Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account If a future write-off is later recovered, the recovery is credited to finance costs in the income statement

iii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate The Company determines the classification of its financial liabilities at initial recognition

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost This includes directly attributable transaction costs

The Company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments

2.2 Summary of significant accounting policies (continued)

2.2.8 Financial instruments — initial recognition and subsequent measurement

iii) Financial liabilities

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39 Separated derivatives are also classified as held for trading unless they are designated as effective hedging instruments

Gains or losses on liabilities held for trading are recognised in the income statement

The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss

Financial liabilities carried at amortised costs

All other financial liabilities are initially recognized at fair value For interest-bearing loans and borrowings this is the fair value of the proceeds received net of issue costs associated with the borrowing After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognized respectively in interest and other revenues and finance costs This category of financial liabilities includes trade and other payables and finance debt

Financial guarantee contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation

2.2 Summary of significant accounting policies (continued)

2.2.8 Financial instruments — initial recognition and subsequent measurement

iii) Financial liabilities

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

v) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis or other valuation models

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 19

2.2.9 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative

The fair value of commodity contracts that meet the definition of a derivative as defined by IAS 39 are recognised in the income statement Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement

2.2 Summary of significant accounting policies (continued)

2.2.10 Inventories

Inventories, consisting of natural gas and liquefied natural gas were valued at the lower of cost and net realisable value Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale

2.2.11 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset In determining fair value less costs to sell, recent market transactions are taken into account, if available If no such transactions can be identified, an appropriate valuation model is used

Impairment losses are recognised in the income statement in those expense categories consistent with the function of the impaired asset

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years Such reversal is recognised in the income statement

2.2.12 Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less

2.2.13 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation Where is not possible to estimate the probable outcome of the obligation or legal dispute, no provision is made

2.2 Summary of significant accounting policies (continued)

2.2.14 Post retirement benefits

The Company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the Company in an independently administered fund The amount charged to the income statement represents the contributions payable to the scheme in respect of the accounting period

2.2.15 Subsidiaries

Subsidiaries are entities over which the Company has the ability to control the financial and operating policies so as to obtain benefits from their activities The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company has such power over another entity

Investments in subsidiaries are stated at cost less amount written off, if any On disposal of such investments, the difference between net disposal proceeds and their carrying amount is included in profit or loss

2.2.16 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods

Estimates and assumptions

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques The inputs to these models are taken from observable markets where possible Changes in assumptions about these factors could affect the reported fair value of financial instruments (see Note 19)

2.2.17 Change in accounting policy and disclosures IAS2 Inventories

The Company has assessed its accounting policy with regard to the measurement of inventories Previously, the Company measured the inventories at fair value less costs to sell

Due to the expansion of storage facilities in 2011, the Company has moved away from the trader business model towards an asset-backed business model Therefore, the Company changed the accounting policy to measure inventories at the lower of cost and net realisable value, as the inventory held is primarily to support the new business model rather than the original trading business model In addition, this policy is consistent with the policy of the PETRONAS Group

2.2 Summary of significant accounting policies (continued)

2.2.17 Change in accounting policy and disclosures IAS2 Inventories

Changes have been applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, resulting in the restatement of prior year financial information

As a result of the voluntary accounting policy change, the following adjustments were made to the financial statements

As of 1 April 2010

Decrease in inventories	£669,000
Increase in opening retained earnings	£669,000

As of and for the year ended 31 March 2011

Decrease in inventories	£1,384,000
Net increase in profit after tax	£715,000

As of and for year ended 31 December 2011

Increase in inventories	£9,713,000
Net decrease in profit after tax	£10,428,000

3 Standards, amendments and interpretations that have been issued by the IASB but not yet adopted by the Company

There are no standards and interpretations in issue but not yet adopted that the directors anticipate will have a material effect on the reported income or net assets of the Company

