

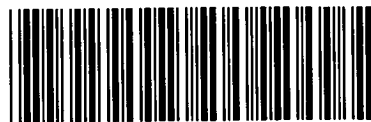
Registration number: 06366483

Centrica LNG Company Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021

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Centrica LNG Company Limited

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Centrica LNG Company Limited

Strategic Report for the Year Ended 31 December 2021

The Directors present their Strategic Report for Centrica LNG Company Limited (the 'Company') for the year ended 31 December 2021.

Principal activity

The principal activity of the Company is the global trading of liquefied natural gas ('LNG'). The Company also has a branch in Singapore which commenced trading on 1 January 2020, its purpose is in trading LNG.

Section 172(1) Statement

In promoting the success of the Company, the Directors must also consider the interests of stakeholders and the other matters required by section 172(1) (a) to (f) of the Companies Act 2006. This Section 172 Statement describes how the Directors have taken into account wider stakeholders in their decision making. Whilst the Company is an independent subsidiary of Centrica plc, the Company's activity supports the wider strategy of British Gas and the Centrica Group. Where appropriate, for example in matters of long-term strategy, decision making is aligned with that of the parent company Board, ensuring that stakeholders of the Company have been rigorously considered.

General confirmation of Directors' duties

Directors are fully aware of and understand their statutory duties under the Companies Act 2006. The Board has a clear framework for determining the matters within its remit. Day to day authority is delegated to executives and the Directors engage with management in setting, approving and overseeing execution of the business strategy and related policies. The executives consider the Company's activities, such as review financial and operational performance, business strategy, key risks, stakeholder-related matters, governance, and legal and regulatory compliance, and make decisions. Section 172(1) of the Act provides that each Director must ensure that they act in the way they consider, in good faith, would most likely promote the Company's success for the benefit of its members as a whole, and in doing so have regard (among other matters) to section 172(1) (a) to (f) as described below.

(a) The likely consequences of any decision in the long term

The Directors remain conscious that decisions made could have an impact on other stakeholders where relevant. By considering the Group's purpose, vision and values together with its strategic priorities and having a process in place for decision-making, we aim to make sure that our decisions are consistent and appropriate in all the circumstances.

Each year the Directors make an assessment of the strength of the Company's balance sheet and future prospects relative to market uncertainties and make decisions about the payment of a dividend. In determining whether to make a dividend payment, the Directors consider a range of factors including: the long-term viability of the Company; its expected cash flow and financing requirements; the ongoing need for strategic investment in the Company; and the expectations of the ultimate parent company's shareholders as supplier of long-term equity capital to the Company.

(b) The interests of the company's employees

The Directors recognise that employees are fundamental to the future growth and success of any company. That success depends on looking after our employees. The Board is mindful that decisions and oversight often have to balance the differing needs of stakeholders, and ensures this is taken into consideration when making critical decisions. An example of this during the year in review is the management's commitment to actions arising from the quarterly Our Voice Survey 2021.

Centrica LNG Company Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

(c) The need to foster the company's business relationships with suppliers, customers and others

The Directors recognise the benefits of engaging with a broad range of stakeholders and developing and delivering our strategy depends on building and maintaining constructive relationships across them all.

The Company continued to foster existing and create new business relationships with counterparties in the markets in which it operates. For example, the Company entered into a number of agreements during Q3 and Q4 2021 with independent commodity traders for the sale by the Company of 22 cargoes for delivery at Sabine Pass (USA) during 2022-2025.

Further information about how the Centrica Group engages with its customers and with suppliers can be found on page 9 of the Group's Annual Report and Accounts 2021.

(d) The impact of the company's operations on the community and the environment

The Directors appreciate that collaboration with charities and community groups helps to create stronger communities and provide insights that enable the Board to understand the Company's impact on the community and environment, and the consequences of its decisions in the long term. Further information about how the Centrica Group engages with communities and NGOs can be found on page 9 of the Group's Annual Report and Accounts 2021.

(e) The desirability of the company maintaining a reputation for high standards of business conduct

The Board adheres to Centrica Group's "Our Code" code of conduct which all Centrica Group employees are subject to setting out the high standards and behaviours we expect from those that work for us or with us.

(f) The need to act fairly as between members of the company

After weighing up all relevant factors, the Directors consider which course of action best promotes the long-term success of the Company, taking into consideration the impact on stakeholders. In doing so, the Directors act fairly as between the Company's members. However, the Directors are not required to balance the Company's interests with those of other stakeholders, and this can sometimes mean that certain stakeholder interests may not be fully aligned.

Culture

The Company's culture is set by the Group and embedded in all we do. Further information on our culture can be found on page 48 of the Group's Annual Report and Accounts 2021.

Stakeholder Engagement

Proactive engagement remains a central focus for the Group, which ensures the Directors have regard to the matters set out in Section 172 (1) (a) to (f) of the Companies Act 2006. Further information on stakeholder engagement can be found on pages 8 to 9 of the Group's Annual Report and Accounts 2021. Engaging with stakeholders delivers better outcomes for society, and for the business. It is fundamental to the Company's long-term success.

