PETRONAS ENERGY TRADING LIMITED

Consolidated and Company financial statements
for the year ended
31 December 2014

Company Registration No: 03359379 (England and Wales)

PETRONAS ENERGY TRADING LIMITED
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FOR THE YEAR ENDED 31 DECEMBER 2014

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PETRONAS ENERGY TRADING LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2014

Directors:

Mr Mohd Anuar Taib	(appointed on 15 May 2014)
Mr Anuar Ahmad	(resigned on 9 January 2014)
Mr Klaus Reinisch	
Mr Adnan Zainol Abidin	
Mr Mohd Farid Adnan	
Madam Swee Yoke Yap	(resigned on 22 August 2014)
Mr Mohd Ibrahimnuddin Mohd B Yunus	(resigned on 20 January 2014)
Mr Ahmad Adly Alias	(appointed on 20 January 2014)
Mr Habibul Rahman Kadir Shah	(appointed on 1 March 2014)

Subsidiaries:

Humbly Grove Energy Limited
Humbly Grove Energy Services Limited
Gas Storage Limited
Overseas Gas Storage Limited

Secretary

Mr Nailesh Kantilal Rambhai	(resigned on 2 June 2014)
Ms Kalina Ilieva Rose	(appointed on 4 August 2014, resigned on 6 February 2015)
Mr Joseph William Burfitt	(appointed on 17 February 2015)

Registered office

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
EC4N 4TR

Citibank
Citigroup Centre, 25
Canada Square
Canary Wharf
London
E14 5LB

CIMB Bank Berhad
London Branch
Ground Floor
27 Knightsbridge
London
SW1X 7YB

JP Morgan
25 Bank Street
Canary Wharf
London
E14 5JP

PETRONAS ENERGY TRADING LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

Strategic Report

The directors present their report together with the audited financial statements for the year ended 31 December 2014.

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

Principal Activities

The principal activities of PETRONAS Energy Trading Limited ("the Company" or "PETL") during the year were to monetise and add value to the natural gas positions of the PETRONAS Group in the UK, Ireland and Northwest Europe through optimisation of its gas supply, marketing and capacity positions. The Company is also responsible for monetising its capacity at Dragon LNG's import, storage and re-gasification terminal in Milford Haven Waterway in Pembrokeshire, South West Wales ("Dragon LNG"), and its gas storage capacity at Humbly Grove Energy Limited in Alton, Hampshire. The Company also continues to provide other support services to other operating units within the PETRONAS Group.

The principal activities of Humbly Grove Energy Limited and its subsidiaries, wholly owned by the Company ("The Group"), during the year were to safely operate and provide a flexible and responsive gas storage facility for the benefit of the Group and the production, handling and sale of crude oil from the two reservoirs identified in the oil production licence PL116b. The oil continues to be sold through an oil sale and purchase agreement dated 14 December 2011 to IGas PLC.

As part of the Company's strategy to add resilience and value to its existing natural gas portfolio, the Company continues to hold a minority share in an investment vehicle, MPF Holdings, together with a consortium of investors (the "MPF Consortium") led by Macquarie Group Ltd. The MPF Consortium owns three UK gas-fired power stations; the 489MW Baglan Bay gas-fired Power Station in Wales, the 819MW gas-fired Sutton Bridge Power Station in Lincolnshire, and the 832MW gas-fired Severn Power Station in Newport, Wales. The Company remains closely involved in the decision making of the MPF Consortium through its representation on the Board of Directors as well as its role in the MPF Consortium Risk Management Committee, tasked to set the commercial directions and dispatch as well as hedging policies and guidelines for the combined 2.1 GWh power station portfolio.

Business Strategy

The Group is an energy trading and gas marketing company, generating profits from its core business segments:

- Underground Gas Storage, including optimisation of its wholly-owned Humbly Grove gas storage facility
- Gas Transportation Optimisation, and
- Gas Marketing of flexible gas supplies

During 2014, the Company was also directly involved in LNG receiving, storage and re-gasification optimisation through its capacity in the Dragon LNG terminal. A restructure of the Dragon LNG business model will commence on 1 January 2015. The new affiliated entity LNG Investments Europe Limited ("LIEL") will assume and consolidate all business activities in connection with the throughput capacity at the liquefied natural gas ("LNG") terminal at Dragon LNG. As a result of this reorganisation, all risks and benefits associated with the Dragon LNG capacity will be transferred from the Company to the newly formed LIEL entity. However the Company will continue to provide all Dragon LNG-related operational, administrative and optimisation services on behalf of LIEL, and in return receive an administrative, operational flow and optimisation income from LIEL. This restructure will result in a material improvement in the Company's profitability in 2015 as its current costs from the Dragon LNG capacity are transferred to LIEL and replaced by positive income from providing services to LIEL only. The purpose of the reorganisation is to consolidate all Dragon LNG capacity business activities under the new LIEL entity, while unburdening the Company from the Dragon LNG costs so that it can focus on delivering on its profitability targets for its core gas storage, gas marketing and gas transportation business segments. LIEL and the Company are both wholly owned subsidiaries of PETRONAS LNG Sdn Bhd ("PLSB").

The Company has also diversified its core gas portfolio exposure with gas-to-power generation capacity through its investment in MPF Holdings.

Business Strategy (continued)

The Company's main growth focus is on its profitable gas supply and marketing business. Through sourcing and acquiring additional flexible gas volumes, the Company will increase profitability by adding value through its extensive European gas infrastructure and midstream portfolio. The Company's long term Gas Supply Agreement with IGas Energy PLC signed in December 2011 means that the Company is also strategically well placed to benefit from the UK shale gas exploration and production plans once commercial shale gas production commences in the coming years.

Key Performance Indicators (KPIs)

During 2014, the Company's strategy of generating profitability from optimising asset-backed capacity and gas market positions is driven and measured by four main KPIs: Profitability, Cost Control, Health and Safety and Human Resource Talent Retention and Development. Overall profitability and cost control remain the two key financial KPIs and while challenges remain for overall profitability primarily due to the LNG global market conditions. The Company has maintained strong cost control over the year to combat challenging market conditions. Additionally, the Company has fully achieved its Health and Safety KPI with zero lost time injuries at its Humbly Grove or London locations in 2014. Finally, the Company has continued to invest strategically into its most important asset which is its human resource talent to achieve its long-term staff retention KPI to attract, retain and further develop its talent and staff to ensure knowledge transfer and career growth driven by its performance culture.

Business Environment, Principal Risks and Uncertainties

The United Kingdom is continuing to become increasingly reliant on imported gas. With the recent geopolitical issues surrounding secure gas supplies long-term from Russia, the European security of supply dilemma has become an increasing concern for the market. With aging upstream as well as gas supply infrastructure, management believes that these factors will lead to an increase in the movements in prices for liquid natural gas, natural gas and related products (commodity price risk), and the Company is investing in positions to extract profitable arbitrage from these opportunities. 2014 also saw a decline in oil prices combined with uncertain political ramifications to the global oil market, excess supply and falling world demand. As a result of the fall in oil prices the Group has almost fully impaired its oil facilities in Humbly Grove Energy Limited. The gas commodity price risk, together with interest rate risk, constitutes 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 30 on pages 46 to 49.

Challenges

While all fundamentals point towards future increasing supply and demand uncertainty in the UK and Northwest Europe, in 2014 local and imported supplies were still abundant and the system had sufficient flexibility to balance. This market supply situation in combination with historically mild weather, reduced number of trading participants and overall gas trading activity has led to lower gas price spreads, reducing the opportunity for the Company to monetise its gas positions. In addition, an ongoing gas shortage in Asia and other emerging markets continued to cause most un-contracted LNG supplies to be diverted and sold into Asia, leaving the Company's UK LNG importation, storage and re-gasification capacity under-utilised during 2014.

While there have been signs of renewed gas price volatility and gas price spreads widening again, the outlook is still uncertain and remains a key challenge for the Company. Additionally, while new LNG supplies to the UK are more likely in coming years, the overall global LNG supply and demand balance also remains uncertain especially in the long-term.

By Order of the Board

Klaus R

Klaus Reinisch
Director and Chief Executive Officer

Date 18 Feb 2015

Directors' Report

The directors present their report together with the audited financial statements for the year ended 31 December 2014.

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

Business review

The results of the Group and the Company for the year ended 31 December 2014 are set out on pages 10 to 13 and have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The Group made a loss before taxation of £30.1 million (2013 loss of £15.4 million) and the Company made a loss before taxation for the year of £18.1 million (2013 loss of £9.7 million).

A reduction in the forward crude oil prices triggered an impairment review of the oil business in Humbly Grove Energy Limited. Its value in use was determined to be below the carrying value for the oil business cash generating unit and, as a result, the Group has recorded an impairment loss of £9,316,550 in 2014 (£nil: 2013). The impairment assumptions are as detailed in Note 11.

Events after the reporting date

Events after the reporting date are set out in Note 31.

