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Centrica Storage Limited
Annual Report for the Year Ended 31 December 2003

Registered number: 3294124

Directors' report for the year ended 31 December 2003

The directors present their report and the audited financial statements of Centrica Storage Limited (the "Company") for the year ended 31 December 2003.

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 1985, constitutes one class of business. Centrica Storage Limited operates the Rough storage facility, which is a partially depleted gas field in the United Kingdom.

Review of business and future developments

On 18 December 2003 the Secretary of State gave final clearance to Centrica's acquisition of the Rough storage field and associated assets, with the behavioural undertakings offered addressing all competition concerns. This removal of any remaining uncertainty allowed the forward selling of storage services to recommence.

Operational difficulties in the first half were resolved and the field experienced no major outages during the second half of the year. The maintenance backlog inherited at the time of acquisition has been significantly reduced and a related HSE deferred prohibition order was lifted. Operating profits increased to £198.7 million (2002: £20.3 million). This was due to the selling of a proportion of 2003/2004 storage services at prices more reflective of the current market differential between summer and winter gas prices, and the impact of an impairment write-back of £167.6m (see note 6).

As at the end of December 2003 no forward sales of storage services had been made beyond 1 May 2004. From that date all sales will be at new market prices. 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.

Financial results

The results for the year are set out in the profit and loss account on page 7. The retained profit for the year of £156.2 million has been transferred to reserves (2002: £105.5 million).

The directors do not recommend the payment of a dividend (2002: £nil).

Directors

Directors in post during the year and up to the date of this report were as follows:

	Appointed	Resigned
J S Ulrich	14 November 2002	3 November 2003
A C Morris	14 November 2002	3 November 2003
B D Walker	3 November 2003	---
M J Garstang	3 November 2003	---
I G Dawson	3 November 2003	---

Directors' report for the year ended 31 December 2003 (continued)

Directors' interests in shares

At no time during the year did any director holding office at 31 December 2003 have any interests in the shares of the Company (31 December 2002: nil) or any other company within the Centrica plc group except for the interests in, and the options over, the shares of the ultimate parent company, Centrica plc.

Beneficial interest in ordinary shares

	As at 31 December 2003	As at date of appointment
I G Dawson	163,412	178,245
M J Garstang	246	246
B D Walker	2,834	2,667

The above figures include shares appropriated under the terms of the Centrica Profit Sharing scheme, and shares held under the terms of the Centrica Share Incentive Plan.

Centrica Sharesave Scheme

	As at 31 December 2003	Options granted since appointment	Options exercised since appointment	As at date of appointment
I G Dawson	15,336	---	---	15,336
M J Gartsang	---	---	---	---
B D Walker	12,327	---	---	12,327

Options were granted under the terms of the Centrica Sharesave Scheme in June 2002 and June 2003 at an option price of 177.6 and 107.1 pence per share respectively.

Centrica Executive Share Option Scheme

	As at 31 December 2003	Options granted since appointment	Options exercised since appointment	As at date of appointment
I G Dawson	828,120	---	---	828,120
M Garstang	---	---	---	---
B D Walker	---	---	---	---

Under the terms of the scheme a further grant of options was made on 24 March 2003 at an option price of 146.6 pence per share.

Directors' report for the year ended 31 December 2003 (continued)

Long Term Incentive Scheme

	As at 31 December 2003	Allocations made since appointment	Allocations transferred since appointment	As at date of appointment
I G Dawson	506,203	---	---	506,203
M Garstang	93,504	---	---	93,504
B D Walker	136,470	---	---	136,470

Total allocations as at 31 December 2003 shown above include both allocations of shares that are subject to performance conditions and allocations of shares that have reached the conclusion of the relevant three-year performance period but are subject to a two year retention period. A conditional allocation of shares was made under the terms of the scheme on 1 April 2003 at a base price of 179.4 pence per share.

Options were granted under the terms of the ultimate parent company's Sharesave scheme and Executive Share Option scheme, and allocations made under the terms of the Long-term Incentive scheme. Details of these schemes, the Share Incentive Plan and the Profit Sharing scheme, can be found in the 2003 accounts of Centrica plc, copies of which can be obtained from the Company Secretary of Centrica plc or from www.centrica.com.

The middle market price of Centrica plc ordinary shares on the last day of trading in 2003 (31 December) was 211 pence. The range during the year was 212.75 pence (high) and 131.5 pence (low).

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

Directors' liability insurance

Directors' and officers' liability insurance has been purchased by the ultimate parent company, Centrica plc, and was in place throughout the year under review.

