

Registered number 3294124

Centrica Storage Limited
Annual Report for the year ended
31 December 2012

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Centrica Storage Limited Company Information

Directors

I G Dawson
G S Collinson
S M Wills

Secretary

Centrica Secretaries Limited

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Registered office

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

Registered number

3294124

Centrica Storage Limited

Registered number: 3294124

Directors' Report for the year ended 31 December 2012

The Directors present their report and the audited financial statements of Centrica Storage Limited (the 'Company') for the year ended 31 December 2012

Principal activities

The principal activity of the Company is the storage of gas in the United Kingdom which, for the purposes of the Companies Act 2006, constitutes one class of business. The Company operates the Rough storage facility, which is a partially depleted gas field in the United Kingdom.

Business Review

The Company reported profit for the financial year of £85 million (2011: £74 million (restated)).

Centrica Storage Limited performed well in 2012, with strong commercial performance securing the benefits of higher summer/winter price differentials seen in the first half of the 2012/13 storage year.

The Rough asset achieved reliability of approximately 92% in the year (2011: 96%), with performance in the first half similar to that experienced in the first half of 2011 but with the second half impacted by a small number of production outages. These outages had limited commercial impact and across the year asset availability was good, when required to meet customer demand.

The high level of stock carry-over into 2012 combined with modest withdrawal in the first quarter of the year meant that the Net Reservoir Volume (NRV) was at relatively high levels again going into the 2012 injection season. A strong injection season over the summer was followed by the final quarter of 2012 experiencing withdrawals more in line with seasonal normal levels. As a result the NRV level carried into 2013 was above the five year average level but below the level at the start of 2012.

The Company has constructed a new gas processing facility at Easington. The construction was substantially complete at the end of 2012. The facility will be used to process gas from York gas field which is 100% owned and operated by Centrica Resources Limited (CRL). The Company will own and operate the facility and lease most of the infrastructure to CRL under a finance lease in return for lease payments. The company will also provide gas processing and other services to CRL under a transportation and processing agreement, and receive revenue from condensate sales.

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 44 to 50 of the Centrica plc Annual Report and Accounts 2012 which do not form part of this report. The key business risks and uncertainties affecting the Company have been highlighted below.

Financial risk management

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

Centrica Storage Limited has a Financial Risk Management Committee (FRMC) which meets on a regular basis.

Liquidity risk

Cash forecasts identifying the liquidity requirements of the Company are produced frequently and monitored by the directors. However, due to the timing of cash payments and cash receipts liquidity is not a major risk for the Company.

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Directors' Report for the year ended 31 December 2012 (continued)

Counterparty credit risk

The directors' policy is to limit counterparty exposures by setting credit limits for each counterparty, where possible by reference to published credit ratings. Exposures are measured in relation to the nature, market value and maturity of each contract or financial instrument. Energy trading activities are undertaken with counterparties for whom specific credit limits are set. All contracted and potential exposures are reported to the FRMC.

Commodity price risk

The key commodity price risk facing the Company is movement in gas prices. The Company's policy is to minimise the exposure arising from the expected future gas requirement. The Company aims to manage its risk by entering into forward gas purchase and sales contracts at fixed prices. The FRMC regularly monitors the extent of the Company's commodity price exposure.

At 31 December 2012 the net fair value of energy derivatives was a net liability of £0.8 million (2011: a net asset of £13 million) consisting of an asset of £3.4 million (2011: £23 million) and a liability of £4.2 million (2011: £10 million). Energy derivatives are not recognised at fair value in the financial statements.

Operational risk

The Company is exposed to operational, health and safety and environmental risks through operation and development of the Rough storage and York Gas Processing assets. Through the use of an Integrated Management System the Company identifies the hazards and assesses the risks associated with its activities and decisions on a continuous basis. Through the assessment of the risk the Company ensures appropriate measures are in place to mitigate or manage those risks so as to prevent / reduce the impact of potential accidents or incidents on people and the business.

Key performance indicators (KPIs)

The directors consider that the most significant financial KPI for the business is the price obtained for SBUs. SBU prices obtained were:

Financial KPI

<i>For the year ended 31 December</i>	2012	2011	Movement %
Average SBU price (calendar year) (pence)	31.00	30.00	3.33%

Non-Financial KPIs

	2012	2011	Movement %
Lost time injuries ("LTI")*	0.00	0.00	-
Rough asset reliability (%)	92.0	96.0	(4.17)%

*Number of LTI in the year per 100,000 hours worked

Future developments

Looking forward, the Company's priorities remain the active management of Health, Safety, Environmental, Operational and Regulatory risks, while seeking value-adding opportunities through investment in the Rough asset and the marketing of storage services.

Results and dividends

The results of the Company are set out on page 8.

