

Centrica Storage Holdings Limited
Annual report for the year ended 31 December 2008

Registered Number: 4573558



Centrica Storage Holdings Limited

Directors' report for the year ended 31 December 2008

The directors present their report and the audited Financial Statements of Centrica Storage Holdings Limited (the "Company") for the year ending 31 December 2008.

Principal activities

The principal activity of the Company is to act as the holding company of the Centrica Storage group. For the purposes of the Companies Act 1985, this constitutes one class of business.

Financial results

The financial position of the Company is presented in the balance sheet on page 6. Shareholders' funds at 31 December 2008 were £488,542 (2007: £524,730).

The results for the year are set out in the Profit and Loss account on page 5. The loss for the year of £36.2 million (loss for year ending 31 December 2007: £33.8 million) has been deducted from reserves.

The Directors envisage the Company continuing to operate as a holding company for the foreseeable future.

Investment

The company acquired 100% of share capital of Caythorpe Gas Storage Limited and related assets for £65million. Caythorpe Gas Storage Limited has the full ownership of the substantially depleted onshore Caythorpe gas producing field near Bridlington in East Yorkshire together with planning permission and licences for conversion to an onshore gas storage facility. The converted facility is planned to be operational by winter 2011/12 and will have a capacity up to 7.5bcf.

Dividends

In 2008 no dividends were paid on ordinary shares (2007: £nil).

The Directors proposed to pay interest on the preference shares in issue of 10.46 pence per preference share (2007: 9.29 pence per preference share) amounting to £3.0 million (year ending 31 December 2007: £2.7 million).

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks.

The key business risks and uncertainties the company is exposed to are; interest rate risk and liquidity risk largely related to amounts owed to Group.

As these amounts are owed to another Group company interest rate risk is not actively managed by the Company. The £566.7 million loan due to Group undertakings has been extended and is now not repayable until 30 June 2010. Liquidity risk management is discussed below.

Financial risk management

The Directors have established objectives and policies for managing financial risks to enable Centrica Storage Holdings Limited to achieve its long-term shareholder value growth targets within a prudent risk management framework. These objectives and policies are regularly reviewed.

The Centrica Storage group of companies has a Financial Risk Management Committee which meets on a regular basis.

Centrica Storage Holdings Limited

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

Liquidity

Cash forecasts identifying the liquidity requirements of the Company are produced periodically and monitored by the Directors. Appropriate action is taken to ensure outstanding debt can be re-financed with Centrica group companies on maturity of existing finance structures.

Key performance indicators ("KPIs")

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

Directors

Directors in post during the year and up to the date of signing this report were as follows:

I G Dawson

G S Collinson (appointed on 21 July 2008)

S M Wills (appointed on 31 July 2008)

B D Walker (resigned on 31 July 2008)

M J Garstang (resigned on 27 June 2008)

At no time during the year ended 31 December 2008 did any director have any interests in the shares of the Company (2007: £nil) or any other company within the Group, except for interests in and options over the shares and interests of the ultimate parent company, Centrica plc.

There were no contracts of significance during or at the end of the financial year to which the Company or any subsidiary and associated undertaking is a party and in which any director is or was materially interested.

Charitable and political donations

The Company made no political or charitable donations during the year (2007: £nil).

Directors' liability

Directors' liability insurance has been purchased by the ultimate parent company, Centrica plc, and was in place throughout the year under review.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

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

Centrica Storage Holdings Limited

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

In preparing those Financial Statements, the directors are required to:

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

The directors confirm that they have complied with the above requirements in preparing the Financial Statements. The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 he is aware, there is no relevant audit information of which the Company's auditors are unaware and he has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

On 25 February 2009 Centrica plc signed an agreement to acquire from Perenco UK Limited a 70 per cent interest in a project to convert the largely depleted Baird gas field for an initial payment of £25 million. Perenco UK Limited will retain the remaining 30 per cent stake in the project.

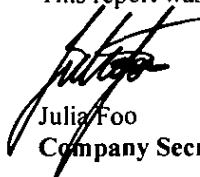
Centrica plc will manage the design and project development incurring further costs of around £12m before a final investment decision is made. To take the project to completion Centrica plc's total potential investment in the project would be approximately £1.2 billion. It is anticipated that the project will commence commercial operations in 2013.