Dividends

The Group has not declared any dividend during the year (2013 – £nil) and the directors do not recommend the payment of a dividend.

Statement of Going Concern

The Group'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 out in the Strategic Report.

The financial position of the Group and the Company is set out in the financial statements. The liquidity position and borrowing facilities of the Group and the Company are set out in Note 30 to the financial statements. The Group is also part of a group that has considerable financial resources.

Having considered the Group'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.

Directors' Report (continued)

Directors and directors' interests

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

Mr Mohd Anuar Taib	(appointed on 15 May 2014)
Mr Anuar Ahmad	(resigned on 9 January 2014)
Mr Klaus Reinisch	
Mr Adnan Zainol Abidin	
Mr Mohd Farid Adnan	
Madam Swee Yoke Yap	(resigned 22 August 2014)
Mr Mohd Ibrahimnuddin Mohd B Yunus	(resigned on 20 January 2014)
Mr Ahmad Adly Alias	(appointed on 20 January 2014)
Mr Habibul Rahman Kadir Shah	(appointed on 1 March 2014)

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

Klaus R

Klaus Reinisch
Director and Chief Executive Officer

Date 18 Feb 2015

PETRONAS ENERGY TRADING LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2014

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRS) as adopted by the European Union. The directors are required to prepare financial statements for each financial year that present fairly the financial position of the Group and the Company and the financial performance and cash flows of the Group and 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 financial position and financial performance;
- State that IFRS has complied with, 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 Group and 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 Group and the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Group and the Company's business activities, performance, position and risk are set out in the report. The financial position, cash flows and liquidity position are detailed in the appropriate sections on pages 10 - 13 and elsewhere in the notes on financial statements. The report also includes details of the Group and the Company's risk mitigation and management. The Group and the Company has considerable financial resources, and the director's believe that the Group and the Company is well placed to manage its business risk successfully. After making enquiries, the directors have a reasonable expectation that the Group and 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 Group and 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 Group and 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 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 loss of the Group and the Company, and
- The management report, which is incorporated in the Strategic Report and Directors' Report, includes a fair review of the development and performance of the business and the position of the Group, the Company, the Business Strategy, KPIs and Challenges, together with a description of the principal risk and uncertainties.

By Order of the Board

Klaus R

Klaus Reinisch
Director and Chief Executive Officer

Date 18 Feb 2015

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 year ended 31 December 2014 which comprise the Consolidated and Parent Company Statements of Financial Position, Income Statements, Statements of Comprehensive Income, Statements of Cash Flows, Statements of Changes in Equity and the related notes 1 to 31. 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 Statement of Directors' Responsibilities set out on page 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 group's and the parent 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge required by us in the course of performing the audit. 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 Group's and of the Company's affairs as at 31 December 2014 and of the Group's and the Company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements 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 Strategic Report and 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Ernst + Young LLP

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

Date: 18 February 2015

PETRONAS ENERGY TRADING LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	CONSOLIDATED		THE COMPANY	
		2014	2013	2014	2013
		£'000	£'000	£'000	£'000
Revenue	4	2,015,697	2,146,139	2,007,777	2,137,838
Gains from financial instruments		29,272	1,801	29,272	1,801
Cost of sales		(2,050,801)	(2,150,248)	(2,039,865)	(2,135,455)
Gross (loss) / profit		(5,832)	(2,308)	(2,816)	4,184
Other operating income	5	2,978	18,208	2,970	2,414
Selling and distribution costs		(6,543)	(5,471)	(6,543)	(5,471)
Impairment of property, plant and equipment	11	(9,317)	-	-	-
Administrative expenses		(10,454)	(10,652)	(10,288)	(10,419)
Operating loss	7	(29,168)	(223)	(16,677)	(9,292)
Finance costs	6	(6,323)	(4,237)	(9,838)	(7,916)
Finance income	6	5,390	4,866	8,443	7,521
Share of Loss of Associate		-	(15,759)	-	-
Loss before taxation		(30,101)	(15,353)	(18,072)	(9,687)
Income tax credit / (charge)	9	430	505	(101)	(101)
Loss for the year		(29,671)	(14,848)	(18,173)	(9,788)

PETRONAS ENERGY TRADING LIMITED
STATEMENT OF COMPREHENSIVE INCOME AND STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

Statement of comprehensive income	**CONSOLIDATED**		**THE COMPANY**	
	2014	**2013**	**2014**	**2013**
	£'000	**£'000**	**£'000**	**£'000**
Loss for the year	**(29,671)**	**(14,848)**	**(18,173)**	**(9,788)**
Other comprehensive income				
- Deferred tax (charge) / credit recognised through reserves	(598)	(1,781)	101	101
Total comprehensive loss for the year	**(30,269)**	**(16,629)**	**(18,072)**	**(9,687)**

Statement of changes in equity

CONSOLIDATED

	Share Capital £'000	**Retained deficit £'000**	**Merger Reserve £'000**	**Capital contribu-tion reserve £'000**	**Total £'000**
As at 1 January 2014	225,644	(112,369)	(7,349)	3,085	109,011
Loss for the year	-	(29,671)	-	-	(29,671)
Fair value adjustments on interest free loans from related parties (Note 23.2)	-	-	-	(156)	(156)
Deferred tax charge recognised through reserves	-	-	-	(598)	(598)
As at 31 December 2014	**225,644**	**(142,040)**	**(7,349)**	**2,331**	**78,586**
As at 1 January 2013	129,364	(97,521)	(7,349)	4,866	29,360
Loss for the year	-	(14,848)	-	-	(14,848)
Issue of share	96,280	-	-	-	96,280
Deferred tax charge recognised through reserves	-	-	-	(1,781)	(1,781)
As at 31 December 2013	**225,644**	**(112,369)**	**(7,349)**	**3,085**	**109,011**

THE COMPANY

	Share Capital £'000	**Retained deficit £'000**	**Merger Reserve £'000**	**Capital contribu-tion reserve £'000**	**Total £'000**
As at 1 January 2014	225,644	(96,711)	-	4,967	133,900
Loss for the year	-	(18,173)	-	-	(18,173)
Deferred tax credit recognised through Reserves	-	-	-	101	101
As at 31 December 2014	**225,644**	**(114,884)**	**-**	**5,068**	**115,828**
As at 1 January 2013	129,364	(86,923)	-	4,866	47,307
Loss for the year	-	(9,788)	-	-	(9,788)
Issue of share	96,280	-	-	-	96,280
Deferred tax credit recognised through Reserves	-	-	-	101	101
As at 31 December 2013	**225,644**	**(96,711)**	**-**	**4,967**	**133,900**

PETRONAS ENERGY TRADING LIMITED
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	CONSOLIDATED 2014 £'000	CONSOLIDATED 2013 £'000	THE COMPANY 2014 £'000	THE COMPANY 2013 £'000
Non-current assets					
Property, Plant and equipment	10	95,774	114,976	74,062	77,817
Intangible assets	12	1,593	2,055	1,593	2,055
Prepaid lease	13	22,149	23,315	-	-
Investment in subsidiaries	15	-	-	56,447	56,447
Available-for-sale investment	15	25,695	25,695	25,695	25,695
Non-current loan notes	16	64,960	64,960	64,960	64,960
Loans due from subsidiaries	16	-	-	-	74,772
Deferred tax asset	9	1,133	1,302	-	-
		211,304	232,303	222,757	301,746
Current Assets					
Prepaid lease	13	1,166	1,166	-	-
Inventories	17	135,581	187,260	134,502	186,618
Trade and other receivables	18	204,751	174,931	206,545	178,301
Other financial assets	19	40,619	11,048	40,619	11,048
Loans due from subsidiaries	20	-	-	72,905	-
Cash and short term deposits	22	46,273	7,613	44,794	5,906
		428,390	382,018	499,365	381,873
Total assets		**639,694**	**614,321**	**722,122**	**683,619**
Equity					
Share capital	23	225,644	225,644	225,644	225,644
Retained earnings / deficit		(142,040)	(112,369)	(114,884)	(96,711)
Capital Contribution reserve	23	2,331	3,085	5,068	4,967
Merger reserve		(7,349)	(7,349)	-	-
		78,586	109,011	115,828	133,900
Non-current liabilities					
Long term creditor	26	561	810	-	-
Borrowings	24	107,045	102,545	107,045	102,545
Finance lease liability	14	-	-	56,182	56,673
Provisions	25	8,223	6,878	-	-
		115,829	110,233	163,227	159,218
Current liabilities					
Trade and other payables	26	187,290	156,306	184,587	151,333
Other financial liabilities	19	23,689	2,471	23,689	2,471
Finance lease liability	14	-	-	491	397
Short term borrowings	27	234,300	236,300	234,300	236,300
		445,279	395,077	443,067	390,501
Total liabilities		561,108	505,310	606,294	549,719
Total equity and liabilities		**639,694**	**614,321**	**722,122**	**683,619**