The profit on ordinary activities after taxation for the year ended 31 December 2012 is £85 million (2011: £75 million (restated)).

No Final Dividend has been proposed for year ended 2012 (2011: £800 million).

Centrica Storage Limited

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Directors' Report for the year ended 31 December 2012 (continued)

Financial Position

The financial position of the Company is presented in the balance sheet on page 9 Shareholder funds at 31 December 2012 were £772 million (2011 £692 million)

Events since the balance sheet date

There are no reportable events after the balance sheet date

Directors

The following persons served as directors during the year and up to the date of signing these financial statements

I G Dawson

G S Collinson

S M Wills

At no time during the year ended 31 December 2012 did any director have any interests in the shares of the Company (2011 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

Employees

The Company had an average of 306 employees for the year ended 31 December 2012 (2011 290), all of whom were based in the UK For employees of the Company there are well established and effective arrangements through electronic mail and the Company's intranet and in-house publications, as well as videos and briefing meetings at each business location, for communication of the Company's results and significant business issues When necessary, consultation with employee and trade union representatives also takes place

The Company takes a positive approach to equality and diversity The Company achieves this by using appropriate recruitment and selection techniques, ensuring equality of employment opportunity and equal access to development opportunities

The Company is also committed to providing a work environment free from harassment and discrimination and remains committed to fair treatment of people with disabilities in relation to job applications, training, promotion and career development Every effort is made to find appropriate alternative jobs for those who are unable to continue in their existing job due to disability

Centrica Storage Limited**Registered number: 3294124****Directors' Report for the year ended 31 December 2012 (continued)****Creditor payment policy**

The Company aims to pay all of its creditors promptly. For trade creditors, it is the Company's policy to

- i) agree the terms of payment at the start of business with that supplier,
- ii) ensure that suppliers are aware of the terms of payment, and
- iii) pay in accordance with contractual and other legal obligations

The Company had 34 days purchases outstanding as at 31 December 2012 (2011: 21 days) based on the average daily amount invoiced by suppliers during the year.

Charitable and political donations

The company made £16,701 in charitable donations during the year (2011: £11,074). All donations were made to support UK-registered charities. £14,494 of the total donations were given to a charity which supports disabled children, young people and adults. Various other smaller amounts of donations were made in respect of community development, health and education, the environment and other causes.

No political donations were made during 2012 (2011: nil).

Related party transactions

The Company has taken advantage of the exemptions within Financial Reporting Standard 8 "Related Party Disclosures" from disclosure of transactions with other Centrica Group companies. Except for any related party disclosures disclosed in the Centrica plc Annual Report and Financial Accounts 2012, there have been no other reportable related party transactions during the year (2011: nil).

Centrica Storage Limited**Registered number: 3294124****Directors' Report for the year ended 31 December 2012 (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

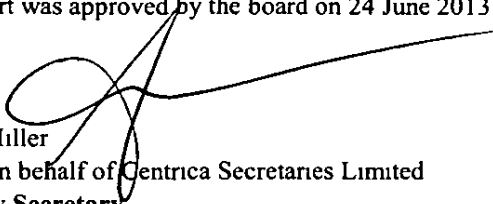
Each person who was a director at the time this report was approved confirms that

- so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is 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 24 June 2013 and signed by its order


Antony Miller
For and on behalf of Centrica Secretaries Limited
Company Secretary

Company number 3294124, England and Wales
Registered Office
Venture House
42-54 London Road
Staines, Middlesex
TW18 4HF

Centrica Storage Limited

Independent auditors' report to the member of Centrica Storage Limited

We have audited the financial statements of Centrica Storage Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, 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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' responsibilities set out on page 6, 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 members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the 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 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice,
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Director's 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.

Charles Bowman (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
/06/2013

Centrica Storage Limited
Profit and Loss Account
for the year ended 31 December 2012

	Notes	2012 £ million	2011 (restated) £ million
Turnover	2	200	185
Cost of sales*	6	(102)	(91)
Gross profit		<u>98</u>	<u>94</u>
Administrative expenses	6	(12)	(23)
Operating profit	3	<u>86</u>	<u>71</u>
Interest receivable and similar income	7	9	16
Other finance income		1	1
Profit on ordinary activities before taxation		<u>96</u>	<u>88</u>
Tax on profit on ordinary activities	8	(11)	(14)
Profit for the financial year		<u>85</u>	<u>74</u>

* 2011 Cost of sales has been re-classified from Administrative expenses because the Directors consider this gives a fairer presentation of the company's results

Statement of Total Recognised Gains and Losses
for the year ended 31 December 2012

