

Centrica LNG Company Limited

**Annual Report and Financial Statements
For the period ended 31 December 2008**

Registered Number: 06366483

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Centrica LNG Company Limited

	Page
Directors' report for the period ended 31 December 2008	2
Independent auditors' report	5
Profit and Loss Account for the period ended 31 December 2008	6
Balance Sheet as at 31 December 2008	7
Notes to the financial statements for the period ended 31 December 2008	8

Centrica LNG Company Limited

Directors' report for the period ended 31 December 2008

The Directors present their report and audited financial statements of Centrica LNG Company Limited ('the Company') for the period ended 31 December 2008.

Principal activities

The principal activity of the Company is the importation of liquefied natural gas ('LNG') into the UK and the trading of LNG and gas.

The Company was incorporated on 11 September 2007. On incorporation, the Company's year end was set for 31 December and these financial statements are therefore drawn up for the 15 month and 19 day period ended 31 December 2008.

Review of business and future developments

The business has the use of capacity at the National Grid LNG re-liquefaction facility located at the Isle of Grain. This facility was commissioned in December 2008 and the Company took delivery of its first cargo at the end of 2008. The Directors continue to evaluate options for expansion of the Company's interests into other parts of the LNG supply chain.

Results and dividends

The loss on ordinary activities after taxation for the period ended 31 December 2008 is £10,054,000 as set out on page 6. The Directors do not recommend the payment of a dividend.

The financial position of the Company is presented in the balance sheet on page 7. Shareholders' deficit at 31 December 2008 was £10,054,000.

Principal risks and uncertainties

The following comprises the principal risks and uncertainties identified by the Board in respect of the company and the execution of its strategy. This is not an exhaustive list and only concerns the principal risks and uncertainties identified at the date of approval of the report and accounts. Risks are formally reviewed by the Board and appropriate processes are put in place to monitor and mitigate them. These include a number of risks in respect of movements in commodity prices and currency rates which influence the attractiveness of the UK market to potential suppliers of LNG cargos. The supply of cargos of LNG on the world market is influenced by amongst other factors; global economic activity, new LNG facilities (both liquefaction and re-gasification), and weather.

Key performance indicators ('KPIs')

Given the straightforward nature of the business, the Company's Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Directors

The Directors who served during the period and as at the date of this report were as follows:

	Date of Appointment	Date of Resignation
RM Nominees Limited	11 September 2007	11 September 2007
Andrew Le Poidevin	11 September 2007	
Jake Ulrich	11 September 2007	31 July 2008
Simon Bonini	12 November 2007	
Mark Hanafin	31 July 2008	

Political and charitable donations

The Company made no political or charitable donations during the period.

Centrica LNG Company Limited

Directors' report for the period ended 31 December 2008 (continued)

Directors' and officers' liability

Directors' and officers' liability insurance has been purchased by the ultimate parent company, Centrica plc, and was in place throughout the period under review. The insurance does not provide cover in the event that the director is proved to have acted fraudulently.

Risk management

The Directors have established objectives and policies for managing financial risks to enable the Company to achieve its long-term shareholder value growth targets within a prudent risk management framework. These objectives and policies are regularly reviewed. Exposure to commodity price risk, counterparty credit risk, foreign exchange risk and liquidity risk arises in the normal course of the Company's business. The most significant risks faced by the Company in the period related to commodity price risk, liquidity risk and foreign currency exchange risk:

- Derivative financial instruments are entered into to reduce exposure to fluctuations in commodity prices. The Company's policy is to actively manage commodity price risk by hedging the exposure for a number of months ahead in order to match the underlying profiles of LNG purchase volumes and prices.
- Cash forecasts identifying the liquidity requirements of the Company are produced frequently and reviewed regularly. Liquidity risk is managed through funding arrangements with other Centrica group companies.
- Forward foreign exchange contracts are entered into to reduce exposure to fluctuations in foreign exchange rates. The Company's policy is to actively manage cash flow risk associated with changes in foreign exchange rates by swapping floating exchange rate flows into fixed-rate foreign exchange flows (refer to note 1 and 12 for details).

The Company does not take part in hedging of any kind, other than with respect to commodity price risk and foreign currency exchange risk.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Centrica LNG Company Limited

Directors' report for the period ended 31 December 2008 (continued)

Disclosure of information to auditors

Each of the Directors who held office at the date of approval of this Directors' report confirm that so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware and they have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

This report was approved by the Board on 22 May 2009.