By Order of the Board

Klaus R

Klaus Reinisch
Director and Chief Executive Officer
Date: 18 Feb 2015

PETRONAS ENERGY TRADING LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	CONSOLIDATED		THE COMPANY	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Cash flows from operating activities				
Cash receipts from customers	629,352	740,991	622,840	728,546
Cash paid to suppliers and employees	(582,591)	(822,848)	(580,565)	(810,903)
Net cash flows generated from / (used in) operating activities	46,761	(81,857)	42,275	(82,357)
Cash flows from investing activities				
Interest income on short term deposits	19	37	19	37
Purchase of property, plant and equipment and intangible assets	(1,252)	(6,989)	(88)	(850)
Loan repayment from subsidiary	-	-	3,550	1,000
Loan to subsidiary	-	-	-	(5,000)
Net cash flows generated from / (used in) investing activities	(1,233)	(6,952)	3,481	(4,813)
Cash flows from financing activities				
Proceeds from issuance of ordinary shares	-	26,280	-	26,280
Drawdown of term loans	11,800	93,420	11,800	93,420
Repayment of term loans	(7,300)	(7,300)	(7,300)	(7,300)
Repayment cash advance: PICL	-	(87,600)	-	(87,600)
Drawdown of revolving credit	197,000	324,873	197,000	324,873
Repayment of short term borrowings	(204,125)	(261,029)	(204,125)	(261,029)
Interest expense paid	(4,243)	(2,449)	(4,243)	(2,449)
Net cash (outflows) / inflows from financing activities	(6,868)	86,195	(6,868)	86,195
Net increase/(decrease) in cash and cash equivalents	38,660	(2,614)	38,888	(975)
Cash and cash equivalents at beginning of the year	7,613	10,227	5,906	6,881
Cash and cash equivalents at the end of the year	46,273	7,613	44,794	5,906

1 Corporate Information

The consolidated financial statement of PETRONAS Energy Trading Limited ("The Company") and its subsidiaries (collectively, "The Group") for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 17 February 2015. 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 Company information page. The principal activities of the Group are set out in the Strategic Report on page 4 - 5.

2.1 Basis of preparation

The consolidated financial statement of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by 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 consolidated financial statements are set out below.

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

The Company elected to present separate financial statements for management decisions.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2014.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions are eliminated in full.

2.3 Summary of significant accounting policies

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

2.3.1 Investment in an associate

The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried on the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit of an associate is shown on the face of the income statement. This is the profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures and recognises the retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investments and proceeds from disposal is recognised in profit or loss.

2.3 Summary of significant accounting policies (continued)

2.3.2 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current / non-current classification. An asset is current when it is:

a) Expected to be realised or intended to sold or consumed in normal operating cycle
b) Held primarily for the purpose of trading
c) Expected to be realised within twelve months after the reporting period, or
d) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

a) It is expected to be settled in normal operating cycle
b) It is held primarily for the purpose of trading
c) It is due to be settled within twelve months after the reporting period, or
d) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.3.3 Fair value measurement

The Group measures financial instruments, such as derivatives, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 21.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the assumption that the transaction to sell the asset or transfer the liability takes place either:

a) In the principal market for the asset or liability, or
b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.
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.

2.3 Summary of significant accounting policies (continued)

2.3.3 Fair value measurement (continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group determines the policies and procedures for recurring fair value measurement, such as unquoted available-for-sale financial assets.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Group also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.3.4 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.

2.3.5 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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 Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group 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, oil and electricity 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 Group's right to receive payment is established.

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

2.3 Summary of significant accounting policies (continued)

2.3.6 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 Group 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.

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.

2.3 Summary of significant accounting policies (continued)

2.3.7 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:

Land and Buildings	-	23 years
Computer equipment	-	3 years
Furniture and fittings	-	3 years
Plant and equipment – gas assets	-	10-30 years
Finance lease asset	-	23 years

Plant and equipment – oil assets are depreciated on a units of production basis.

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.

2.3.8 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.

Group as a lessee

Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statements.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.3.9 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.

2.3 Summary of significant accounting policies (continued)

2.3.10 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.

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.

The amortisation period estimated for the following assets are:

Computer software	-	3 years
Trading software	-	5 years

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.

2.3.11 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 Group 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 Group commits to purchase or sell the asset.

The Group's financial assets include unquoted investment, 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:

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

2.3 Summary of significant accounting policies (continued)

2.3.11 Financial instruments — initial recognition and subsequent measurement (continued)
i) Financial assets (continued)

The Group 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 Group 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 Group 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.

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.

Available-for-sale financial investments
Available-for-sale financial investments include equity investments. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised within other comprehensive income, except for impairment losses, foreign exchange gains or losses and any changes in fair value arising from revised estimates of future cash flows, which are recognized in profit or loss.

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 Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risk and rewards of the asset, but has transferred control of the asset.

When the Group 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 Group's continuing involvement in it.

In that case, the Group 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 Group 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 Group could be required to repay.

ii) Impairment of financial assets
The Group 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.

2.3 Summary of significant accounting policies (continued)

2.3.11 Financial instruments — initial recognition and subsequent measurement (continued)
ii) Impairment of financial assets (continued)

Financial assets carried at amortised cost
For financial assets carried at amortised cost, the Group 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 Group 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 Group. 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 held for trading. The Group 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 Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

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

2.3 Summary of significant accounting policies (continued)

2.3.11 Financial instruments — initial recognition and subsequent measurement (continued)
iii) Financial liabilities (continued)

Financial liabilities carried at amortised costs
All other financial liabilities are initially recognised 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 amortised cost using the effective interest method. Amortised 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 recognised respectively in interest and other revenues and finance costs. This category of financial liabilities includes trade and other payables and finance debt.

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 21.

2.3.12 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.

2.3.13 Inventories
Inventories, consisting of natural gas, liquefied natural gas, spare parts, oil and fuel 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.

2.3 Summary of significant accounting policies (continued)

2.3.14 Impairment of non-financial assets

The Group 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 Group 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.

2.3.15 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.

2.3.16 Provisions

Provisions are recognised when the Group 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.

The Group records a provision for decommissioning costs of abandonment and reinstatement of land. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at the current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed in the income statement as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

2.3.17 Post retirement benefits

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group 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.

2.3.18 Subsidiaries

Subsidiaries are entities over which the Group 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 Group 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.

2.3 Summary of significant accounting policies (continued)

2.3.19 Significant accounting judgements, estimates and assumptions

The preparation of the Group'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.

i) Judgements

In the process of applying the company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Finance lease – company as lessee

The Company has entered into a Gas Storage Agreement (GSA) for the exclusive use of the gas storage facilities and assets at Humbly Grove Energy Limited and related services. Based on an evaluation of the terms and conditions of the arrangements, such as the lease term constitutes a substantial portion of the economic life of the property and plant under the terms of the GSA, the Company retain all the significant risks and rewards of ownership of these assets and accounts for the contracts as long term finance lease.

The capacity charges in return for the provision of gas storage facilities and associated assets comprise of two elements: the right to use the assets and servicing and maintenance charges. Given there is no market-based evidence of the fair value of rights to use or an estimate by reference to a lease agreement for a comparable asset that contains no other elements because of the specialised nature of the gas storage assets, management has exercised its judgment on the basis of split. The right to use portion, represented by the minimum lease payments was estimated based on unavoidable costs of operating the gas storage assets and the residual of the total capacity charges is treated as costs of servicing and maintenance.

ii) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group and the Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group and the Company. Such changes are reflected in the assumptions when they occur.

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. The fair value of the available-for-sale investment is measured by reference to a sale transaction in 2012 with unrelated parties and, as such, is in Level 2 of the fair value hierarchy. This remains the most appropriate valuation method to fair value the investment in the absence of cash flow information. Changes in assumptions about these factors could affect the reported fair value of financial instruments (see Note 21).

Provision for decommissioning and abandonment

With the acquisition of the oil plant assets in December 2011, the company took over the obligations for reinstatement and abandonment of its oil wells and properties at the end of their useful life. A detailed estimate was undertaken by the Group in 2011, whereby the report provides an estimate of the costs associated with well abandonment, site clearance and restoration costs. A detailed estimate is commissioned every 5 years and the next report is scheduled for 2016. Operational activities are controlled by a number of pieces of UK legislation and also a range of Government Agencies. As part of the acquisition consideration for the oil plant assets, the company has recognised a provision for decommissioning obligations associated with the abandonment and reinstatement of the sites. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the plant from the site and the expected timing of those costs. The carrying amount of the provision as at 31 December 2014 was £3,166,464 (2013: £2,313,225).

A provision has also been made for the gas plant, its gas wells and pipelines. The carrying amount of the provision as at 31 December 2014 was £5,057,006 (2013: £4,564,911).

2.3 Summary of significant accounting policies (continued)

2.3.19 Significant accounting judgements, estimates and assumptions (continued)
ii) Estimates and assumptions (continued)

Impairment of property, plant and equipment
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

In 2014, impairment indicators were identified on the oil plant assets and accordingly, the value in use calculation was prepared based on a discounted cash flow model. The key assumptions used to determine the recoverable amount are disclosed and further explained in Note 11.