		01.04.11 to 31.12.11 £'000	01.04.10 to 31.03.11 £'000 (restated)
4	**Analysis of revenue**		
	Gas sales	388,678	262,646
	Carbon trading	579	-
	Option fees	25,778	12,000
	Management charges	695	386
		415,730	275,032
5	**Other operating income**		
	Entry capacity charges	670	-
	Towage & mooring	616	961
	Others	450	1,336
		1,736	2,297
6	**Finance costs**		
	Interest on shareholders' loan	1,129	1,413
	Interest on borrowings	2,105	101
	Others	78	119
		3,312	1,633
7	**Finance income**		
	Interest income on short-term deposits	16	40
	Interest income arising from amounts due from subsidiaries	173	-
	Others	28	-
		217	40
8	**Operating profit / (loss)**		
	Operating profit is stated after charging / (crediting)		
	Depreciation of property, plant and equipment	51	23
	Reversal of impairment on property, plant and equipment	-	(75)
	Amortisation of intangible assets	184	96
	Amortisation of prepaid lease	6,188	
	Net foreign exchange differences	(10)	28
	Employee benefits expense (Note 9)	3,912	1,775
	Operating lease charges Land and buildings	174	218
	Auditor's remuneration	158	120

		01.04.11 to 31.12.11 £'000	01.04.10 to 31.03.11 £'000 (restated)
9	**Employee benefits expense**		
	Wages and salaries	3,145	884
	National insurance contributions	529	695
	Pension costs	93	71
	Others	145	125
		3,912	1,775
	The average number of Company's employees (including executive directors) during the period was	29	15
	Directors' remuneration		
	The aggregated remuneration of the directors for the year ending 31 December for the Company was		
	- Directors' emoluments (gross)	492	457
	- Pension	39	12
		531	469

10 Taxation

10.1 The taxation charge / (credit) is made up as follows:

Amounts recognised through the Income Statement	01.04.11 to 31.12.11 £'000
Current tax	
Corporation tax on profits for the period	-
Adjustments in respect of previous periods	-
	-
Deferred tax	
Increase / (decrease) in deferred tax provision in the period	95
Adjustments in respect of previous periods	(1,138)
Total tax charge / (credit) recognised through the Income Statement	(1,043)

Amounts recognised through Reserves	
Current tax	
Arising in respect of transitional adjustments due to adoption of IFRS	-
	-

10.1 The taxation charge / (credit) is made up as follows (continued)

Amounts recognised through Reserves (continued)	**01.04.11 to 31.12.11 £'000**
Deferred tax	
Increase / (decrease) in deferred tax provision	(95)
Adjustments in respect of previous periods	1,138
Total tax charge / (credit) recognised through Reserves	1,043

10.2 Factors affecting tax charge / (credit) for the period:

The tax assessed for the period is lower than the standard rate of income tax in the UK (26 per cent) The differences are explained below

	01.04.11 to 31.12.11 £'000
Profit on ordinary activities before tax	3,494
Profit on ordinary activities multiplied by standard rate of income tax in the UK of 26%	909
Effects of	
Expenses not deductible for tax purposes	3
Impact of temporary differences arising in the period in respect of which deferred tax not recognised	(707)
Group relief surrendered for nil consideration	151
Adjustment to valuation of inventories due to change in accounting policy	(360)
Impact of transitional adjustment	99
Adjustments in respect of previous periods	(1,138)
Total tax charge for the period	(1,043)

10.3 Deferred tax not recognised

A potential deferred tax asset of £8,303,445 has not been recognised at the Balance Sheet date, on the basis that the availability of suitable taxable profits arising in the future against which the temporary difference could reverse in not considered probable

The unrecognised deferred tax asset is in relation to tax lossess of £8,277,293, accelerated capital allowances of £17,938 and other short term temporary differences of £8,213

10.4 Future reductions in the rate of corporation tax

Finance Act 2011 reduced the main rate of income tax to 25%, with effect from 1 April 2012 The effect of this change on deferred tax balances are reflected in these accounts

10.4 Future reductions in the rate of corporation tax (continued)

It was subsequently proposed in the Budget on 21 March 2012 that the main rate of income tax would be reduced to 24% with effect from 1 April 2012, with further 1% annual reductions taking the rate to 22% from 1 April 2014

At the balance sheet date, the new legislation had not been substantively enacted, and therefore the revised reduced rate of 24% is not reflected in these accounts

