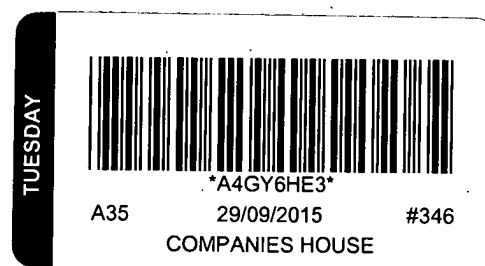


Registered number : 03294124

Centrica Storage Limited

Annual Report for the year ended

31 December 2014



**Centrica Storage Limited
Company Information**

Directors

G C McKenna

I G Dawson

Secretary

Centrica Secretaries Limited

Auditors

PricewaterhouseCoopers LLP

1 Embankment Place

London

WC2N 6RH

Registered office

1st Floor

20 Kingston Road

Staines-upon-Thames

Middlesex

TW18 4LG

Registered number

03294124

Centrica Storage Limited

Strategic Report for the year ended 31 December 2014

The Directors present the Strategic Report of Centrica Storage Limited (the 'Company') for the year ended 31 December 2014.

Review of business

The Company reported profit for the financial year of £33 million (2013: £28 million).

Centrica Storage Limited operates the Rough storage facility, which is a partially depleted gas field in the United Kingdom. The Company performed well operationally in 2014, with strong reliability of 96% (2013: 96%) helping Rough make an important contribution to the UK's security of supply.

The Net Reservoir Volume (NRV) reached a record high level in November, enabled by the warm winter 2013/14 which led to low Rough withdrawals, combined with good injection performance. The Company's profit benefitted from the within-year widening of spread and additional space sales enabled by the high carry-over from winter.

Summer-winter spreads did not improve significantly during the year. As a result, the Company instigated a three-year program to reduce operating costs and ongoing capital expenditure. As a result of this, headcount and capital expenditure have been reduced, however the Company continues to support investment required for the safe and reliable operation of Rough.

The Company's subsidiary, Centrica Offshore UK Limited, has the right to extract the cushion gas once operation as a storage facility has finished, and has title to and sells the condensate produced during the operation of the storage facility. Centrica Offshore UK Limited has the obligation to decommission the Rough facility after extracting the cushion gas, while Centrica Storage Limited has the obligation to decommission the York related assets at the onshore terminal.

In light of changed circumstances Centrica plc (the "Group") launched a fundamental strategic review in February, focused on: i) outlook and sources of growth; ii) portfolio mix and capital intensity; iii) operating capability and efficiency; and iv) Group financial framework. The conclusions of the strategic review were announced on 30 July 2015 as part of the Centrica plc interim results. The impact of this strategic review on the Company is yet to be fully determined but it will be the focus of the Directors during the remainder of 2015.

Financial position

The financial position of the Company is presented in the balance sheet on page 11. Shareholder funds at 31 December 2014 were £832 million (2013: £799 million).

Principal risks and uncertainties

The management of the business in the execution of the Company's strategy are subject to a number of risks. Further discussion of these risks and uncertainties in the context of the Group as a whole is provided on pages 40-45 of the Centrica plc Annual Report and Accounts 2014 which do not form part of this report. The key business risks and uncertainties affecting the Company have been highlighted below:

1. Commodity price risk

The key commodity price risk facing the Company is movement in the forward summer/winter gas price differential. The Company's policy is to manage exposure to this differential through the sale of storage capacity prior to the start of the storage year. The Company also has exposure to shorter duration price differentials as a result of the operation of the Rough storage facility and manages this risk by entering into forward gas purchase and sales contracts at fixed prices. The Financial Risk Management Committee (FRMC) regularly monitors the extent of the Company's commodity price exposure.

At 31 December 2014 the net fair value of energy derivatives was a net asset of £4.4 million (2013: £1.5 million) consisting of an asset of £7.0 million (2013: £3.8 million) and a liability of £2.6 million (2013: £2.3 million). The Company does not apply the principles of fair value accounting and consequently the fair values of these financial instruments are not recognised in these financial statements.

Centrica Storage Limited

Strategic Report for the year ended 31 December 2014 (continued)

2. 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. 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.

3. 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.

4. 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.

5. Regulatory risk

The Company is required to operate within the regulatory guidelines set by UK and European bodies, as well as specific requirements to comply with the Rough Undertakings. These place constraints on how the Company's products are sold and trading activities. Failure to comply with the regulations set by these bodies carries significant reputational, financial and legal consequences. The regulatory and compliance team for the Centrica Storage Holdings group of companies monitors regulatory risk and updates directors on a regular basis. In addition, the Undertakings require quarterly independent compliance reviews and reporting to the Centrica Audit Committee.

