

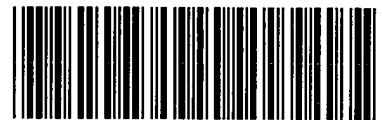
Registration number: 06366483

Centrica LNG Company Ltd

Annual Report and Financial Statements

for the Year Ended 31 December 2015

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Centrica LNG Company Ltd

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Centrica LNG Company Ltd

Strategic Report for the Year Ended 31 December 2015

The Directors present the Strategic Report of Centrica LNG Company Limited ('the Company') for the year ended 31 December 2015.

Review of the business

The Company's Financial Statements have been prepared in accordance with Financial Reporting Standard 101: Reduced Disclosures Framework ('FRS 101'). The Company's transition date to FRS 101 was 1 January 2014 and comparatives have been restated accordingly. Material changes relate to the recognition of financial instruments on the balance sheet at fair value (and associated deferred tax), with movements in fair value recognised on the income statement. For details of the transition to FRS 101 and the effect of the change on the Company's financial position, see notes 2 and 19.

The principal activity of the Company is the trading of Liquefied natural gas ('LNG'), utilising Centrica Group's share of the LNG terminal at the Isle of Grain and Free on Board ('FOB') trading. The Company has a contract with a fellow Group company, British Gas Trading Limited (BGTL), to use the rights granted to BGTL to utilise capacity at the Isle of Grain LNG receiving terminal, which enables the Company to land cargoes of LNG at the Isle of Grain facility. The primary purpose of the Isle of Grain contract is to contribute to the secure supply of the British Gas customer base; from 2014, The Company pay BGTL the following: costs in relation to Isle of Grain slots sold to the Company; and a monthly fee to BGTL to reflect its usage of other LNG capacity for optimisation purposes. The Company will also market LNG capacity for BGTL and any profits will be shared.

There has been an increase in FOB trading levels during 2015 compared to 2014. As we continue to increase our capabilities and presence in global LNG, we have completed a number of FOB cargoes, including our first delivery to South America, and have secured further cargoes scheduled for delivery in 2016.

The financial position of the Company was in line with expectations and is monitored by the Directors of the Company.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of Centrica plc group, which include those of the Company are discussed on pages 38-42 of the 2015 Annual Report and Financial Statements of the Group which does not form part of this report.

The Company's operations expose it to a number of financial risks such as foreign exchange and energy price risks, the Company uses a range of derivatives to hedge these exposures.

On 23 June 2016 the UK public voted to leave the European Union (EU). What this means both politically and for the wider economy is unclear, including uncertainty over the terms the UK government will negotiate for the country's new relationships with the EU and other major trading blocs. We judge the direct impact on the Company to be limited in the short term, but in the long-run such uncertainty does represent a risk for our business.

Key performance indicators (KPIs)

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 2015 these indicators were in line with management expectations (2014: same).

Centrica LNG Company Ltd

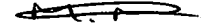
Strategic Report for the Year Ended 31 December 2015 (continued)

Future developments

In November 2013, the Company entered into an extension to its existing contract with Qatargas to purchase up to 3 million tonnes per annum of LNG. This agreement extends the contract from June 2014 to December 2018.

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

Approved by the Board on 29 July 2016 and signed on its behalf by:



MATTHEW MADELEY

By order of the Board for and on behalf of Centrica Secretaries Limited
Company Secretary

Company registered in England and Wales, No. 06366483

Registered office:
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Centrica LNG Company Ltd

Directors' Report for the Year Ended 31 December 2015

The Directors present their report and the Financial Statements for the year ended 31 December 2015.

Directors of the Company

The Directors who held office during the year were as follows:

Stuart Craig Dee

Jonathan Damian Westby

Ian Wood (resigned 31 December 2015)

The following directors were appointed after the year end:

David Lee Dunlavy (appointed 1 January 2016)

Cassim Mangerah (appointed 30 June 2016)

Arturo Gallego Diaz (appointed 30 June 2016)

Results and dividends

The results of the Company are set out on page 8. The loss for the financial year ended 31 December 2015 is £9,650,000 (2014: loss £1,536,000).

