

Registered number: 04573558

**Centrica Storage Holdings Limited**  
**Annual Report and Financial Statements**  
**for the year ended 31 December 2018**



**Centrica Storage Holdings Limited**  
**Annual Report and Financial Statements**  
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**Centrica Storage Holdings Limited**  
**Company Information**

**Directors**

G C McKenna  
C M O'Shea

**Secretary**

Centrica Secretaries Limited

**Independent auditor**

Deloitte LLP  
Union Plaza  
1 Union Wynd  
Aberdeen  
United Kingdom  
AB10 1SL

**Registered office**

Woodland House  
Woodland Park  
Hessle  
United Kingdom  
HU13 0FA

**Registered number**

04573558

## **Centrica Storage Holdings Limited**

### **Strategic Report for the year ended 31 December 2018**

The Directors present the Strategic Report of Centrica Storage Holdings Limited (the 'Company') for the year ended 31 December 2018.

The Company's financial statements have been prepared in accordance with Financial Reporting Standard 101: Reduced Disclosure Framework ('FRS 101').

#### **Review of business and principal activities**

The Company reported a profit for the financial year of £4,951,000 (2017: £140,643,000). The Company continued to act as a holding company during the year.

During 2017, the Company's primary subsidiary Centrica Storage Limited (CSL) announced that following the completion of its extensive well testing programme, it could not safely return the asset and facilities to storage operations. A commercial review was undertaken to assess either a major investment in refurbishment or redevelopment of the Rough facility with neither option deemed commercially viable. It was also announced that as a result of the findings, CSL would make all relevant applications to permanently end Rough's status as a storage facility, and to produce all recoverable cushion gas from the field via its wholly-owned subsidiary Centrica Offshore UK Limited (COUK).

In September 2017, the Oil and Gas Authority (OGA) granted consent for COUK to produce 30.7 billion cubic feet (bcf) of cushion gas and associated liquids, to reduce the pressure on the Rough wells as an interim safety measure. Production under this consent started in October 2017 and continued into January 2018.

During December 2017, CSL and COUK made a formal application to the OGA to terminate CSL's storage licence and produce the recoverable indigenous gas and associated liquids in the Rough field. On 15 January 2018, the OGA granted consent with effect 17 January 2018. On 17 January 2018, CSL ceased its principal activity of operating the Rough facility as a storage facility and transitioned into operating the facilities as a production facility on behalf of its subsidiary COUK.

In August 2018, CSL was awarded a contract by the Tolmount joint venture and infrastructure partners to process gas from the Tolmount field in the Southern North Sea. The contract will generate a new revenue stream for CSL and also extend the life of the CSL.

CSL was profit making during 2018, primarily due to the production and sale of 67 bcf of indigenous gas from the Rough field on behalf of its subsidiary company COUK.

The Company's subsidiary, Caythorpe Gas Storage Limited (CGSL), has reached a final investment decision that the potential development of a gas storage facility at the Caythorpe site is deemed to be unviable. The project has been discontinued and the Director's of CGSL have initiated a programme of decommissioning. Following completion of thermite technology trials, well plug and abandonment decommissioning is ongoing and notification has been given to terminate the site leases.

#### **Financial position**

The financial position of the Company is presented in the Statement of Financial Position on page 12. Total equity at 31 December 2018 was £113,806,000 (2017: £108,855,000).

**Centrica Storage Holdings Limited**  
**Strategic Report for the year ended 31 December 2018 (continued)**

**Principal risks and uncertainties**

The management of the business in 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 the Centrica Group (the 'Group') as a whole is provided on pages 41-50 of the Centrica plc Annual Report and Accounts 2018 which do not form part of this report. The principal risks of the Company's primary subsidiary, CSL are also risks of the Company. The additional key business risks and uncertainties affecting the Company have been highlighted below:

**Liquidity risk**

The £19,797,000 loan owed to group undertakings (2017: £19,797,000) is repayable on demand. This is regarded as a current liability. As these amounts are owed to another Group company, interest rate risk is not actively managed by the Company. Centrica plc manages interest rate risks for the Group. Centrica plc has guaranteed to support the Company for at least a year from the date of this report.