Key performance indicators (KPIs)

The Directors of the Company consider that the most significant financial KPI for the business is the price obtained for a Standard Bundled Unit (SBU). SBU prices attained were:

Financial KPI

<i>For the year ended 31 December</i>	2014	2013	Movement %
Average SBU price (calendar year) (pence)	21.1	26.7	(21)%

Summer-winter spreads reached historic lows at the end of 2013, which is a key driver of the 2014 SBU price (SBUs are priced in ahead of each storage year).

Non-Financial KPIs	2014	2013	Movement %
Lost time injuries ("LTI")*	0.09	0.06	50%
Rough asset reliability (%)	96.0	96.0	-

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

Further information about KPIs, in the context of the Group, can be found in the Annual Report and Accounts 2014 of the Group which does not form part of this report.

Centrica Storage Limited
Strategic Report for the year ended 31 December 2014 (continued)

The Strategic Report was approved by the board on 24 September 2015.



Jeremy Thom
By order of the board for and on behalf of Centrica Secretaries Limited
Company Secretary
24 September 2015

Company number: 03294124, England and Wales

Registered Office:
1st Floor
20 Kingston Road
Staines-upon-Thames
Middlesex
TW18 4LG

Centrica Storage Limited

Directors' Report for the year ended 31 December 2014

The Directors present their report and the audited financial statements of Centrica Storage Limited ('the Company') for the year ended 31 December 2014.

Future developments

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

Results and dividends

The results of the Company are set out on page 10.

The profit on ordinary activities after taxation for the year ended 31 December 2014 is £33 million (2013: £28 million).

No dividends were paid during the year (2013: nil). A dividend of £330 million was approved on 3 March 2015 and settled shortly afterwards.

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.

The Centrica Storage Holdings Group has an FRMC which meets on a regular basis.

Events since the balance sheet date

During a routine inspection, a potential technical issue was discovered, which has led to the Company limiting the maximum operating pressure of the Rough wells to 3,000 psi and beginning to conduct testing and verification works to determine whether the wells can return to a maximum permitted operating pressure of 3,500 psi. The Company estimates that the period of testing and verification works will last until at least the end of the Summer 2016 injection season (between September and December 2016). During this period, the maximum permitted operating pressure of the Rough wells will remain at 3,000 psi. These restrictions are expected to negatively impact the 2015 profitability of the Company by approximately £18 million. Management are evaluating a number of contingency plans and in addition will assess any potential impact of the technical issue on future earnings on the conclusion of the testing and verification work. The Directors will continue to monitor the carrying values for the risk of impairment.

In July 2015 the Oil & Gas Authority granted the Company consent to change the licensed capacity of the Rough Storage Facility by decreasing the lowest permitted limit of the Facility from -35bcf to -50bcf. The change in reservoir size took effect immediately upon the grant of the consent and represented an increase in Rough's storage capability of 15bcf (approximately 4.5TWh).

Directors

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

G C McKenna	(Appointed 11.02.2015)
I G Dawson	
J D Craig	(Resigned 11.02.2015)
G S Collinson	(Resigned 20.01.2014)

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.

Centrica Storage Limited

Directors' Report for the year ended 31 December 2014 (continued)

Employees

The Company had an average of 302 employees for the year ended 31 December 2014 (2013: 316), all of whom were based in the UK. For employees of the Company there are well established and effective arrangements for communication of the Company's results and significant business issues through electronic mail and the Company's intranet and in-house publications, as well as videos and briefing meetings at each business location. 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.

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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Disclosure of information to 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.

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.

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.

Centrica Storage Limited
Directors' Report for the year ended 31 December 2014 (continued)

This Directors' Report was approved by the Board on 24 September 2015.



Jeremy Thom
By order of the board for and on behalf of Centrica Secretaries Limited
Company Secretary
24 September 2015

Company number: 03294124, England and Wales

Registered Office:
1st Floor
20 Kingston Road
Staines-upon-Thames
Middlesex
TW18 4LG

Centrica Storage Limited

Independent auditors' report to the member of Centrica Storage Limited

Report on the financial statements

Our opinion

In our opinion, Centrica Storage Limited's financial statements (the 'financial statements'):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 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.