Centrica LNG Company Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

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 financial position of the Company is presented in the Statement of Financial Position on page 14. Total shareholder deficit as at 31 December 2021 was \$584,990,000 (2020: \$103,558,000 shareholder equity). The loss for the financial year ended 31 December 2021 is \$688,548,000 (2020: \$64,396,000 profit).

The Company presented a loss for 2021 compared to 2020 due mainly to losses incurred on re-measurement of hedging contracts within the scope of IFRS 9 as a result of volatile market conditions and high energy wholesale prices. The fair value movements on these hedges do not fully reflect the underlying performance of the business because they are economically related to our LNG cargoes, which are not fair valued as they are determined to be own-use contracts therefore outside the scope of IFRS 9. Whilst there was an increased demand for LNG, following a low demand for LNG due to the COVID pandemic in 2020, the increased global commodity cost and resultant IFRS 9 re-measurement losses of these hedging contracts resulted in a net loss for the year. The IFRS 9 losses on re-measurement is also reflected in the shareholder deficit presented for 2021. The Directors fully expect the losses and deficit to unwind in future years as the own-use LNG cargoes are reflected in the Company's performance.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with those of the Centrica plc group (the 'Group') and are not managed separately. The principal risks and uncertainties of the Group, which include those of the Company, are disclosed on pages 38-43 of the Group's Annual Report and Accounts 2021, 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.

Ukraine conflict

The Company is a subsidiary of the Centrica group, and as such is impacted by the energy crisis and Ukraine conflict. The energy markets remain very volatile, but the Centrica group continues to maintain a hedging strategy to minimise the exposure to market prices. The Company does not own any businesses or operate in Russia or Ukraine and has no investments in Russian entities or bonds. However, the Company has previously purchased some Russian LNG cargoes. The Group made a decision in March 2022 that LNG cargoes with the Russian nexus will no longer be purchased. The risk this exposes the Company to is not considered to be material because it does not represents a significant proportion of the supply and the Company has diverse alternative suppliers from other countries.

Key performance indicators ('KPIs')

Given the nature of the business, the Company's Directors are of the opinion that the KPIs necessary for an understanding of the development performance and position of the Company are net assets and profit after tax.

Centrica LNG Company Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

The Directors of the Group use a number of KPIs to monitor progress against the Group's strategy. The development, performance and position of the Group, which includes the Company, are disclosed on pages 14-15 of the Group's Annual Report and Accounts 2021, which does not form part of this report. The results of the Company are disclosed in the Directors' Report on page 5.

In addition to the Group KPIs noted above, the Directors of the Company believe that the gross profit which drives the operating profit of the business is the critical KPI specific to the Company. The operating profit is noted within the income statement reported on page 12. The operating profit forms part of the monthly reporting pack reviewed by senior management to gain an understanding of the performance of the business.

The Directors of the Company note that the LNG cargoes and contract valuations are excluded from the net asset position of the Company as they are determined to be own-use contracts therefore outside the scope of IFRS 9 Financial Instruments and are not marked to market. The Directors do however monitor the performance of these own use contracts as well as the net assets and operating profit mentioned above.

Future developments

The Company continues to operate in a volatile market environment as a result of the ongoing energy crisis and the Ukraine conflict, and adapts its hedging strategy to best manage the risks arising from these developments.

Approved by the Board on 29 July 2022 and signed on its behalf by:



Samantha Hood

.....
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
United Kingdom

Centrica LNG Company Limited

Directors' Report for the Year Ended 31 December 2021

The Directors present their report and the audited financial statements for the year ended 31 December 2021.

Directors of the Company

The Directors of the Company, who were in office during the year and up to the date of signing the financial statements were as follows:

D L Dunlavy (resigned 2 May 2022)

C Mangerah

A F Gallego Diaz

A Z Longmuir

S G Geroval

Results and dividends

The results of the Company are set out on page 12. The loss for the financial year ended 31 December 2021 is \$688,548,000 (2020: \$64,396,000 profit). Company performance is explained on page 3 of the Strategic Report under Review of the Business.

The Company did not pay an interim dividend during the year (2020: \$nil) and the Directors do not recommend the payment of a final dividend (2020: \$nil).

Going concern

The Directors have received confirmation that provided the Company remains part of the Group, Centrica plc will support the Company for at least one year after the financial statements were authorised for issue and that amounts owed to Group undertakings will not be required to be repaid for the foreseeable future unless sufficient financial resource and facilities are available to the Company.

In the context of the continuing economic uncertainty caused by commodity price volatility and energy market uncertainty, the Directors have updated their Group going concern assessment as at 30 June 2022 to factor in the Group's updated principal risks, strategy and forecasts, together with modelling further downside sensitivities. The going concern assessment has considered the financial impact on the Group's credit and liquidity headroom of certain stress events impacting the Group's key risks over a 12-18 month horizon. The Group's forecasts show that the Group will maintain sufficient headroom, underpinned by unrestricted cash and cash equivalents, net of bank overdrafts, of c.£3.4 billion as at 30 June 2022, and c.£2.9 billion of undrawn committed facilities, which remain committed until at least 2024.

The Centrica Group interim results were released on 28th July 2022. These demonstrated a resilient financial performance despite a difficult energy supply situation, increases in wholesale gas price, and the ongoing challenges caused by the pandemic. The Group's balance sheet continues to be much stronger than 2020, with a positive cash position of £0.3 billion compared to 2020 when the Group had net debt of £3.0 billion and an overall adjusted operating profit of £1,342m at half year.