No dividends were paid during the year and the Directors do not recommend the payment of a final dividend (2014: £nil).

Future developments

Future developments are discussed in the Strategic Report on page 1.

Going concern

The financial statements have been prepared on a going concern basis as Centrica Plc, the ultimate parent company which intends to support the Company to ensure it can meet its obligations as they fall due. The Directors have received confirmation that Centrica Plc intends to support the Company for at least one year after the financial statements were authorised.

Directors liabilities

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.

Centrica LNG Company Ltd

Directors' Report for the Year Ended 31 December 2015 (continued)

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report and the Financial Statements in accordance with applicable UK 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are 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 the 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 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.

Reappointment of auditors

In accordance with section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

Approved by the Board on 29 July 2016 and signed on its behalf by:



MATTHEW M. ALEY

By order of the Board for and on behalf of Centrica Secretaries Limited
Company Secretary

Company registered in England and Wales, No. 06366483

Registered office:
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Centrica LNG Company Ltd

Independent Auditors' Report to the Members of Centrica LNG Company Ltd

Report on the financial statements

Our opinion

In our opinion, Centrica LNG Company Ltd's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 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.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Statement of Financial Position as at 31 December 2015;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

We have no exceptions to report arising from this responsibility.

Centrica LNG Company Ltd

Independent Auditors' Report to the Members of Centrica LNG Company Ltd (continued)

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibility, 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) ("ISAs (UK & 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 parent 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.

Centrica LNG Company Ltd

Independent Auditors' Report to the Members of Centrica LNG Company Ltd (continued)

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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 acquired 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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

.....
Sally Nicholson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 July 2016

Centrica LNG Company Ltd

Income Statement for the Year Ended 31 December 2015

	Note	2015 £ 000	2014 £ 000
Revenue	3	167,779	173,022
Cost of sales	5	<u>(166,852)</u>	<u>(166,708)</u>
Gross profit		927	6,314
Operating costs	5	<u>(9,753)</u>	<u>(5,916)</u>
Operating (loss)/profit		<u>(8,826)</u>	<u>398</u>
Finance income	6	162	19
Finance cost		<u>(3,487)</u>	<u>(2,391)</u>
	6	<u>(3,325)</u>	<u>(2,372)</u>
Loss before income tax		(12,151)	(1,974)
Income tax	8	<u>2,501</u>	<u>438</u>
Loss for the year from continuing operations		<u>(9,650)</u>	<u>(1,536)</u>
Loss for the year		<u><u>(9,650)</u></u>	<u><u>(1,536)</u></u>

The notes on pages 12 to 29 form an integral part of these financial statements.

Centrica LNG Company Ltd

Statement of Comprehensive Income for the Year Ended 31 December 2015

	Note	2015 £ 000	2014 £ 000
Loss for the year		<u>(9,650)</u>	<u>(1,536)</u>
Other comprehensive income			
Total comprehensive loss for the year		<u><u>(9,650)</u></u>	<u><u>(1,536)</u></u>

Centrica LNG Company Ltd

Statement of Financial Position as at 31 December 2015

	Note	2015 £ 000	2014 £ 000
Non-current assets			
Intangible assets	9	<u>2,648</u>	<u>2,979</u>
		<u>2,648</u>	<u>2,979</u>
Current assets			
Trade and other receivables	10	23,512	4,894
Inventories	11	13,180	37,622
Current tax asset	8	2,414	468
Derivative financial instruments	12	6,560	2,745
Cash and cash equivalents		<u>-</u>	<u>168</u>
		<u>45,666</u>	<u>45,897</u>
Total assets		<u>48,314</u>	<u>48,876</u>
Current liabilities			
Trade and other payables	13	(155,644)	(146,118)
Derivative financial instruments	12	-	(464)
Borrowings		<u>(112)</u>	<u>-</u>
		<u>(155,756)</u>	<u>(146,582)</u>
		<u>(155,756)</u>	<u>(146,582)</u>
Non-current liabilities			
Deferred tax liabilities	8	<u>(370)</u>	<u>(456)</u>
		<u>(370)</u>	<u>(456)</u>
Total liabilities		<u>(156,126)</u>	<u>(147,038)</u>
Net liabilities		<u>(107,812)</u>	<u>(98,162)</u>
Equity			
Called up share capital	14	-	-
Retained earnings		<u>(107,812)</u>	<u>(98,162)</u>
Total equity		<u>(107,812)</u>	<u>(98,162)</u>