What we have audited

Centrica Storage Limited's financial statements comprise:

- Balance Sheet as at 31 December 2014;
- Profit and Loss account for the year then ended;
- the Statement of Total Recognised Gains and Losses for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matters prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

Centrica Storage Limited**Independent auditors' report to the member of Centrica Storage Limited (continued)****Responsibilities for the financial statements and the audit****Our responsibilities and those of the directors**

As explained more fully in the Statement of Directors' Responsibilities, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Bruce Collins (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 September 2015

Centrica Storage Limited
Profit and Loss Account
for the year ended 31 December 2014

	Notes	2014 £ millions	2013 £ millions
Turnover	2	151	182
Cost of sales		(106)	(107)
Gross profit		<u>45</u>	<u>75</u>
Administrative expenses		(15)	(16)
Operating profit before exceptional items	3, 7	<u>30</u>	<u>59</u>
Exceptional items:			
Impairment of tangible fixed assets	4	-	(7)
Onerous capacity contract costs	4	-	(40)
		<u>-</u>	<u>(47)</u>
Operating profit after exceptional items		<u>30</u>	<u>12</u>
Interest receivable and similar income	8	12	14
Interest payable and similar charges	9	(1)	-
Profit on ordinary activities before taxation		<u>41</u>	<u>26</u>
Tax on profit on ordinary activities	10	(8)	2
Profit for the financial year	21, 22	<u>33</u>	<u>28</u>

Statement of Total Recognised Gains and Losses
for the year ended 31 December 2014

		2014 £ millions	2013 £ millions
Net profit for the financial year	21, 22	33	28
Net actuarial losses on defined benefit pension schemes	21, 22	(1)	(1)
Total recognised gains and losses relating to the year		<u>32</u>	<u>27</u>

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

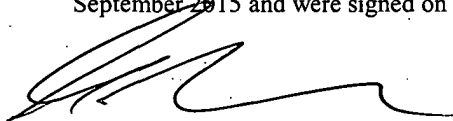
There is no difference between the profit on ordinary activities before taxation and the retained profit for the years stated above and their historic cost equivalent.

The notes on pages 12 to 28 form part of these financial statements.

Centrica Storage Limited
Balance Sheet
as at 31 December 2014

	Notes	2014	2013
		£ millions	£ millions
Fixed assets			
Tangible assets	11	447	470
Investments	12	<u>4</u>	<u>4</u>
		451	474
Current assets			
Stocks	13	33	51
Debtors - amounts falling due within one year	14	497	422
Debtors - amounts falling due after more than one year	15	<u>40</u>	<u>62</u>
		570	535
Creditors: amounts falling due within one year	16	(106)	(118)
Net current assets		<u>464</u>	<u>417</u>
Total assets less current liabilities		<u>915</u>	<u>891</u>
Provisions for liabilities			
Deferred taxation	17	(60)	(62)
Provisions for liabilities	18	<u>(35)</u>	<u>(41)</u>
Net assets excluding pension assets		820	788
Defined benefit pension asset net of deferred tax	19	<u>12</u>	<u>11</u>
Net assets		<u>832</u>	<u>799</u>
Capital and reserves			
Called up share capital	20	463	463
Profit and loss account	21	369	336
Total shareholders' funds	22	<u>832</u>	<u>799</u>

The Financial Statements on pages 10 to 28 were approved and authorised for issue by the Board of Directors on 24 September 2015 and were signed on its behalf by:



G McKenna
Director
 24 September 2015

The Company's Registered number is 03294124.

Centrica Storage Limited

Notes to the Financial Statements for the year ended 31 December 2014

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 Financial Reporting Standard 1 (revised 1996) "Cash Flow Statements". The Company is also exempt under the terms of Financial Reporting Standard 8 "Related Party Disclosures" 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 which are in course of construction are not depreciated until completed.

Freehold land is not depreciated.

Impairment

Tangible fixed assets, fixed asset investments and goodwill are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Newly acquired goodwill or intangible fixed asset are subject to a first year impairment review. This review is carried out at the end of the first full financial year following their acquisition. When a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of net realisable value, or value in use of the relevant income generating unit or underlying asset. Net realisable value is usually expected to be the higher of the two.

Centrica Storage Limited

Notes to the Financial Statements for the year ended 31 December 2014

1 Principal accounting policies (continued)

Impairment (continued)

Net realisable value calculations use cash flow projections based on the Board-approved three year business plans which are extrapolated to the end of asset life. Cash flows are discounted using a post-tax discount rate specific to the cash-generating unit to determine the cash-generating unit's net realisable value. For 2014 the rate was 7.5% (2013: 7.5%).

If an asset is impaired, a provision is made in that financial year to reduce the carrying amount to its estimated recoverable amount.