The Directors have considered in their evaluation of going concern the current market volatility. Whilst the Company incurred losses in 2021, the hedging position and liquidity is considered to be sufficient to mitigate this volatility. Whilst the Company has net liabilities at 31 December 2021, this has not affected the Directors assessment of going concern due to the support from Centrica plc.

On the basis of the enquiries made, and the fact that Centrica plc, the ultimate parent company, has confirmed it will continue to support the Company, the Directors have concluded that the Company should be able to meet its liabilities as they fall due for the foreseeable future, and therefore the financial statements have been prepared on a going concern basis.

Centrica LNG Company Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

Future developments

Future developments are discussed in the Strategic Report on page 4.

Non adjusting events after the financial period

On 2 March 2022, in response to the Russian invasion of Ukraine, Centrica plc announced its intention to exit gas supply agreements with Russian businesses. The Company has previously purchased Russian LNG cargoes. LNG Cargoes with the Russian nexus will no longer be purchased. The biggest risk to the Company is the impact on global commodity prices. This risk is discussed in the Strategic report on page 3.

Branches outside the United Kingdom

The Company has a branch in Singapore which commenced trading on 1 January 2020, its purpose is in trading LNG.

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. The insurance does not provide cover in the event that the Director is proved to have acted fraudulently.

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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 applicable UK Accounting Standards have 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website which, in the absence of a website for Centrica Energy Limited, we refer to the Centrica plc Group website for this responsibility. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 that 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. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

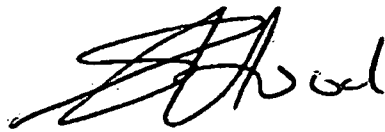
Centrica LNG Company Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

Auditors

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

Approved by the Board on 29 July 2022 and signed on its behalf by:



Samantha Hood

.....
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
United Kingdom

Centrica LNG Company Limited

Independent Auditor's Report to the Members of Centrica LNG Company Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Centrica LNG Company Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Income Statement;
- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Centrica LNG Company Limited

Independent Auditor's Report to the Members of Centrica LNG Company Limited (continued)

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the documentation of the policies and procedures relating to fraud and compliance with laws and regulations that has been established by the Company's ultimate parent. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

Centrica LNG Company Limited

Independent Auditor's Report to the Members of Centrica LNG Company Limited (continued)

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- Revenue recognition with a focus on inappropriate trades as a result of potential manipulation. There is a risk that revenue may be recognised from trades which are inaccurate, missing, non-existent or with counterparties that have not been approved:

We obtained an understanding of the trading control environment and tested the design & implementation of relevant new counterparty and deal capture trading controls. We used computer assisted audit techniques which included testing that trades were with approved counterparties and to test that trades were valid and accurate by matching to third-party confirmations, and performed additional procedures in respect of unconfirmed and late entered trades.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Centrica LNG Company Limited

Independent Auditor's Report to the Members of Centrica LNG Company Limited (continued)

Use of our report

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

D. Winstone

.....
Daryl Winstone FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London
United Kingdom

Date: *29/7/22*

Centrica LNG Company Limited

Income Statement for the Year Ended 31 December 2021

	Note	2021 \$ 000	2020 \$ 000
Revenue	4	806,085	1,265,991
Cost of sales	5	<u>(1,480,201)</u>	<u>(1,158,700)</u>
Gross (loss)/profit		(674,116)	107,291
Operating costs	5	<u>(18,635)</u>	<u>(30,882)</u>
Operating (loss)/profit		<u>(692,751)</u>	<u>76,409</u>
Finance income	7	5,185	4,241
Finance costs	7	<u>(1,343)</u>	<u>(1,111)</u>
Net finance income		<u>3,842</u>	<u>3,130</u>
(Loss)/profit before taxation		(688,909)	79,539
Taxation on loss/(profit)	10	<u>361</u>	<u>(15,143)</u>
(Loss)/profit for the year from continuing operations		<u><u>(688,548)</u></u>	<u><u>64,396</u></u>

The above results were derived from continuing operations.

Centrica LNG Company Limited

Statement of Comprehensive Income for the Year Ended 31 December 2021

	2021 \$ 000	2020 \$ 000
(Loss)/profit for the year	<u>(688,548)</u>	<u>64,396</u>
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive (expense)/income for the year	<u>(688,548)</u>	<u>64,396</u>

The notes on pages 16 to 32 form an integral part of these financial statements.