3 Standards and amendments applicable from 1 January 2014
The adoption of a number of new standards and other amendments to accounting standards issued by the IASB applicable from 1 January 2014 has not had a material impact on the Group's and the Company's financial statements.

		CONSOLIDATED		THE COMPANY	
		2014	2013	2014	2013
		£'000	£'000	£'000	£'000
4	**Analysis of revenue**				
	Gas sales	1,969,135	2,103,954	1,969,135	2,103,954
	Option fees	28,318	30,582	28,318	30,582
	Management charges	6,100	2,594	6,100	2,594
	Capacity charges	1,500	620	1,500	620
	Option premiums	2,724	88	2,724	88
	Oil sales	7,740	8,161	-	-
	Electricity sales	180	140	-	-
		2,015,697	2,146,139	2,007,777	2,137,838
5	**Other operating income / expenses**				
5.1	**Other operating income**				
	Towage & mooring	77	77	77	77
	Gain on deemed disposal of associate	-	18,654	-	2,895
	Exchange rate gain	2,438	-	2,438	-
	Others	463	1,462	455	1,427
		2,978	20,193	2,970	4,399
5.2	**Other operating expenses**				
	Exchange rate loss	-	1,985	-	1,985
		-	1,985	-	1,985
	Net other operating income	2,978	18,208	2,970	2,414
6	**Finance income / costs**				
6.1	**Finance costs**				
	Interest on shareholders' loan	566	547	566	547
	Interest on borrowings	5,370	3,393	5,277	3,368
	Interest on finance lease liability (restated)	-	-	3,995	4,001
	Others	387	297	-	-
		6,323	4,237	9,838	7,916

6 **Finance income / costs (continued)**

	CONSOLIDATED		THE COMPANY	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
6.2 Finance income				
Interest income on short-term deposits	22	37	19	37
Interest income arising from loans due from subsidiaries	-	-	3,056	2,876
Interest income arising from non-current loan notes	5,368	4,829	5,368	4,608
	5,390	4,866	8,443	7,521

7 **Operating loss**

	CONSOLIDATED 2014 £'000	CONSOLIDATED 2013 £'000	THE COMPANY 2014 £'000	THE COMPANY 2013 £'000
Operating loss is stated after charging / (crediting):				
Depreciation of property, plant and equipment	6,528	6,776	3,787	3,814
Amortisation of intangible assets	529	569	529	569
Amortisation of prepaid lease	1,166	1,166	-	-
Impairment of property, plant and equipment	9,317	-	-	-
Unwinding of discount on abandonment provision	304	291	-	-
Net foreign exchange differences	(2,438)	1,985	(2,438)	1,985
Employee benefits expense (Note 8)	9,693	9,096	6,962	7,078
Operating lease charges: Land and buildings	519	527	519	527
Auditor's remuneration	230	275	162	155
Other	40	-	-	-

8 **Employee benefits expense**

	CONSOLIDATED 2014 £'000	CONSOLIDATED 2013 £'000	THE COMPANY 2014 £'000	THE COMPANY 2013 £'000
Wages and salaries	7,250	7,179	4,963	5,060
National insurance contributions	1,383	1,144	1,102	881
Pension costs	450	661	287	512
Others	610	112	610	625
	9,693	9,096	6,962	7,078
The average number of Company's employees (including executive directors) during the year was:	88	76	55	48

Director remuneration

The aggregated remuneration of the only, and highest paid, director for the year ending 31 December for the Company was:

	2014	2013
- Director emoluments (gross)	609	372
- Pension	38	37
	647	409

Director emoluments comprise salary and benefits earned by executive directors during the relevant financial year, plus cash bonuses awarded. Pensions represent the estimated cost to the Company of providing defined benefit pensions to this director.

	CONSOLIDATED		THE COMPANY	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
9 Taxation				
The taxation charge / (credit) is made up as follows:				
9.1 Amounts recognised through the Income Statement				
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	638	(505)	101	101
Adjustments in respect of previous periods	(1,068)	-	-	-
Total tax charge / (credit) recognised through the Income Statement	(430)	(505)	101	101
9.2 Amounts recognised through Reserves				
Current tax:				
Arising in respect of transitional adjustments due to adoption of IFRS	-	-	-	-
Deferred tax:				
Increase / (decrease) in deferred tax provision	(470)	1,781	(101)	(101)
Adjustments in respect of previous periods	1,068	-	-	-
Total tax charge / (credit) recognised through Reserves	598	1,781	(101)	(101)

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 (21.5 per cent) (2013 – 23.25 per cent). The differences are explained below:

	CONSOLIDATED 2014 £'000	CONSOLIDATED 2013 £'000	THE COMPANY 2014 £'000	THE COMPANY 2013 £'000
Profit / (loss) on ordinary activities before tax	(30,101)	(15,353)	(18,072)	(9,687)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% / 23.25%	(6,472)	(3,569)	(3,885)	(2,252)
Expenses not deductible for tax purposes	6,909	808	788	28
Losses utilised in the current year	(1,787)	-	-	-
Impact of temporary differences arising in the period in respect of which deferred tax not recognised	-	2,156	3,089	2,156
Group relief surrendered for nil consideration	-	51	-	51
Impact of transitional adjustments	490	391	109	118
Movement of unrecognised deferred tax	5,176	(828)	-	-
Rate differential (deferred tax)	(3,678)	486	-	-
Rate change adjustment	-	-	-	-
Adjustment in respect of previous periods	(1,068)	-	-	-
Other	-	-	-	
Total tax charge / (credit) for the period	(430)	(505)	101	101

9 Taxation (continued)

9.3 Deferred tax asset / (liability)	Opening Balance	(Charged)/ released to income	(Charged) / released to equity	Closing Balance
As at 31 December 2014				
Site restoration provision	137	(137)	-	-
Losses	6,817	1,319	-	8,136
Accelerated tax depreciation	(1,246)	1,246	-	-
Other	(4,406)	(1,999)	(598)	(7,003)
	1,302	429	(598)	1,133
As at 31 December 2013				
Site restoration provision	2,157	(2,020)	-	137
Losses	4,487	2,330	-	6,817
Accelerated tax depreciation	(1,531)	285	-	(1,246)
Other	(2,535)	(90)	(1,781)	(4,406)
	2,578	505	(1,781)	1,302

9.4 Deferred tax not recognised

The Group

A potential deferred tax asset of £34,106,080 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 is not considered probable.

The unrecognised deferred tax asset is in relation to tax losses of £26,978,174, decelerated capital allowances of £4,242,447, abandonment provision and asset £2,594,633 and other temporary difference of £290,826.

The Company:

A potential deferred tax asset of £18,191,111 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 is not considered probable.

The unrecognised deferred tax asset is in relation to tax losses of £15,806,460, decelerated capital allowances of £2,093,825 and other temporary differences of £290,826.

9.5 Future reductions in the rate of corporation tax

Finance Act 2012 reduced the main rate of corporation tax to 21%, with effect from 1 April 2014, with a further reductions announced in Finance Act 2013 taking the rate to 20% from 1 April 2015. Given that the 20% tax rate is enacted at the balance sheet date, the closing deferred tax balances are reflected in these accounts at 20%.

10 Property, plant and equipment

The Group	Land & Buildings £'000	Plant & Equipment £'000	Computer hardware £'000	Furniture and fittings £'000	Tank heel £'000	Total £'000
Cost						
At 1 January 2013	298	167,497	214	337	381	168,727
Additions	-	5,085	21	91	585	5,782
Transfer	(19)	19	-	-	-	-
At 31 December 2013	279	172,601	235	428	966	174,509
Additions	-	1,439	34	16	-	1,489
Disposals	-	-	-	(4)	-	(4)
Reclassified to inventory	-	(4,843)	-	-	-	(4,843)
At 31 December 2014	279	169,197	269	440	966	171,151
Accumulated depreciation and impairment						
At 1 January 2013	136	52,488	76	57	-	52,757
Depreciation charge	12	6,512	102	150	-	6,776
At 31 December 2013	148	59,000	178	207	-	59,533
Depreciation charge	13	6,361	74	80	-	6,528
Impairment loss	-	9,317	-	-	-	9,317
Disposals	-	-	-	(1)	-	(1)
At 31 December 2014	161	74,678	252	286	-	75,377
Net book value						
At 31 December 2013	131	113,601	57	221	966	114,976
At 31 December 2014	118	94,519	17	154	966	95,774

The Company	Plant & Equipment £'000	Computer hardware £'000	Furniture and fittings £'000	Tank heel £'000	Total £'000
Cost					
At 1 January 2013	90,161	335	148	381	91,025
Additions	-	21	61	585	667
At 31 December 2013	90,161	356	209	966	91,692
Additions	-	34	1	-	35
Disposals	-	-	(4)	-	(4)
At 31 December 2014	90,161	390	206	966	91,723
Accumulated depreciation					
At 1 January 2013	9,839	165	57	-	10,061
Depreciation charge for the year	3,651	98	65	-	3,814
At 31 December 2013	13,490	263	122	-	13,875
Depreciation charge for the year	3,651	74	62	-	3,787
Disposals	-	-	(1)	-	(1)
At 31 December 2014	17,141	337	183	-	17,661
Net book value					
At 31 December 2013	76,671	93	87	966	77,817
At 31 December 2014	73,020	53	23	966	74,062

10 Property, plant and equipment (continued)

The Company:

The carrying value of property, plant and equipment held under finance leases as at 31 December 2014 was £73,020,178 (31 December 2013: £76,671,186)

11 Impairment

The Group performed its annual review of assets in December 2014. As a result of the overall decline in oil prices and the uncertain political ramifications to the global oil market, with excess supply and falling world demands the Group recognised that an impairment valuation would be required on the cash generating unit ("CGU") of its Humbly Grove Energy Limited oil business.