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 regulator.

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.

The Company capitalises the inflationary unwind of the discount on the decommissioning provision to the decommissioning asset. The interest element of the unwinding of the discount to the net present value is reported in the Profit and Loss Account as a financial item and is added to the net interest charge.

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 emissions allowances received in a period are recognised initially at nominal value (nil value). Purchased carbon 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 sale and gas purchase contracts as part of its normal trading activity, to ensure the efficient operation of the storage facility and manage the Standard Storage Contract. Sales and purchases relating to this activity are presented net within revenue.

Centrica Storage Limited**Notes to the Financial Statements for the year ended 31 December 2014****1 Principal accounting policies (continued)*****Cost of Sales***

Cost of sales is shown exclusive of value added tax and represents 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.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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

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

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

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

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 financial years so as to give a constant rate of return on the net cash investment in the lease.

Tangible assets are derecognised when substantially all the risks and rewards of ownership have passed from the Company. The corresponding lease receivable is treated in the balance sheet as an asset. The asset is calculated as the remaining lease payments due to be received, less future interest.

The interest element of the rental income is credited 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.

Leasing commitments

Rentals paid under operating leases are charged to income on a straight line basis over the lease term, except when deemed onerous in which case they are charged immediately.

Centrica Storage Limited**Notes to the Financial Statements for the year ended 31 December 2014****1 Principal accounting policies (continued)*****Onerous contracts***

Onerous contract provisions are recognised for losses on contracts where the forecast costs of fulfilling the contract throughout the contract period exceed the forecast income receivable.

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 actuarial reserve 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 note 22 to the Annual Report and Accounts 2014 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.

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.

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.

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.

The Company is exempted by FRS 29 Financial Instruments: Disclosures from providing detailed disclosures in respect of its financial instruments because it does not apply FRS 26 Financial Instruments: Recognition and measurement.

Centrica Storage Limited**Notes to the Financial Statements for the year ended 31 December 2014****1 Principal accounting policies (continued)*****Share schemes***

The Group has a number of employee share schemes, detailed in the Remuneration Report on pages 63 to 82 of the Centrica plc Annual Report and Accounts 2014 and in note S2 (page 142) of the Centrica plc Annual Report and Accounts 2014, 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
DMSS, SAS, SIP and OTIP	Market value on the date of grant

Dividend distribution

A 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 dividend is 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 2014**

2 Turnover	2014	2013
	£ millions	£ millions
By activity:		
Storage	126	138
Net gas sales	11	28
Processing	4	6
Other turnover	10	10
	<u>151</u>	<u>182</u>

Centrica Storage Limited enters into gas sale and gas purchase contracts as part of its normal trading activity, to ensure the efficient operation of the storage facility and manage the Standard Storage Contract. Sales and purchases relating to this activity are presented net within turnover. Gas sales and purchases required to cover the cost of asset failures and asset capability restrictions are shown net in cost of goods sold to reflect the correct nature of the transactions.

Processing turnover relates to processing and transporting gas for third parties, including from the offshore York gas field owned by Centrica Resources Limited.

Other turnover comprises income from services provided to, and sale of condensate from, the offshore York gas field owned by Centrica Resources Limited.

By geographical market:

UK	<u>151</u>	<u>182</u>
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3 Operating profit	2014	2013
	£ millions	£ millions
This is stated after charging:		
Depreciation of owned fixed assets	35	35
Operating lease costs	<u>1</u>	<u>2</u>

Auditors' remuneration of £65,000 (2013: £80,000) relates to fees for the audit of the UK GAAP statutory Financial Statements of the Company. In 2013 this amount included fees in relation to the audit of the IFRS group consolidation schedules, for the purpose of the Centrica Group audit, which also contributed to the audit of the Company.

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

4 Exceptional items	2014	2013
	£ millions	£ millions
Impairment of tangible fixed assets	-	(7)
Onerous Contracts provision	<u>-</u>	<u>(40)</u>
	<u>-</u>	<u>(47)</u>

In 2013, in the light of the weak economics for storage projects and the UK Government's decision to rule out incentivisation for additional gas storage capacity to be built, the decision was taken not to proceed with the offshore Baird project and put the onshore development project at Caythorpe on indefinite hold. As a result of this decision, the Company's entry capacity contracts for these projects were deemed onerous and a provision of £40 million was made accordingly in 2013. A further £7 million of previously capitalised project costs were impaired in 2013.