The financial statements on pages 8 to 29 were approved and authorised for issue by the Board of Directors on 29 July 2016 and signed on its behalf by:



Stuart Craig Dee

Director

Company number 06366483

The notes on pages 12 to 29 form an integral part of these financial statements.

Centrica LNG Company Ltd

Statement of Changes in Equity for the Year Ended 31 December 2015

Current Year

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2015	-	(98,162)	(98,162)
Loss for the year	-	(9,650)	(9,650)
Total comprehensive income	-	(107,812)	(107,812)
At 31 December 2015	-	(107,812)	(107,812)

Prior Year

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2014	-	(96,626)	(96,626)
Loss for the year	-	(1,536)	(1,536)
Total comprehensive income	-	(98,162)	(98,162)
At 31 December 2014	-	(98,162)	(98,162)

The notes on pages 12 to 29 form an integral part of these financial statements.

Centrica LNG Company Ltd

Notes to the Financial Statements for the Year Ended 31 December 2015

1 General information

The Company is limited by shares and is incorporated and domiciled in the UK.

The address of its registered office and principle place of business is:

Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD
England and Wales

These Financial Statements were authorised for issue by the Board on 29 July 2016.

2 Accounting policies

Basis of preparation

The Company Financial Statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these Financial Statements the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has effected the reported financial position and financial performance of the Company is provided in note 19.

Going concern

The accounts have been prepared on a going concern basis, as described in the Directors' Report.

Centrica LNG Company Ltd

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

2 Accounting policies (continued)

Summary of disclosure exemptions

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemptions have been taken in these Financial Statements:

- Leases - on transition to FRS 101, the assessment of whether arrangements contain a lease or not is performed based on facts and circumstances existing at the date of transition;

In these Financial Statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for tangible fixed assets and intangible assets;
- Comparative period reconciliations for share capital
- Disclosures in respect of the compensation of Key Management Personnel;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs.

Note that the Company has early adopted the following amendments to FRS 101 (effective for periods beginning on or after 1 January 2016) in these Financial Statements:

- Presentation of IAS format financial statements;
- Exemption from the presentation of a third statement of financial position (being the opening statement of financial position of the Company at the date of application of FRS 101).

As the consolidated financial statements of Centrica Plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

Certain disclosures required by IFRS 13 Fair value measurement and the disclosures required by IFRS 7 Financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value;

These Financial Statements are presented in pound sterling (with all values rounded to the nearest thousand pounds (£000) except when otherwise indicated), which is also the functional currency of the Company. Operations and transactions conducted in currencies other than the functional currency are translated in accordance with the foreign currencies accounting policy set out below.

The Financial Statements are prepared on the historical cost basis except for derivative financial instruments, available for sale assets, financial instruments designated at fair value through profit and loss on initial recognition and the Company share of assets of the Group's defined benefit schemes that's have been recorded at fair value and the liabilities of the Group's pension schemes that have been measured using the projected unit credit valuation method. The carrying value of recognized assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

Summary of significant accounting policies and key accounting estimates

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

Centrica LNG Company Ltd

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

2 Accounting policies (continued)

Revenue recognition

Revenue is recognised when title over the LNG or gas passes to the customer. Revenue 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 revenue. 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 revenue, consistent with optimisation activity; for trades where there is no connected sale and purchase, sales will be recognised as revenue and purchases as stock transactions.