11 Property, plant and equipment	**Computer hardware**	**Furniture and fittings**	**Tank heel**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Cost				
At 1 April 2010	37	-	381	418
Additions	113	17	-	130
At 31 March 2011	150	17	381	548
Additions	64	96	-	160
At 31 December 2011	214	113	381	708
Accumulated depreciation				
At 1 April 2010	12	-	75	87
Depreciation charge for the year	22	1	-	23
Reversal of impairment	-	-	(75)	(75)
At 31 March 2011	34	1	-	35
Depreciation charge for the perioc	42	9	-	51
At 31 December 2011	76	10	-	86
Net book value				
At 31 December 2011	138	103	381	622
At 31 March 2011	116	16	381	513

The gross carrying amount of fully depreciated property, plant and equipment that is still in use is £9,614 (31 March 2011 £4,900)

12 Intangible assets

	Computer software £'000
Cost	
At 1 April 2010	280
Additions	56
At 31 March 2011	336
Additions	1,205
At 31 December 2011	1,541
Accumulated amortisation	
At 1 April 2010	108
Amortisation for the year	96
At 31 March 2011	204
Amortisation for the period	184
At 31 December 2011	388
Net book value	
At 31 December 2011	1,153
At 31 March 2011	132

13 Prepaid lease

	Gas Storage capacity £'000
Cost	
At 1 April 2011	-
Additions	33,000
At 31 December 2011	33,000
Accumulated amortisation	
At 1 April 2011	-
Amortisation for the period	6,188
At 31 December 2011	6,188
Net carrying amount	
At 31 December 2011	26,812
Amount to be amortised:	
- Not later than one year	8,250
- Later than one year but not later than five years	18,562

13 Prepaid lease (continued)

In the current year, the Company entered into an agreement with Vitol for the transfer of the exclusive right to use of the gas storage capacity at Humbly Grove for £33 million, which will be amortised over the term of 48 months The remaining tenure as of 31 December 2011 is 39 months

14 Investments in subsidiaries

During the year, the Company acquired the entire issued and paid up capital of Humbly Grove Energy Limited and its subsidiaries for a total consideration of £44,531,000

	01.04.11 to 31.12.11 £'000
Unquoted shares at cost	44,531
Effects of conversion of amount due from subsidiaries to investment	11,916
	56,447

	Country of incorporation	Equity Interst Held 01.04.11 to 31.12.11 %	01.04.10 to 31.03.11 %	Principal activities
Humbly Grove Energy Ltd	United Kingdom	100	-	Service company
Humbly Grove Energy Services Ltd	United Kingdom	100	-	Provision of storage facilities
Overseas Gas Storage Services	United Kingdom	100	-	Dormant
Gas Storage Limited	United Kingdom	100	-	Dormant

The Company did not prepare consolidated financial statements as the Company is a wholly owned subsidiary of Petronas LNG Sdn Bhd, a company incorporated and domiciled in Malaysia Consolidated financial statements are prepared by immediate holding company, Petronas LNG Sdn Bhd and the registered office is located at Tower 1, PETRONAS Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur

15 Amount due from subsidiaries

The amount due from subsidiaries which was fair valued under IAS39 are unsecured with a repayment date of 31 December 2015 The interest rate charged is 4% per annum

		01.04.11 to 31.12.11 £'000	01.04.10 to 31.03.11 £'000 (restated)
16	**Inventories**		
	At cost:		
	Liquefied natural gas	16,526	3,845
	Natural gas	65,064	393
	Total inventories	81,590	4,238
17	**Trade and other receivables (current)**		
	Trade receivables	153	254
	Other receivables	56	49
	Receivables from related parties	7,592	273
	Prepayments	272	353
	Accrued income	66,314	29,407
		74,387	30,336

The Company does not typically renegotiate the terms of trade receivables There were no renegotiated balances outstanding at 31 December 2011 or 31 March 2011

Trade receivables are non-interest bearing and are generally on 10 – 20 days terms

Receivable from related parties are unsecured, interest free and repayable on demand

As at 31 December, the aging analysis of trade and other receivables is as follows

Total	Neither past due nor impaired	30 - 60 days	61 - 90 days	91 - 120 days	>120 days
As at 31 December 2011					
74,387	74,012	5	-	78	292
As at 31 March 2010					
30,336	29,946	101	-	77	212