Centrica Storage Limited**Notes to the Financial Statements for the year ended 31 December 2014**

5 Directors' emoluments	2014 £000	2013 £000
Aggregate Emoluments	491	430
Company contributions to defined benefit pension schemes	46	63
	<u>537</u>	<u>493</u>
Highest paid director:		
Aggregate Emoluments	251	207
Company contributions to defined benefit pension schemes	-	28
Company contributions to money purchase pension schemes	18	-
	<u>269</u>	<u>235</u>

In the both the current and prior year the highest paid director received shares in respect of qualifying services under a long-term incentive scheme.

In the prior year the highest paid director exercised share options relating to the ultimate parent company.

The aggregate emoluments paid to directors in respect of their qualifying services were £490,629 (2013: £430,017).

The aggregate value of Company contributions paid to a pension scheme in respect of directors' qualifying services were £46,000 (2013: £63,377).

There were 3 directors (2013: 4) who received shares in the ultimate parent company in respect of their qualifying services under a long-term incentive scheme.

There was 1 director (2013: 2) who exercised share options relating to the ultimate parent company.

Number of directors in company pension schemes:	2014 Number	2013 Number
Money purchase schemes	1	-
Defined benefit schemes	<u>2</u>	<u>3</u>

6 Share based payments

Summary of principal share-based payment plans and movements in the number of shares and options outstanding:

Employee share schemes are designed to encourage participants to align their objectives with those of shareholders. The Company participates in six of the employee share schemes operated by the Group, which gave rise to a charge of £970,657 (2013: £736,937). Over 85% of this share-based payment charge arose from five schemes: Deferred and Matching Share Scheme (DMSS), Long Term Incentive Scheme (LTIS), the Share Award Scheme (SAS), Sharesave and the On Track Incentive Plan (OTIP). These are described in the Remuneration Report on pages 63 to 81 of the Centrica plc Annual Report and Accounts 2014. There were no other share based payment transactions during the year.

Centrica Storage Limited**Notes to the Financial Statements for the year ended 31 December 2014****7 Employee costs**

	2014 £ millions	2013 £ millions
Wages and salaries	19	20
Social security costs	1	3
Pensions and other retirement benefits	4	3
Bonuses	4	2
Employee costs - Other Incentives	1	1
	<u>29</u>	<u>29</u>
Capitalised employee costs	(3)	(5)
Employee costs included in operating profit	<u>26</u>	<u>24</u>
Average monthly number of employees during the year	Number	Number
Offshore	87	87
Onshore	70	67
Support	145	162
	<u>302</u>	<u>316</u>

8 Interest receivable and similar income

	2014 £ millions	2013 £ millions
Interest receivable from Group undertakings	10	13
Other finance income	2	1
	<u>12</u>	<u>14</u>

See note 19c

9 Interest payable and similar charges

	2014 £ millions	2013 £ millions
Unwinding of discount on decommissioning provision	1	-

10 Tax on profit on ordinary activities**(a) Analysis of tax (credit)/charge in the year**

The tax (credit)/charge comprises:

Current tax:

UK corporation tax on profits of the year
Adjustments in respect of prior years

	10	15
	-	4
	<u>10</u>	<u>19</u>

Deferred tax:

Origination and reversal of timing differences
Effect of change to deferred tax rate

	(2)	(11)
	-	(10)
	<u>(2)</u>	<u>(21)</u>

Tax (credit)/charge on profit on ordinary activities

	<u>8</u>	<u>(2)</u>
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Centrica Storage Limited**Notes to the Financial Statements for the year ended 31 December 2014****10 Analysis of tax (credit)/charge in the year (continued)****(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 taxation is as follows:

	2014 £ millions	2013 £ millions
Profit on ordinary activities before tax	<u>41</u>	<u>26</u>
Standard rate of corporation tax in the UK	21.49%	23.25%
	2014 £ millions	2013 £ millions
Profit on ordinary activities multiplied by the standard rate of corporation tax	9	6
Effects of:		
Expenses not deductible for tax purposes	-	1
Other timing differences	(2)	7
Capital allowances for period in excess of depreciation	3	4
UK:UK transfer pricing adjustment	-	(3)
Adjustments to tax charge in respect of previous periods	-	4
Current tax charge for year	<u>10</u>	<u>19</u>

Factors that may affect future tax charges

The main rate of corporation tax was reduced from 23% to 21% from 1 April 2014. A further reduction to reduce the rate to 20% from 1 April 2015 was substantively enacted in Finance Act 2013 on 2 July 2013 and has been reflected within these financial statements.