A recoverable amount of the oil business CGU of £961,217 was determined as at 31 December 2014 based on a value in use calculation utilising cash flow projections from the financial budgets approved by management covering a five year period. The projected cash flows were updated to reflect reduced prices for a barrel of oil in the current and foreseen market. The pre-tax discount rate applied to the cash flow projection is 23.7% (9% WACC and a main rate corporation tax of 30% and a ring fence tax rate of 32%). It was concluded that the value in use was lower than the book value and, as a result, management has recognised an impairment charge of £9,316,550 (2013: £ nil).

Key assumptions used in value of use calculations.

The calculation of value in use is most sensitive to the following assumptions:

- Oil Price
- Foreign Exchange Rate
- Operating costs
- Oil Volume

Oil Price is based on the PETRONAS global Key Planning & Budget Inputs (KPBIs). This review of the world market for oil prices identifies projected oil price into the future.

Foreign Exchange Rate is based on KPBIs.

Operating costs are based on the 2015 budget with the inclusion of efficiency saving from the introduction of a control room upgrade already substantially underway. Savings are expected from 2016 onwards.

Oil Volumes have been estimated from prior years, taking into account the reservoir decline rate and the dual use of the reservoir by the gas storage activities. The underlying oil production volumes are consistent with the current field development plan produced by CGG Services Ltd (formally Fugro Robinson Ltd).

Sensitivity to changes in assumptions.

In all sensitivities the maximum additional exposure of the Group to further impairments on the oil business CGU is £961,217.

Oil Price - If the average price of oil falls below forecast for the year and the Group is unable to absorb the loss of revenue or reduce costs through increased efficiencies, then the Group will sustain a further impairment.

Exchange Rate – Oil is traded in USD and the majority of expenditure is in GBP, the exchange rate effects the price achieved and is reported as revenue. On the low volumes of oil sold, the Group has minimal exposure to exchange rate fluctuations.

Oil volumes – Oil volumes can be affected by breakdowns, integrity issues, delays in maintenance programs and the coincidental use of the reservoir by the gas storage activities. Should the volume of oil production decrease from expected levels and the Group is unable to absorb the loss of revenue or reduce costs through increased efficiencies, then the Group will have a further impairment.

Operational expenditure – The oil plant is subject to significant regulatory control and high standards of safety management and plant integrity. Operational expenditure is influenced by these controls and standards. Should operational expenditure exceed the expected levels and the Group is unable to absorb the loss of revenue or reduce costs through increased efficiencies, then the Group will have a further impairment.

12 Intangible assets

	CONSOLIDATED AND THE COMPANY £'000
Computer Software	
Cost	
At 1 January 2013	**3,014**
Additions	767
At 31 December 2013	**3,781**
Additions	67
At 31 December 2014	**3,848**
Accumulated amortisation	
At 1 January 2013	**1,157**
Amortisation for the year	569
At 31 December 2013	**1,726**
Amortisation for the year	529
At 31 December 2014	**2,255**
Net book value	
At 31 December 2013	2,055
At 31 December 2014	1,593

13 Prepaid lease

	CONSOLIDATED £'000
Cost	
At 1 January 2013	**33,000**
Additions	-
At 31 December 2013	**33,000**
Additions	-
At 31 December 2014	**33,000**
Accumulated amortisation	
At 1 January 2013	**7,353**
Amortisation for the year	1,166
At 31 December 2013	**8,519**
Amortisation for the year	1,166
At 31 December 2014	**9,685**
Net book value	
At 31 December 2013	**24,481**
At 31 December 2014	**23,315**
Amount to be amortised:	
Not later than one year	1,166
Later than one year but not later than five years	4,664
Later than 5 years	17,485

The Group purchased a Gas Storage agreement from a counterparty against the Humbly Grove storage facility. This is treated as a pre-paid lease for the Group and is amortised over the estimated asset life of 23 years.

14 Finance lease: The Company

On 1 January 2012, the Company entered into a Gas Storage Agreement ("GSA") contract. The GSA is a contract between Humbly Grove Energy Limited ("HGEL"), a subsidiary company, and PETRONAS Energy Trading Limited ("PETL") for the exclusive provision of gas storage services, facilities and associated assets. This new contract between PETL and HGEL essentially transferred the business risk from HGEL to PETL with the agreement providing for a regular income increased annually by inflation. On the basis that the risks and rewards incidental to these assets have been transferred to PETL, liability has been recorded representing the net present value of minimum future lease payments.

Minimum lease income was projected forward for the projected design life of the plant, being 2034. It was inflated by 3%, and discounted by 7%, the projected cost of borrowing that PETL would achieve for the period. This produces a net present value of minimum lease payments of £57,160,704.

Interest charged in the year amounted to £3,994,911 (31 December 2013: £4,001,329) and the capital unwind amounted to £397,178 (31 December 2013: £91,685).

The table below show the capital repayments and finance income recognised during the year:

	Minimum lease payments £'000	Capital charge £'000	Interest charge £'000
The Company	126,029	57,161	68,868

Period	Balance brought forward £'000	Lease payment £'000	Interest £'000	Capital £'000	Carried forward £'000
Current year	57,070	4,392	3,995	397	56,673
Not later than one year	56,673	4,458	3,967	491	56,182
Later than one year and not later than five years	56,182	18,559	15,452	3,107	53,075
Later than five years	53,075	90,527	37,452	53,075	-

		THE COMPANY 2014 £'000	THE COMPANY 2013 £'000
15	**Investments**		
15.1	**Investments in subsidiaries**		
	Unquoted shares at cost	44,531	44,531
	Fair value adjustments on interest-free loans extended to subsidiaries	11,916	11,916
		56,447	56,447

	Country of incorporation	Interest held	Principal activities
Humbly Grove Energy Ltd	UK	100%	Provision of storage facilities
Humbly Grove Energy Services Ltd	UK	100%	Service Company
Overseas Gas Storage Services Ltd	UK	100%	Dormant
Gas Storage Limited	UK	100%	Dormant

		CONSOLIDATED 2014 £'000	CONSOLIDATED 2013 £'000	THE COMPANY 2014 £'000	THE COMPANY 2013 £'000
15.2	**Investment in associate**				
	Unquoted shares at cost	-	22,800	-	22,800
	Share of loss of Associate	-	(15,759)	-	-
		-	7,041	-	22,800
	Gain on deemed disposal	-	18,654	-	2,895
	Reclassified to available-for-sale investment	-	(25,695)	-	(25,695)
		-	-	-	-

The Group and the Company had a 30% interest in MPF Holdings Ltd ("MPF") which is involved in Power generation and trading in the UK. This is a private entity that is not listed on any public exchange. On 10 December 2013, the Group's shareholding in MPF diluted to 14.1% as a result of a further increase in the share capital of MPF which was not subscribed to by the Group. This is treated as a deemed disposal since the Group no longer has significant influence over MPF. Accordingly, the Group's interest in MPF Holdings Ltd was accounted for using the equity method in the consolidated financial statements from 1 January 2013 until 10 December 2013, being the deemed disposal date. This investment is reclassified to available-for-sale investments and measured at fair value.

		CONSOLIDATED 2014 £'000	CONSOLIDATED 2013 £'000	THE COMPANY 2014 £'000	THE COMPANY 2013 £'000
15.3	**Available-for-sale investment**				
	Unquoted equity shares	25,695	25,695	25,695	25,695
		25,695	25,695	25,695	25,695

The unquoted equity shares have no fixed maturity date or coupon rate, and are classified as available-for-sale investments. As such, they are recorded at fair value with the gain or loss as a result of changes in fair value recorded in other comprehensive income. Accumulated fair value changes are recycled to the income statement on disposal, or when the investment is impaired.

Fair value of these shares is determined by reference to a sale transaction in 2012 with unrelated parties and, as such, is in Level 2 of the fair value hierarchy. This remains the most appropriate valuation method to fair value the investment in the absence of cash flow information.

There were no impairment losses relating to this investment.