Cost of sales

Cost of sales includes the cost of LNG sold during the year and related transportation, shipping costs, material, capacity, service costs, foreign exchange differences relating to the purchase of cargoes and gains and losses arising from changes in the fair value on derivatives.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset or assets. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised and included in property, plant and equipment at their fair value, or if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The obligations relating to finance leases, net of finance charges in respect of future periods, are included within bank loans and other borrowings, with the amount payable within 12 months included in bank overdrafts and loans within current liabilities.

Lease payments are apportioned between finance charges and reduction of the finance lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Payments under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

Borrowing costs

Where a specific financing arrangement is in place, the specific borrowing rate for that arrangement is applied. For non-specific financing arrangements, a financing rate representative of the weighted average borrowing rate is used. Borrowing costs not arising in connection with the acquisition, construction or production of a qualifying asset are expensed.

Foreign currencies

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 the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing at the reporting period date, and associated gains and losses are recognised in the income statement for the period.

Centrica LNG Company Ltd

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

2 Accounting policies (continued)

Taxation

Current tax, including UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Deferred tax is recognised in respect of all temporary differences identified at the balance sheet date, except to the extent that the deferred tax arises from the initial recognition of goodwill (if impairment of goodwill is not deductible for tax purposes) or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit and loss. Temporary differences are differences between the carrying amount of the Company's assets and liabilities and their tax base.

Deferred tax liabilities are offset against deferred tax assets when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority. Any remaining deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits, within the same jurisdiction, in the foreseeable future, against which the deductible temporary difference can be utilised.

Deferred tax is provided on temporary differences arising on subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the asset is realised or liability settled, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Measurement of deferred tax liabilities and assets reflects the tax consequences expected from the manner in which the asset or liability is recovered or settled.

Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset could be impaired.

- Rights to use the nitrogen plant: 15 years.

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 forward market prices on the dates that the stock is expected to be sold. If required, the write-down of stock is included in cost of sales.

Centrica LNG Company Ltd

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

2 Accounting policies (continued)

Financial assets and liabilities

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the Company no longer has the rights to cash flows, the risks and rewards of ownership or control of the asset. Financial liabilities are de-recognised when the obligation under the liability is discharged, cancelled or expires.

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Prepayments and accrued income comprise payments made in advance relating to the following year, and income relating to the current year, that will not be invoiced until after the balance sheet date.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Deferred Income

Deferred income comprise income received in advance relating to the following year.

Share capital

Ordinary shares are classified as equity.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Centrica LNG Company Ltd

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

2 Accounting policies (continued)

Derivative financial instruments

The Company routinely enters into sale and purchase transactions for physical delivery of LNG, it is deemed that there is no active market for physical LNG and these transactions are not within the scope of IAS 39.

The Company uses a range of derivatives to hedge exposures to financial risks, such as foreign exchange and energy price risks, arising in the normal course of business. The use of derivative financial instruments is governed by the Group's policies. Further detail on the Group's risk management policies is included within the 2015 Annual Report and Accounts of the ultimate controlling party being Centrica Plc, in the Strategic Report - Principal Risks and Uncertainties on pages 38 to 42 and in note S3.

The accounting treatment for derivatives is dependent on whether they are entered into for trading or hedging purposes. A derivative instrument is considered to be used for hedging purposes when it alters the risk profile of an underlying exposure of the Company in line with the Company's risk management policies and is in accordance with established guidelines, which require the hedging relationship to be documented at its inception, ensure that the derivative is highly effective in achieving its objective, and require that its effectiveness can be reliably measured. The Company also holds derivatives which are not designated as hedges and are held for trading.

All derivatives are recognised at fair value on the date on which the derivative is entered into and are re-measured to fair value at each reporting date. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivative assets and derivative liabilities are offset and presented on a net basis only when both a legal right of set-off exists and the intention to net settle the derivative contracts is present.

3 Revenue

The analysis of the company's revenue by geography for the year from continuing operations is as follows:

	2015 £ 000	2014 £ 000
United Kingdom	104,581	158,522
Europe	12,589	14,500
Middle East	33,274	-
South America	17,335	-
	<u>167,779</u>	<u>173,022</u>

The analysis of the company's revenue by activity for the year from continuing operations is as follows:

	2015 £ 000	2014 £ 000
Global LNG operations	93,786	14,500
UK regasification and trading	73,993	158,522
	<u>167,779</u>	<u>173,022</u>

4 Employees' costs

The Company has no employees and no staff costs (2014: nil).