The proposed Baird storage facility would have capacity of approximately 60 billion cubic feet (bcf), just over half the 118 bcf capacity of Rough, the UK's largest gas storage facility. It will be a faster and more flexible asset than Rough with the capability to capture more value from market volatility. Pre-development studies on the project will run until Q3 2010, before a final investment decision is made.

Auditors

In accordance with Section 487 of the Companies Act 2006, the Company has elected to dispense with the obligation to reappoint auditors annually, and PricewaterhouseCoopers LLP will therefore continue in office.

This report was approved by the Board on 14 July 2009.



Julia Foo
Company Secretary

Date: 14 July 2009

Registered office:
Venture House
42-54 London Road
Staines
Middlesex TW18 4HF

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CENTRICA STORAGE HOLDINGS LIMITED

We have audited the Financial Statements of Centrica Storage Holdings Limited (the "Company") for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These Financial Statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

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

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion:

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

PricewaterhouseCoopers Ltd

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

14 July 2009

Centrica Storage Holdings Limited

Profit and Loss account For the year ended 31 December 2008

	Notes	2008 £000	2007 £000
Administrative expenses		(5)	(5)
Operating loss	2	<u>(5)</u>	<u>(5)</u>
Net interest payable and similar charges	3	<u>(36,183)</u>	<u>(33,807)</u>
Loss on ordinary activities before taxation		(36,188)	(33,812)
Taxation on ordinary activities	6	-	-
Loss for the financial year	12,13	<u>(36,188)</u>	<u>(33,812)</u>

All amounts included in the Profit and Loss account are derived from continuing operations.

There are no recognised gains and losses other than those reported in the Profit and Loss account. Therefore, no separate statement of recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the years stated above and their historical cost equivalent.

The notes on pages 7 to 12 form part of the Financial Statements.

Centrica Storage Holdings Limited

Balance Sheet

As at 31 December 2008

	Notes	2008 £000	2007 £000
Fixed assets			
Investments	7	<u>1,057,564</u>	<u>992,031</u>
Current assets			
Debtors	8	92,033	149,485
Cash at bank and in hand		<u>492</u>	<u>103</u>
		92,525	149,588
Creditors: amounts falling due within one year	9	(661,257)	(616,599)
Net current liabilities		(568,732)	(467,011)
Creditors: amounts falling due after one year	10	(290)	(290)
Net assets		<u>488,542</u>	<u>524,730</u>
Capital and reserves			
Called up share capital	11	545,000	545,000
Share premium	12	30,234	30,234
Profit and Loss account	12	(86,692)	(50,504)
Total shareholders' funds	13	<u>488,542</u>	<u>524,730</u>

The notes on pages 7 to 12 form part of these Financial Statements.

The Financial Statements on pages 5 to 12 were approved and authorised for issue by the Board of Directors on 14 July 2009 and were signed on its behalf by:



Simon Wills
Director
14 July 2009

Notes to the Financial Statements

1 Principal accounting policies

These Financial Statements are prepared on the going concern basis, as its ultimate parent company, Centrica plc, has confirmed that it will ensure the Company can meet its liabilities and obligations as they fall due for one year from the date of these Financial Statements. The Financial Statements are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable UK accounting standards.

Exemptions

The Company has taken advantage of the exemptions available to wholly owned UK subsidiaries under Financial Reporting Standard 1 (Revised 1996) "Cashflow statements", and accordingly has not prepared a cashflow statement. The Company has also taken advantage of exemptions within Financial Reporting Standard 8 "Related Party Disclosures" from disclosure of transactions with other group companies as it is a wholly owned subsidiary of a company whose Financial Statements are publicly available and which include the results of the Company.

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.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the Financial Statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the Financial Statements.

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

Deferred tax is not recognised when fixed assets are re-valued unless by the balance sheet date there is a binding agreement to sell the re-valued assets and the gain or loss expected to arise on sale has been recognised in the Financial Statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

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

Investments

Fixed asset investments are shown at cost less any provision for impairment.

Interest

Interest is recognised when it becomes receivable and payable.