Centrica LNG Company Limited

Statement of Financial Position as at 31 December 2021

	Note	2021 \$ 000	2020 \$ 000
Non-current assets			
Deferred tax assets	10	1,192	875
Derivative financial instruments	18	<u>5,375</u>	<u>-</u>
		<u>6,567</u>	<u>875</u>
Current assets			
Trade and other receivables	11	292,841	174,529
Inventories	12	110,399	3,046
Derivative financial instruments	18	243,627	6,568
Cash and cash equivalents	13	<u>594</u>	<u>866</u>
		<u>647,461</u>	<u>185,009</u>
Total assets		<u>654,028</u>	<u>185,884</u>
Current liabilities			
Trade and other payables	14	(286,190)	(56,570)
Derivative financial instruments	18	(742,418)	(14,674)
Current tax liabilities	10	-	(3,137)
Provisions for other liabilities and charges	15	<u>(987)</u>	<u>-</u>
		<u>(1,029,595)</u>	<u>(74,381)</u>
Non-current liabilities			
Derivative financial instruments	18	<u>(209,423)</u>	<u>(7,945)</u>
		<u>(209,423)</u>	<u>(7,945)</u>
Total liabilities		<u>(1,239,018)</u>	<u>(82,326)</u>
Net (liabilities)/assets		<u>(584,990)</u>	<u>103,558</u>
Equity			
Share capital	16	-	-
Share premium	16	47,208	47,208
(Accumulated losses)/Retained earnings		(663,164)	25,384
Foreign currency translation reserve	16	<u>30,966</u>	<u>30,966</u>
Total shareholder (deficit)/equity		<u>(584,990)</u>	<u>103,558</u>

The financial statements on pages 12 to 32 were approved and authorised for issue by the Board of Directors on

29 July 2022 and signed on its behalf by:



S G Gerova
Director

Company number 06366483

The notes on pages 16 to 32 form an integral part of these financial statements.

Centrica LNG Company Limited

Statement of Changes in Equity for the Year Ended 31 December 2021

	Share capital \$ 000	Share premium \$ 000	Foreign currency translation reserve \$ 000	Retained earnings \$ 000	Total equity \$ 000
At 1 January 2021	-	47,208	30,966	25,384	103,558
Loss for the year	-	-	-	(688,548)	(688,548)
Total comprehensive income	-	-	-	(688,548)	(688,548)
At 31 December 2021	-	47,208	30,966	(663,164)	(584,990)

	Share capital \$ 000	Share premium \$ 000	Foreign currency translation reserve \$ 000	Retained earnings \$ 000	Total equity \$ 000
At 1 January 2020	-	47,208	30,966	(39,012)	39,162
Profit for the year	-	-	-	64,396	64,396
Total comprehensive income	-	-	-	64,396	64,396
At 31 December 2020	-	47,208	30,966	25,384	103,558

The notes on pages 16 to 32 form an integral part of these financial statements.
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Centrica LNG Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

1 General information

Centrica LNG Company Limited (the 'Company') is a private company limited by shares, incorporated and domiciled in the United Kingdom and registered in England and Wales.

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

Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 1 to 4.

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 UK adopted International Financial Reporting Standards ('Adopted IFRSs'), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company financial statements are presented in US Dollar which is the functional currency of the Company.

Changes in accounting policy

From 1 January 2021, the following standards and amendments are effective in the Company's Financial Statements:

- Amendments to IFRS 17 and IFRS 4: 'Insurance Contracts' - deferral of IFRS 9; and
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2.

None of these changes or amendments had any material impact on the Company's financial statements.

Summary of disclosure exemptions

In these financial statements, as a qualifying entity the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- the requirements of IAS 7 'Statement of Cash Flows';
- the statement of compliance with Adopted IFRSs;
- the effects of new but not yet effective IFRSs;
- prior year reconciliations for property, plant and equipment and intangible assets;
- the prior year reconciliations in the number of shares outstanding at the beginning and at the end of the year for share capital;
- disclosures in respect of related party transactions with wholly-owned subsidiaries in a group;
- disclosures in respect of the compensation of key management personnel; and
- disclosures in respect of capital management.

Centrica LNG Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

As the consolidated financial statements of the Centrica plc group (the 'Group'), which are available from its registered office, 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' (paragraphs 91 to 99) and the disclosures required by IFRS 7 'Financial Instruments: Disclosures' have not been provided apart from those which are relevant for the financial instruments which are held at fair value.

Measurement convention

The Financial Statements are prepared on the historical cost basis except for derivative financial instruments and financial instruments designated at fair value through profit and loss on initial recognition.

These Financial Statements are presented in US Dollar ('USD') (with all values rounded to the nearest thousand dollars (\$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 year end exchange rate applied is \$1.34 to £1.00 (2020: \$1.37 to £1.00)
- The average 2021 exchange rate applied is \$1.37 to £1.00 (2020: \$1.29 to £1.00)

Going concern

The Directors have received confirmation that provided the Company remains part of the Group, Centrica plc will support the Company for at least one year after the financial statements were authorised for issue and that amounts owed to Group undertakings will not be required to be repaid for the foreseeable future unless sufficient financial resource and facilities are available to the Company.

In the context of the continuing economic uncertainty caused by commodity price volatility and energy market uncertainty, the Directors have updated their Group going concern assessment as at 30 June 2022 to factor in the Group's updated principal risks, strategy and forecasts, together with modelling further downside sensitivities. The going concern assessment has considered the financial impact on the Group's credit and liquidity headroom of certain stress events impacting the Group's key risks over a 12-18 month horizon. The Group's forecasts show that the Group will maintain sufficient headroom, underpinned by unrestricted cash and cash equivalents, net of bank overdrafts, of c.£3.4 billion as at 30 June 2022, and c.£2.9 billion of undrawn committed facilities, which remain committed until at least 2024.