Centrica LNG Company Ltd

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

5 Analysis of costs by nature

	2015			2014		
	Cost of sales £ 000	Other operating costs £ 000	Total costs £ 000	Cost of sales £ 000	Other operating costs £ 000	Total costs £ 000
Commodities costs	(153,336)	-	(153,336)	(148,504)	-	(148,504)
Transportation, distribution and capacity	(19,424)	-	(19,424)	(16,856)	-	(16,856)
Realised gains	5,047	-	5,047	421	-	421
MTM movement of energy and FX derivatives	4,279	-	4,279	150	-	150
Amortisation	-	(331)	(331)	-	(331)	(331)
Recharges	-	(9,220)	(9,220)	-	(5,536)	(5,536)
Other	(3,418)	(202)	(3,620)	(1,919)	(49)	(1,968)
Total operating costs by nature	<u>(166,852)</u>	<u>(9,753)</u>	<u>(176,605)</u>	<u>(166,708)</u>	<u>(5,916)</u>	<u>(172,624)</u>

6 Net finance income/cost

Finance income

	2015 £ 000	2014 £ 000
Interest income from amounts owed by group undertakings	<u>162</u>	<u>19</u>

Finance interest

	2015 £ 000	2014 £ 000
Interest on amounts owed to group undertakings	(3,231)	(2,383)
Net foreign exchange losses on financing transactions	<u>(256)</u>	<u>(8)</u>
Total finance cost	<u>(3,487)</u>	<u>(2,391)</u>
Net finance income/cost	<u>(3,325)</u>	<u>(2,372)</u>

Centrica LNG Company Ltd

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

7 Auditors' remuneration

Auditors' remuneration totalling £27,968 (2014: £27,000*) relates to fees for the audit of the FRS 101 statutory financial statements of the company and includes fees in relation to the audit of the IFRS Group consolidation schedules, for the purpose of the Centrica plc group audit, which also contribute to the audit of the Company.

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the Group financial accounts of its ultimate parent, Centrica Plc.

*The prior year figures have been amended since the 2014 statutory accounts were finalised. The prior year remuneration figure has changed from an original amount of £11,000 to a restated balance of £27,000. This was due to the inclusion of 2013 overruns.

Centrica LNG Company Ltd

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

8 Income tax

Tax charged/(credited) in the income statement

	2015 £ 000	2014 £ 000
Current taxation		
UK corporation tax at 20.25% (2014: 21.49%)	(2,414)	(457)
Adjustment in respect of prior years	-	(11)
	<u>(2,414)</u>	<u>(468)</u>
Deferred taxation		
Current year	(46)	32
Effect of changes in tax rates	(41)	(2)
Total deferred taxation	<u>(87)</u>	<u>30</u>
Tax receipt in the income statement	<u>(2,501)</u>	<u>(438)</u>

The main rate of corporation tax was reduced to 20% from 1 April 2015. Further reductions were enacted by Finance (No.2) Act 2015 to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. These enacted reduced rates of corporation tax have been reflected within these financial statements. The Chancellor of the Exchequer has announced a further reduction in the rate, to 17% from 1 April 2020, which is expected to be substantively enacted as part of the Summer Finance Bill 2016 and is therefore not reflected in these financial statements. As such, the previously enacted rate of 18% from 1 April 2020 will not come into effect. The impact of the reduction in the corporate tax rate to 17% on the financial statements is expected to be immaterial.