**Exit from the European Union**

The UK referendum vote in June 2016 to leave the European Union has added to the risks and uncertainties faced by the Company. However, it is considered that the direct impact of these uncertainties on the Company is limited in the short-term. Many details of the implementation process continue to remain unclear. Extricating the UK from the European Union treaties is a task of immense complexity but the Company is well-positioned to manage the possible market impacts. There are also potential tax consequences of the withdrawal and these will continue to be reassessed at each reporting date to ensure the tax provisions reflect the most likely outcome following the withdrawal.

**Key performance indicators (KPIs)**

The Directors believe that analysis using KPIs for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business.

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 18-19 of the Group's Annual Report and Accounts 2018, which does not form part of this report.

**Future developments**

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

Due to unfavourable market conditions, a final investment decision has been reached on the potential development of a gas storage facility at the Caythorpe site and the project has been deemed unviable. The project has been discontinued and the Directors have initiated a programme of decommissioning due to be completed during 2019.

The focus of the business is on the Rough asset, operated by CSL. The Company will continue to oversee the safe and reliable operation of the Rough facility as it continues to produce the indigenous gas from the Rough field on behalf of its subsidiary COUK.

**Centrica Storage Holdings Limited**  
**Strategic Report for the year ended 31 December 2018 (continued)**

Approved by the Board on 16 September 2019 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'A. Harding'.

Ailsa Harding

By order of the board for and on behalf of Centrica Secretaries Limited

**Company Secretary**

16 September 2019

Company number: 04573558, England and Wales

Registered Office:

Woodland House

Woodland Park

Hessle

United Kingdom

HU13 0FA

## **Centrica Storage Holdings Limited**

### **Directors' Report for the year ended 31 December 2018**

The Directors present their report and the audited financial statements of Centrica Storage Holdings Limited ('the Company') for the year ended 31 December 2018.

#### **Directors**

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:

G C McKenna	
I G Dawson	(Resigned 06.03.2019)
C M O'Shea	(Appointed 06.03.2019)

#### **Results and dividends**

The results of the Company are set out on page 11.

The profit for the financial year ended 31 December 2018 is £4,951,000 (2017: £140,643,000), including receiving dividends of £nil (2017: £670,844,000) from Centrica Jersey Limited and an impairment charge of £nil (2017: £545,000,000).

No dividends were paid during the year and the Directors do not recommend the payment of a final dividend (2017: £450,000,000).

#### **Events after the reporting period**

On 5 March 2019, the Company's Directors approved the recognition of a decommissioning provision of £3,759,000 in relation to the decommissioning costs associated with the Caythorpe site.

At 31 December 2018, this provision was recognised in the Company's subsidiary, Caythorpe Gas Storage Limited (CGSL). Whilst the Company has no legal obligation to cover the cost of the decommissioning, the Directors agreed to recognise the provision in order to protect the Group's reputation and ability to bid for similar projects in the future in the event that CGSL was unable to complete the decommissioning work.

#### **Financial risk management**

The Company's objectives and policies for managing financial risks are regularly reviewed along with the Centrica Storage Holdings Limited Group (Centrica Storage Holdings Limited, Centrica Storage Limited, Centrica Offshore UK Limited and Caythorpe Gas Storage Limited).

The Directors have established objectives and policies for managing financial risks, to enable the Centrica Storage Holdings Limited Group to achieve long-term shareholder value growth within a prudent risk management framework.

The Centrica Storage Holdings Limited Group had a Financial Risk Management Committee (FRMC) which met on a regular basis until it was disbanded at the end of March 2018. The purchase of forward gas purchases is now performed within the Centrica Group who also oversee the Group commodity credit and price risk.

#### **Related party transactions**

All related party transactions have been disclosed in the financial statements.