		THE COMPANY 2014 £'000	THE COMPANY 2013 £'000
16	**Long-term receivables**		
16.1	**Loans due from subsidiaries**	-	74,772

The loans due from subsidiaries are interest-free unsecured with a repayment date of 31 December 2015, which are fair valued at 4% per annum.

		CONSOLIDATED 2014 £'000	CONSOLIDATED 2013 £'000	THE COMPANY 2014 £'000	THE COMPANY 2013 £'000
16.2	**Non-current loan notes**	64,960	64,960	64,960	64,960

The non-current loan notes are carried at amortised cost which generates a fixed income of 8% per annum, which are held to maturity (30 June 2022).

		CONSOLIDATED 2014 £'000	CONSOLIDATED 2013 £'000	THE COMPANY 2014 £'000	THE COMPANY 2013 £'000
17	**Inventories**				
	Liquefied natural gas (at lower of cost and net realisable value)	14,517	24,651	14,517	24,651
	Natural gas (at cost)	119,985	161,967	119,985	161,967
	Spare parts (at cost)	182	200	-	-
	Oil (at cost)	2	7	-	-
	Fuel gas (at cost)	895	435	-	-
	Total inventories	135,581	187,260	134,502	186,618

During 2014 £577,526 (2013: £nil) was recognised as cost of sales expense for inventories carried at net realisable value.

		CONSOLIDATED 2014 £'000	CONSOLIDATED 2013 £'000	THE COMPANY 2014 £'000	THE COMPANY 2013 £'000
18	**Trade and other receivables (current)**				
	Trade receivables	7,923	12,584	7,424	7,776
	Other receivables	69	5	1	5
	Receivables from related parties	2,190	3,362	5,101	13,123
	VAT receivables	2,923	17,347	2,923	16,522
	Prepayments	1,110	1,265	567	518
	Accrued income	190,536	140,368	190,529	140,357
		204,751	174,931	206,545	178,301

- The Group and the Company do not typically renegotiate the terms of trade receivables. There were no renegotiated balances outstanding at 31 December 2014 or 31 December 2013.
- Trade receivables are non-interest bearing and are generally on 10 – 20 days terms.
- Receivables from related parties are unsecured, interest free and repayable on demand. The sale and purchases from related parties are made on terms equivalent to those that prevail in arm length transactions.

18 Trade and other receivables (current) (continued)

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	Greater than 120 days
As at 31 December 2014						
The Company	206,545	206,545	-	-	-	-
The Group	204,751	204,751	-	-	-	-
As at 31 December 2013						
The Company	178,301	178,301	-	-	-	-
The Group	174,931	174,931	-	-	-	-

There are no indicators for an impairment need for financial assets that are not past due. The allowance account as at 31 December 2014 was £nil (2013: £nil)

	THE COMPANY 2014 £'000	2013 £'000
19 Other financial assets and financial liabilities		
19.1 Other financial assets		
Financial instruments at fair value through profit and loss		
Foreign exchange forward contracts	238	1,481
Options	-	394
Forward commodity and futures contracts	40,381	9,173
Total current	40,619	11,048
19.2 Other financial liabilities		
Financial liabilities at fair value through profit and loss		
Options	5,121	280
Forward commodity and futures contracts	18,568	2,191
Total current	23,689	2,471
20 Loans due from subsidiaries (current)	72,905	-

The loans due from subsidiaries are interest-free unsecured with a repayment date of 31 December 2015, which are fair valued at 4% per annum.

21 Additional disclosures on financial instruments

21.1 Derivatives

Derivative instruments the Group and the Company entered into, includes, forward commodity contracts, foreign exchange forward contracts, futures contracts and options in the commodity markets.

Forward contracts and futures contracts are an agreement between two parties that a financial instrument or commodity will be traded at a fixed price and fixed date in the future. The Group and the Company entered into various forward 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.

21 Additional disclosures on financial instruments (continued)

21.1 Derivatives (continued)

Option contracts provide the holder the right to buy or sell financial instruments or commodities at a fixed price over an agreed period or on a fixed date. The contract does not oblige the holder to buy or sell, however the writer must perform if the holder exercises the rights pertaining to the option.

The Group and the Company entered into foreign exchange forward contracts to hedge against changes in the fair value of foreign denominated equity instruments as a result of movements in market foreign exchange rates.

The mark to market value of the derivatives at 31 December 2014 amounted to £40,618,438 (other financial assets) (31 December 2013: £11,048,460) and £23,688,650 (other financial liabilities) (31 December 2013: £2,471,480). The effect of profit and loss is reflected in gains/(losses) from financial instruments in the income statement.

21.2 Fair values

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

		Carrying amount		Fair value	
		2014	2013	2014	2013
		£'000	£'000	£'000	£'000
The Group					
Financial Assets					
Available-for-sale-investments	AFS	25,695	25,695	25,695	25,695
Trade and other receivables	LAR	204,751	174,931	204,751	174,931
Other financial assets	HFT	40,619	11,048	40,619	11,048
Non-current loan notes	LAR	64,960	64,960	64,960	64,960
Cash & short term deposits	LAR	46,273	7,613	46,273	7,613
Total		382,298	284,247	382,298	284,247
Financial Liabilities					
Trade and other payables	FLAC	187,290	156,306	187,290	156,306
Long term creditor	FLAC	561	810	561	810
Interest bearing loan	FLAC	107,045	102,545	107,045	102,545
Other financial liabilities	HFT	23,689	2,471	23,689	2,471
Short-term borrowings	FLAC	234,300	236,300	234,300	236,300
Total		552,885	498,432	552,885	498,432
Loans and receivables	LAR	315,984	247,504	315,984	247,504
Available for Sale	AFS	25,695	25,695	25,695	25,695
Financial instruments at fair value through profit and loss	HFT	16,930	8,577	16,930	8,577
Financial liabilities measured at amortised cost	FLAC	(529,196)	(495,961)	(529,196)	(495,961)
		(170,587)	(214,185)	(170,587)	(214,185)

21 Additional disclosures on financial instruments (continued)

21.2 Fair values (continued)

		Carrying amount		Fair value	
		2014	2013	2014	2013
		£'000	£'000	£'000	£'000
The Company					
Financial Assets					
Available-for-sale investment	AFS	25,695	25,695	25,695	25,695
Trade and other receivables	LAR	206,545	178,301	206,545	178,301
Other financial assets	HFT	40,619	11,048	40,619	11,048
Loans due from subsidiaries	LAR	72,905	74,772	72,905	74,772
Non-current loan notes	LAR	64,960	64,960	64,960	64,960
Cash & short term deposits	LAR	44,794	5,906	44,794	5,906
Total		455,518	360,682	455,518	360,682
Financial Liabilities					
Trade and other payables	FLAC	184,587	151,333	184,587	151,333
Interest bearing loan	FLAC	107,045	102,545	107,045	102,545
Finance lease liability	FLAC	56,673	57,070	56,673	57,070
Other financial liabilities	HFT	23,689	2,471	23,689	2,471
Short-term borrowings	FLAC	234,300	236,300	234,300	236,300
Total		606,294	549,719	606,294	549,719
Loans and receivables	LAR	389,204	323,939	389,204	323,939
Available-for-sale investment	AFS	25,695	25,695	25,695	25,695
Financial instruments at fair value through profit and loss	HFT	16,930	8,577	16,930	8,577
Financial liabilities measured at amortised cost	FLAC	(582,605)	(547,248)	(582,605)	(547,248)
		(150,776)	(189,037)	(150,776)	(189,037)

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:

Cash and short-term deposits, trade and other receivables, trade and other payables 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 Group and the Company based on parameters such as interest rates, and individual creditworthiness of the customer and the risk characteristics of the financed project. As at 31 December 2014 and 2013, the carrying amounts of such receivables/borrowings were not materially different from their calculated fair values.

The Group and the Company enters into derivative financial instruments with various counterparties. Derivatives valued using valuation techniques with market observable inputs are mainly commodity forward contracts, futures contracts and foreign currency forward contracts. The most frequently applied valuation techniques are based on quoted market prices. Options are valued using industry standard option valuation models. The models incorporate various inputs including the interest rate curves and forward rate curves of the underlying commodity.

21 Additional disclosures on financial instruments (continued)

21.2 Fair values (continued)

The available-for-sale investment was recorded at fair value by reference to a sale transaction in 2012 with unrelated parties and, as such, is in Level 2 of the fair value hierarchy. This remains the most appropriate valuation method to fair value the investment in the absence of cash flow information.

Finance lease liabilities are estimated by discounting minimum lease payments using the Company's incremental borrowing rate.

Fair value hierarchy
The Group and the Company use 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 that the Group and the Company can access at the measurement date.