The differences between the taxes shown above and the amounts calculated by applying the standard rate of UK corporation tax rate to the profit before tax are reconciled below:

	2015 £ 000	2014 £ 000
Loss before tax	<u>(12,151)</u>	<u>(1,974)</u>
Tax at standard UK tax rate of 20.25% (2014: 21.49%)	(2,460)	(424)
Effects of:		
Increase (decrease) in current tax from adjustment for prior periods	-	(11)
Increase (decrease) from effect of tax rate change	<u>(41)</u>	<u>(2)</u>
Total income tax credit	<u>(2,501)</u>	<u>(438)</u>

Centrica LNG Company Ltd

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

8 Income tax (continued)

Deferred tax

The movements in respect of the deferred income tax assets and liabilities that occurred during the financial year are as follows:

	Total £ 000
1 January 2014	(426)
Charged/(credited) to the income statement	<u>(30)</u>
31 December 2014	(456)
Charged/(credited) to the income statement	<u>87</u>
31 December 2015	<u><u>(370)</u></u>

	2015 Liabilities £ 000	2014 Liabilities £ 000
Derivatives	<u>(370)</u>	<u>(456)</u>

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2015 Liabilities £ 000	2014 Liabilities £ 000
Recoverable within 12 months	<u>(370)</u>	<u>(456)</u>
Net deferred tax balances	<u><u>(370)</u></u>	<u><u>(456)</u></u>

Centrica LNG Company Ltd

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

9 Intangible assets

Intangible asset: Rights to use the nitrogen plant - amortised over 15 years

	2015 £ 000	2014 £ 000
Cost as at 1 January	4,965	4,965
Accumulated amortisation		
At 1 January	1,986	1,655
Charge for the year	331	331
At 31 December	2,317	1,986
Net book amount		
At 31 December	<u>2,648</u>	<u>2,979</u>

10 Trade and other receivables

	2015 Current £ 000	2014 Current £ 000
Amounts owed by group undertakings	6,463	3,364
Accrued income	17,042	112
Prepayments	-	692
Other receivables	7	726
	<u>23,512</u>	<u>4,894</u>

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

The fair value of those trade and other receivables classified as financial instrument loans and receivables are disclosed in the financial instruments note.

11 Inventories

	2015 £ 000	2014 £ 000
Gas in storage	<u>13,180</u>	<u>37,622</u>

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 forward market prices on the dates that the stock is expected to be sold.

A write-down of £4.9m of stocks to net realisable value was made in 2015 (2014: no impairment). The write-down is included in cost of sales.

Centrica LNG Company Ltd

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

12 Derivatives

	2015 Current £ 000	2014 Current £ 000
Derivatives financial instruments - assets	6,560	2,745
Derivatives financial instruments - liabilities	-	(464)
	<u>6,560</u>	<u>2,281</u>

13 Trade and other payables

	2015 Current £ 000	2014 Current £ 000
Trade payables	(4,151)	(15,946)
Accrued expenses	(644)	(750)
Deferred Income	(666)	(4,923)
Amounts owed to group undertakings	(150,159)	(124,477)
Other payables	(24)	(22)
	<u>(155,644)</u>	<u>(146,118)</u>

The fair value of the trade and other payables classified as financial instruments are disclosed in the financial instruments note.

The amounts payable to Group undertakings include £111,934,000 (2014: £111,934,000) that bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 2.36 and 2.88% per annum during 2015 (2014: 1.69 and 1.90%). The other amounts payable to Group undertakings are interest-free. All amounts payable to Group undertakings are unsecured and repayable on demand.

14 Called up Share Capital

Allotted, called up and fully paid shares

	2015		2014	
	No.	£	No.	£
2 (2014: 2) ordinary shares of £1 each	2	2	2	2

15 Other commitments and contingencies

As at 31 December 2015, the Company is obligated to the following commitments, based on minimum contractual quantities (per contractual terms entered into), commodity purchase prices and foreign exchange rates as at the balance sheet date.