	2012 £ million	2011 (restated) £ million
Net profit for the financial year	85	74
Net actuarial (losses)/gains on defined benefit pension schemes	(9)	7
Taxation on net actuarial (losses)/gains on defined benefit pension schemes	2	(2)
Share Option and Other Reserves movement	2	-
Total recognised gains and losses relating to the year	<u>80</u>	<u>79</u>
Prior year adjustment	4	
Total gains recognised since last annual report	<u>84</u>	

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

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

The notes on pages 10 to 24 form part of these financial statements

Centrica Storage Limited
Balance Sheet
as at 31 December 2012

	Notes	2012 £ million	2011 (restated) £ million
Fixed assets			
Intangible assets	9	-	2
Tangible assets	10	488	505
Investments	11	4	4
		<u>492</u>	<u>511</u>
Current assets			
Stocks	12	78	70
Debtors - amounts falling due within one year	13	366	324
Debtors - amounts falling due after more than one year	14	75	-
Cash at bank and in hand		1	1
		<u>520</u>	<u>395</u>
Creditors: amounts falling due within one year	15	(156)	(117)
Net current assets		<u>364</u>	<u>278</u>
Total assets less current liabilities		<u>856</u>	<u>789</u>
Provisions for liabilities			
Deferred taxation	16	(85)	(96)
Other provisions	17	(3)	(5)
Net assets excluding pension assets		<u>768</u>	<u>688</u>
Defined benefit pension asset net of deferred tax	18	4	4
Net assets		<u>772</u>	<u>692</u>
Capital and reserves			
Called up share capital	19	463	463
Profit and loss account	20	309	229
Total shareholder's funds	22	<u>772</u>	<u>692</u>

These Financial Statements on pages 8 to 24 were approved and authorised for issue by the Board of Directors on 24 June 2013 and were signed on its behalf by



S M Wills
Director

Approved by the board on 24 June 2013
The Company's Registered number is 3294124

Centrica Storage Limited
Notes to the Financial Statements for the year ended 31 December 2012

1 Principal accounting policies

Basis of preparation

These financial statements are prepared on the going concern basis, 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 Limited as an individual company and do not contain consolidated financial information as the parent of a group. 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 ultimate 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.

Tangible assets

Tangible assets are stated at historical cost less accumulated depreciation and any provisions for impairment.

The initial cost of an asset comprises its purchase price or construction cost and any costs directly attributable to bringing the asset into operation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Subsequent expenditure in respect of items of tangible assets such as the replacement of major parts, major inspections or overhauls, are capitalised as part of the cost of the related asset where it is probable that future economic benefits will arise as a result of the expenditure and the cost can be reliably measured. All other subsequent expenditure, including the costs of day-to-day servicing, repairs and maintenance, is expensed as incurred.

Depreciation

Tangible assets are depreciated on a straight-line basis at rates sufficient to write off the cost, less estimated residual values, of individual assets over their estimated useful lives. The depreciation periods for the principal categories of assets are as follows:

Buildings	Up to 40 years
Gas Storage Plant and Facilities	Up to 40 years
Abandonment Asset	Up to 40 years

Assets held within Gas storage plant and facilities in course of construction are not depreciated until completed.

Freehold land is not depreciated.

Impairments

Fixed assets are assessed for impairment by comparing carrying values of income generating units and the estimated recoverable amount. The recoverable amount is the higher of value in use and net realisable value. Value in use represents the net present value of future net revenues discounted on a pre-tax basis. Impairment losses and the write back of fixed assets are recognised in the Profit and Loss Account in the year in which they occur.

Centrica Storage Limited
Notes to the Financial Statements for the year ended 31 December 2012

1 Principal accounting policies (continued)

Decommissioning costs

Operators of oil and gas fields on the United Kingdom Continental Shelf are required to remove installations at the end of their useful lives to the extent considered acceptable to the Department of Energy and Climate Change

Provision is made for the net present value of the estimated cost of decommissioning the field at the end of its useful life. When this provision gives access to future economic benefits an asset is recognised, otherwise the provision is charged to the Profit and Loss Account. Changes in these estimates and changes to the discount rates are dealt with prospectively and reflected as an adjustment to the provision and corresponding decommissioning asset included within property, plant and equipment.

Intangible assets

Intangible fixed assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are derecognised on disposal, or when no future economic benefits are expected from their use. Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually, and whenever there is an indication that the intangible asset may be impaired.

Granted carbon dioxide emissions allowances received in a period are recognised initially at nominal value (nil value). Purchased carbon dioxide emissions allowances are recognised initially at cost (purchase price) within intangible assets. A liability is recognised when the level of emissions exceeds the level of allowances granted. The liability is measured at the cost of purchased allowances held, and then at the market price of allowances ruling at the Balance Sheet date, with movements in the liability recognised in operating profit. Where the intangible asset is surrendered at the end of the compliance period it is written off to reflect the consumption of economic benefits at that point in time.