There are no indicators for an impairment need for financial assets that are not past due

The allowance account as at 31 December 2011 was £nil (2010/11 £nil)

		01.04.11 to 31.12.11 £'000	01.04.10 to 31.03.11 £'000 (restated)
18	**Other financial assets and financial liabilities**		
18.1	**Other financial assets**		
	Financial instruments at fair value through profit and loss		
	Derivatives	21,713	880
	Total current	21,713	880
18.2	**Other financial liabilities**		
	Financial liabilities at fair value through profit an		
	Derivatives	3,652	1,210
	Total current	3,652	1,210

19 Additional disclosures on financial instruments

19.1 Derivatives

The Company entered into various purchase and selling contracts for LNG and natural gas for which there is an active market with a number of suppliers in United Kingdom and Europe The purchase and selling prices are linked to the price of gas The mark to market value of the derivatives at 31 December 2011 amounted to £21,713,225 (other financial assets) (31 March 2011 £879,757) and £3,652,275 (other financial liabilities) (31 March 2011 £1,209,770) The effect of profit and loss is reflected in gains/(losses) from financial instruments in the income statement

19.2 Fair values

Set out below is a comparison by class of the carrying amounts and fair values of the Company's financial instruments that are carried in the financial statements

		Carrying amount		Fair value	
		01.04.11 to 31.12.11	01.04.10 to 31.03.11	01.04.11 to 31.12.11	01.04.10 to 31.03.11
Financial Assets					
Trade and other receivables	LAR	74,387	30,336	74,387	30,336
Other financial assets	HFT	21,713	880	21,713	880
Amount due from subsidiaries	LAR	80,874	-	69,131	-
Cash & short term deposits	LAR	33,353	11,564	33,353	11,564
Total		210,327	42,780	198,584	42,780
Financial Liabilities					
Trade and other payables	FLAC	82,460	24,778	82,460	24,778
Interest bearing loan	FLAC	38,850	-	38,850	-
Non-interest bearing loan	FLAC	70,000	66,949	68,074	64,719
Other financial liabilities	HFT	3,652	1,210	3,652	1,210
Short-term borrowings	FLAC	84,583	-	84,583	-
Total		279,545	92,937	277,619	90,707
Loans and receivables	(LAR)	188,614	41,900	176,871	41,900
Financial instruments at fair value through profit	(HFT)	18,061	(330)	18,061	(330)
Financial liabilities measured at amortised cost	(FLAC)	(275,893)	(91,727)	(273,967)	(89,497)
		(69,218)	(50,157)	(79,035)	(47,927)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale The following methods and assumptions were used to estimate the fair values

19.2 Fair values (continued)

Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments

Long-term fixed-rate and variable-rate receivables / borrowings are evaluated by the Company based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the financed project Based on this evaluation, allowances are taken to account for the expected losses of these receivables As at 31 December 2011, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values

The Company enters into derivative financial instruments with various counterparties Derivatives valued using valuation techniques with market observable inputs are mainly commodity forward contracts The most frequently applied valuation techniques include forward pricing, using present value calculations The models incorporate various inputs including the credit quality of counterparties, forward rates, interest rate curves and forward rate curves of the underlying commodity As at 31 December 2011, the mark to market value of derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk The changes in counterparty credit risk had no material effect on other financial instruments recognised at fair value

Fair value hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique

Level 1	quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2	other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3	techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

As at 31 December 2011, the Company held the following financial instruments carried at fair value on the statement of financial position

Fair value hierarchy (continued)

Assets measured at fair value		**Total £'000**	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**
Forward commodity contracts	2011	21,713	21,713	-	-
	2010/11	880	653	227	-

Liabilities measured at fair value		**Total £'000**	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**
Forward commodity contracts	2011	3,652	3,652	-	-
	2010/11	1,210	1,210	-	-

During the reporting period endings there were no transfers between Level 1 and Level 2

19.3 **Net gains on financial instruments**	**01.04.11 to 31.12.11 £'000**	**01.04.10 to 31.03.11 £'000**
The net gains and losses from financial instruments by IAS39 category are shown in the following table		
Loans and receivables	217	40
Held for trading	18,391	(2,037)
Amortised costs	-	(1,514)
	18,608	(3,511)