Policy on the payment of creditors

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 38 days' purchases outstanding as at 31 December 2003 (2002: 25 days) based on the average daily amount invoiced by suppliers during the year.

Directors' report for the year ended 31 December 2003 (continued)

Employees

The Company had 136 employees at 31 December 2003 (2002: 136), 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.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 10 under Note 1 'Accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2003 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 1985. 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.

Directors' report for the year ended 31 December 2003 (continued)

Auditors

In accordance with Section 386 of the Companies Act 1985, the Company has elected to dispense with the obligation to reappoint auditors annually, and PricewaterhouseCoopers LLP will therefore continue in office.

The Board approved this report on 28 October 2004.

Philip Davies
Company Secretary

Date: 28 October 2004

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 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the principal accounting policies note.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only of the directors' report.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

Date: 28 October 2004

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

Profit and loss account
For the year ended 31 December 2003

	Notes	2003 £000	2002 £000
Turnover			
- Continuing operations	2	**116,979**	93,060
- Discontinued operations	2	-	10,840
		116,979	103,900
Employee costs	4	**(8,272)**	(11,958)
Other operating costs before exceptional items	3(ii)	**(77,573)**	(63,776)
Exceptional items	6	**167,579**	(7,912)
Operating costs after exceptional items		**81,734**	(83,646)
Operating profit			
- Continuing operations	3(i)	**198,713**	13,585
- Discontinued operations	3(i)	-	6,669
		198,713	20,254
Profit on sale of business	6	-	90,149
Loss on disposal of fixed assets	6	-	(92)
Profit on ordinary activities before interest and taxation		**198,713**	110,311
Net interest receivable	7	**8,150**	756
Profit on ordinary activities before taxation		**206,863**	111,067
Taxation on ordinary activities	8	**(50,620)**	(5,551)
Profit on ordinary activities after taxation and retained profit for the year	17	**156,243**	105,516

There is no difference between the historical cost profits and losses and the results presented.

The notes on pages 10 to 22 form part of these financial statements.

Statement of total recognised gains and losses
For the year ended 31 December 2003

	2003 £000	2002 £000
Profit for the financial year	**156,243**	105,516
Total recognised gains and losses relating to the year	**156,243**	105,516
Prior period adjustment – review of accounting treatment (i)	-	11,971
Total gains and losses recognised since last annual report	**156,243**	117,487

i) During 2002, the Company restated the prior period profit and loss account and balance sheet following a review of the accounting treatment for the transfer of the Rough production licence in 2001. This resulted in a £11,971,000 adjustment to the 2001 profit and loss account and retained earnings as at 31 December 2001. Under an agreement signed in 2001, the production licence for the Rough Storage facility was sold to BGSP Limited (which was subsequently renamed to Dynegy Offshore UK Limited and then Centrica Offshore UK Limited), a wholly owned subsidiary undertaking of the Company. Following the acquisition of the Company by Centrica Storage Holdings Limited, the directors reviewed the accounting treatment in the 2001 annual report and decided that, in addition to the licence, it was appropriate to transfer both the assets and liabilities associated with the production licence to Centrica Offshore UK Limited.

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

The notes on pages 10 to 22 form part of these financial statements.

Balance sheet
As at 31 December 2003

	Notes	2003 £000	2002 £000
Fixed assets			
Tangible assets	9	**528,521**	369,856
Investments	10	**4,500**	4,500
		533,021	374,356
Current assets			
Stocks	11	**1,179**	3,988
Debtors	12	**242,963**	203,418
Cash at bank and in hand		**279**	576
		244,421	207,982
Creditors (amounts falling due within one year)	13	**(19,938)**	(31,697)
Net current assets		**224,483**	176,285
Total assets less current liabilities		**757,504**	550,641
Provisions for liabilities and charges	14	**(140,271)**	(89,651)
Net assets		**617,233**	460,990
Capital and reserves			
Called up share capital	15	**463,257**	463,257
Profit and loss account	16	**153,976**	(2,267)
Equity shareholder's funds	17	**617,233**	460,990

The notes on pages 10 to 22 form part of these financial statements.

The financial statements on pages 7 to 22 were approved by the Board of Directors on 28 October 2004 and were signed on its behalf by:

G Dawson
Director

Notes to the accounts

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 1985 and applicable accounting standards.

Exemptions

The Company has taken advantage of the exemptions available to wholly owned UK subsidiaries under Financial Reporting Standard 1 (Revised) "Cashflow Statements", and accordingly has not prepared a cashflow statement. The Company has also taken advantage of the exemptions within Financial Reporting Standard 8 "Related Party Disclosures" from disclosure of transactions with other group companies as it is a wholly owned subsidiary of a company whose financial statements are publicly available and which include the results of the Company.