Fixed asset investments

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

Turnover

Turnover is shown exclusive of value added tax and represents amounts receivable for sales of storage and gas. Storage capacity revenues are recognised evenly over the contract period, whilst storage commodity revenues are recognised at the point of gas flowing into or out of the storage facilities. Sales of gas are recognised in the period in which the gas is delivered.

Centrica Storage Limited enters into gas sales and gas purchases contracts as part of its normal trading activity to optimise the performance of the storage facility. Sales and purchases relating to this optimisation activity are presented net within revenue.

Cost of Sales

Cost of Sales is shown exclusive of value added tax and represents direct costs directly attributable to the running of Offshore and Onshore assets. Gas trades related to asset support costs are also included in Cost of sales.

Stocks

Stocks are valued on a weighted-average cost basis at the lower of cost and estimated net realisable value after allowance for redundant and slow-moving items, where applicable.

Current 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.

Centrica Storage Limited
Notes to the Financial Statements for the year ended 31 December 2012

1 Principal accounting policies (continued)

Finance lease receivables

From the point at which each phase of the York Gas Processing plant became operational, assets were leased to Centrica Resources Limited under an agreement, which transfers substantially all the risks and rewards of ownership, other than legal title. Income arising under this agreement is allocated according to accounting years so as to give a constant rate of return on the net cash investment in the lease.

Deferred taxation

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.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the Company, are capitalised in the balance sheet and depreciated over their useful lives. The corresponding lease or hire purchase obligation is treated in the balance sheet as a liability.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant periodic rate of return of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Pensions and other post-employment benefits

The Company's employees participate in a number of the Group's defined benefit pension schemes. The total Group cost of providing benefits under defined benefit schemes is determined separately for each of the Group's schemes under the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised in full in the period in which they occur. The key assumptions used for the actuarial valuation are based on the Group's best estimate of the variables that will determine the ultimate cost of providing post-employment benefits, on which further detail is provided in notes 29 and S6 to the Annual Report and Accounts 2012 of Centrica plc.

The Company's share of the total Group surplus or deficit at the end of the reporting period for each scheme is calculated in proportion to the Company's share of ordinary employer contributions in to that scheme during the year, ordinary employer contributions are determined by the pensionable pay of the Company's employees within the scheme and the cash contribution rates set by the scheme trustees. Current service cost is calculated with reference to the pensionable pay of the Company's employees. The Company's share of the total Group interest on scheme liabilities, expected return on scheme assets and actuarial gains or losses is calculated in proportion to ordinary employer contributions in the prior accounting period. Changes in the surplus or deficit arising as a result of the changes in the Company's share of total ordinary employer contributions are also treated as actuarial gains or losses.

Centrica Storage Limited

Notes to the Financial Statements for the year ended 31 December 2012

1 Principal accounting policies (continued)

This is a change in accounting policy from prior years when the Company accounted for the schemes as if they were defined contribution schemes and the charge to the Profit and Loss Account was equal to the contributions payable to the schemes in the accounting period. The accounting policy has been amended because the Group has now identified a methodology for allocating the Company's share of the underlying assets and liabilities in the schemes on a consistent and reasonable basis. Comparative figures have been restated accordingly. The change in accounting policy increased profit after tax for the year by £6 million (2011: £1 million increase) and increased opening reserves by £4 million (2011: £2 million decrease).

Interest

Interest payable and receivable is recognised when accrued.

Financial instruments: disclosure and presentation

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.

All financial assets and liabilities are presented gross on the face of the Balance Sheet unless the Company has a legally enforceable right to net off the recognised amounts and it intends to settle on a net basis.

All interest bearing debt and loans are initially stated at the amount of the net proceeds for debt and costs for loans. After initial recognition, the carrying amounts of interest bearing loan receivables and payables are increased by the finance income and finance costs respectively. The carrying amounts are reduced by the payment or repayment of amounts owing under loan receivables and payables respectively. Where the recoverable amount is estimated to be less than the carrying value, impairment will be charged through operating costs in the profit and loss account.

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 19 (pages 105 to 106) of the Centrica plc Annual Report and Accounts 2012.

Energy derivatives are accounted for under the accruals basis and not fair valued in the financial statements as the Company has not elected to apply FRS 26 Financial Instruments (Recognition and measurement).

Share schemes

The Group has a number of employee share schemes, detailed in the Remuneration Report on pages 61 to 75 of the Centrica plc Annual Report and Accounts 2012 and in note S7 (page 133) of the Centrica plc Annual Report and Accounts 2012, under which it makes equity settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant (excluding the effect of non market-based vesting conditions). The fair value determined at the grant date is expensed on a straight line basis together with a corresponding increase in equity over the vesting period, based on the Group's estimate of the number of shares that will vest and adjusted for the effect of non market-based vesting conditions.