Centrica Storage Limited**Notes to the Financial Statements for the year ended 31 December 2014****11 Tangible assets**

	Freehold Land and Buildings £ millions	Gas Storage Plant and Facilities £ millions	Total £ millions
Cost			
At 1 January 2014	9	1,259	1,268
Additions	-	26	26
Disposals	-	(22)	(22)
At 31 December 2014	9	1,263	1,272
Accumulated Depreciation and Impairment			
At 1 January 2014	6	792	798
Charge for the year	-	35	35
On disposals	-	(8)	(8)
At 31 December 2014	6	819	825
Net book value			
At 31 December 2014	3	444	447
At 31 December 2013	3	467	470

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

The Company has added additional assets to the finance lease to Centrica Resources Limited (a Centrica Group company) with a value of £2 million for the York Gas Processing facilities at Easington during the year (2013: £27 million). Assets with a cost of £9 million (NBV £9 million) relating to condensate production were sold to Centrica Offshore UK Limited during the year (2013: cost of £17 million with NBV of £13 million). These amounts are included within 'disposals' in the above table.

12 Investments

**Investments in
subsidiary
undertakings
£ millions**

Cost and net book value

At 1 January 2014 and 31 December 2014

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. Centrica Offshore UK Limited's registered office is: 1st Floor, 20 Kingston Road, Staines-upon-Thames, TW18 4LG, United Kingdom. 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.

13 Stocks

	2014 £ millions	2013 £ millions
Raw materials and consumables	2	2
Gas in storage	31	49
	<u>33</u>	<u>51</u>

Centrica Storage Limited**Notes to the Financial Statements for the year ended 31 December 2014****14 Debtors - amounts falling due within one year**

	2014 £ millions	2013 £ millions
Trade debtors	3	4
Amounts owed by Group undertakings	450	351
Prepayments and accrued income	42	67
Corporation tax	2	-
	<u>497</u>	<u>422</u>

The amounts receivable from Group undertakings include £408 million (2013: £320 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 1.69% and 1.90% per annum during 2014 (2013: 2.34% and 3.19%).

The Company has entered into a finance lease arrangement with Centrica Resources Limited, a Centrica Group company, for the newly constructed gas processing plant at Easington for the York Gas field in 2012. Included in amounts owed by group undertakings is £23 million (2013: £31 million) in respect of finance lease payments due within one year. The remaining amounts due under this arrangement of £40 million (2013: £62 million) relate to finance lease payments due after more than one year, as detailed in note 15.

The other amounts receivable from Group undertakings are interest-free. All amounts receivable from Group undertakings are unsecured and repayable on demand.

An amount receivable from another Group company under joint control, Bacton Storage Company Limited, of £1.4 million (2013: £1.4 million), was fully provided for in 2013. Bacton Storage Company Limited was struck off on 5 May 2015.

15 Debtors - amounts falling due after more than one year

	2014 £ millions	2013 £ millions
Finance lease amounts owed by Group undertakings	40	62
	<u>40</u>	<u>62</u>

Finance lease payments are due to be received each month, until the end of 2023.

16 Creditors: amounts falling due within one year

	2014 £ millions	2013 £ millions
Trade creditors	8	5
Amounts owed to Group undertakings	56	49
Corporation tax	-	10
Other taxation and social security	-	3
Accruals and deferred income	42	51
	<u>106</u>	<u>118</u>

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

Centrica Storage Limited

Notes to the Financial Statements for the year ended 31 December 2014

17 Deferred taxation liabilities	As at 1 January 2014 £millions	Profit and loss charge/(credit) £millions	As at 31 December 2014 £millions
Deferred corporation tax			
Accelerated capital allowances	71	(4)	67
Other timing differences	(9)	2	(7)
Deferred tax provision	62	(2)	60
Deferred tax liability on pension asset	3	-	3
Provision at end of year including	65	(2)	63

	2014 £ millions	2013 £ millions
At 1 January	62	85
Deferred tax liability on pension asset	3	1
At 1 January including deferred tax on pension asset	65	86
Deferred tax charge in profit and loss account on pension asset	-	2
Deferred tax credit in profit and loss account	(2)	(23)
At 31 December	63	65

The deferred corporation tax provision/(asset) is provided at 20% (2013: 20%)

The deferred tax liability of £3 million (2013: £3 million) has been deducted in arriving at the net pension surplus on the balance sheet.

There are no unrecognised deferred tax assets (2013: nil).