The net gains or losses from the loans and receivables category include merely interest income

The net gains and losses in the held for trading category encompass both the changes in fair value of the derivative financial instrument and the gains and losses on realization The fair value measurement of commodity derivatives is the most important factor in the net result for this category

The net gains or losses from financial liabilities at amortised cost essentially comprise interest expenses

	01.04.11 to 31.12.11 £'000	01.04.10 to 31.03.11 £'000
20 Cash and short-term deposits		
Cash at banks	90	60
Short-term deposits	32,380	11,504
Cash deposits pledged	883	-
	33,353	11,564

Cash at banks earns interest at floating rates based on daily bank deposit rates Short-term deposits are an overnight deposits and earn interest at the respective short-term deposit rates

The interest rates of deposits as at 31 March 2011 and 31 December 2011 was 0 25%

The cash deposit amounting to £883,000 have been pledged to APX Commodities Limited for gas delivery for the period ended 31 December 2011

As at 31 December 2011, the Company had available £19 4m (31 March 2011 £11 6) of undrawn committed facilities in respect of which all conditions precedent had been met

21 Issued capital

	£'000
Authorised shares	
As at 1 April 2011	1
Increase during the period	129,363
As at 31 December 2011	129,364

	£'000
Ordinary shares issued and fully paid	
As at 1 April 2011	-
Issued on 9 August 2011	129,364
As at 31 December / 31 March 2011	129,364

During the year, the authorised, issued and fully paid share capital has increased by £129,363,664 by the issue of 129,363,664 ordinary shares of £1 each

22 Capital contribution reserve		
As at 1 April	5,709	5,056
Increase in capital contribution reserve	-	653
Deferred tax (charge) / credit recognised through Reserves	(1,043)	-
As at 31 December / 31 March 2011	4,666	5,709

	01.04.11 to 31.12.11 £'000	01.04.10 to 31.03.11 £'000
23 Borrowings		
Shareholders loan	70,000	70,000
Revaluation of shareholders' loan	(1,926)	(3,055)
	68,074	66,945
Term loan	38,850	-
Less Short term portion	(15,125)	-
	91,799	66,945

The shareholders' loan is payable to PETRONAS LNG Sdn Bhd This loan is unsecured, interest free and repayable at par on 31 March 2013 The shareholders' loan is measured at amortised cost using the effective interest rate method, less impairment

The term loan has an effective interest rate of 4% and a remaining maturity as at 31 December are as follows

	£'000
On demand within one year	15,125
More than one year and less than two years	7,300
More than two years but less than five years	16,425
	38,850

24 Trade and other payables (current)		
Payables	1,504	779
Other related parties	30,043	2,846
Trade accruals	41,569	18,445
Other accruals	2,015	395
VAT payable	7,329	2,313
	82,460	24,778

Terms and conditions of the above financial liabilities
- Trade payables are non-interest bearing and are normally settled on 60 day terms
- Other payables are non-interest bearing and have an average term of six months
- Interest payable is normally settled quarterly throughout the financial year

For explanations on the Company's credit risk management processes, refer to Note 29

	01.04.11 to 31.12.11 £'000	01.04.10 to 31.03.11 £'000
25 Short term borrowings		
Revolving credit facilities	84,583	-
Short term portion of term loan	15,125	-
	99,708	-

The short term borrowings are payable to CIMB Bank Berhad and Citibank Europe PLC These loans are unsecured and repayable within 3 months at the interest rates of LIBOR plus 100 bps % p a

26 Related party disclosure

The following companies are related parties to the immediate parent undertaking, PETRONAS International Corporation Limited and the ultimate parent undertaking, Petroliam Nasional Berhad