For and on behalf of Centrica Secretaries Limited
Company Secretary

Registered Office:
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Centrica LNG Company Limited

Independent Auditors' report to the Members of Centrica LNG Company Limited

We have audited the financial statements of Centrica LNG Company Ltd for the period ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
22 May 2009

Centrica LNG Company Limited

Profit and Loss Account for the period ended 31 December 2008

		15 months and 19 days ended 31 Dec 2008
	Note	£'000
Turnover		12,419
Cost of sales	2	(20,462)
Gross loss		(8,043)
Operating costs	3	(2,011)
Operating loss		(10,054)
Loss on ordinary activities before taxation		(10,054)
Tax on loss on ordinary activities	6	-
Loss for the financial period		(10,054)

The Company has no recognised gains and losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the loss for the period stated and their historical cost equivalents.

All activities relate to continuing operations.

The notes on pages 8 to 12 form part of these financial statements.

Centrica LNG Company Limited

Balance Sheet as at 31 December 2008

	Note	31 December 2008 £'000
Current assets		
Inventories		27,114
Debtors	7	1
Cash and cash equivalents		114
		<u>27,229</u>
Creditors – amounts falling due within one year	8	(37,283)
Net current liabilities		<u>(10,054)</u>
Net liabilities		<u>(10,054)</u>
Capital and reserves		
Called-up share capital	9	-
Profit and loss reserve	10	(10,054)
Equity shareholders' deficit	11	<u>(10,054)</u>

The notes on pages 8 to 12 form part of these financial statements.

The financial statements on pages 6 to 12 were approved and authorised for issue by the Board of Directors on 22 May 2009 and were signed on its behalf by:



Andrew Le Poidevin
Director

Centrica LNG Company Limited

Notes to the Financial Statements for the period ended 31 December 2008

1 Principal accounting policies

Accounting principles

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the applicable United Kingdom Accounting Standards and the Companies Act 1985. The principal accounting policies are set out below.

Basis of preparation

On incorporation the Company set its year end for 31 December and these financial statements are therefore drawn up for the 15 month and 19 day period ended 31 December 2008.

The Directors believe that the going concern basis is applicable for the preparation of the accounts as the ultimate parent company, Centrica plc, has confirmed its present intention to provide financial support such that the Company is able to repay its liabilities as they fall due. In particular the amounts owed to Group undertakings will not be required to be repaid for the foreseeable future.

Turnover

Turnover is recognised when title over the LNG or gas passes to the customer. At this point the Company has performed its contractual obligations and obtains a right to receive consideration. Turnover related to the sale of gas and LNG is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Cost of sales

Cost of sales includes the cost of LNG sold during the period, foreign currency translation differences (see 'Foreign currency' below) and related transportation, material, capacity and service costs.

Inventories

Inventories of LNG are finished goods and valued on a weighted average basis, at the lower of cost and estimated net realisable value. Net realisable value is determined by reference to existing forward sales prices and forward prices on the dates that the inventory is expected to be delivered.

Foreign currency

The financial statements of the Company are presented in pounds sterling, which is the Company's functional currency. Transactions in foreign currencies are initially recorded at either the functional currency rate ruling at the date of the transaction or the rate that they have been hedged at using forward contracts (see 'Derivative financial instruments' below). Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are included in the Profit and Loss Account for the period. Non-monetary items that are measured in terms of historical cost in a currency other than the functional currency of the Company are translated using the exchange rates as at the dates of the initial transactions.

Centrica LNG Company Limited

Notes to the Financial Statements for the period ended 31 December 2008 (continued)

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated, but not reversed, at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred at the balance sheet date.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits in the foreseeable future from which the reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Cash flow statement and related party disclosures

The Company is a wholly-owned subsidiary of GB Gas Holdings Limited and is included in the consolidated financial statements of Centrica plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard No.1 'Cash Flow Statements'. The Company is also exempt under the terms of Financial Reporting Standard No.8 'Related Party Disclosures' from disclosure of transactions with other companies that are part of the Centrica plc group.