18 Provisions for liabilities

	Onerous Contract Provisions £ millions	Decommissioning Provision £ millions	Total £ millions
At 1 January 2014	38	3	41
Increase in provision made during the year	-	1	1
Charged to the Profit and Loss account in the year	1	-	1
Utilised in the period	(6)	-	(6)
Release of provision during the year	(2)	-	(2)
At 31 December 2014	31	4	35

Onerous contract provisions

In 2013, in the light of the weak economics for storage projects and the UK Government's decision to rule out incentivisation for additional gas storage capacity to be built, the decision was taken not to proceed with the offshore Baird project and put the onshore development project at Caythorpe on indefinite hold. As a result, a provision was booked in respect of entry capacity to the Gas National Transmission System bought for these sites between 2014 and 2025, as the contracts were deemed onerous. £2 million (2013: nil) of this entry capacity was forward sold during the year, so has been released from the provision.

Decommissioning Provision

The decommissioning provision is held as the Company has the obligation to decommission the York related assets at the onshore terminal. The Company's subsidiary, Centrica Offshore UK Limited, has the obligation to decommission the Rough facility after extracting the cushion gas.

Centrica Storage Limited**Notes to the Financial Statements for the year ended 31 December 2014****19 Pensions****(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 note 22 to the Annual Report and Accounts 2014 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) Accounting assumptions

The accounting assumptions for the Registered Pension Schemes are provided in note 22 to the Annual Report and Accounts 2014 of Centrica plc.

(c) Movement in the year

	2014		2013	
	Pension liabilities	Pension assets	Pension liabilities	Pension assets
	£million	£million	£million	£million
1 January	(156)	170	(127)	132
Items included in the Profit and Loss Account:				
Current service cost	(2)	-	(2)	-
Loss on curtailment	(1)	-	-	-
Interest on scheme liabilities	(7)	-	(6)	-
Expected return on scheme assets	-	9	-	8
Other movements:				
Actuarial (loss)/gain	(17)	16	(24)	23
Employer contributions	-	3	-	10
Benefits paid from schemes	4	(4)	3	(3)
31 December	<u>(179)</u>	<u>194</u>	<u>(156)</u>	<u>170</u>

Interest on scheme liabilities and expected return on scheme assets are shown in 'other finance income' in note 8

The net pension surplus is presented in the balance sheet as:

	2014	2013
	£million	£million
Net pension surplus	15	14
Related deferred tax liability	(3)	(3)
Net pension surplus after deferred tax	<u>12</u>	<u>11</u>
Presented in the balance sheet as:		
Defined benefit pension assets	12	11
Net surplus recognised in the Company Balance Sheet	<u>12</u>	<u>11</u>

In addition to current service cost on the Company's defined benefit pension schemes, the Company also charged £1 million (2013: £1 million) to operating profit in respect of defined contribution pension schemes.

Centrica Storage Limited**Notes to the Financial Statements for the year ended 31 December 2014****19 Pensions (continued)****(d) Analysis of the actuarial (losses)/gains recognised in the Statement of Total Recognised Gains and Losses**

	2014 £million	2013 £million
Actuarial gain (actual return less expected return on pension scheme assets)	16	23
Changes in assumptions underlying the present value of the schemes' liabilities	(17)	(24)
Actuarial loss recognised in Statement of Total Recognised Gains and Losses, before adjustment for taxation	(1)	(1)
Cumulative actuarial losses recognised in reserves at 1 January, before adjustment for taxation	(3)	(2)
Cumulative actuarial losses recognised in reserves at 31 December, before adjustment for taxation	(4)	(3)

(e) Pension scheme contributions

Note 22 to the Annual Report and Accounts 2014 of Centrica Group 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 arrangements set up in 2012 and 2013. During 2012 and 2013, the Group made a contribution of £444 million via the asset-backed contribution arrangement of which the Company's share was £12 million. Under FRS 17, Retirement Benefits, the Company's contribution and trustee interest in the Scottish Limited Partnerships are recognised as scheme assets.

The Company estimates that it will pay £2 million of employer contributions during 2015 at an average rate of 27% of pensionable pay.

Although there is an FRS 17 accounting surplus in the Registered Pension Schemes, the pension trustees are required to calculate the funding position on a more prudent "Technical Provisions" basis. The next triennial review based on the position as at 31 March 2015 is in progress and because government bond yields are currently low this is likely to result in a Technical Provisions deficit in the Registered Pension Schemes. It is likely, therefore, that further deficit payments will be required following the triennial valuation.