		Sales to related parties £'000	Purchases from related parties £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Dragon LNG Limited					
50% shareholding by PICL (Associated Comapny)					
United Kingdom	2011	638	24,793	217	-
	2010/11	211	26,493	217	-
Milford Energy Trading Limited					
50% shareholding by PICL(Associated Comapny)					
United Kingdom	2011	104	-	-	-
	2010/11	151	-	39	-
PETRONAS LNG Limited (formerly known as ALTCO)					
Wholly-owned by PLSB					
Labuan	2011	17	149,422	17	27,228
	2010/11	17	-	17	-
Humbly Grove Energy Limited					
Subsidiary of PETL (since 15 December 2011)					
United Kingdom	2011	-	11,654	75,655	-
	2010/11	-	-	-	-
Star Energy Group Limited					
Wholly-owned by PICL (sold to IGAS as at 15 December 2011)					
United Kingdom	2011	-	528	-	-
	2010/11	-	544	-	134

26 Related party disclosure (continued)

Petroliam Nasional Berhad
Ultimate parent undertaking

Malaysia	2011	-	77	-	2,784
	2010/11	-	95	-	2,707

PETRONAS LNG SDN BHD
Parent company of PETL
The control of the Company changed on 9th August 2011 and the loan note of GBP70,000,000 and shares of GBP129,363,666 have been transferred from PICL to PLSB

Malaysia	2011	26,002	-	-	70,000
	2010/11	-	-	-	-

PETRONAS International Corporation Limited
Previous parent company

Malaysia	2011	-	1	-	1
	2010/11	-	-	-	70,000

Petronas LNG (UK) Ltd
Wholly-owned by PLSB

United Kingdom	2011	284	-	284	-
	2010/11	-	-	-	-

AET UK Ltd
Wholly-owned by MISC Bhd

United Kingdom	2011	-	30	-	30
	2010/11	-	-	-	5

Key management	2011	-	531	-	-
Directors remuneration and benefits	2010/11	-	469	-	-

Amounts owed by / to related parties are classified as trade receivables and trade payables, respectively

27 Immediate and ultimate parent undertaking

On 9th August 2011, the control of the Company changed and the new immediate parent undertaking of the Company is PETRONAS LNG SDN BHD, a Company registered in Kuala Lumpur, Malaysia The ultimate parent undertaking of the Group and of which the Company is a member is Petroliam Nasional Berhad, a Company registered in Malaysia Copies of Petroliam Nasional Berhad (PETRONAS)'s accounts can be obtained from Tower 1, PETRONAS Twin Towers, Kuala Lumpur City Centre, 50088, Kuala Lumpur Malaysia

28 Commitments and contingencies

Guarantees

The Company has issued guarantees under which amounts outstanding at 31 December 2011 were £46,440,586 (2010/11 £8,800,000) in respect of liabilities of other third parties

No material losses are likely to arise from these guarantees

29 Financial risk management objectives and policies

The Company's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables, and financial guarantee contracts The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations The Company has loan and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations

The Company is exposed to

- Market risk
- Credit risk
- Liquidity risk

The Company's senior management oversees the management of these risks The Company's senior management is supported by a risk committee that advised on financial risks and appropriate financial risk governance framework for the Company The risk committee provides assurance to the Company's senior management that the Company financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk appetite All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken

The Board of Directors review and agree policies for managing each of these risks which are summarised below

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices The market risk for the Company comprises of interest rate and commodity price risk Financial instruments affected by market risk include loans and borrowings, deposits and derivative financial instruments

The sensitivity analyses in the following sections relate to the position as at 31 December 2011 and 31 March 2011 respectively

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives are all constant and in place at 31 December 2011

29 Financial risk management objectives and policies (continued)

Market risk (continued)

The analyses exclude the impact of movements in market variables on the carrying value of pension and other post-retirement obligations and provisions

The following assumptions have been made in calculating the sensitivity analyses

- The statement of financial position sensitivity relates to derivatives

The sensitivity of the relevant income statement items is the effect of the assumed changes in respective market risks This is based on the financial assets and financial liabilities held at 31 December 2011 and 31 March 2011

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of change in market interest rates The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term obligations with floating interest rates

The Company manages its interest risk by having a balanced portfolio of fixed and variable rate loans and borrowings The Company's policy is to keep between 40% and 60% of its borrowings at fixed rates of interest

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings With all other variables held constant, the Company's loss before tax is affected through the impact on floating rate borrowings