The Centrica Group interim results were released on 28th July 2022. These demonstrated a resilient financial performance despite a difficult energy supply situation, increases in wholesale gas price, and the ongoing challenges caused by the pandemic. The Group's balance sheet continues to be much stronger than 2020, with a positive cash position of £0.3 billion compared to 2020 when the Group had net debt of £3.0 billion and an overall adjusted operating profit of £1,342m at half year.

The Directors have considered in their evaluation of going concern the current market volatility. Whilst the Company incurred losses in 2021, the hedging position and liquidity is considered to be sufficient to mitigate this volatility. Whilst the Company has net liabilities at 31 December 2021, this has not affected the Directors assessment of going concern due to the support from Centrica plc.

On the basis of the enquiries made, and the fact that Centrica plc, the ultimate parent company, has confirmed it will continue to support the Company, the Directors have concluded that the Company should be able to meet its liabilities as they fall due for the foreseeable future, and therefore the financial statements have been prepared on a going concern basis.

Centrica LNG Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

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.

Revenue recognition

The Company recognises revenue from trading LNG globally. All revenue from selling LNG is recognised under IFRS 15, except for realised (settled) and unrealised (fair value changes) net gains and losses relating to the sale of LNG which are in the scope of IFRS 9 'Financial Instruments'. The Company recognises IFRS 15 revenue from selling LNG in line with the five-step approach to revenue recognition required by IFRS 15. The performance obligation is the supply of LNG over the contractual term. Revenue is measured based on the fair value of the consideration received or receivable to which the Company expects to be entitled in a contract with a customer, in the ordinary course of the Company's activities. The point at which the performance obligation is satisfied and revenue recognised is the point at which control of the LNG passes to the customer according to the contractual trading term, usually on shipment or delivery to a specified location. At this point it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is shown net of sales/value added tax, returns, rebates and discounts. The IFRS 9 realised (settled) and unrealised (fair valued changes) net gains and losses in revenue relate to derivative contracts which economically hedge price risks for associated LNG sales cargoes.

Finance income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying value.

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. The IFRS 9 realised (settled) and unrealised (fair valued changes) net gains and losses in cost of sales relate to derivative contracts which economically hedge price risks for associated LNG purchase cargoes.

Exceptional items

Exceptional items are those items that, in the judgement of the Directors, need to be disclosed separately by virtue of their nature, size or incidence. To ensure the business performance reflects the underlying results of the Company, these exceptional items are disclosed separately in the income statement. Items which may be considered exceptional in nature include disposals of businesses, business restructurings, significant onerous contract charges and asset write-downs/impairments.

Centrica LNG Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are, on initial recognition, recorded in the functional currency of the Company at the exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency of the Company at the rates prevailing at the reporting date, and associated gains and losses are recognised in the Income Statement for the year, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income Statement within 'finance income' or 'finance costs'. All other foreign exchange gains and losses are presented in the Income Statement in the respective financial line item to which they relate.

Changes in the fair value of foreign currency denominated monetary securities classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at historical cost in a currency other than the functional currency of the Company are translated using the exchange rate prevailing at the dates of the initial transaction and are not retranslated. Non-monetary items measured at fair value in foreign currencies are retranslated at the rates prevailing at the date when the fair value was measured.

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 reporting date. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in equity. In this case, the tax is recognised in equity.

Deferred tax is recognised in respect of all temporary differences identified at the reporting 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 assets are recognised only to the extent that it is probable that the deductible temporary differences will reverse in the future and there is sufficient taxable profit available against which the temporary differences can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement using tax rates that have been enacted or substantively enacted at the reporting date.

Inventories

Inventories of LNG are finished goods valued at the lower of cost and estimated net realisable value. If required, the write-down of stock is included in cost of sales.

Centrica LNG Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, that can be measured reliably, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. Where discounting is used, the increase in the provision due to the passage of time is recognised in the Income Statement within interest expense.

Onerous contract provisions are recognised where the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it.

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 initially recognised at fair value, which is usually the original invoice amount, and are subsequently held at amortised cost using the effective interest method less an allowance for expected credit losses.

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

- Trade and other payables

Trade payables are initially recognised at fair value, which is usually the original invoice amount and are subsequently held at amortised cost using the effective interest method (although, in practice, the discount is often immaterial). If payment is due within one year or less, payables are classified as current liabilities. If not, they are presented as non-current liabilities.

- Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable.

- Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less.

- Loans and other borrowings

All interest-bearing and interest-free loans and other borrowings are initially recognised at fair value net of directly attributable transaction costs. After initial recognition, these financial instruments are measured at amortised cost using the effective interest method, except when they are the hedged item in an effective fair value hedge relationship where the carrying value is also adjusted to reflect the fair value movements associated with the hedged risks. Such fair value movements are recognised in the Company's Income Statement. Amortised cost is calculated by taking into account any issue costs, discount or premium, when applicable.

Centrica LNG Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Derivative financial instruments

The Company routinely enters into sale and purchase transactions for physical delivery of LNG, these transactions take the form of contracts that were entered into and continue to be held for the purpose of receipt or delivery of the physical commodity in accordance with the Company's expected sale, purchase or usage requirements ('own use'). It is deemed that there is no active market for physical LNG.