#### **Going concern**

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

**Centrica Storage Holdings Limited**  
**Directors' Report for the year ended 31 December 2018 (continued)**

**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 Directors are 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, 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.

**Disclosure of information to auditor**

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 auditor is 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 auditor is aware of that information.

**Strategic report**

The Directors have chosen in accordance with section 414C(11) of the Companies Act 2006 to include in the Strategic Report matters otherwise required to be disclosed in the Directors' Report as the Directors consider these are of strategic importance to the Company.

**Auditor**

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



**Centrica Storage Holdings Limited**  
**Directors' Report for the year ended 31 December 2018 (continued)**

Approved by the Board on 16 September 2019 and signed on its behalf by:



Ailsa Harding

By order of the board for and on behalf of Centrica Secretaries Limited

**Company Secretary**

16 September 2019

Company registered in England and Wales, No. 04573558.

Registered Office:

Woodland House

Woodland Park

Hessle

United Kingdom

HU13 0FA

**Centrica Storage Holdings Limited**  
**Independent Auditor's Report to the member of Centrica Storage Holdings Limited**

**Report on the audit of the financial statements**

**Our opinion**

In our opinion, the financial statements of Centrica Storage Holdings Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit 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 Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 18.

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 (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 related to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

## **Centrica Storage Holdings Limited**

### **Independent Auditor's Report to the member of Centrica Storage Holdings Limited (continued)**

#### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

#### **Responsibilities of Directors**

As explained more fully in the Directors' responsibilities statement, 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 Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **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.

## **Centrica Storage Holdings Limited**

### **Independent Auditor's Report to the member of Centrica Storage Holdings Limited (continued)**

#### **Matters on which we are required to report by exception**

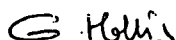
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

#### **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.



Graham Hollis ACA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Union Plaza

1 Union Wynd

Aberdeen

United Kingdom

AB10 1SL

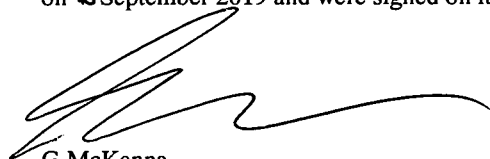
19 September 2019

**Centrica Storage Holdings Limited**  
**Statement of Financial Position**  
**as at 31 December 2018**

	<b>Note</b>	<b>2018 £000</b>	<b>2017 £000</b>
<b>Non-current assets</b>			
Investments	11	<u>-</u>	<u>-</u>
		-	-
<b>Current assets</b>			
Trade and other receivables	12	133,488	128,537
Cash and cash equivalents		<u>147</u>	<u>147</u>
		133,635	128,684
<b>Total assets</b>		<u>133,635</u>	<u>128,684</u>
<b>Current liabilities</b>			
Trade and other payables	13	<u>(19,829)</u>	<u>(19,829)</u>
		(19,829)	(19,829)
<b>Total liabilities</b>		<u>(19,829)</u>	<u>(19,829)</u>
<b>Net current assets</b>		113,806	108,855
<b>Total assets less current liabilities</b>		113,806	108,855
<b>Net assets</b>		<u>113,806</u>	<u>108,855</u>
<b>Equity</b>			
Share capital	14	-	-
Share premium	15	-	-
Retained earnings		113,806	108,855
<b>Total equity</b>		<u>113,806</u>	<u>108,855</u>

The notes on pages 14 to 24 form an integral part of these financial statements.

The financial statements on pages 11 to 24 were approved and authorised for issue by the Board of Directors on 16 September 2019 and were signed on its behalf by:



G McKenna  
**Director**

16 September 2019

The Company's Registered number is 04573558.