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 2014, the Group and the Company held the following financial instruments carried at fair value on the statement of financial position:

The Group		**Total £'000**	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**
Assets measured at fair value:					
Financial Assets					
Available-for-sale investment	2014	25,695	-	25,695	-
	2013	25,695	-	25,695	-
Trade and other receivables	2014	204,751	204,751	-	-
	2013	174,931	174,931	-	-
Other financial assets	2014	40,619	40,619	-	-
	2013	11,048	10,654	394	-
Non-current loan notes	2014	64,960	-	64,960	-
	2013	64,960	-	64,960	-
Cash & short term deposits	2014	46,273	46,273	-	-
	2013	7,613	7,613	-	-

21 Additional disclosures on financial instruments (continued)

21.2 Fair values (continued)

		Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Liabilities measured at fair value					
Financial Liabilities					
Trade and other payables	2014	187,290	187,290	-	-
	2013	156,306	156,306	-	-
Long term creditor	2014	561	-	561	-
	2013	810	-	810	-
Interest bearing loan	2014	107,045	-	107,045	-
	2013	102,545	-	102,545	-
Other financial liabilities	2014	23,689	18,568	5,121	-
	2013	2,471	2,191	280	-
Short-term borrowings	2014	234,300	-	234,300	-
	2013	236,300	-	236,300	-

The Company

		Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets measured at fair value:					
Financial Assets					
Available-for-sale investment	2014	25,695	-	25,695	-
	2013	25,695	-	25,695	-
Trade and other receivables	2014	206,545	206,545	-	-
	2013	178,301	178,301	-	-
Other financial assets	2014	40,619	40,619	-	-
	2013	11,048	10,654	394	-
Loans due from subsidiaries	2014	72,905	-	72,905	-
	2013	74,772	-	74,772	-
Non-current loan notes	2014	64,960	-	64,960	-
	2013	64,960	-	64,960	-
Cash & short term deposits	2014	44,794	44,794	-	-
	2013	5,906	5,906	-	-

21 Additional disclosures on financial instruments (continued)

21.2 Fair values (continued)

		Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Liabilities measured at fair value					
Financial Liabilities					
Trade and other payables	2014	184,587	184,587	-	-
	2013	151,333	151,333	-	-
Interest bearing loan	2014	107,045	-	107,045	-
	2013	109,845	-	109,845	-
Finance lease liability	2014	56,673	-	56,673	-
	2013	57,070	-	57,070	-
Other financial liabilities	2014	23,689	18,568	5,121	-
	2013	2,471	2,191	280	-
Short-term borrowings	2014	234,300	-	234,300	-
	2013	229,000	-	229,000	-

During the reporting period endings there were no transfers between Level 1 and Level 2. The valuation of all forward commodity contracts, foreign exchange contracts, futures contracts and options was performed on 31 December 2014.

21.3 Net gains on financial instruments

The net gains and losses from financial instruments are shown in the following table:

	CONSOLIDATED 2014 £'000	CONSOLIDATED 2013 £'000	THE COMPANY 2014 £'000	THE COMPANY 2013 £'000
Financial liabilities at amortised costs	6,323	4,237	9,838	7,916
Loans and receivables	5,390	4,866	8,443	7,521
Held for trading	29,272	1,801	29,272	1,801
	40,985	10,904	47,553	17,238

The net gains or losses from the loans and receivables category comprise of finance income and expected losses of receivables.

The net gains and losses in the held for trading category encompass both the changes in fair value of the forward commodity contracts, forward foreign exchange contracts, futures contracts and options.

The net gains or losses from financial liabilities at amortised costs essentially comprise of finance costs.

No gains or losses were recognised from Available-for-sale investments as there were no movement in fair value of this investment. The Group performed an impairment assessment on the investment as at 31 December 2014 and concluded that no impairment loss is required.

	CONSOLIDATED		THE COMPANY	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
22 Cash and short-term deposits				
Cash at banks	44,496	3,983	43,017	2,276
Cash deposits pledged	1,777	3,630	1,777	3,630
	46,273	7,613	44,794	5,906

Cash at banks earns interest at floating rates based on daily bank deposit rates.

The cash deposit amounting to £1.5 million (2013: £3.6 million) has been pledged to APX Commodities Limited and £0.3 million (2013: £0.1 million) with other institutions for gas delivery at the period ended 31 December 2014.

As at 31 December 2014, the Group and the Company had undrawn borrowing facilities of £27 million (31 December 2013: £25 million).

	CONSOLIDATED		THE COMPANY	
	2014	2013	2014	2013
23 Equity	Nr of shares	Nr of shares	Nr of shares	Nr of shares
	'000	'000	'000	'000
23.1 Issued capital				
Ordinary shares of £1 each	225,644	225,644	225,644	225,644

	CONSOLIDATED		THE COMPANY	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Ordinary shares issued and fully paid				
As at 1 January	225,644	129,364	225,644	129,364
Increase during the period	-	96,280	-	96,280
As at 31 December	225,644	225,644	225,644	225,644
23.2 Capital contribution reserve				
As at beginning of the year	3,085	4,866	4,967	4,866
Fair value adjustment on interest-free loans from related parties	(156)	-	-	-
Deferred tax (charge) / credit recognised through Reserves	(598)	(1,781)	101	101
As at end of the year	2,331	3,085	5,068	4,967

The capital contribution reserve arises on the revaluation of interest free loans from related parties. The fair value of these loans is calculated based on the present value of future cash payments discounted using the prevailing market rate of interest for similar instruments.

	CONSOLIDATED AND THE COMPANY	
	2014	2013
	£'000	£'000
24 Borrowings		
Unsecured: Non-current borrowings		
Shareholders loan notes	43,900	32,100
Term Loan A	9,125	16,425
Term Loan B	61,320	61,320
	114,435	109,845
Less: Short term portion	(7,300)	(7,300)
	107,045	102,545

The shareholders' loan notes of a maximum nominal amount of £50m of £1 Loan Notes is payable to PETRONAS LNG Sdn Bhd. This amount was available for issuance up to 31st December 2014 and is repayable five years from each drawdown date.

The remaining maturity for Term loan A as at 31 December are detailed in the table below:

	2014	2013
On demand within one year (Note 27)	7,300	7,300
More than one year and less than two years	1,825	7,300
More than two years but less than five years	-	1,825
	9,125	16,425

Term Loan B is repayable seven years from utilisation date.

25 Provisions

The Group	Abandonment Provision Oil Assets	Gas Assets	Total
	£'000	£'000	£'000
As 1 January 2013	2,215	4,372	6,587
Unwinding of discount	99	192	291
At 31 December 2013	2,314	4,564	6,878
Change in discount rate and inflation rate	751	290	1,041
Unwinding of discount	102	202	304
At 31 December 2014	3,167	5,056	8,223

The Group acquired ring fenced oil assets in December 2011. The Group has obligations to reinstate and abandon its gas assets and oil wells at the end of their useful life. A detailed estimation was made by the Group in 2011 and a detailed estimate is commissioned every 5 years, with the next report scheduled for 2016. The report provides an estimate of the costs associated with well abandonment, site clearance and restoration costs. Operational activities are controlled by a number of pieces of UK legislation and also a range of Government Agencies. These include Department of Energy and Climate Control licence conditions, Health and Safety Executive Borehole Regulations, Offshore Installation and Well (Design and Construction, etc), Regulations, UKOOG Well Abandonment and suspension guidelines, Town and country planning acts and Environmental Protection permits.

The rational and assumptions made in the individual cost estimates are further detailed in each section of the report with supporting evidence and reports provided where necessary.

In order to create an abandonment provision the estimated current value of abandonment has been inflated by 1.0% until the end of the expected life of the plant and discounted by the cost of risk free capital (UK Gilts maturing in 2036) of 2.62%. The abandonment is expected to be completed by the end of the lifetime of the assets which is currently expected to be in 2037.

26 Trade and other payables

26.1 Long-term creditor

	CONSOLIDATED 2014 £'000	CONSOLIDATED 2013 £'000
Balance 1 January	810	1,119
Unwinding of discount	83	24
Payments	(332)	(333)
Balance at 31 December	561	810

In August 2011 the Company agreed a settlement with Basingstoke and Dean for outstanding rates payable following the 2005 rating assessment, being the Company's first assessment of the gas storage facilities. The outstanding balance has been scheduled to be paid over 8 years.

26.2 Trade and other payables (current)

	CONSOLIDATED 2014 £'000	CONSOLIDATED 2013 £'000	THE COMPANY 2014 £'000	THE COMPANY 2013 £'000
Payables	2,022	2,570	1,233	1,957
Other related parties	2,104	5,743	1,817	7,756
Trade accruals	181,234	145,918	179,607	139,545
Other accruals	1,930	2,075	1,930	2,075
	187,290	156,306	184,587	151,333

Trade payables and related party payables are non-interest bearing and are normally settled on 30 day terms or sooner. Other payables are non-interest bearing and have an average term of six months.

For explanations on the Company's credit risk management processes, refer to Note 30

27 Short term borrowings

	CONSOLIDATED 2014 £'000	CONSOLIDATED 2013 £'000	THE COMPANY 2014 £'000	THE COMPANY 2013 £'000
Revolving credit and trade finance facilities	227,000	229,000	227,000	229,000
Short term portion of term loan A (Note 23)	7,300	7,300	7,300	7,300
	234,300	236,300	234,300	236,300

The revolving credit and trade finance facilities are payable to external banks. These are short term, unsecured loans.