Notes to the Financial Statements (continued)

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities. A debt instrument is a contractual obligation to deliver cash or another financial obligation.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the Balance Sheet. Finance costs and gains or losses relating to financial liabilities are included in the Profit and Loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

The Company is exempted by FRS 29 from providing detailed disclosures in respect of its financial instruments because the Company is included within the Group's consolidated financial statements and its financial instruments are incorporated into disclosures in note 4 (page 74-79) of the Centrica plc Annual Report and Accounts 2008.

2 Operating loss

Operating loss is stated after charging audit fees payable to the Company auditors for audit services amounting to £5,250 (2007: £5,000).

Auditors' remuneration of £12,075 relates to fees for the audit of the UK GAAP statutory accounts of Centrica Storage Holdings Limited and includes fees in relation to the audit of the IFRS group consolidation schedules, for the purpose of the Centrica Group audit, which also contribute to the audit of Centrica Storage Holdings Limited. Of the auditors' remuneration £6,825 (2007:£9,400) is borne by Centrica plc. Prior year audit fees have been restated to reflect the inclusion of an element of the Centrica Group fee.

3 Net interest payable and similar charges

	2008	2007
	£000	£000
Finance charge on amount owed to group undertakings	(37,186)	(35,935)
Other interest receivable from group undertakings	4,037	4,822
Preference share interest	(3,034)	(2,694)
	(36,183)	(33,807)

The preference share interest was paid at 10.46 pence (2007: 9.29 pence) per £1 preference share.

4 Staff costs

Centrica Storage Holdings Limited has no employees (2007: nil) and no staff costs (2007: nil). All costs relating to employees are borne by another Group company.

Centrica Storage Holdings Limited

Notes to the Financial Statements (continued)

5 Directors' emoluments

None of the directors received nor were due remuneration from the Company during the year (2007: £nil).

The directors are paid by other group undertakings. It is not possible to make an accurate apportionment of their emoluments and accordingly the Profit and Loss account includes no amounts for these individuals.

6 Taxation on loss on ordinary activities

	2008 £000	2007 £000
(a) Analysis of tax charge in the period		
The tax (credit)/charge comprises:		
Current tax		
UK corporation tax at 28.5% (2007: 30%)	-	-
Deferred tax		
- Origination and reversal of timing differences	-	-
Total taxation on loss on ordinary activities	-	-

(b) Factors affecting the tax charge for the period

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

	2008 £000	2007 £000
(Loss) on ordinary activities before tax	(36,188)	(33,812)
Loss on ordinary activities at standard UK corporation tax rate of 28.5% (2007: 30 %)	(10,314)	(10,144)
Group relief for nil consideration	9,648	9,486
Dividend income received from/ paid to UK companies	865	808
UK-UK transfer pricing adjustment	(199)	(150)
Current taxation charge for the period	-	-

The standard rate of corporation tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly the Company's profits for this accounting period are taxed at an effective rate of 28.5% and will be taxed at 28% in the future. No deferred tax arises for the year (2007:£nil).

Centrica Storage Holdings Limited

Notes to the Financial Statements (continued)

7 Investments

	2008 £000	2007 £000
Investments in subsidiary undertakings	<u>1,057,564</u>	<u>992,031</u>

At 31 December 2008 the Company had investments in the following subsidiary undertakings, all of which are incorporated in England and Wales.

	Holding	Share	Nature of business
Centrica Storage Limited	Ordinary Shares	100%	Gas Storage
Centrica Onshore Processing UK Limited	Ordinary Shares	100%	Gas Processing
Centrica Jersey Limited	Ordinary Shares	100%	Financing
Caythorpe Gas Storage Limited	Ordinary Shares	100%	Gas Storage

The Company acquired 100% of the share capital of Caythorpe Gas Storage Limited for £65m on 8 September 2008. Further detail is disclosed in the Investment note in the Directors' report.

8 Debtors

	2008 £000	2007 £000
Amount due from group undertaking	92,033	149,485
	<u>92,033</u>	<u>149,485</u>

The amount due by group undertakings include £86.8million (2007: £149.5million) of deposits with group treasury, and a £5.2million (2007: £nil) loan to Caythorpe Gas Storage Limited. The deposits with group treasury are unsecured, have no fixed date of repayment, and bear interest at LIBOR. The loan to Caythorpe Gas Storage Limited is unsecured, is repayable on demand and bears no interest.

9 Creditors (amounts falling due within one year)

	2008 £000	2007 £000
Amounts due to Group undertaking	637,409	595,753
Accruals	9,688	9,720
Cumulative preference interest (Note 3)	14,160	11,126
	<u>661,257</u>	<u>616,599</u>

Amounts due to group undertakings includes £566,656,000 (2007: £566,656,000) which is repayable 30th June 2009 and bears interest at LIBOR plus 50 bps. Included within accruals is £9,688,000 (2007: £9,718,000) interest accrued with respect to the £566,656,000 amount due to group undertakings.

The cumulative preference interest is accrued in relation to the dividend due on an annual basis from 1 January to 31 December on the Company's irredeemable preference shares (note 10).

Centrica Storage Holdings Limited

Notes to the Financial Statements (continued)

10 Creditors (amounts falling due after one year)

	2008 £000	2007 £000
Irredeemable preference shares	290	290

Irredeemable Preference shares

BGP GS Limited has a 100% interest in the irredeemable preference shares. The ultimate holding company of BGP GS Limited is Centrica plc. There are 29,001,331 preference shares in issue with a nominal value of £0.01 per share.

(i) Rights

The Irredeemable Preference shares shall confer upon the holders the right in priority to any payment by way of dividend to receive a cumulative preferential dividend at a rate of (4.72% + LIBOR) x £1 per share held, fixed in advance for each 12 month period.

(ii) Priority on winding up

On a return of capital on a winding up, the Irredeemable Preference shareholders shall be paid in priority to ordinary shareholders, the nominal value paid up, preferential dividends due, £0.99 per each Preference Share held, in that order.

(iii) Voting

The Irredeemable Preference shares shall not confer upon the holder, any right to receive notice of, attend or vote at a general meeting.

11 Called up share capital

	Number of shares '000	2008 £000	2007 £000
Authorised			
545,000,100 Ordinary shares of £1 each	545,000.1	545,000.1	545,000.1
Allotted, called up and fully paid			
545,000,100 Ordinary shares of £1 each	545,000.1	545,000.1	545,000.1

12 Reserves

	Share premium account £000	Profit & loss account £000	Total £000
Balance as at 1 January 2008	30,234	(50,504)	(20,270)
Loss for the financial year	-	(36,188)	(36,188)
Balance as at 31 December 2008	30,234	(86,692)	(56,458)

Centrica Storage Holdings Limited

Notes to the Financial Statements (continued)

13 Reconciliation of movements in shareholders' funds

	2008 £000	2007 £000
Shareholders' funds as at 1 January	524,730	558,542
Loss for the financial year	(36,188)	(33,812)
Shareholders' funds as at 31 December	<u>488,542</u>	<u>524,730</u>

14 Ultimate parent company

Centrica plc, a company registered in England and Wales, is the ultimate parent company and ultimate controlling party. Centrica plc has a 100% interest in the equity share capital of GB Gas Holdings Limited, which in turn owns 100% of the ordinary share capital of Centrica Storage Holdings Limited.

Centrica plc is the parent company of the largest and smallest group for which consolidated Financial Statements are drawn up. Copies of the ultimate parent company's consolidated Financial Statements can be obtained from Centrica plc, Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD or from www.centrica.com.

15 Events after the balance sheet date

On 25 February 2009 Centrica plc signed an agreement to acquire from Perenco UK Limited a 70 per cent interest in a project to convert the largely depleted Baird gas field for an initial payment of £25 million. Perenco UK Limited will retain the remaining 30 per cent stake in the project.

Centrica plc will manage the design and project development incurring further costs of around £12m before a final investment decision is made. To take the project to completion Centrica plc's total potential investment in the project would be approximately £1.2 billion. It is anticipated that the project will commence commercial operations in 2013.

The proposed Baird storage facility would have capacity of approximately 60 billion cubic feet (bcf), just over half the 118 bcf capacity of Rough, the UK's largest gas storage facility. It will be a faster and more flexible asset than Rough with the capability to capture more value from market volatility. Pre-development studies on the project will run until Q3 2010, before a final investment decision is made.