**Centrica Storage Holdings Limited**  
**Income Statement**  
**for the year ended 31 December 2018**

	<b>Note</b>	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
<b>Revenue</b>	4	-	670,844
Cost of sales		-	-
<b>Gross profit</b>		<hr/> -	<hr/> 670,844
Operating costs	5	(2)	(16)
<b>Operating (loss)/profit</b>		<hr/> (2)	<hr/> 670,828
Exceptional items:			
Impairment charges	7	-	(545,000)
<b>Operating (loss)/profit after exceptional items</b>		<hr/> (2)	<hr/> 125,828
Finance income	8	6,115	18,342
<b>Profit before income tax</b>		<hr/> 6,113	<hr/> 144,170
Income tax expense	10	(1,162)	(3,527)
<b>Profit for the year from continuing operations</b>		<hr/> 4,951	<hr/> 140,643

The notes on pages 14 to 24 form an integral part of these financial statements.

A Statement of Comprehensive Income is not presented as there is no other comprehensive income other than the result for each financial year.

**Centrica Storage Holdings Limited**  
**Statement of Changes in Equity**  
**for the year ended 31 December 2018**

	<b>Share capital</b>	<b>Share premium</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 1 January 2018</b>	-	-	108,855	108,855
Profit for the year	-	-	4,951	4,951
<b>Total comprehensive income</b>	-	-	4,951	4,951
<b>At 31 December 2018</b>	-	-	113,806	113,806

	<b>Share capital</b>	<b>Share premium</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 1 January 2017</b>	545,000	30,234	(157,022)	418,212
Profit for the year	-	-	140,643	140,643
<b>Total comprehensive loss</b>	-	-	140,643	140,643
Dividends	-	-	(450,000)	(450,000)
Capital reduction	(545,000)	(30,234)	575,234	-
<b>At 31 December 2017</b>	-	-	108,855	108,855

The notes on pages 14 to 24 form an integral part of these financial statements.

**Centrica Storage Holdings Limited**  
**Notes to the Financial Statements for the year ended 31 December 2018**

**1 General information**

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

The registered office and principal place of business is Woodland House, Woodland Park, Hessle, United Kingdom, HU13 0FA.

The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 2 to 4.

These financial statements were authorised for issue by the Board on 16 September 2019.

**2 Principal accounting policies**

***Basis of preparation***

The Company is exempt by virtue of the Companies Act 2006 from the requirement to prepare Group Annual Report and Accounts as it is a wholly owned subsidiary of Centrica plc. These financial statements present information about the Company as an individual undertaking and not about its group.

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 has applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

From 1 January 2018, the following amendments are effective in the Company's financial statements. Their first time adoption did not have a material impact on the financial statements:

- IFRS 9: 'Financial Instruments'
- IFRS 15: 'Revenue from contracts with customers'

In these financial statements, 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;
- investments in subsidiaries, associates and joint ventures - on transition to FRS 101, investments in subsidiaries were measured at deemed cost, being the previous GAAP carrying value of the investment;
- 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 Storage Holdings Limited**  
**Notes to the Financial Statements for the year ended 31 December 2018 (continued)**

**2 Principal accounting policies (continued)**

***Basis of preparation (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' 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;

These financial statements are presented in pound sterling (with all values rounded to the nearest thousands pounds [£000] except where otherwise indicated), which is also the functional currency of the Company.

***Measurement Convention***

The financial statements have been prepared on the historical cost basis except for: investments in subsidiaries that have been recognised at deemed cost on transition to FRS 101.

***Going concern***

The Company had net current assets at the Statement of Financial Position date of £113,806,000 (2017: £108,855,000). The financial statements have been prepared on the going concern basis as Centrica plc, the ultimate parent company, intends to support the Company to ensure it can meet its obligations as they fall due. The Directors have received confirmation that Centrica plc intends to support the Company for at least one year after the date the financial statements were authorised.

***Investments in subsidiaries***

Fixed assets investments in subsidiaries' shares are held at deemed cost on transition to FRS 101 in accordance with IAS 27, less any provision for impairment as necessary.

***Impairment of non-financial assets***

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU).