Derivative financial instruments

The Company has entered into forward foreign exchange and forward physical gas contracts to economically hedge its foreign exchange exposure on payments made to foreign suppliers, and commodity price exposure. Changes in the derivatives' fair value are not recognised (note 12). Realised gains and losses are recognised within either turnover or cost of sales as appropriate.

2 Cost of sales

15 months and 19 days
ended 31 Dec 2008
£'000

Cost of sales is stated after crediting/(charging):

Exceptional items: Inventory writedowns as a result of a review of forward gas prices as at end of the period in order to determine the net realisable value.

(8,386)

Foreign exchange gain

5

3 Operating costs

Auditor's fees of £8,000 for the audit of the UK GAAP statutory accounts of Centrica LNG Company Limited are borne by Centrica plc.

Centrica LNG Company Limited

Notes to the Financial Statements for the period ended 31 December 2008 (continued)

4 Directors' emoluments

None of the Directors received any remuneration in respect of their services to the Company during the year.

Mark Hanafin is also a Director of the ultimate parent company and his remuneration for services to the Group as a whole is shown in Centrica plc's Annual Report and Accounts for the year ended 31 December 2008. He is entitled to a salary supplement in lieu of pension provision under the terms of contract of employment with the ultimate parent company.

The emoluments of the Directors are paid by a Group undertaking and are deemed by them to be wholly attributable to their services to that undertaking. Accordingly no details in respect of their emoluments have been included in these financial statements.

5 Employee information

The Company has no employees and no staff costs.

6 Tax on loss on ordinary activities

(a) Analysis of tax charge for the period

15 months and 19 days
ended 31 Dec 2008
£'000

The tax charge comprises :

Current tax	
- UK corporation tax at 28.5%	-
Deferred tax	
- Origination and reversal of timing differences	-
Total tax on loss on ordinary activities	-

(b) Factors affecting the tax charge for the

The difference between the current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

15 months and 19 days
ended 31 Dec 2008
£'000

Loss on ordinary activities before tax	(10,054)
Tax on loss on ordinary activities at standard UK corporation tax rate of 28.5%	(2,865)
Effects of:	
UK:UK transfer pricing adjustment	(7)
Group relief for nil consideration	2,873
Current tax charge for the period	-

There is no deferred tax (either recognised or unrecognised) in the current period.

Centrica LNG Company Limited

Notes to the Financial Statements for the period ended 31 December 2008 (continued)

7 Debtors

	2008 £'000
VAT recoverable	<u>1</u>

8 Creditors - amounts falling due within one year

	2008 £'000
Trade creditors	(2,761)
Amounts owed to group companies	<u>(34,522)</u>
	<u>(37,283)</u>

9 Called-up share capital

	2008 £
Authorised	
1,000,000 ordinary shares of £1 each	<u>1,000,000</u>
Allotted and fully paid	
2 ordinary shares of £1 each	<u>2</u>

10 Reserves

	Profit & Loss Account £'000	Total £'000
As at 11 September 2007	-	-
Loss for the financial period	<u>(10,054)</u>	<u>(10,054)</u>
As at 31 December 2008	<u>(10,054)</u>	<u>(10,054)</u>

11 Reconciliation of movements in equity shareholders' deficit

	2008 £'000
Opening equity shareholders' funds	-
Issue of share capital	-
Loss for the financial period	<u>(10,054)</u>
Closing equity shareholders' deficit	<u>(10,054)</u>

Centrica LNG Company Limited

Notes to the Financial Statements for the period ended 31 December 2008 (continued)

12 Financial instruments

In accordance with Statutory Instrument 04/2947 of the Companies Act 1985, the fair values of the Company's financial instruments are analysed below. These amounts are not included in the balance sheet as the company has not early adopted FRS26 'Financial Instruments: Recognition and Measurement'.

	2008 £'000
Derivative financial instruments	
Energy derivatives - financial assets	5,014
Foreign exchange swaps - financial assets	141
	<u>5,155</u>

13 Capital commitments

The Company had no capital commitments at the end of the period.

14 Operating lease commitments

The Company had no operating lease commitments at the end of the period.

15 Ultimate parent undertaking

The immediate parent undertakings are GB Gas Holdings Limited which owns 100% of the issued ordinary share capital.

The ultimate holding company is Centrica plc which is incorporated in England and Wales.

The consolidated accounts of this group are available to the public from Centrica plc, Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD.