

Centrica Storage Holdings Limited
Annual Report for the year ended 31 December 2010

Registered Number: 4573558

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Centrica Storage Holdings Limited

Directors' report for the year ended 31 December 2010

The Directors present their report and the audited Financial Statements of Centrica Storage Holdings Limited (the "Company") for the year ending 31 December 2010

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 2006, this constitutes one class of business.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. Further discussion of these risks and uncertainties in the context of Centrica plc (the "Group") as a whole is provided on pages 30 to 36 of the Centrica plc Annual Report and Accounts 2010.

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

As these amounts are owed to another Group company interest rate risk is not actively managed by the Company. Management have received assurances that the £566.7 million loan due to group undertakings will be extended and is regarded as current liability. The future repayment date has not yet been established. 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 long-term shareholder value growth 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.

Liquidity risk

Cash forecasts identifying the liquidity requirements of the Company are produced periodically and monitored by the directors. Management have been in discussion with the group treasury department to ensure that the outstanding debt can be re-financed with Centrica group companies on maturity of existing finance structures. The repayment of the £566.7 million loan referred to above will be managed by the Group.

Centrica Storage Holdings Limited

Directors' report for the year ended 31 December 2010 (continued)

Key performance indicators (KPIs)

Given the 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

Future developments

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

Work continues on the two potential storage projects, Caythorpe and Baird in which the Company holds interests through subsidiaries or joint ventures. Final investment decisions are expected for the Caythorpe project in 2011 and the Baird project in 2012

Results and dividends

The results of the Company are set out on page 5

The loss for the year of £1.4 million (2009: £142.2 million profit) has been deducted from reserves

In 2010 no dividend was paid on ordinary shares (2009: nil) and the Directors' do not recommend the payment of a final dividend

The Company paid interest on the preference shares in issue of 5.97 pence per preference share (2009: 7.79 pence per preference share) amounting to £1.7 million (2009: £2.3 million)

Financial Position

The financial position of the Company is presented in the balance sheet on page 6. Shareholders' funds at 31 December 2010 were £629.4 million (2009: £630.8 million)

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
S M Wills

At no time during the year ended 31 December 2010 did any director have any interests in the shares of the Company (2009: £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

Directors' and officers' liability

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

Post balance sheet events

There are no reportable events after the balance sheet date

Centrica Storage Holdings Limited

Directors' report for the year ended 31 December 2010 (continued)

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair 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 then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

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

Disclosure of information to auditors

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

Independent auditors

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

This report was approved by the Board on 22 June 2011



Julia Foo
Company Secretary

Date 22 June 2011

Company number 4573558, England and Wales

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

Centrica Storage Holdings Limited

Independent auditors' report to the member of Centrica Storage Holdings Limited

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

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


Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Bruce Collins (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23 June 2011

Centrica Storage Holdings Limited

Profit and Loss Account For the year ended 31 December 2010

	Notes	2010 £000	2009 £000
Administrative expenses		148	(12)
Operating profit/(loss)	2	<u>148</u>	<u>(12)</u>
Dividend income received from group undertakings	3	–	150,000
Net interest payable and similar charges	4	<u>(1,499)</u>	<u>(7,771)</u>
(Loss)/profit on ordinary activities before taxation		(1,351)	142,217
Tax on (loss)/profit on ordinary activities	7	-	-
(Loss)/Profit for the financial year	13,14	<u>(1,351)</u>	<u>142,217</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)/profit on ordinary activities before taxation and the (loss)/profit for the years stated above and their historical cost equivalent.

The notes on pages 7 to 13 form part of these financial statements.

Centrica Storage Holdings Limited

Balance Sheet As at 31 December 2010

	Notes	2010 £000	2009 £000
Fixed assets			
Investments	8	<u>1,085,665</u>	<u>1,085,665</u>
Current assets			
Debtors	9	164,953	203,226
Cash at bank and in hand		<u>303</u>	<u>116</u>
		<u>165,256</u>	<u>203,342</u>
Creditors: amounts falling due within one year	10	<u>(621,223)</u>	<u>(657,958)</u>
Net current liabilities		<u>(455,967)</u>	<u>(454,616)</u>
Total assets less current liabilities		629,698	631,049
Creditors: amounts falling due after one year	11	<u>(290)</u>	<u>(290)</u>
Net assets		<u>629,408</u>	<u>630,759</u>
Capital and reserves			
Called up share capital	12	545,000	545,000
Share premium account	13	30,234	30,234
Profit and Loss account	13	54,174	55,525
Total shareholders' funds	14	<u>629,408</u>	<u>630,759</u>

These financial statements on pages 5 to 13 were approved and authorised for issue by the board of directors on 22 June 2011 and were signed on its behalf by



Simon Wills
Director
22 June 2011

The notes on pages 7 to 13 form part of these financial statements

The Company's registered number is 4573558

Centrica Storage Holdings Limited

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 approval of these financial statements. These financial statements are prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable UK accounting standards. These policies have been applied consistently to all the years presented, unless otherwise stated.

Exemptions

The financial statements contain information about Centrica Storage Holdings Limited as an individual company and do not contain consolidated financial information. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Centrica plc which are publicly available.

Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996). The company is also exempt under the terms of FRS 8 from disclosing related-party transactions with entities that are part of the Centrica plc group.

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.

Fixed asset investments

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

Interests in joint ventures

A jointly controlled entity is a joint venture which involves the establishment of an entity to engage in economic activity, which the Company controls jointly with its venture partners. Investments in jointly controlled entities are carried at cost less any impairment in the value of individual investments.

Centrica Storage Holdings Limited

Notes to the Financial Statements (continued)

1 Principal accounting policies (continued)

Interest

Interest payable is recognised when accrued

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 directly 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 83 to 87) of the Centrica plc Annual Report and Accounts 2010.

2 Operating profit/(loss)

Operating profit is stated after charging audit fees payable to the Company auditors for audit services amounting to £11,992 (2009: £12,075).

Auditors' remuneration of £11,992 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 Group audit, which also contribute to the audit of Centrica Storage Holdings Limited.

3 Income from shares in group undertakings

	2010 £000	2009 £000
Dividend received	–	150,000
	<u>–</u>	<u>150,000</u>

The ordinary dividend was received from a subsidiary undertaking, Centrica Storage Limited in March 2009.

Centrica Storage Holdings Limited

Notes to the Financial Statements (continued)

4 Net interest payable and similar charges

	2010 £000	2009 £000
Interest on amount owed to group undertakings	(6,682)	(11,499)
Other interest receivable from group undertakings	6,914	5,988
Preference Share Interest	(1,731)	(2,260)
	<u>(1,499)</u>	<u>(7,771)</u>

The preference share interest was paid at 5.97 pence (2009: 7.79 pence) per £1 preference share

5 Staff costs

Centrica Storage Holdings Limited has no employees (2009: nil) and no staff costs (2009: nil). All costs relating to employees are borne by another group company.

6 Directors' emoluments

None of the directors received nor were due remuneration from the Company during the year (2009: 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.

7 Tax on (loss)/profit on ordinary activities

(a) Analysis of tax charge in the period

The tax (credit)/charge comprises

	2010 £000	2009 £000
Current Tax		
UK Corporation tax at 28% (2009: 28%)	-	-
Deferred Tax		
Original and reversal of timing differences	-	-
Total taxation on loss on ordinary activities	<u>-</u>	<u>-</u>

Centrica Storage Holdings Limited

Notes to the Financial Statements (continued)

7 Taxation on loss on ordinary activities (continued) (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

	2010 £000	2009 £000
(Loss)/profit on ordinary activities before tax	(1,351)	142,217
Profit on ordinary activities at standard UK corporation tax rate at 28% (2009 28%)	(378)	39,821
Effects of		
Group relief for nil consideration	107	1,843
Dividend income received from/paid to UK companies	485	(41,367)
UK UK transfer pricing adjustment	(214)	(297)
Tax charge for the period	-	-

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

No deferred tax arises for the year (2009 nil)

8 Fixed assets investments

	2010 £000	2009 £000
Investments in subsidiary undertakings	1,057,564	1,057,564
Investments in Joint Ventures	28,101	28,101
Total investments	1,085,665	1,085,665

Centrica Storage Holdings Limited

Notes to the Financial Statements (continued)

8 Fixed assets investments (continued)

At 31 December 2010 the Company had investments in the following subsidiary and joint venture undertakings, all of which are incorporated in England and Wales

Subsidiary undertakings	Country of incorporation/formation	Percentage holding in ordinary shares and net assets	Principal activity
Centrica Storage Limited	England	100	Gas storage
Centrica Onshore Processing UK Limited	England	100	Gas processing
Caythorpe Gas Storage Limited	England	100	Gas storage
Centrica Jersey Limited	Channel Islands	100	Financing
Joint ventures			
Bacton Storage Company Limited	England	70	Gas storage

9 Debtors

	2010 £000	2009 £000
Amount due by group undertakings	150,285	183,802
Amount due by joint venture companies	14,668	19,424
	164,953	203,226

The amount due by Group undertakings includes £150.3 million (2009 £178.6 million) of deposits with Group treasury that bears interest at LIBOR (2009 LIBOR). The other amounts receivable from Group undertakings and joint venture companies are interest-free. All amounts receivable from Group undertakings and joint venture companies are unsecured and repayable on demand.

10 Creditors: amounts falling due within one year

	2010 £000	2009 £000
Amounts due to Group undertakings	615,961	627,741
Amounts due to joint venture companies	–	16,786
Accruals	1,760	11,660
Cumulative preference interest (Note 4)	3,502	1,771
	621,223	657,958

Amounts due to Group undertakings includes £566.7 million (2009 £566.7 million) which is repayable on demand and bears interest at LIBOR plus 50 bps. Included within accruals is £1.8 million (2009 £11.5 million) interest accrued with respect to the £566.7 million amount due to Group undertakings. Other amounts due to Group undertakings are repayable on demand and do not bear interest.

The cumulative preference interest is accrued in relation to the dividend due on an annual basis from 1 January 2010 to 31 December 2010 on the Company's irredeemable preference shares (note 11).

Centrica Storage Holdings Limited

Notes to the Financial Statements (continued)

11 Creditors: amounts falling due after one year

	2010	2009
	£000	£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 (LIBOR + 4.72%) 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 and £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.

12 Called up share capital

	2010	2009
	£000	£000
Authorised Ordinary shares of £1 each (i)	–	545,000
Allotted and fully paid Ordinary shares of £1 each	545,000	545,000

(i) In 2009 the Company had 545,000,100 authorised, allotted, called up and fully paid Ordinary shares of £1 each.

The Company has taken advantage of the provisions of the Companies Act 2006 (the 'Act') to abolish the requirement to have an authorised share capital. A Special Resolution was passed by the Company's members on 17 February 2010 to delete all provisions of the Company's Memorandum of Association which, by virtue of section 28 of the Act, were treated as provisions of the Company's Articles of Association and revised Articles of Association were adopted.

Centrica Storage Holdings Limited

Notes to the Financial Statements (continued)

13 Reserves

	Share Premium Account £000	Profit & Loss Account £000	Total £000
Balance as at 1 January 2010	30,234	55,525	85,759
Loss for financial year	-	(1,351)	(1,351)
Balance at 31 December 2010	30,234	54,174	84,408

14 Reconciliation of movements in shareholders' funds

	2010 £000	2009 £000
Shareholders' funds at 1 January	630,759	488,542
(Loss)/profit for the financial year	(1,351)	142,217
Shareholders' funds as at 31 December	629,408	630,759

15 Related parties

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 December, are as follows:

Related party	Amounts owed by related parties £000
Bacton Storage Company Limited (note 9)	14,668
	14,668

The Company owns 70 percent of the ordinary shares in the Bacton Storage Company Limited. The amount due by joint venture companies includes a debit balance for Bacton Storage Company Limited of £14,668,000 (2009: £2,638,000), of which £14,262,210 (2009: £2,232,210) was to fund capital expenditure and £405,790 (2009: £405,790) was to fund the stamp duty costs incurred by Bacton Storage Company Limited in its acquisition of Baird Underground Gas Storage Limited.

On 19 May 2010 the Company settled the loan of £16,800,000 outstanding to Bacton Storage Company Limited by the assignment of the loan of similar value outstanding from Centrica Baird Limited to Bacton Storage Company Limited.

16 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.

17 Post balance sheet events

There are no reportable events after the balance sheet date.