

Registered Number: 06366483

Centrica LNG Company Limited

**Annual Report and Financial Statements
For the Year Ended 31 December 2010**

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Centrica LNG Company Limited

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Centrica LNG Company Limited

Directors' Report for the Year Ended 31 December 2010

The Directors present their report and the audited financial statements of Centrica LNG Company Limited ('the Company') for the year ended 31 December 2010

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

Business review

The business has the use of capacity at the National Grid LNG re-liquefaction facility located at the Isle of Grain. The Company took delivery of 23 cargoes during 2010 (2009: 15). No cargo diversions were agreed in 2010 (2009: 4).

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 cargoes. The supply of cargoes 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.

In addition to operating profit, the Company monitors the number of cargoes it secures and the associated volumes of gas sold through the market. In 2010 these indicators were in line with management expectations (2009: same).

The Company has taken advantage of the provisions of the Companies Act 2006 (the 'Act') to abolish the requirement to have an authorised share capital. A Special Resolution was passed by the Company's sole member on 19 January 2010 to delete all provisions of the Company's Memorandum of Association which, by virtue of section 28 of the Act, were treated as provisions of the Company's Articles of Association and then by adopting new Articles of Association.

Future developments

On 21 April 2011, Centrica plc, the Company's ultimate parent undertaking, entered into a three year contract for the delivery of 7.2 million tonnes of LNG by Qatargas to the Isle of Grain facility.

The Directors continue to evaluate options for expansion of the Company's interests into other parts of the LNG supply chain.

Financial 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.

Centrica LNG Company Limited

Directors' Report for the Year Ended 31 December 2010 (continued)

- 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 14 for details)

The Company undertakes hedging in respect of commodity price risk and foreign currency exchange risk only

Results and dividends

The results of the Company are set out on page 6

The loss on ordinary activities after taxation for the year ended 31 December 2010 is £8,508,000 (2009 £3,311,000)

No dividends were paid during the year and the Directors do not recommend the payment of a final dividend (2009 £nil)

Financial position

The financial position of the Company is presented in the balance sheet on page 7. Shareholder deficit at 31 December 2010 was £21,873,000 (2009 £13,365,000)

Directors

The following served as Directors during the year and up to the date of signing this report

Andrew Le Poidevin

Mark Hanafin

Ian Wood (appointed 22 October 2010)

Simon Bonini (resigned 22 October 2010)

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 year under review. The insurance does not provide cover in the event that the director is proved to have acted fraudulently.

Creditor payment policy

It is the Company's policy to pay all of its creditors in accordance with the policies set out below

- agree the terms of payment in advance with the supplier,
- ensure that suppliers are aware of the terms of payment, and
- pay in accordance with contractual and other legal obligations

The number of days' purchases outstanding as at 31 December 2010 was 11 days (31 December 2009 36 days)

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair value of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to

Centrica LNG Company Limited

Directors' Report for the Year Ended 31 December 2010 (continued)

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 27 June 2011.



For and on behalf of Centrica Secretaries Limited
Company Secretary

27 June 2011

Company registered in England and Wales 06366483

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 Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Richard French (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28 June 2011

Centrica LNG Company Limited

Profit and Loss Account for the Year Ended 31 December 2010

		Year ended 31 Dec 2010	Year ended 31 Dec 2009
	Note	£'000	£'000
Turnover		487,144	265,050
Cost of sales		(488,328)	(265,280)
Gross (loss)		<u>(1,184)</u>	<u>(230)</u>
Operating costs		(5,944)	(3,041)
Operating (loss)	3	<u>(7,128)</u>	<u>(3,271)</u>
Interest payable and similar charges	6	(1,380)	(40)
(Loss) on ordinary activities before taxation		<u>(8,508)</u>	<u>(3,311)</u>
Tax on loss on ordinary activities	7	-	-
(Loss) for the financial year		<u><u>(8,508)</u></u>	<u><u>(3,311)</u></u>

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 year stated and their historical cost equivalents

All activities relate to continuing operations

The notes on pages 8 to 14 form part of these financial statements

Centrica LNG Company Limited

Balance Sheet as at 31 December 2010

		31 Dec 2010	31 Dec 2009
	Note	£'000	£'000
Intangible assets	8	4,303	4,634
Current assets			
Stock		16,431	14,541
Debtors (i)	9	67,920	669
Cash and cash equivalents		555	640
		<u>84,906</u>	<u>15,850</u>
Creditors – Amounts falling due within one year (i)	10	(111,082)	(33,849)
Net current liabilities		<u>(26,176)</u>	<u>(17,999)</u>
Net liabilities		<u>(21,873)</u>	<u>(13,365)</u>
Capital and reserves			
Called-up share capital	11	-	-
Profit and loss reserve	12	(21,873)	(13,365)
Equity shareholders' deficit	13	<u>(21,873)</u>	<u>(13,365)</u>

The notes on pages 8 to 14 form part of these financial statements.