The Company uses a range of derivatives to hedge exposures to financial risks, such as interest rate, 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 Annual Report and Accounts 2021 of the ultimate controlling party being Centrica plc, in the Strategic Report - Principal Risks and Uncertainties on pages 34 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. 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.

The Company enters into certain energy derivative contracts covering periods for which observable market data does not exist. The fair value of such derivatives is estimated by reference in part to published price quotations from active markets, to the extent that such observable market data exists, and in part by using valuation techniques, whose inputs include data which is not based on or derived from observable markets. Where the fair value at initial recognition for such contracts differs from the transaction price, a fair value gain or fair value loss will arise. This is referred to as a day-one gain or day-one loss. Such gains and losses are deferred (not recognised) and amortised to the Income Statement based on volumes purchased or delivered over the contractual period until such time observable market data becomes available. When observable market data becomes available, any remaining deferred day-one gains or losses are recognised within the Income Statement. Recognition of the gains or losses resulting from changes in fair value depends on the purpose for issuing or holding the derivative. For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the Income Statement and are included within gross profit or interest income and interest expense.

Derivatives are classified as current and non-current assets or liabilities. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Centrica LNG Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical judgements in applying the Company's accounting policies

The following are critical judgements, apart from those involving estimations, that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Own-use contracts

With the exception of the derivatives, the LNG contracts have been determined to be own-use contracts (i.e. customer contracts, contracts to take delivery and meet customer demand or sell upstream output). Such contracts are therefore outside the scope of IFRS 9 'Financial Instruments' and are not marked to market.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Determination of fair values - energy derivatives

Fair values of energy derivatives are estimated by reference in part to published price quotations in active markets and in part by using valuation techniques. Quoted market prices considered for valuation purposes are the bid price for assets held and/or liabilities to be issued, or the offer price for assets to be acquired and/or liabilities held, although the mid-market price or another pricing convention may be used as a practical expedient (where typically used by other market participants). The judgements and the assumptions underpinning these judgements are considered to be appropriate.

In the Directors opinion there are no other critical judgements or key sources of estimation uncertainty.

Centrica LNG Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

4 Revenue

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

	2021 \$ 000	2020 \$ 000
United Kingdom (IFRS 15)	368,542	275,134
Europe (IFRS 15)	326,610	79,624
Middle East (IFRS 15)	301,670	161,608
Asia (IFRS 15)	617,564	418,831
North America (IFRS 15)	400,843	221,969
South America (IFRS 15)	121,991	40,824
Movement of energy and FX derivatives (IFRS 9)	(1,331,135)	68,001
	<u>806,085</u>	<u>1,265,991</u>

All revenue relates to the principal activity of the business. Included within the UK revenue in 2020 was \$105m relating to NFE cancellation fee.

5 Analysis of costs by nature

	Cost of sales \$ 000	2021 Operating costs \$ 000	Total costs \$ 000	Cost of sales \$ 000	2020 Operating costs \$ 000	Total costs \$ 000
Employee costs	-	(355)	(355)	-	(1,575)	(1,575)
Commodities costs	(1,822,766)	-	(1,822,766)	(729,292)	-	(729,292)
Movement of energy and FX derivatives (unrealised)	347,993	-	347,993	70,402	-	70,402
Realised gains/ (losses)	347,911	-	347,911	(136,012)	-	(136,012)
Transportation, distribution and capacity	(82,349)	-	(82,349)	(90,444)	-	(90,444)
Recharges	-	(18,280)	(18,280)	-	(29,307)	(29,307)
Tolling costs	(270,990)	-	(270,990)	(273,354)	-	(273,354)
Total costs by nature	<u>(1,480,201)</u>	<u>(18,635)</u>	<u>(1,498,836)</u>	<u>(1,158,700)</u>	<u>(30,882)</u>	<u>(1,189,582)</u>

Centrica LNG Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

6 Employees' costs

The aggregate employee costs were as follows:

	2021 \$ 000	2020 \$ 000
Wages and salaries	(355)	(583)
Other employee expense - bonus	-	(992)
	<u>(355)</u>	<u>(1,575)</u>

The average number of persons employed by the Company (including Directors) during the year, analysed by category was as follows:

	2021 No.	2020 No.
Administration and support	<u>2</u>	<u>3</u>

7 Net finance income/cost

Finance income

	2021 \$ 000	2020 \$ 000
Interest income from amounts owed by Group undertakings	<u>5,185</u>	<u>4,241</u>
Total finance income	<u>5,185</u>	<u>4,241</u>

	2021 \$ 000	2020 \$ 000
Net foreign exchange losses on financing transactions	<u>(1,343)</u>	<u>(1,111)</u>
Total finance costs	<u>(1,343)</u>	<u>(1,111)</u>
Net finance income	<u>3,842</u>	<u>3,130</u>

8 Directors' remuneration

The Directors were remunerated as employees of Centrica plc Group and did not receive any remuneration, from any source, for their services as Directors of the Company during the current or preceding financial year. Accordingly, no details in respect of their emoluments have therefore been included in these financial statements.

Centrica LNG Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

9 Auditor's remuneration

Auditor's remuneration totalling \$17,261 (2020: \$14,111) relates to fees for the audit of the Financial Statements 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.