An increase of 30 basis points (2010/11 – 30 basis points) in interest rates at the reporting date would have decreased / (increased) the pre-tax profit / (loss) by £105,467 (31 March 2011 £205,227) A reduction of 30 basis points (2010/11 – 30 basis points) in interest rates at the reporting date would have increased / (decreased) the pre tax profit / (loss) by £105,467 (31 March 2011 £205,227) This analysis assumes that all other variables remain constant

Commodity price risk

Commodity price risk is the risk or uncertainty arising from possible movements in prices for liquid natural gas, natural gas and related products, and their impact on the Company's future performance and results of the Company's operations A decline in the prices could result in a decrease in net income and cash flows The Company assesses on regular basis the potential scenarios of future fluctuation in commodity prices and their impacts on operation and investment decisions

29 Financial risk management objectives and policies (continued)

Commodity price sensitivity

The following table shows the effect of price changes from LNG and natural gas

	Change in year-end price	Effect on profit before tax for 31 Dcember 2011	Effect on profit before tax for 31 March 2011
Gas Prices	+10%	(8,481)	(1,105)
	-10%	8,481	1,105

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations

The Company trades only with recognised, creditworthy third parties It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant

The exposure to credit risk from credit sales is not considered significant given the small number of well established credit customers and zero historic default rate At 31 December 2011 the Company had no customers and at 2010/11 one customer that owed the Company more than £30 million

The Company's maximum agreed credit with counterparties is £540 million

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's finance and risk department in accordance with the Company's policy Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty Counterparty credit limits are reviewed by the Company's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Company's Finance Committee The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure The Company's maximum exposure to credit risk for the components of the statement of financial position is the carrying amounts as illustrated in Note 17 except for financial guarantees and derivative financial instruments The Company's maximum exposure for financial guarantees and financial derivative instruments are noted in the liquidity table below

Liquidity risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due

29 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due To achieve the aim, the Company seeks to maintain cash balances (or agreed facilities) to meet expected requirements Senior management receives short term cash flow projections on a monthly basis

The table below summarises the maturity profile of the Company's financial liabilities bases on contractual undiscounted payments

As at 31 December 2011	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	Total £'000
Non interest bearing loan	-	-	-	70,000	70,000
Interest bearing loan	-	-	-	38,850	38,850
Trade and other payables	82,460	-	-	-	82,460
	-	-	-	-	-
Financial derivaties	1,541	976	1,179	59	3,755
	84,001	976	1,179	108,909	195,065
As at 31 March 2011					
Non interest bearing loan	-	-	-	70,000	70,000
Trade and other payables	24,778	-	-	-	24,778
Financial derivaties	321	72	817	-	1,210
	25,099	72	817	70,000	95,988

The disclosed financial derivative instruments in the above table are the gross undiscounted cash flows However, those amounts may be settled gross or net The following table shows the corresponding reconciliations of those amounts to their carrying amounts

29 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

As at 31 December 2011	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	Total £'000
Inflows	8,041	11,775	1,450	550	21,816
Outflows	(1,541)	(976)	(1,179)	(59)	(3,755)
Net	6,500	10,799	271	491	18,061
As at 31 March 2011					
Inflows	235	16	629	-	880
Outflows	(321)	(72)	(817)	-	(1,210)
Net	(86)	(56)	(188)	-	(330)

Capital management

The Company defines capital as the total equity of the Company and its objectives when maintaining capital are

- To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk

The Company sets the amount of capital it requires in proportion to risk The company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts

29 Financial risk management objectives and policies (continued)

Capital management (continued)

Consistent with others in the industry, the Company monitors capital on the basis of the debt to capital ratio This ratio is calculated as net debt dividend by capital Net debt is calculated as total debt (as shown in the balance sheet) less cash and cash equivalents Capital comprises all components of equity

	01.04.11 to 31.12.11 £'000	01.04.10 to 31.03.11 £'000
Interest-bearing loans and borrowings (Note 23)	68,074	66,945
Trade and other payables (Note 24)	82,460	24,778
Less cash and short-term deposits (Note 20)	(33,353)	(11,564)
Net debt	117,181	80,159
Equity		
Total Capital	87,589	(42,300)
Capital and net debt	204,770	37,859
Gearing ration	57%	212%

30 Events after the reporting period

There were no significant events after the reporting period