Centrica LNG Company Ltd

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

15 Other commitments and contingencies (continued)

a) Lease commitments

Operating lease commitments - Nil as at 31st December 2015 (31 December 2014: £314k)

b) Commitments in relation to other contracts

Nil in 2015 (2014: Nil)

c) Commodity purchase contracts

The Company has a commodity purchase contract with Qatargas to purchase LNG, which expires in 2018. Commodity purchase commitments are estimated, on an undiscounted basis, as follows:

	2015 £	2014 £
LNG purchase contract	1,312,149,000	2,473,568,000
	2015 £ 000	2014 £ 000
Within one year	320,043	262,218
Between one and five years	992,106	2,211,350
	<u>1,312,149</u>	<u>2,473,568</u>

Other guarantees and indemnities

In connection with Centrica Plc Group's energy trading, transportation, upstream and energy supply activities, certain Centrica Plc Group companies, including the Company, have entered into contracts under which they may be required to prepay, provide credit support or other collateral in the event of a significant deterioration in creditworthiness. The extent of credit support is contingent upon the balance owing to the third party at the point of deterioration. In connection with Centrica Plc Group's corporate activities, certain Centrica Plc Group companies, including the Company, have entered into contracts under which they recognise their support for certain security obligations granted to third parties.

16 Fair value of financial instruments

Determination of fair values and fair value hierarchy

Financial assets and financial liabilities measured and held at fair value are classified into one of three categories, known as hierarchy levels, which are defined according to the inputs used to measure fair value as follows:

- Level 1: Fair value is determined using observable inputs that reflect unadjusted quoted market prices for identical assets and liabilities.
- Level 2: Fair value is determined using significant inputs that may be directly observable inputs or unobservable inputs that are corroborated by market data.
- Level 3: Fair value is determined using significant unobservable inputs that are not corroborated by market data and may be used with internally developed methodologies that result in managements' best estimate of fair value.

Centrica LNG Company Ltd

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

16 Fair value of financial instruments (continued)

Fair value hierarchy

31 December 2015	Fair value and carrying value £ 000	Level 1 £ 000	Level 2 £ 000	Level 3 £ 000
Derivative financial assets - held for trading				
Energy derivatives – for procurement/optimisation	<u>6,560</u>	<u>-</u>	<u>6,560</u>	<u>-</u>
Total financial assets at fair value through profit or loss	<u>6,560</u>	<u>-</u>	<u>6,560</u>	<u>-</u>
Total financial instruments at fair value	<u>6,560</u>	<u>-</u>	<u>6,560</u>	<u>-</u>

Centrica LNG Company Ltd

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

16 Fair value of financial instruments (continued)

31 December 2014	Fair value and carrying value £ 000	Level 1 £ 000	Level 2 £ 000	Level 3 £ 000
Derivative financial assets - held for trading				
Energy derivatives – for procurement/optimisation	2,745	-	2,745	-
Total financial assets at fair value through profit or loss	2,745	-	2,745	-
Derivative financial liabilities - held for trading				
Foreign exchange derivatives	(464)	-	(464)	-
Total financial liabilities at fair value through profit or loss	(464)	-	(464)	-
Total financial instruments at fair value	2,281	-	2,281	-

17 Related party transactions

The Company has taken advantage of the exemptions within FRS 8 “Related party disclosures” from disclosure of transactions with other wholly-owned Centrica plc Group companies. Key management personnel and their families purchase gas and electricity from the Company for domestic purposes on terms equal to those for other employees of the Group.

Directors' remuneration

The aggregate emoluments paid to directors in respect of their qualifying services were £2,429,402 (2014: £1,193,047). The aggregate value of company contributions paid to a pension scheme in respect of directors' qualifying services were £96,300 (2014: £71,726). There was 1 director (2014: 2) to whom retirement benefits are accruing under a defined benefit pension schemes, 2 directors (2014: 4) who received shares in the ultimate parent company in respect of their qualifying services under a long-term incentive scheme and 1 director (2014: 2) who exercised share options relating to the ultimate parent company.

The highest paid Director's emoluments and pension contributions in respect of his services to Centrica LNG Company Limited are £1,368,378 (2014: £1,131,613). Details of Director remuneration is included in the Centrica Plc Annual Report and Financial Statements.