10 Income tax

Tax credited/(charged) in the Income Statement

	2021 \$ 000	2020 \$ 000
Current taxation		
UK corporation tax at 19% (2020: 19%)	-	(16,275)
UK corporation tax adjustment to prior periods	44	-
Foreign tax relief/other relief ⁽ⁱ⁾	-	3,137
Foreign tax suffered ⁽ⁱ⁾	-	(3,137)
	<u>44</u>	<u>(16,275)</u>
Deferred taxation		
Origination and reversal of temporary differences	58	1,163
Changes in tax rates	303	(31)
Adjustment in respect of prior period	<u>(44)</u>	<u>-</u>
Total deferred taxation	<u>317</u>	<u>1,132</u>
Taxation on (profit)/ loss	<u>361</u>	<u>(15,143)</u>

⁽ⁱ⁾ Foreign tax is in relation to the Singapore branch which commenced trading in 2020. The branch has not made an election to exempt its profits from UK tax under s18 CTA2009. Therefore the branch's tax is being offset against the tax liability of the Company.

The UK rate of corporation tax for the year to 31 December 2021 was 19% (2020: 19%).

The UK corporation tax rate will increase to 25% with effect from 1 April 2023. At 31 December 2021, the relevant UK deferred tax assets and liabilities included in these Financial Statements were measured at the prevailing rate applicable for the period when the underlying temporary differences are expected to reverse.

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

Centrica LNG Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

10 Income tax (continued)

	2021 \$ 000	2020 \$ 000
(Loss)/profit before tax	(688,909)	79,539
Tax on profit at standard UK corporation tax rate of 19% (2020: 19%)	130,893	(15,112)
Increase arising from group relief tax reconciliation	(130,835)	-
Increase (decrease) from tax rate changes	303	(31)
Total tax credit/(charge)	361	(15,143)

Deferred tax

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

	Temporary difference trading \$000	Other items \$000	Total \$ 000
1 January 2021	1,105	(230)	875
Credited to the Income Statement	335	26	361
Prior period adjustments	(44)	-	(44)
31 December 2021	1,396	(204)	1,192

	Temporary difference trading \$000	Other items \$000	Total \$ 000
1 January 2020	-	(257)	(257)
Credited to the Income Statement	1,105	27	1,132
31 December 2020	1,105	(230)	875

The following is an analysis of the gross deferred tax balances and associated offsetting balances for financial reporting purposes:

	2021		2020	
	Assets \$ 000	Liabilities \$ 000	Assets \$ 000	Liabilities \$ 000
Gross deferred tax balances crystallising within one year	-	(57)	1,105	(57)
Gross deferred tax balances crystallising after one year	1,396	(147)	-	(173)
	1,396	(204)	1,105	(230)

Centrica LNG Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

11 Trade and other receivables

	2021	2020 (As restated)
	\$ 000	\$ 000
Trade receivables	37,463	4,555
Amounts owed by Group undertakings ⁽ⁱⁱ⁾	246,032	150,241
Accrued income	-	19,733
Other receivables	9,346	-
	<u>292,841</u>	<u>174,529</u>

⁽ⁱ⁾ In 2021 trade receivables were separately analysed in order to provide additional detail in respect of material balances. As a consequence, the 2020 balances were reviewed and \$4,555,000 was reclassified from other receivables to trade receivables, and the remaining \$1,625,000 credit was moved to accrued income.

⁽ⁱⁱ⁾ The amounts owed by Group undertakings have been presented on a net basis if there is a legal right of offset, and the intent is to settle amounts on a net basis. Included within the net amounts owed by Group undertakings disclosed above is \$230,665,000 (2020: \$148,465,000) that bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 3.61% and 4.23% per annum during 2021 (2020: 4.42% and 4.73%). The other net amounts owed by Group undertakings are interest-free. All amounts owed by Group undertakings are unsecured and repayable on demand.

12 Inventories

	2021	2020
	\$ 000	\$ 000
Gas in storage	<u>110,399</u>	<u>3,046</u>

Inventories at 31 December 2021 includes 3 LNG cargoes (2020: 0).

13 Cash and cash equivalents

	2021	2020
	\$ 000	\$ 000
Cash at bank	<u>594</u>	<u>866</u>

Centrica LNG Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

14 Trade and other payables

	2021	2020 As restated ⁽ⁱ⁾
	\$ 000	\$ 000
Trade payables	(177,484)	(36,272)
Accrued expenses	(72,029)	(578)
Amounts owed to Group undertakings ⁽ⁱⁱ⁾	(22,962)	(19,614)
Transportation accruals	(13,715)	(106)
	<u>(286,190)</u>	<u>(56,570)</u>

⁽ⁱ⁾ In 2021 trade payables have been analysed separately in order to provide additional detail in respect of material balances. As a result, the 2020 balance has been reviewed, resulting in \$36,272,000 being reclassified from accrued expenses to trade payables.

⁽ⁱⁱ⁾ The amounts owed by Group undertakings have been presented on a net basis if there is a legal right of offset, and the intent is to settle amounts on a net basis. All amounts owed by Group undertakings are interest-free, unsecured and repayable on demand.