The impact on the Company of the share schemes is not material.

Fair value is measured using methods appropriate to each of the different schemes as follows:

LTIS EPS awards after 2005	Market value on the date of grant
LTIS TSR awards after 2005	A Monte Carlo simulation to predict the total shareholder return performance
Sharesave	Black-Scholes pricing model
SAS, RSS, & SIP	Market value on the date of grant
DMSS	Market value on the date of grant

Dividend distribution

Final dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

Centrica Storage Limited

Notes to the Financial Statements for the year ended 31 December 2012

2	Turnover	2012	2011
		£ million	£ million
	By activity		
	Storage	168	168
	Net gas sales	29	16
	Processing	1	1
	Other	2	-
		<u>200</u>	<u>185</u>

Centrica Storage Limited enters into gas sales and gas purchases contracts as part of its normal trading activity to optimise the performance of the storage facility. Sales and purchases relating to this optimisation activity are presented net within revenue. Processing revenue relates to processing and transporting gas for a third party. Costs incurred due to asset performance are shown net in cost of goods sold to reflect the correct nature of the transactions.

Other Income comprises services provided in connection with the development of the Offshore York gas field for Centrica Resources Limited.

By geographical market

UK	<u>200</u>	<u>185</u>
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3	Operating profit	2012	2011
		£ million	£ million
	This is stated after charging		
	Depreciation of owned fixed assets	<u>36</u>	<u>34</u>

Auditors' remuneration of £71,600 (2011: £71,600) relates to fees for the audit of the UK GAAP statutory Financial Statements of Centrica Storage 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 Limited.

Cost of Sales include direct costs of operating the storage facility during the year.

Centrica Storage Limited
Notes to the Financial Statements for the year ended 31 December 2012

4 Directors' emoluments	2012	2011
	£000	£000
Aggregate Emoluments	368	244
Company contributions to defined benefit pension schemes	42	40
	<u>410</u>	<u>284</u>
Highest paid director		
Aggregate Emoluments	196	143
Company contributions to defined benefit pension schemes	17	15
	<u>213</u>	<u>158</u>

There were 3 directors (2011: 3) who received shares in the ultimate parent company in respect of their qualifying services under a long-term incentive scheme

There was 1 director (2011: 1) who exercised share options relating to the ultimate parent company

Number of directors in company pension schemes	2012	2011
	Number	Number
Defined benefit schemes	<u>3</u>	<u>3</u>

5 Share based payments

Employee share schemes are designed to encourage participants to align their objectives with those of shareholders. Centrica plc operates nine main employee share schemes: the Deferred and Matching Share Scheme (DMSS), the Executive Share Option Scheme (ESOS), the Long Term Incentive Scheme (LTIS), Sharesave, the Share Award Scheme (SAS), the Restricted Share Scheme (RSS), the Share Incentive Plan (SIP), Deferred Bonus Plan (DBP) and the Direct Energy Employee Share Purchase Plan (ESPP). These are described in the Share-based payments note on pages 61 to 75 and 133 of the Centrica plc Annual Report and Accounts 2012. Employees as at 31 December 2012 were members of 6 of the 9 schemes in the Centrica plc group: DMSS, LTIS, Sharesave, SAS, RSS, and SIP. The nature and extent of the share based payment arrangements that existed in the year are immaterial to the financial statements. There were no other share based payment transactions during the year.

6 Employee costs	2012	2011
	£ million	(Restated) £ million
Administrative expenses and Cost of sales consists of		
Wages and salaries	18	17
Social security costs	2	2
Pensions and other retirement benefits *	3	3
Other pension and retirement benefits costs - curtailment gain	(4)	-
Bonuses	2	2
Employee costs - Other Incentives	1	2
	<u>22</u>	<u>26</u>

*Restated due to change in accounting policy. See note 18

Average monthly number of employees during the year	Number	Number
Offshore	90	86
Onshore	67	67
Support	149	137
	<u>306</u>	<u>290</u>

Centrica Storage Limited
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7	Interest receivable and Similar income	2012 £ million	2011 £ million
	Interest receivable from Group undertakings	9	16
		<u>9</u>	<u>16</u>

8	Tax on profit on Ordinary activities	2012 £ million	2011 £ million
(a)	Analysis of tax charge in the year		
	The tax charge comprises		
	Current tax		
	UK corporation tax on profits of the year	20	25
	Deferred tax		
	Origination and reversal of timing differences	(2)	(3)
	Effect of change to Deferred tax rate	(7)	(8)
		<u>(9)</u>	<u>(11)</u>
	Tax on profit on ordinary activities	<u>11</u>	<u>14</u>

- (b) Factors affecting tax charge for the year**
The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