The financial statements on pages 6 to 14 were approved and authorised for issue by the Board of Directors on 27 June 2011 and were signed on its behalf by



Andrew Le Poidevin
Director

Centrica LNG Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2010

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 2006. The principal accounting policies are set out below.

Basis of preparation

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. 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 turnover can be reliably measured. Payments received from and paid to LNG counterparties in lieu of cargo delivery are also recognised within turnover. Gas sales and purchases to optimise the performance of the LNG terminal are presented net within turnover. LNG in store trades will be treated in one of two ways, for short-term trades, where there is a connected sale and purchase, the transaction is presented net within turnover, consistent with optimisation activity and for trades where there is no connected sale and purchase, sales will be recognised as turnover and purchases as stock transactions.

Cost of sales

Cost of sales includes the cost of LNG sold during the period and related transportation, material, capacity and service costs.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation. Amortisation is charged on all intangible assets and is provided at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life as follows for these asset classes:

- Rights to use the nitrogen plant 15 years

Stock

Stocks 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 contracted forward sales prices and forward prices on the dates that the stock is expected to be sold.

Centrica LNG Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2010 (continued)

1 Principal accounting policies (continued)

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 exchange 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 exchange rate ruling at the balance sheet date. All differences are included in the Profit and Loss Account for the period.

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.

Centrica LNG Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2010 (continued)

2 Segmental reporting

All turnover relates to the principal activity of the business and occurs wholly in the United Kingdom

3 Operating loss

	Year ended 31 Dec 2010	Year ended 31 Dec 2009
	£'000	£'000
Operating loss is stated after (charging):		
Amortisation	(331)	(331)
Auditors' remuneration:		
Statutory audit	<u>(11)</u>	<u>(11)</u>

Auditors' remuneration of £11,000 (2009 £11,000) relates to fees for the audit of the UK GAAP statutory accounts of Centrica LNG Company Limited and includes fees in relation to the audit of the IFRS group consolidation schedules, for the purpose of the Centrica Group audit, which also contribute to the audit of Centrica LNG Company Limited

4 Directors' emoluments

None of the Directors received any remuneration in respect of their services to the Company during the year (31 December 2009 £nil)

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 2010

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 Interest payable and similar charges

	Year ended 31 Dec 2010	Year ended 31 Dec 2009
	£'000	£'000
Bank interest and other charges	38	40
Interest payable to group undertakings	<u>1,342</u>	<u>-</u>
	<u><u>1,380</u></u>	<u><u>40</u></u>

Centrica LNG Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2010 (continued)

7 Tax on loss on ordinary activities

(a) Analysis of tax charge for the period

	Year ended 31 Dec 2010	Year ended 31 Dec 2009
	£'000	£'000
The tax charge comprises :		
Current tax		
- UK corporation tax at 28% (31 December 2009 28%)	-	-
Deferred tax		
- Origination and reversal of timing differences	-	-
Total tax on loss on ordinary activities	-	-

(b) Factors affecting the tax charge for the period

The difference between the total 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

	Year ended 31 Dec 2010	Year ended 31 Dec 2009
	£'000	£'000
Loss on ordinary activities before tax	(8,508)	(3,311)
Tax on loss on ordinary activities at standard UK corporation tax rate of 28% (31 December 2009 28%)	(2,382)	(927)
Effects of		
UK UK transfer pricing adjustment	2,253	(98)
Group relief for nil consideration	129	1,025
Current tax charge for the period	-	-

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

A number of changes to the UK corporation tax system were announced in the March 2011 Budget Statement. The main rate of corporation tax reduced from 28% to 26% from 1 April 2011 and was substantively enacted on 29 March 2011. An initial reduction of 1% to 27% effective from 1 April 2011 was enacted by Finance (No 2) Act 2010 and is therefore taken into account in these financial statements. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014, and the reduction to 25% from 1 April 2012 is expected to be enacted by Finance Act 2011. Beyond the reduction to 27%, the changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The impact of these changes on the deferred tax balances is not expected to be material.

