

Centrica Storage Limited
Annual Report for the Year Ended 31 December 2010

Registered number: 3294124

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Directors' report for the year ended 31 December 2010

The Directors present their Report and the audited financial statements of Centrica Storage Limited (the "Company") for the year ended 31 December 2010

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 £163 million (2009, £186 million). This reflects good performance in the optimisation activity offset by a decrease in the average Standard Bundled Unit (SBU) price for the financial year, down marginally to 42.1 pence (2009 44.2 pence) driven by narrowing of spread between summer and winter forward gas prices.

The operational performance of the Rough storage facility was again extremely strong in 2010 with reliability of 98%. This reflects the investment made in the asset since its acquisition in 2002, and came in a year of record levels of injection and withdrawal. The exceptionally cold weather in January and February resulted in a record low Net Reservoir Volume (NRV) in March, followed by injection during the summer months of more than 100 billion cubic feet (bcf). More cold weather late in the year led to 47 days of consecutive withdrawals between the middle of November and the end of December, resulting in the lowest ever NRV at the end of a year.

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

Principal risks and uncertainties

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

Liquidity risk

Cash forecasts identifying the liquidity requirements of the Company are produced 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.

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 Financial Risk Management Committee.

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

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 Financial Risk Management Committee regularly monitors the extent of the Company's commodity price exposure.

At 31 December 2010 the net fair value of energy derivatives was a liability of £4.5 million (2009: an asset of £20.0 million), consisting of an asset of £17.8 million (2009: £41.0 million) and a liability of £22.3 million (2009: £21.0 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 its operation of the Rough storage asset. 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 KPI for the business is the price obtained for SBUs. SBU prices obtained were:

Financial KPI

For the period ended 31 December	2010	2009	Movement %
Average SBU price (calendar year) (pence)	42.1	44.2	(4.75)

Non-Financial KPIs

The following non-financial KPIs are monitored by the business:

For the period ended 31 December	2010	2009	Movement %
Lost time injuries ("LTI") ⁽ⁱ⁾	0.00	0.13	(0.13)
Rough asset reliability (%)	98.0	98.0	0.00

(i) 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 Risk, while seeking value-adding opportunities through investment in the Rough asset and the marketing of storage services.

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

Results and dividends

The results of the Company are set out on page 7

The profit on ordinary activities after taxation for the year ended 31 December 2010 is £163 million (2009 £186 million)

In 2010 no dividend was paid on ordinary shares (2009 £150 million) and the Directors' do not recommend the payment of a final dividend

Financial Position

The financial position of the Company is presented in the balance sheet on page 8 Shareholder funds at 31 December 2010 were £1,415 million (2009 £1,251 million)

Directors

The following 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 2010 did any director have any interests in the shares of the Company (2009 nil) or any other company within the Group, except for interests in and options over the shares and interests of the ultimate parent company, Centrica plc

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

Directors' and officers' liability

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

Post balance sheet events

There are no reportable events after the balance sheet date

Employees

The Company had an average of 255 employees for the year ended 31 December 2010 (2009 224), 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

Directors' report for the year ended 31 December 2010 (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 2010 (2009 31 days) based on the average daily amount invoiced by suppliers during the year

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 Accounts 2010, there have been no other reportable related party transactions during the year (2009 nil)

Charitable and political donations

The Company made £17,100 in charitable donations during the year (2009 £12,000). All donations were made to support UK-registered charities. £9,352 of the total donations were given to a charity that provides a 24-hour lifeboat search and rescue service around the coasts of the UK and Republic of Ireland. £3,372 was given to support a charity that provides activities and opportunities for disabled people of all ages, for their families. 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 2010 (2009 nil)

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

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Disclosure of information to auditors

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

Independent auditors

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

This report was approved by the Board on 30 June 2011.



Julia Foo
Company Secretary

Date 30 June 2011

Company number 3294124, England and Wales

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

Independent auditors' report to the members of Centrica Storage Limited

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 5, 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.

Opinion on financial statements

In our opinion the financial statements

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

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



John Maitland (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
30 June 2011

Centrica Storage Limited

Profit and Loss Account

For the year ended 31 December 2010

	Notes	2010 £million	2009 £million
Turnover	2	264	263
Employee costs	5	(37)	(18)
Administrative expenses	3	(82)	(82)
Operating costs		(119)	(100)
Operating profit	3	145	163
Net interest receivable	7	48	38
Profit on ordinary activities before taxation		193	201
Tax on profit on ordinary activities	8	(30)	(15)
Profit for the financial year	18	163	186

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

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

The notes on pages 9 to 19 form part of these financial statements.