	2012 £ million	2011 £ million
Profit on ordinary activities before tax	<u>96</u>	<u>88</u>
Standard rate of corporation tax in the UK	24.5%	26.5%
	2012 £ million	2011 £ million
Profit on ordinary activities multiplied by the standard rate of corporation tax	24	23
Effects of		
Depreciation on Non Qualifying assets		
Chargeable gains		
General inadmissible expenditure		
Other timing differences	(3)	-
Depreciation in excess of capital allowances	3	3
Group relief for nil consideration	(4)	(1)
Current tax charge for year	<u>20</u>	<u>25</u>

Factors that may affect future tax charges

The main rate of corporation tax was reduced from 26% to 24% from 1 April 2012 and to 23% from 1 April 2013, enacted under Finance Act 2012. Further reductions to the main rate were proposed in the Autumn Statement 2012 and the Budget Statement 2013 to respectively reduce the rate to 21% by 1 April 2014 and to 20% by 1 April 2015. Beyond a reduction to 23% from 1 April 2013, the changes had not been substantively enacted at the balance sheet date, and therefore, are not included in these financial statements. The impact of the proposed changes to the financial statements would be a reduction to the deferred tax liability of £11m.

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9 Intangible assets	£ million
Cost	
At 1 January 2012	2
Disposals	(2)
At 31 December 2012	-
Accumulated Amortisation	
At 31 December 2012	-
Net book value	
At 31 December 2012	-
At 31 December 2011	2

Intangible assets comprise purchased EU Emissions Allowances (EUA) and Certified Emission Reduction contracts (CER) held by the Company. The EUAs and CERs are not amortised but are written off to reflect the consumption of economic benefits when surrendered at the end of the compliance period.

10 Tangible assets	Freehold Land and Buildings £ million	Gas Storage Plant and Facilities ^ £ million	Abandonment Asset £ million	Total £ million
Cost				
At 1 January 2012	9	1,233	1	1,243
Additions	-	100	3	103
Disposals ¹	-	(94)	(4)	(98)
At 31 December 2012	9	1,239	-	1,248
Accumulated Depreciation				
At 1 January 2012	6	732	-	738
Charge for the year	-	36	-	36
On disposals	-	(14)	-	(14)
At 31 December 2012	6	754	-	760
Net book value				
At 31 December 2012	3	485	-	488
At 31 December 2011	3	501	1	505

¹ Centrica Storage Limited has granted a finance Lease over the 'York Gas Processing facilities' at Easington to Centrica Resources Limited, a Centrica Group company. The net book value of the asset amounting to £79.6 million has been de-recognised from tangible fixed assets and a corresponding inter-group finance lease receivable recognised.

^ Assets in the course of construction are included within the following category: gas storage plant and facilities

Centrica Storage Limited
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11 Investments

	Investments in subsidiary undertakings £ million
Cost	
At 1 January 2012	4
At 31 December 2012	<u>4</u>

Investments relate to the following subsidiary undertakings
Centrica Offshore UK Limited

Centrica Storage Limited owns 100 percent of the allotted ordinary share capital of Centrica Offshore UK Limited, which comprises of 4.5 million shares of nominal value of £1. Centrica Offshore UK Limited is a trading company and is incorporated in England and Wales. The principal activity of Centrica Offshore UK Limited is the production of gas in the United Kingdom. Centrica Offshore UK Limited holds the production licence for the Rough field.

12 Stocks

	2012 £ million	2011 £ million
Raw materials and consumables	2	2
Gas in storage	<u>76</u>	<u>68</u>
	<u>78</u>	<u>70</u>

13 Debtors - amounts falling due within one year

	2012 £ million	2011 £ million
Trade debtors	2	6
Amounts owed by Group undertakings	307	270
Other taxes and social security	1	-
Prepayments and accrued income	<u>56</u>	<u>48</u>
	<u>366</u>	<u>324</u>

The amounts receivable from Group undertakings include £270 million (2011: £241 million) that bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 3.28% and 3.5% per annum during 2012 (2011: between 1.71% and 2.71%).

The company has entered into a finance lease with Centrica Resources Limited, a Centrica Group company, for the newly constructed gas processing plant at Easington for the York Gas field. Also included in amounts owed by Group undertakings is £14m in respect of finance lease payments due within a year. £75m relates to finance lease payment due after more than one year, see note 15.

The other amounts receivable from Group undertakings are interest-free. All amounts receivable from Group undertakings are unsecured and repayable on demand. The amount receivable from Group undertakings also includes amounts receivable from another group company under joint control, Bacton Storage Company Limited of £24,210 (2011: £35,568) in order to fund Capital Expenditure.