Centrica LNG Company Ltd

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

18 Immediate parent and ultimate parent undertaking

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

The ultimate parent and controlling party is Centrica plc, a company registered in England and Wales, which is the only company to include these financial statements in its consolidated statements. Copies of the Centrica Plc consolidated financial statements may be obtained from www.centrica.com

There were no non adjusting events after the financial period

19 Transition to FRS 101

As stated in the 'basis of preparation' note, these are the Company's first Financial Statements prepared in accordance with FRS 101. The accounting policies set out in the policies note have been applied in preparing the Financial Statements for the year ended 31 December 2015 and the comparative information presented in these Financial Statements for the year ended 31 December 2014 and in the preparation of an opening FRS101 balance sheet at 1 January 2014.

In preparing its FRS 101 statement of financial position, the Company has adjusted amounts reported previously in its Financial Statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position and financial performance is set out in the following tables as well as in the related footnotes.

Centrica LNG Company Ltd

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

19 Transition to FRS 101 (continued)

Statement of Financial Position at 31 December 2014

	Note	As originally reported £ 000	Reclassification £ 000	As restated £ 000
Non-current assets				
Intangible assets	9	2,979	-	2,979
Current assets				
Trade and other receivables	10	4,894	-	4,894
Inventories	11	37,622	-	37,622
Current tax assets	8	468	-	468
Derivative financial instruments	12	-	2,745	2,745
Cash and cash equivalents		168	-	168
		<u>43,152</u>	<u>2,745</u>	<u>45,897</u>
Total assets		<u>46,131</u>	<u>2,745</u>	<u>48,876</u>
Current liabilities				
Trade and other payables	13	(146,118)	-	(146,118)
Derivative financial instruments		-	(464)	(464)
Total current liabilities		<u>(146,118)</u>	<u>(464)</u>	<u>(146,582)</u>
Non-current liabilities				
Deferred tax liabilities	8	-	(456)	(456)
Total liabilities		<u>(146,118)</u>	<u>(920)</u>	<u>(147,038)</u>
Net liabilities		<u>(99,987)</u>	<u>1,825</u>	<u>(98,162)</u>
Capital and reserves				
Share capital	14	0	-	0
Retained earnings		<u>(99,987)</u>	<u>1,825</u>	<u>(98,162)</u>
Total equity		<u>(99,987)</u>	<u>1,825</u>	<u>(98,162)</u>

Reconciliation of equity

Remeasurements for financial instruments in have been recognised for the Company as under IFRS, financial instruments are required to be recognised on balance sheet at fair value, with changes in fair value recognised in either the income statement or through reserves, depending on whether hedge accounting is applied and its effectiveness. As this is not required under UK GAAP (unless fair value accounting rules are applied), such financial instruments have not previously been recognised. Remeasurements are identifiable in the transition Statement of Financial Position as they are included separately under Derivative financial instruments.

Centrica LNG Company Ltd

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

19 Transition to FRS 101 (continued)

Income Statement for the year ended 31 December 2014

	Note	As originally reported £ 000	Reclassification £ 000	As restated £ 000
Turnover	3	173,022	-	173,022
Cost of sales	5	<u>(166,858)</u>	<u>150</u>	<u>(166,708)</u>
Gross profit		6,164	150	6,314
Operating costs	5	<u>(5,916)</u>	<u>-</u>	<u>(5,916)</u>
Operating profit		248	150	398
Finance cost	6	<u>(2,372)</u>	<u>-</u>	<u>(2,372)</u>
Loss before income tax		(2,124)	150	(1,974)
Income tax expenses	8	<u>468</u>	<u>(30)</u>	<u>438</u>
Loss for the year from continuing operations		<u>(1,656)</u>	<u>120</u>	<u>(1,536)</u>
Profit/(loss) for the year from discontinued operations		-	-	-
Loss for the financial year		<u><u>(1,656)</u></u>	<u><u>120</u></u>	<u><u>(1,536)</u></u>

Reconciliation of profit/(loss)

Remeasurements for financial instruments in have been recognised for the Company as under IFRS, financial instruments are required to be recognised on balance sheet at fair value, with changes in fair value recognised in either the income statement or through reserves, depending on whether hedge accounting is applied and its effectiveness. As this is not required under UK GAAP (unless fair value accounting rules are applied), such financial instruments have not previously been recognised.