Centrica LNG Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2010 (continued)

8 Intangible assets

	Usage rights £'000	Total £'000
Cost		
At 1 January and 31 December 2010	<u>4,965</u>	<u>4,965</u>
Accumulated amortisation		
At 1 January 2010	(331)	(331)
Charge for the year	<u>(331)</u>	<u>(331)</u>
At 31 December 2010	<u>(662)</u>	<u>(662)</u>
Net book amount		
At 31 December 2010	<u>4,303</u>	<u>4,303</u>
At 31 December 2009	<u>4,634</u>	<u>4,634</u>

9 Debtors

	31 Dec 2010 £'000	31 Dec 2009 £'000
Trade debtors	973	-
Amounts owed by Group undertakings	66,098	-
VAT recoverable	605	357
Prepayments	<u>244</u>	<u>312</u>
	<u>67,920</u>	<u>669</u>

The amounts owed by Group undertakings are unsecured, interest-free and repayable on demand

10 Creditors - amounts falling due within one year

	31 Dec 2010 £'000	31 Dec 2009 £'000
Trade creditors	(27,557)	(25,699)
Amounts owed to Group undertakings	<u>(83,525)</u>	<u>(8,150)</u>
	<u>(111,082)</u>	<u>(33,849)</u>

The amount payable to Group undertakings includes £95,329,000 (2009: £nil), which has been netted against the other group balances, bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 1.32% and 2.11% per annum during 2010 (2009: nil). The remaining amounts owed to Group undertakings are interest-free. All amounts payable to Group undertakings are unsecured and repayable on demand.

Centrica LNG Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2010 (continued)

11 Called-up share capital

	31 Dec 2010 £	31 Dec 2009 £
Authorised		
Nil ordinary shares of £1 each (2009	-	1,000,000
1,000,000 ordinary shares of £1 each)		
Allotted and fully paid		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

The Company has taken advantage of the provisions of the Companies Act 2006 (the 'Act') to abolish the requirement to have an authorised share capital. A Special Resolution was passed by the Company's sole member on 19 January 2010 to delete all provisions of the Company's Memorandum of Association which, by virtue of Section 28 of the Act, were treated as provisions of the Company's Articles of Association and then by adopting new Articles of Association.

12 Reserves

	Profit & Loss Account £'000	Total £'000
As at 1 January 2010	(13,365)	(13,365)
Loss for the year	<u>(8,508)</u>	<u>(8,508)</u>
As at 31 December 2010	<u>(21,873)</u>	<u>(21,873)</u>

13 Reconciliation of movements in equity shareholders' deficit

	31 Dec 2010 £'000	31 Dec 2009 £'000
Opening equity shareholders' deficit	(13,365)	(10,054)
Loss for the year	<u>(8,508)</u>	<u>(3,311)</u>
Closing equity shareholders' deficit	<u>(21,873)</u>	<u>(13,365)</u>

14 Derivative financial instruments

Derivative financial instruments are recorded at nil in these financial statements as the company has not implemented FRS 26 (Financial Instruments Recognition and Measurement). The fair value of the Company's financial instruments are

	31 Dec 2010 £'000	31 Dec 2009 £'000
Derivative financial instruments		
Energy derivatives - financial assets	-	54,279
Energy derivatives - financial liabilities	(3,216)	-
Foreign exchange swaps - financial assets	575	27
Foreign exchange swaps - financial liabilities	<u>(11)</u>	<u>(8,461)</u>
	<u>(2,652)</u>	<u>45,845</u>

Centrica LNG Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2010 (continued)

15 Capital commitments

The Company had no capital commitments at the end of the year (31 December 2009 £nil)

16 Operating lease commitments

The Company had no operating lease commitments at the end of the year (31 December 2009 £nil)

17 Going concern

The Directors have considered the application of the going concern basis of accounting and believe that for the foreseeable future the Company will have adequate resources to meet its liabilities as they fall due. In making this assessment the Directors of the Company have considered the intentions of the directors of Centrica plc, the ultimate parent undertaking, to provide financial support to the Company in the conduct of its ordinary business operations for a period of at least 12 months from the date of approval of these financial statements.

18 Ultimate parent undertaking

The immediate parent undertaking is GB Gas Holdings Limited, a company registered in England and Wales.

The ultimate parent undertaking and ultimate controlling party is Centrica plc, a company registered in England and Wales. Centrica plc is the largest and smallest group to consolidate the financial statements of Centrica LNG Company Limited.

Copies of the Annual Report and Accounts of Centrica plc may be obtained from www.centrica.com.

19 Post balance sheet events

On 21 April 2011, Centrica plc, the Company's ultimate parent undertaking, entered into a three year contract for the delivery of 7.2 million tonnes of LNG by Qatargas to the Isle of Grain facility.