Centrica Storage Limited

Notes to the Financial Statements for the year ended 31 December 2012

14 Debtors - amounts falling due after more than one year	2012	2011
	£ million	£ million
Amounts owed by Group undertakings	75	-
	<u>75</u>	<u>-</u>

15 Creditors - amounts falling due within one year	2012	2011
	£ million	£ million
Trade creditors	5	6
Amounts owed to Group undertakings	60	65
Corporation tax	7	6
Other creditors	-	3
Accruals and deferred income	84	37
	<u>156</u>	<u>117</u>

Amounts owed to Group undertakings are repayable on demand and do not bear interest

16 Deferred taxation due after more than one year	2012	2011
	£ million	£ million
Accelerated capital allowances	86	97
Other timing differences	(1)	(1)
Undiscounted provision for deferred tax	85	96
Deferred tax on retirement benefit obligation	1	1
Total undiscounted provision for deferred tax	<u>86</u>	<u>97</u>

	2012	2011
	£ million	£ million
At 1 January	96	108
Deferred tax liability on pension asset	1	(1)
At 1 January including deferred tax on pension asset	<u>97</u>	<u>107</u>
Transfer from another group company	-	(1)
Deferred tax (debit)/credit in reserves	(2)	2
Deferred tax credit in profit and loss account	(9)	(11)
	<u>86</u>	<u>97</u>

Deferred corporation tax provision/(asset) is provided at 23% (2011 25%)

The deferred tax liability of £1m (2011 £1m) has been deducted in arriving at the net pension surplus on the balance sheet

There are no amounts of deferred tax unprovided (2011 nil)

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Notes to the Financial Statements for the year ended 31 December 2012

17 Provisions for liabilities and charges

	Decommissioning Provision £ million
At 1 January 2012	5
Reduction in provision made during the year	(2)
At 31 December 2012	<u>3</u>

During year the Company acquired assets and associated decommissioning liabilities from another group company, Centrica Onshore Processing UK Limited

18 Pensions

The accounting policy in respect of defined benefit pension schemes has been changed in the year (see note 1). Comparatives have been restated accordingly.

(a) Summary of main schemes

The Company's employees participate in the following Group defined benefit pension schemes: Centrica Pension Plan (CPP) and Centrica Pension Scheme (CPS). Its employees also participate in the defined contribution section of the Centrica Pension Scheme. Information on these schemes is provided in notes 29 and S6 to the Annual Report and Accounts 2012 of Centrica plc.

Together with the Centrica Engineers Pension Scheme, CPP and CPS form the majority of the Group's defined benefit obligation and are referred to below and in the Annual Report and Accounts of Centrica plc as the 'Registered Pension Schemes'.

(b) Curtailment gains

During 2012, the Company announced changes to the terms of the final salary sections of the CPP for employees of the Company. Employees' annual increases in pensionable pay will be capped to 2% and annual increases in respect of future years' service in deferment will be the lower of Consumer Price Index (CPI) and 2.5%. The resulting gain of £4 million has been credited to operating profit.

(c) Accounting assumptions

The accounting assumptions for the Registered Pension Schemes are provided in Note 29 to the Annual Report and Accounts 2012 of Centrica plc.

Centrica Storage Limited
Notes to the Financial Statements for the year ended 31 December 2012

(d) Movement in the year

	2012		2011	
	Pension liabilities	Pension assets	Pension liabilities (restated)	Pension assets (restated)
	£million	£million	£million	£million
1 January	(105)	110	(107)	104
Items included in the Profit and Loss Account				
Current service cost	(2)	-	(2)	-
Gain on curtailment	4	-	-	-
Interest on scheme liabilities	(5)	-	(6)	-
Expected return on scheme assets	-	6	-	7
Other movements				
Actuarial (loss)/gain	(22)	13	8	(1)
Employer contributions	-	6	-	2
Plan participants' contributions	(1)	1	(1)	1
Benefits paid from schemes	4	(4)	3	(3)
31 December	<u>(127)</u>	<u>132</u>	<u>(105)</u>	<u>110</u>

The net pension surplus is presented in the Balance Sheet as

	2012	2011
	£million	(restated) £million
Net Pension surplus	5	5
Related deferred tax liability	<u>(1)</u>	<u>(1)</u>
Net Pension surplus after deferred tax	<u>4</u>	<u>4</u>
Presented in the balance sheet as		
Defined benefit pension assets	<u>4</u>	<u>4</u>

(e) Analysis of the actuarial (losses)/gains recognised in the Statement of Total Recognised Gains and Losses

	2012	2011
	£million	(restated) £million
Actuarial gain/(loss) (actual return less expected return on pension scheme assets)	13	(1)
Experience gains arising on the scheme liabilities	1	1
Changes in assumptions underlying the present value of the scheme liabilities	<u>(23)</u>	<u>7</u>
Actuarial (loss)/gain recognised in Statement of Total Recognised Gains and Losses, before adjustment for taxation	(9)	7
Cumulative actuarial gains recognised in reserves at 1 January, before adjustment for taxation	<u>7</u>	<u>-</u>
Cumulative actuarial (losses)/gains recognised in reserves at 31 December, before adjustment for taxation	<u>(2)</u>	<u>7</u>