28 Related party disclosure

The following companies are related parties to the immediate parent undertaking, PETRONAS LNG Sdn Bhd and the ultimate parent undertaking, Petroliam Nasional Berhad. Amounts owed by / to related parties are classified as trade receivables and trade payables respectively.

		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 Company): UK					
The Group and the	2014	84	27,112	16	-
Company	2013	228	29,297	-	-
Milford Energy Trading Limited					
50% shareholding by PICL(Associated Company): UK					
The Group and the					
Company	2014	49	-	-	-
	2013	-	-	-	49
Petroliam Nasional Berhad					
Ultimate parent undertaking: Malaysia					
The Group and the					
Company	2014	-	31	-	66
	2013	-	83	-	3,345
PETRONAS LNG Sdn Bhd					
Parent company of PETL: Malaysia					
The Group and the					
Company	2014	28,318	566	-	43,900
	2013	30,582	547	2,600	32,100
Pacific Northwest LNG Ltd					
Majority owned by PETRONAS: Malaysia					
The Group and the					
Company	2014	5,188	-	1,544	-
	2013	1,594	-	348	-
PETRONAS International Corporation Limited					
Previous parent company: PETRONAS Malaysia					
The Group and the					
Company	2014	-	-	-	-
	2013	-	-	-	5
PETRONAS LNG (UK) Ltd					
Wholly-owned by PLSB: Malaysia					
The Group and the					
Company	2014	737	23,770	129	-
	2013	735	23,443	195	27

28 **Related party disclosure (continued)**

		Sales to related parties £'000	Purchases from related parties £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
PSE Kinsale Energy Limited					
Wholly-owned by PETRONAS: Malaysia					
The Group	2014	2,101	8,112	14	2,883
	2013	-	8,267	-	2,315
Humbly Grove Energy Limited					
Wholly-owned by PETL: UK					
The Company	2014	3,097	16,430	67,368	1,752
	2013	2,524	9,445	74,444	2,013
Humbly Grove Energy Services Limited					
Wholly-owned by PETL: UK					
The Company	2014	-	-	10,492	-
	2013	388	-	10,088	-
MPF Investments					
14.1% owned by PETL: UK					
The Company	2014	5,368	-	75,007	-
	2013	-	-	-	-
PETRONAS Floating LNG (1) Limited					
Wholly-owned by PLSB: Malaysia					
The Company	2014	1	-	1	-
	2013	-	-	-	-
Key management					
Directors remuneration and benefits					
Consolidated	2014	-	844	-	-
	2013	-	595	-	-
The Company	2014	-	643	-	-
	2013	-	409	-	-

In 2014 PETRONAS Energy Trading Limited purchased 10 million therms of gas from Humbly Grove Energy Limited at the prevailing market rate. This £4.8 million transaction is included in the purchases from related parties.

29 **Immediate and ultimate parent undertaking**

On 9th August 2011, the control of the Company changed and the 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.

30 Financial risk management objectives and policies

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

The Group and the Company are exposed to:
- Market risk
- Credit risk
- Liquidity risk

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 2014 and 31 December 2013 respectively.

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.

Interest rate sensitivity
The following 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 20 basis points (2013 – 30 basis points) in interest rates at the reporting date would have increased the loss before taxation by £567,548 (31 December 2013: £426,840). A reduction of 20 basis points (2013 – 30 basis points) in interest rates at the reporting date would have decreased the loss before taxation by £567,548 (31 December 2013: £426,840). 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 Group's and the Company's future performance and results of the Group's and the Company's operations. A decline in the prices could result in a decrease in net income and cash flows. The Group and the Company assess on regular basis the potential scenarios of future fluctuation in commodity prices and their impacts on operation and investment decisions.

Foreign currency exchange risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's and the Company's exposure to the risk of changes in foreign exchange rates relates primarily to the operating activities (when revenue or expenses is denominated in a different currency from the presentation currency).

The Group and the Company manages its foreign currency risk by hedging transactions. The Group and the Company hedges its exposure to fluctuations on the translation into euros of its foreign operations by using foreign currency forward contracts.

30 Financial risk management objectives and policies (continued)

Foreign currency exchange risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in Euro and GBP exchange rates, with all other variables held constant. The impact on the Company's loss before taxation is due to changes in the fair value of monetary assets and liabilities. The Company's exposure to foreign currency changes for all other currencies is not material.

	Change in Euro rate	Effect on loss before taxation for 31 December 2014	Effect on loss before taxation for 31 December 2013
Foreign exchange rates	+20% / +10%	(1,213)	(4,341)
	-20% / -10%	1,213	4,341

Commodity price sensitivity

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

	Change in year-end price	Effect on loss before taxation for 31 December 2014	Effect on loss before taxation for 31 December 2013
Gas Prices	+20% / +10%	(20,069)	(20,106)
	-20% / -10%	20,069	20,106

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 Company's maximum agreed credit with counterparties is £90 million.

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 Management on an annual basis. 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 20.

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.

30 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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

The Group:

	On demand	Less than 3 months	3 to 12 months	Greater than 1 year	Total
	£'000	£'000	£'000	£'000	£'000
As at 31 December 2014					
Interest bearing loan	-	-	7,300	107,045	114,345
Trade and other payables	187,290	-	-	-	187,290
Financial derivatives	8,693	5,931	6,819	2,246	23,689
Long term creditor	-	-	344	560	904
Short term borrowings	-	227,000	-	-	227,000
	195,983	232,931	14,463	109,851	553,228
As at 31 December 2013					
Interest bearing loan	-	-	7,300	102,545	109,845
Trade and other payables	156,306	-	-	-	156,306
Financial derivatives	501	605	571	794	2,471
Long term creditor	-	-	333	810	1,143
Short term borrowings	-	229,000	-	-	229,000
	156,807	229,605	8,204	104,149	498,765

The Company:

	On demand	Less than 3 months	3 to 12 months	Greater than 1 year	Total
As at 31 December 2014					
Interest bearing loan	-	-	7,300	107,045	114,345
Finance lease liability	-	1,114	3,344	109,086	113,544
Trade and other payables	184,587	-	-	-	184,587
Financial derivatives	8,693	5,931	6,819	2,246	23,689
Short term borrowings	-	227,000	-	-	227,000
	193,280	234,045	17,463	218,377	663,165
As at 31 December 2013					
Interest bearing loan	-	-	7,300	102,545	109,845
Finance lease liability	-	1,098	3,294	113,544	117,936
Trade and other payables	151,333	-	-	-	151,333
Financial derivatives	501	605	571	794	2,471
Short term borrowings	-	229,000	-	-	229,000
	151,834	230,703	11,165	216,883	610,585

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.

30 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The Group and the Company	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	Total £'000
As at 31 December 2014					
Inflows	12,655	17,560	6,710	3,693	40,618
Outflows	(8,693)	(5,930)	(6,819)	(2,246)	(23,688)
Net	3,962	11,630	(109)	1,447	16,930
As at 31 December 2013					
Inflows	3,396	6,178	1,664	(190)	11,048
Outflows	(501)	(605)	(571)	(794)	(2,471)
Net	2,895	5,573	1,093	(984)	8,577

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.

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.

	CONSOLIDATED 2014 £'000	CONSOLIDATED 2013 £'000	THE COMPANY 2014 £'000	THE COMPANY 2013 £'000
Interest-bearing loans and borrowings (Note 24, 27)	341,345	338,845	341,345	338,845
Trade and other payables (Note 26)	187,290	156,306	184,587	151,333
Long term creditor (Note 26)	561	810	-	-
Less: cash and short-term deposits (Note 22)	(46,273)	(7,613)	(44,794)	(5,906)
Net debt	482,923	488,348	481,138	484,272
Equity				
Total Capital	78,586	109,011	115,828	133,900
Capital and net debt	561,509	597,359	596,966	618,172
Gearing ratio	86%	82%	81%	78%

31 Events after the reporting period

From 1 January 2015 the purchase of LNG from PETRONAS LNG (UK) Limited ("PLUK") for storage in the Dragon LNG facility and subsequent resale has been restructured. LNG Investments Europe Limited ("LIEL") has been incorporated to purchase the LNG from PLUK and pay the costs associated with the storage and transportation of the gas. The Company will sell the regasified LNG from LIEL into the market for which they receive administration, operational flow and optimisation income.

The restructure transfers the future risk and benefits associated with the trading of LNG through Dragon LNG from the Company to LIEL. During January 2015, the Company entered into forward purchase contracts with LIEL to match existing 3rd party sales and sold the corresponding LNG inventory and tank heel to LIEL for £15.6 million. The January restructuring transactions have no effect on the results of the Group and the Company.

LIEL and the Company are both wholly owned subsidiaries of PETRONAS LNG Sdn Bhd ("PLSB").

There are no other events since the balance sheet date that materially affect the position of the Company or the Group.