15 Provisions for other liabilities and charges

	Other provisions \$ 000	Total \$ 000
Charged to the Income Statement	(987)	(987)
At 31 December 2021	<u>(987)</u>	<u>(987)</u>
Current liabilities	<u>(987)</u>	<u>(987)</u>

The provision relates to a trade dispute, reflecting potentially irrecoverable revenue.

16 Capital and reserves

	2021		2020	
	No.	\$	No.	\$
3 ordinary shares of \$1 each (2020: 3)	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

Share premium account

During 2016, GB Gas Holdings Limited ('GBGH') purchased 1 ordinary share in the share capital of the Company. This share had a nominal value of £1 and a premium of £154,999,999 (\$205,655,000). The Company also undertook a capital reduction in 2016 of £120,000,000 (\$158,447,000), resulting in a Share Premium reserve of £35,000,000 (\$47,208,000).

Centrica LNG Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

16 Capital and reserves (continued)

Foreign currency translation reserve

The foreign currency translation reserve arose as a result of the change in presentation currency from GBP to USD during 2016.

(Accumulated losses)/ Retained earnings

The balance classified as (accumulated losses)/ retained earnings includes the profits and losses realised by the Company in previous periods that were not distributed to the shareholders of the Company at the reporting date.

17 Commitments and contingencies

In February 2019 the Company signed a 20-year LNG agreement under which Tokyo Gas and the Company will jointly purchase 2.6 million tonnes of LNG per annum, delivered ex-ship from the Mozambique LNG Project. The commercial start date is 2025, total commodity purchase commitments are estimated as follows:

	2021 \$ 000	2020 \$ 000
Mozambique LNG Project	8,951,026	9,537,254

As at 31 December 2021, the Company is obligated to the following commodity purchase commitments, based on minimum contractual quantities (per contractual terms entered into), commodity purchase prices and foreign exchange rates as at the reporting date. This table excludes the tolling commitments, which are shown separately in the 'Contractual commitments in relation to other contracts' table.

	2021 \$ 000	2020 \$ 000
Within one year	917,986	327,824
Between one and five years	991,845	415,048
After five years	7,959,182	9,122,206
	<u>9,869,013</u>	<u>9,865,078</u>

Contractual commitments in relation to other contracts

On the 14 February 2019 Centrica plc and the Company executed an agreement to transfer the LNG Sale and Purchase Agreement with Sabine Pass Liquefaction from Centrica plc to the Company. As at 31 December 2021 the Company has the following tolling commitment.

	2021 \$ 000	2020 \$ 000
Within one year	291,736	276,206
Between one and five years	1,112,732	1,108,359
After five years	3,599,310	3,862,937
Other commitments ⁽ⁱ⁾	12,932	15,852
	<u>5,016,710</u>	<u>5,263,354</u>

⁽ⁱ⁾ Other commitments relates to a tolling commitment between the Company and Pioneer Shipping Limited.

Centrica LNG Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

18 Fair value of financial instruments

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company adopts Group internal policies for determining fair value, including methodologies used to establish valuation adjustments required for credit risk.

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 management's best estimate of fair value.

The reconciliation of the Level 3 fair value measurements during the year is as follows:

	2021 Instruments at fair value through profit & loss \$ 000	2020 Instruments at fair value through profit & loss \$ 000
Level 3 financial instruments		
1 January	(2,335.0)	-
Total realised and unrealised losses:		
Recognised in the Income Statement	3,173.0	(2,335.0)
31 December	<u>838.0</u>	<u>(2,335.0)</u>

Centrica LNG Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

18 Fair value of financial instruments (continued)

Financial instruments carried at fair value

	31 December 2021			31 December 2020		
	Fair value and carrying value \$ 000	Level 2 \$ 000	Level 3 \$ 000	Fair value and carrying value \$ 000	Level 2 \$ 000	Level 3 \$ 000
Derivative financial assets - held for trading under IFRS9						
Energy derivatives- for procurement/ optimisation	243,627	243,627	-	6,568	6,568	-
Foreign exchange derivatives	5,375	5,375	-	-	-	-
Total financial assets at fair value through profit or loss	249,002	249,002	-	6,568	6,568	-
Derivative financial liabilities - held for trading under IFRS9						
Energy derivatives- for procurement/ optimisation	(951,467)	(952,305)	838	(21,274)	(18,939)	(2,335)
Foreign exchange derivatives	(374)	(374)	-	(1,345)	(1,345)	-
Total financial liabilities at fair value through profit or loss	(951,841)	(952,679)	838	(22,619)	(20,284)	(2,335)
Net financial instruments at fair value	(702,839)	(703,677)	838	(16,051)	(13,716)	(2,335)

There are no level one derivatives held by the Company.

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Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

19 Parent and ultimate parent undertaking

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

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

The registered address of Centrica plc is Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD, United Kingdom.

20 Non-adjusting events after the financial period

On 2 March 2022, in response to the Russian invasion of Ukraine, Centrica plc announced its intention to exit gas supply agreements with Russian businesses. The Company has previously purchased Russian LNG cargoes. LNG Cargoes with the Russian nexus will no longer be purchased. The biggest risk to the Company is the impact of global commodity prices remaining elevated and volatile. This risk is discussed in the Strategic report on page 3.