(f) Pension scheme contributions

Note 29 to the Group Financial Statements provides details of the triennial review carried out at 31 March 2012 in respect of the UK Registered Pension Schemes and the asset-backed contribution arrangement set up on 31 December 2012. During the year, the Group made a £37 million deficit payment and a contribution of £84 million via the asset-backed contribution arrangement of which the Company's share was £1 million and £3 million respectively. Under FRS 17, Retirement Benefits, the Company's contribution and trustee interest in the Scottish Limited Partnership are recognised as scheme assets.

The Company estimates that it will pay £2 million of employer contributions during 2013 at an average rate of 21% of pensionable pay.

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(g) Pension scheme assets

	2012	2011 (restated)
	£million	£million
UK equities	322	400
Non -UK equities	1,522	1,311
Fixed-interest bonds	1,411	1,369
Inflation-linked assets	997	1,040
High-yield debt	324	292
Diversified asset funds	246	-
Property	204	163
Cash pending investment	12	36
Asset backed contribution assets	84	-
Group pension scheme assets (i)	<u>5,122</u>	<u>4,611</u>

	2012	2011 (restated)
	£million	£million
Company share of the above (£m)	132	110
Expected long-term rate of return on assets per annum	5.6%	6%

(i) Total pension scheme assets for the UK pension schemes

The basis for determining the overall expected rate of return on assets is explained in note 29 to the Annual Report and Accounts 2012 of Centrica plc

(h) Histories

	2012	2011 (restated)
	£million	£million
History of surplus		
Plan assets	132	110
Defined benefit obligations	(127)	(105)
Pension surplus	<u>5</u>	<u>5</u>
 Difference between the expected and actual return on scheme assets	 <u>13</u>	 <u>(1)</u>
Experience gains on scheme liabilities	<u>1</u>	<u>1</u>

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Notes to the Financial Statements for the year ended 31 December 2012

19	Called up share capital	Nominal value	2012 Number	2012 £ million	2011 £ million
	Allotted, called up and fully paid Ordinary shares	£1 each	463,256,732	463	463
20	Profit and loss account and other reserves			2012 £ million	2011 (restated) £ million
	At 1 January as previously stated			223	950
	Prior year adjustment			4	(2)
	Share Option Reserves at 1 January			2	2
	At 1 January 2012 as restated			229	950
	Profit for the financial year			85	74
	Dividends			-	(800)
	Actuarial (losses)/gains net of taxation			(7)	5
	Share Option and Other Reserves movement			2	-
	At 31 December			309	229
21	Dividends			2012 £ million	2011 £ million
	Dividends for which the Company became liable during the year				
	Dividends paid			-	800
	No Dividend has been proposed for 2012 (2011 £800m)				
22	Reconciliation of movement in shareholder's funds			2012 £ million	2011 (restated) £ million
	At 1 January as previously reported			688	1,415
	Prior year adjustment			4	(2)
	At 1 January (i)			692	1,413
	Profit for the financial year (i)			85	74
	Dividends			-	(800)
	Share Option and Other Reserves			2	-
	Actuarial (Losses)/gains net of taxation			(7)	5
	At 31 December			772	692

(i) Restated for the change in accounting policy in respect of defined benefit pensions which reduced opening reserves as at 1 January 2011 by £2 million increased profit after tax for the year ended 31 December 2011 by £1 million and increased actuarial gains net of taxation for the year ended 31 December 2011 by £5 million

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Notes to the Financial Statements for the year ended 31 December 2012

23 Post balance sheet events

There are no reportable post balance sheet events for the Company

24 Capital commitments

	2012 £ million	2011 £ million
Amounts contracted for but not provided in the financial statements	<u>11</u>	<u>10</u>

25 Other financial commitments

The Company is committed to purchase entry/exit capacity rights under various long-term supply contracts for storage customers. At 31 December 2012 commitments under these contracts totalled £27 million (2011: £31 million).

26 Ultimate controlling party

Centrica plc, a company registered in England and Wales is the ultimate holding company and ultimate controlling party. Centrica plc has a 100 percent interest in the equity share capital of Centrica Holdings Limited. Centrica Holdings Limited in turn owns 100 percent of the issued share capital of GB Gas Holdings Limited. GB Gas Holdings Limited owns 100 percent of the issued share capital of Centrica Storage Holdings Limited. Centrica Storage Holdings Limited has a 100 percent interest in the equity share capital of Centrica Storage Limited and is the Company's immediate parent undertaking.

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 www.centrica.com.