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.

Centrica Storage Limited

Balance Sheet

As at 31 December 2010

	Notes	2010 £million	2009 £million
Fixed assets			
Tangible assets	9	483	485
Intangible assets	10	2	2
Investments	11	4	4
		<u>489</u>	<u>491</u>
Current assets			
Stocks	12	24	26
Debtors	13	1,210	1,045
Cash at bank and in hand		3	4
		<u>1,237</u>	<u>1,075</u>
Creditors amounts falling due within one year	14	<u>(203)</u>	<u>(200)</u>
Net current assets		<u>1,034</u>	<u>875</u>
Total assets less current liabilities		<u>1,523</u>	<u>1,366</u>
Provisions for liabilities			
Deferred taxation	15/16	(108)	(115)
Net assets		<u><u>1,415</u></u>	<u><u>1,251</u></u>
Capital and reserves			
Called up share capital	17	463	463
Profit and Loss Account	18	952	788
Total shareholder's funds	19	<u><u>1,415</u></u>	<u><u>1,251</u></u>

These financial statements on pages 7 to 19 were approved and authorised for issue by the Board of Directors on 30 June 2011 and were signed on its behalf by



Simon Wills
Director
30 June 2011

The notes on pages 9 to 19 form part of these financial statements

The Company's registered number is 3294124

Notes to the financial statements

1 Principal accounting policies

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.

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:

Storage facilities	Up to 40 years
Buildings	Up to 40 years
IT equipment (included in other)	3 years
Other	Up to 40 years

Freehold land is not depreciated.

Impairment losses or impairment write backs of tangible assets are calculated as the difference between the carrying values of income generating units and the estimated recoverable amount at the date the impairment or write back is recognised. The recoverable amount is the higher of value in use and fair value less costs to sell. 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.

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.

Notes to the financial statements (continued)

1 Principal accounting policies (continued)

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.

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.

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 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.

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.

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.

Notes to the financial statements (continued)

1 Principal accounting policies (continued)

Leases

Rentals under operating leases are charged to the Profit and Loss Account as incurred

Pensions

The Company's employees participate in a number of the Group's defined benefit pension schemes as described in note 36 (pages 128 to 131) of the Centrica plc Annual Report and Accounts 2010. The Company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis and therefore accounts for the schemes as if they were defined contribution schemes. The charge to the Profit and Loss Account is equal to the contributions payable to the schemes in the accounting period, which are based on pension costs across the Group as a whole.

Financial instruments: disclosure and presentation

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.

The Company is exempted by FRS 29 from providing detailed disclosures in respect of its financial instruments because the Company is included within the Group's consolidated financial statements and its financial instruments are incorporated into disclosures in note 4 (page 83 to 87) of the Centrica plc Annual Report and Accounts 2010.

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.

Share schemes

The Group has a number of employee share schemes, detailed in the Remuneration Report on pages 50 to 63 of the Centrica plc Annual Report and Accounts 2010 and in note 35 (pages 124 to 128) of the Centrica plc Annual Report and Accounts 2010, 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
ESOS	Black-Scholes pricing model using an adjusted option life assumption to reflect the possibility of early exercise
Share Award Scheme	Market value on the date of grant
DMSS	Market value on the date of grant

Dividend distribution

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.

Notes to the financial statements (continued)

2 Turnover

	2010	2009
	£million	£million
Storage	228	243
Net gas sales	31	20
Processing	5	-
	264	263

Centrica Storage 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.

All sales are made within the UK.

3 Operating profit

(i) Operating profit is stated after charging

	2010	2009
	£million	£million
Depreciation of tangible assets	31	28
Impairment of intangible assets	-	1

Auditors' remuneration of £57,185 (2009: £57,386) relates to fees for the audit of the UK GAAP statutory accounts 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.

The impairment loss recognised in 2009 of £1 million relates to EU Emissions Allowances and Certified Emission Reduction contracts held by the Company as required by legislation in order to operate the business. These contracts are carried at cost and due to a substantial decrease to the market value of these contracts in 2009 an impairment loss was recognised to write down the assets to recoverable amount being fair value less costs to sell. There was no impairment recognised in 2010.

Fair value was determined with reference to an active market.

(ii) Other operating costs include direct costs of operating the storage facility owned during the year.

4 Share based payments

Employee share schemes are designed to encourage participants to align their objectives with those of shareholders. Centrica 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 124 to 128 of the Centrica plc Annual Report and Accounts 2010. Employees as at 31 December 2010 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 period are immaterial to the financial statements. There were no other share based payment transactions during the period.