Recoverable amount calculations use cash flow projections based on the Group's internal Board-approved five year business plans, which include observable market data where available and liquid. For net realisable value calculations the cash flows are discounted at a post tax rate of 9.5% (2017: 7.5%).

**Centrica Storage Holdings Limited**  
**Notes to the Financial Statements for the year ended 31 December 2018 (continued)**

**2 Principal accounting policies (continued)**

***Impairment of non-financial assets (continued)***

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the Income Statement. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

***Revenue***

Dividend income is recognised when the right to receive payment is established.

***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 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 is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

***Interest***

Interest payable and receivable is recognised when accrued.

***Dividends***

Dividends paid are recognised when the requirement to make payment is established.

***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.

**Centrica Storage Holdings Limited**  
**Notes to the Financial Statements for the year ended 31 December 2018 (continued)**

**2 Principal accounting policies (continued)**

*Financial assets and liabilities (continued)*

(a) Trade and other receivables

Other receivables are amounts due from group companies.

Other receivables are initially recognised at fair value, and are subsequently held at amortised cost using the Effective Interest (EIR) method (although in practice the discounting is often immaterial) less an allowance for any uncollectible amounts. Provision is made when there is objective evidence that the Company may not be able to collect the receivable. Balances are written off when recoverability is assessed as being remote. If collection is due in one year or less receivables are classified as current assets. If not they are presented as non-current assets.

(b) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade payables are initially recognised at fair value, which is usually original invoice amount and are subsequently held at amortised cost using the EIR 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.

(c) 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. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds received. Own equity instruments that are re-acquired (treasury or own shares) are deducted from equity. No gain or loss is recognised in the Company's income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments.

(d) 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.

(e) Interest-bearing loans and other borrowings

All interest-bearing (and interest free) loans and other borrowings with banks, similar institutions and 'intercompany entities' are initially recognised at fair value net of directly attributable transaction costs (if any, in respect of 'intercompany funding'). After initial recognition, these financial instruments are measured at amortised cost using the EIR 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 Storage Holdings Limited**  
**Notes to the Financial Statements for the year ended 31 December 2018 (continued)**

**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.

***Investments in subsidiaries***

The recoverable amount of the Company's investment in Centrica Storage Limited (CSL) is calculated by discounting the post-tax cash flows expected to be generated by CSL. These future cash flows, in relation to the carrying value of CSL, are sensitive to business model assumptions, in particular: gas prices, capex requirements, availability of wells and recoverable gas reserves.

<b>4 Revenue</b>	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
By activity:		
Dividends from investment	-	670,844
	<u>-</u>	<u>670,844</u>

In 2017 dividends were received from Centrica Jersey Limited, a company domiciled in the UK Channel Islands.

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
By geography:		
UK	-	670,844
	<u>-</u>	<u>670,844</u>

<b>5 Analysis of costs by nature</b>	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b><i>Operating costs: Year ended 31 December</i></b>		
Auditor's remuneration for audit services	15	15
Other operating costs	(13)	1
<b>Total operating costs</b>	<u>2</u>	<u>16</u>

Other operating costs include the release of accruals no longer required.

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b><i>Total costs: Year ended 31 December</i></b>		
Operating costs	2	16
<b>Total costs</b>	<u>2</u>	<u>16</u>

**Centrica Storage Holdings Limited**  
**Notes to the Financial Statements for the year ended 31 December 2018 (continued)**

**6 Employee costs**

The Company had no employees (2017: nil) and no staff costs (2017: nil).

The Directors were remunerated as employees of the Centrica plc Group and did not receive any remuneration, from any source, specifically for their services as Directors of the Company during the current or preceding financial year.