(f) Pension scheme assets

	2014 £million	2013 £million
Equities	2,142	1,766
Corporate bonds	1,794	1,571
Liability matching assets	1,467	1,241
High-yield debt	457	362
Diversified asset funds	155	403
Property	324	264
Cash pending investment	61	8
Asset backed contribution assets	312	379
Group pension scheme assets (i)	6,712	5,994
	2014	2013
Company share of the above (£million)	194	170
Expected long-term rate of return on assets per annum	4.5%	5.5%

(i) The numbers presented above are the total pension schemes assets for the UK pension scheme.

Centrica Storage Limited**Notes to the Financial Statements for the year ended 31 December 2014****19 Pensions (continued)****(f) Pension scheme assets (continued)**

The overall expected rate of return on assets is a weighted average based on the actual plan assets held in each class and the expected returns on separate asset classes less costs of administering the plan and taxes paid by the plan itself. The returns on separate asset classes are based on the expected median return over a 10- year period (for equities, high-yield debt and property) and appropriate market indices (for corporate bonds and liability matching assets). These returns are calculated by the independent company actuary, and adjusted for factors specific to the investment portfolio of the Centrica Combined Common Investment Fund.

(g) Histories

	2014	2013	2012	2011
	£million	£million	£million	£million
History of surplus				
Plan assets	194	170	132	110
Defined benefit obligations	(179)	(156)	(127)	(105)
Pension surplus	15	14	5	5
Difference between the expected and actual return on scheme	16	23	13	(1)
Experience gains on scheme liabilities	-	-	1	1

20 Called up share capital	Nominal value	2014 and 2013 Number	2014 £ millions	2013 £ millions
Allotted, called up and fully paid:				
Ordinary shares	£1 each	463,256,732	463	463

21 Profit and loss account

	Retained earnings reserve	Share Options reserve	Actuarial reserve	Total Profit & Loss account
	£ millions	£ millions	£ millions	£ millions
At 1 January 2014	336	2	(2)	336
Profit for the financial year	33	-	-	33
Actuarial losses net of taxation	-	-	(1)	(1)
Share Option and Other Reserves movement	1	-	-	1
At 31 December 2014	370	2	(3)	369

22 Reconciliation of movement in shareholders' funds

	2014	2013
	£ millions	£ millions
At 1 January	799	772
Profit for the financial year	33	28
Share Option and Other Reserves	1	-
Actuarial Losses net of taxation	(1)	(1)
At 31 December	832	799

Centrica Storage Limited

Notes to the Financial Statements for the year ended 31 December 2014

23 Post balance sheet events

A dividend of £330 million was approved on 3 March 2015 and paid shortly afterwards to its parent company, Centrica Storage Holdings Limited.

During a routine inspection, a potential technical issue was discovered, which has led to the Company limiting the maximum operating pressure of the Rough wells to 3,000 psi and beginning to conduct testing and verification works to determine whether the wells can return to a maximum permitted operating pressure of 3,500 psi. The Company estimates that the period of testing and verification works will last until at least the end of the Summer 2016 injection season (between September and December 2016). During this period, the maximum permitted operating pressure of the Rough wells will remain at 3,000 psi. These restrictions are expected to negatively impact the 2015 profitability of the Company by approximately £18 million. Management are evaluating a number of contingency plans and in addition will assess any potential impact of the technical issue on future earnings on the conclusion of the testing and verification work. The Directors will continue to monitor the carrying values for the risk of impairment.

In July 2015 the Oil & Gas Authority granted the Company consent to change the licensed capacity of the Rough Storage Facility by decreasing the lowest permitted limit of the Facility from -35bcf to -50bcf. The change in reservoir size took effect immediately upon the grant of the consent and represented an increase in Rough's storage capability of 15bcf (approximately 4.5TWh).

24 Other financial commitments

The Company is committed to operating leases totalling £12 million (2013: £12 million) at the balance sheet date, due between 2015 and 2022.

	Land and Buildings 2014 £ millions	Land and Buildings 2013 £ millions
Operating leases which expire:		
within one year	1	1
within two to five years	6	6
in over five years	5	5
	<u>12</u>	<u>12</u>

The Company is committed to purchase entry/exit capacity rights under various long-term supply contracts for storage customers. At 31 December 2014 commitments under these contracts totalled £23 million (2013: £25 million) and are due to be paid between 2015 and 2023. This excludes the entry capacity commitments that have been provided for (as detailed in note 18).

25 Related party transactions

At 31 December, a receivable of £1.4 million is due from Bacton Storage Company Limited (2013: £1.4 million). This amount has been fully provided for. Bacton Storage Company Limited was struck off on 5 May 2015.

Centrica Storage Limited**Notes to the Financial Statements for the year ended 31 December 2014****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.