Notes to the financial statements (continued)

5 Employee costs

Employee costs are as follows

	2010 £million	2009 £million
Wages and salaries	14	12
Social security costs	2	1
Other pension and retirement benefit costs (note 21)	17	2
Incentive pay scheme	2	1
Bonuses	2	2
	<u>37</u>	<u>18</u>

Average number of employees during the year

	2010 Number	2009 Number
By activity		
Offshore	83	81
Onshore	59	56
Support	113	87
	<u>255</u>	<u>224</u>

6 Directors' emoluments

	2010 £000	2009 £000
Fees and salaries	300	220
Pension scheme contributions	30	40
	<u>330</u>	<u>260</u>

During the year, one director was paid directly by the Company as the other directors are paid by fellow Group undertakings. It is not possible to make an accurate apportionment of the other directors' emoluments and accordingly the Profit and Loss Account includes no amounts for these individuals.

The emoluments and pension contributions for the highest paid director during the year were respectively £300,780 and £25,869 (2009: £222,566 and £45,731).

All the directors are entitled to options over shares or shares in Centrica plc under the Centrica plc group incentive schemes detailed in note 4.

One director accrued retirement benefits under defined benefit pension schemes during the year (2009: 1).

7 Net interest receivable

	2010 £million	2009 £million
Interest receivable from Group undertakings	48	38

Notes to the financial statements (continued)

8 Taxation on ordinary activities

	2010 £000	2009 £000
(a) Analysis of tax charge in the period		
The tax (credit)/charge comprises of		
Current tax		
UK corporation tax at 28% (2009 28%) based on profit for the period	55	57
Adjustments in respect of prior years	(18)	(39)
Total current tax	<u>37</u>	<u>18</u>
Deferred tax (note 14 & 15)		
Effect of change to the deferred tax rate	(4)	-
Origination and reversal of timing differences	(3)	(3)
Total deferred tax	<u>(7)</u>	<u>(3)</u>
Tax on profit on ordinary activities	<u>30</u>	<u>15</u>

(b) Factors affecting the 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

	2010 £million	2009 £million
Profit on ordinary activities before tax	<u>193</u>	<u>201</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 28% (2009 28%)	54	56
Effects of:		
Depreciation in excess of capital allowances	3	2
Other timing differences	1	1
Group relief for nil consideration	-	(2)
UK UK transfer pricing adjustment	(3)	-
Adjustments to tax charge in respect of previous periods	(18)	(39)
Current taxation charge for the year	<u>37</u>	<u>18</u>

Deferred tax liabilities have not been discounted

Centrica Storage Limited

Notes to the financial statements (continued)

8 Taxation on ordinary activities (continued)

A number of changes to the UK corporation tax system were announced in the March 2011 Budget Statement. The main rate of corporation tax reduced from 28% to 26% from 1 April 2011 and was substantively enacted on 29 March 2011. An initial reduction of 1% to 27% effective from April 2011 was enacted by Finance (No 2) Act 2010 and is therefore taken into account in these financial statements. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014, and the reduction to 25% from 1 April 2012 is expected to be enacted by Finance Act 2011. Beyond the reduction to 27%, the changes had not been substantively enacted at the balance sheet date and, therefore are not included in these financial statements. The impact of these changes on the deferred tax balances would be a reduction to the deferred tax provision of £16 million.

9 Tangible assets

	Freehold Land and Buildings £million	Gas Storage Plant and Facilities £million	Other £million	Total £million
Cost				
As at 1 January 2010	9	1,135	14	1,158
Additions	-	31	-	31
Disposals		(2)		(2)
As at 31 December 2010	<u>9</u>	<u>1,164</u>	<u>14</u>	<u>1,187</u>
Accumulated Depreciation				
As at 1 January 2010	(5)	(654)	(14)	(673)
Charges for the year	-	(31)	-	(31)
As at 31 December 2010	<u>(5)</u>	<u>(685)</u>	<u>(14)</u>	<u>(704)</u>
Net book value as at 31 December 2010	<u>4</u>	<u>479</u>	<u>-</u>	<u>483</u>
Net book value as at 31 December 2009	4	481	-	485

10 Intangible assets

	2010 £million	2009 £million
Cost		
1 January	2	-
Additions	-	4
Disposals	-	(1)
Cost as at 31 December	<u>2</u>	<u>3</u>
Impairments (note 3)	-	(1)
Net book value as at 31 December	<u>2</u>	<u>2</u>

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.