**7 Exceptional items**

The following exceptional items were recognised in arriving at operating (loss)/profit for the reporting year:

	<b>2018</b>	2017
	<b>£000</b>	£000
Impairment of investment	-	545,000
	-	545,000

In order to assess the impact on the recoverability of the investments in CSHL, the Directors have modelled a number of specific scenarios for each of its investments annually. The results of these reviews have led to the following event:

*Centrica Jersey Limited*

On 8 December 2017, Centrica Jersey Limited (CJL) resolved to reduce its share capital from £566,666,365 to £1, with both an interim dividend paid of £104,188,088 and a final dividend of £566,655,967 to CSHL (see note 4). Subsequent to the 31 December 2017 year end CJL has commenced the relevant liquidation process.

Due to the above impairment indicators an impairment charge of £545,000,000 was recorded for 2017 (2018: £nil).

**8 Finance income**

	<b>2018</b>	2017
	<b>£000</b>	£000
Interest income from amounts owed by Group undertakings	6,115	18,342
	6,115	18,342

**9 Auditor's remuneration**

The Company paid the following amounts to its auditor in respect of the audit of the Financial Statements provided to the Company.

	<b>2018</b>	2017
	<b>£000</b>	£000
Audit fees	15	15
	15	15

Auditor's remuneration 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 statements of its ultimate parent, Centrica plc.

**Centrica Storage Holdings Limited**

**Notes to the Financial Statements for the year ended 31 December 2018 (continued)**

<b>10 Income tax</b>	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Tax charged to the Income Statement		
<b>Current tax</b>		
Current tax on profits for the year	1,162	3,527
<b>Total current tax</b>	<u>1,162</u>	<u>3,527</u>
Tax per income statement	<u>1,162</u>	<u>3,527</u>

**Factors affecting total tax charge for the current year**

The charge for the year can be reconciled to the profit per the income statement as follows:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Profit for the year from continuing operations	<u>6,113</u>	<u>144,170</u>
Tax on profit at standard UK corporation tax rate of 19% (2017: 19.25%)	1,162	27,753
Effects of:		
Expenses not deductible	-	104,889
Income not taxable	-	(129,115)
Transfer pricing adjustments	(317)	(2,184)
Effects of group relief/ other reliefs	317	2,184
Total current tax	<u>1,162</u>	<u>3,527</u>

**Factors that may affect future tax charges**

The main rate of corporation tax for the year to 31 December 2018 was 19% (2017 : 19.25%). The corporation tax rate will reduce to 17% with effect from 1 April 2020.

**Centrica Storage Holdings Limited**  
**Notes to the Financial Statements for the year ended 31 December 2018 (continued)**

**11 Investments**

*Investments classified as non-current*

	Shares in group undertakings (subsidiaries) £000
<i>Equity investments</i>	
<b>Cost</b>	
At 1 January 2018	992,031
At 31 December 2018	<u>992,031</u>
<b>Provisions</b>	
At 1 January 2018	992,031
At 31 December 2018	<u>992,031</u>
<b>Net book value</b>	
At 31 December 2018	<u>-</u>
At 31 December 2017	<u>-</u>

Details of the equity interests of the Company in its subsidiary undertakings are as follows as at 31 December 2018:

Name of subsidiary	Principal activity	Class of shares held	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held in 2018/(2017)
Centrica Storage Limited	Gas processing	Ordinary	England	100%/(100%)
Caythorpe Gas Storage Limited	Gas storage	Ordinary	England	100%/(100%)
Centrica Jersey Limited	In liquidation	Ordinary	Channel Islands	100%/(100%)
Centrica Onshore Processing UK Limited	Dormant	Ordinary	England	100%/(100%)

Investments held indirectly by Centrica Storage Holdings Limited with 100% voting rights

Name of subsidiary	Principal activity	Class of shares held	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held in 2018/(2017)
Centrica Offshore UK Limited	Gas production	Ordinary	England	100%/(100%)

**Centrica Storage Holdings Limited**  
**Notes to the Financial Statements for the year ended 31 December 2018 (continued)**

**11 Investments (continued)**

<b>Name of subsidiary</b>	<b>Address</b>
Centrica Storage Limited	Woodland House, Woodland Park, Hessle, United Kingdom, HU13 0FA
Caythorpe Gas Storage Limited	Woodland House, Woodland Park, Hessle, United Kingdom, HU13 0FA
Centrica Jersey Limited	26 New Street, St Helier, Jersey, JE2 3RA
Centrica Onshore Processing UK Limited	Woodland House, Woodland Park, Hessle, United Kingdom, HU13 0FA

**Impairment**

There were no impairment charges arising on the carrying value of investments during the year (2017: charge of £545,000,000 which arose on reducing the carrying value of the investments in Centrica Jersey Limited to its recoverable amount, being fair value less cost of disposal). See notes 3 and 7 for more information.