Notes to the financial statements (continued)

11 Fixed asset investments

	2010 £million	2009 £million
Cost:		
As at 1 January	4	4
Additions	-	-
Disposals	-	-
As at 31 December	4	4

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.

12 Stocks

	2010 £million	2009 £million
Gas stocks	23	25
Engineering stocks	1	1
	24	26

13 Debtors

	2010 £million	2009 £million
Amounts owed by Group undertakings	1,149	980
Other debtors	2	1
Prepayments and accrued income	59	64
	1,210	1,045

The amounts receivable from Group undertakings include £1,110 million (2009: £908 million) that bears interest at LIBOR + 4.25% (2009: LIBOR + 4.25%). The other amounts receivable from Group undertakings are interest-free. All amounts receivable from Group undertakings are unsecured and repayable on demand.

14 Creditors: amounts falling due within one year

	2010 £million	2009 £million
Trade creditors	6	7
Amounts due to Group undertakings	118	94
Taxation and social security	27	66
Value Added Tax	2	2
Other creditors	3	4
Accruals and deferred income	47	27
	203	200

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

Notes to the financial statements (continued)

15 Provisions for liabilities

	Deferred Taxation £million	Total £million
As at 1 January 2010	115	115
Profit and Loss Account	(7)	(7)
As at 31 December 2010	108	108

The provision for deferred taxation relates solely to amounts due after more than one year

16 Deferred taxation

Deferred corporation tax provision/(asset) at 28% (31 December 2009 28%) is analysed as follows

	As at 1 January 2010 £m	Profit and loss charge/(credit) £m	As at 31 December 2010 £m
Deferred corporation tax			
- accelerated capital allowances	115	(7)	108
	115	(7)	108

There are no amounts of deferred tax unprovided (2009 nil)

17 Called up share capital

	2010 £million	2009 £million
Authorised share capital		
Ordinary shares of £1 each (i)	-	500
Allotted and fully paid		
463,256,732 Ordinary shares of £1 each	463	463

(i) In 2009 the Company had 500 million authorised Ordinary shares of £1 each

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

Notes to the financial statements (continued)

18 Reserves

	Profit & Loss Account £million
Balance as at 1 January 2010	788
Retained Profit for the year	163
Share options and other reserves	1
Balance as at 31 December 2010	952

19 Reconciliation of movements in equity shareholder's funds

	2010 £million	2009 £million
Profit for the financial year	163	186
Share options and other reserves	1	1
Dividend paid	-	(150)
Shareholder's funds as at 1 January	1,251	1,214
Shareholder's funds as at 31 December	1,415	1,251

20 Commitments

Commitments for the following year under operating leases are as follows

	31 Dec 2010 Land & Buildings £million	31 Dec 2010 Total £million	31 Dec 2009 Total £million
Expiring			
Less than one year	-	-	-
Between two years and five years	1	1	2
More than five years	-	-	2
	<u>1</u>	<u>1</u>	<u>4</u>

The Company had capital commitments for future and other capital expenditure not provided in the financial statements of £8 million at 31 December 2010 (2009 £2 million)

Notes to the financial statements (continued)

21 Pensions

Centrica plc Group Pension Schemes

The majority of the Company's employees as at 31 December 2010 were members of two of the three main schemes in the Centrica plc Group, the Centrica Pension Scheme and the Centrica Management Pension Scheme

These schemes are funded defined benefit schemes and their assets are held in separate trustee administered funds. However, it is not possible on a reasonable and consistent basis to identify the Company's share of the underlying assets and liabilities within these schemes, and therefore, as allowed within FRS17, these schemes have been treated as defined contribution schemes in the financial statements of the Company. The aggregate contribution to the schemes by the Company during the year was £17 million (2009: £16 million). The amount outstanding at the balance sheet date was nil (2009: nil). The latest actuarial valuation of the schemes, updated for the purposes of FRS17, shows a total deficit of £239 million (2009: deficit of £367 million). Net of deferred tax the total deficit is £172 million (2009: deficit of £264 million). These pension schemes are included on a consolidated basis within the Group Financial Statements of Centrica plc as prepared under IFRS.

The liabilities under the pension schemes will be paid out over an extended period. The Company is contributing to the pension fund on the basis of actuarial advice as to the amounts required to meet these liabilities in full. This actuarial advice is based on funding valuations carried out at least triennially, the last of which was as at 31 March 2009.

22 Post balance sheet events

There are no reportable post balance sheet events for the Company.

23 Ultimate parent company

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.