**12 Trade and other receivables**

	<b>2018</b>	<b>2017</b>
	<b>Current</b>	<b>Current</b>
	<b>£000</b>	<b>£000</b>
Amounts owed by Group undertakings	133,488	128,537
	<u>133,488</u>	<u>128,537</u>

The amounts owed by Group undertakings have been presented on a net basis as there is a right of offset against certain amounts. Included within the net amounts owed by Group undertakings disclosed above is £160,322,000 (2017: £154,208,000) that bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 3.72% and 4.13% per annum during 2018 (2017: 3.66% and 3.86%). The other net amounts owed by Group undertakings are interest-free. All amounts owed by Group undertakings are unsecured and repayable on demand.

**13 Trade and other payables**

	<b>2018</b>	<b>2017</b>
	<b>Current</b>	<b>Current</b>
	<b>£000</b>	<b>£000</b>
Amounts owed to Group undertakings	19,797	19,797
Accruals and deferred income	32	32
	<u>19,829</u>	<u>19,829</u>

Amounts owed to Group undertakings includes £19,797,000 (2017: £19,797,000) which is unsecured, repayable on demand and non-interest bearing.



**Centrica Storage Holdings Limited**  
**Notes to the Financial Statements for the year ended 31 December 2018 (continued)**

**14 Capital and reserves**

**Share capital**

**Allotted, called up and fully paid shares:**

	2018		2017	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
			<b>2018</b>	<b>2017</b>
			<b>£000</b>	<b>£000</b>
At 1 January			-	545,000
Capital reduction			-	(545,000)
At 31 December			<u>-</u>	<u>-</u>

On 21 December 2017, the Directors of CSHL approved a resolution to reduce its share capital from £545,000,001 to £1 and reduce its share premium from £30,234,232 to nil. This was subsequently agreed by its shareholder GB Gas Holdings Limited on 21 December 2017.

*Share premium*

The balance classified as share premium was the balance received for the ordinary shares of the Company above their nominal value.

*Retained earnings*

The balance classified as 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.

<b>15 Share premium account</b>	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
At 1 January	-	30,234
Capital reduction	-	(30,234)
At 31 December	<u>-</u>	<u>-</u>

On 21 December 2017, the Directors of CSHL approved a resolution to reduce its share capital from £545,000,001 to £1 and reduce its share premium from £30,234,232 to nil. This was subsequently agreed by its shareholder GB Gas Holdings Limited on 21 December 2017.

<b>16 Dividends paid and proposed</b>	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<i>Dividends declared and paid during the year:</i>		
Interim dividend	-	450,000
	<u>-</u>	<u>450,000</u>

**Centrica Storage Holdings Limited****Notes to the Financial Statements for the year ended 31 December 2018 (continued)****17 Parent and ultimate parent undertaking**

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

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

**18 Adjusting and non-adjusting events that occurred after the financial period**

On 5 March 2019, the Company's Directors approved the recognition of a decommissioning provision of £3,759,000 in relation to the decommissioning costs associated with the Caythorpe site.

At 31 December 2018, this provision was recognised in the Company's subsidiary, Caythorpe Gas Storage Limited (CGSL). Whilst the Company has no legal obligation to cover the cost of the decommissioning, the Directors agreed to recognise the provision in order to protect the Group's reputation and ability to bid for similar projects in the future in the event that CGSL was unable to complete the decommissioning work.