The Company has taken advantage of the exemption available under S228 of the Companies Act 1985, and accordingly has not prepared consolidated financial statements for the year ended 31 December 2003.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any provision for impairment. Depreciation is calculated so as to write-off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. Estimated useful economic lives by category are:

Storage facilities	28 years
Buildings	28 years
Other	28 years
Major overhauls and inspections	Up to 6 years

Freehold land is not depreciated.

During the year, the Company changed its accounting policy to the capitalisation of subsequent expenditure (such as major overhauls and inspections), which aims to maintain the tangible fixed asset to its previously assessed standard of performance. Under Financial Reporting Standard 15, 'Tangible Fixed Assets', subsequent expenditure may be capitalised where a component of the tangible fixed asset that has been treated separately for depreciation purposes and depreciated over it's individual useful life, is replaced or restored. Previously, 'subsequent expenditure' was expensed as incurred. There is no impact on opening retained earnings as a result of the change in accounting policy.

Impairment losses or impairment write-backs of fixed assets are calculated as the difference between the carrying values of income generating units and the estimated value in use at the date the impairment or write back is recognised. Value in use represents the net present value of expected future cashflows 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.

Notes to the accounts (continued)

1 Principal accounting policies (continued)

Investments

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

Stocks

Stocks are valued at the lower of weighted average cost and net realisable value, less provision for obsolescence and deterioration.

Revenue recognition

Storage capacity revenues are recognised evenly over the contract period, whilst 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.

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 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. The accounting standard Financial Reporting Standard 19 'Deferred Taxation' was adopted in 2002.

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 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 substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Notes to the accounts (continued)

1 Principal accounting policies (continued)

Leases

Rentals under operating leases are charged to the profit and loss account as incurred.

Pensions

Pensions are accounted for in accordance with SSAP24, Pension Costs. The Company participates in group defined benefit pension schemes and contributions and pension costs are based on pension costs across the Group as a whole. Contributions are also made to defined contribution schemes.

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods benefiting from employees' service. The difference between the charge to the profit and loss account and the contributions paid to the Pension Schemes is shown as a provision in the balance sheet. The regular pension cost, variations from the regular pension cost and interest are all charged within employee costs, and the straight-line method is applied for amortising surpluses and interest.

2 Turnover

Turnover, which excludes value added tax and represents amounts receivable for sales of storage and gas, is as follows:

	2003	2002
	£000	£000
Storage	**86,638**	87,929
Gas sales	**30,169**	13,803
Other	**172**	2,168
	116,979	103,900

3 Operating profit

(i) Operating profit is stated after charging:

	2003	2002
	£000	£000
Depreciation of tangible fixed assets	**15,055**	16,356
Operating lease rentals (other)	**76**	128
Auditors' remuneration for:		
- statutory audit services	**60**	74
- non-audit services	**-**	66

(ii) Other operating costs include direct costs of operating the storage facilities owned during the year. In 2002, costs relating to discontinued operations in that year were £3,546,000.

Notes to the accounts (continued)

4 Employee costs

Employee costs are as follows:

	2003 £000	2002 £000
Wages and salaries	**6,029**	7,948
Social security costs	**604**	1,262
Pension costs	**956**	1,916
Incentive pay Scheme	**38**	-
Bonuses	**645**	832
	8,272	11,958

In 2002, the employee costs relating to discontinued operations in that year were £625,000.

Average number of employees during the year:

	2003 Number	2002 Number
Offshore	**63**	86
Onshore	**36**	64
Support	**39**	58
	138	208

Average employee numbers are based on an average monthly headcount.

5 Directors' emoluments

	2003 £000	2002 £000
Fees and salaries	**37**	150
Pension scheme contributions	**7**	10
Compensation for loss of office	**-**	389
	44	549

During the year, only 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 director's emoluments and accordingly the profit and loss accounts includes no amounts for these individuals.

The emoluments and pension contributions for the highest paid director during the year were £37,614 and £7,172 respectively (2002: £64,775 and £4,534 respectively).

One director accrued retirement benefits under defined benefit pension schemes during the year (2002: 3).

Notes to the accounts (continued)

5 Directors' emoluments (continued)

During the year no directors exercised share options in Centrica plc, the ultimate parent company at the end of the year. The highest paid director exercised no such share options.

6 Exceptional items

	2003	2002
	£000	£000
Severance and reorganisation costs	-	(7,912)
Loss on disposal of fixed assets	-	(92)
Profit on sale of business	-	90,149
Impairment write-back	**167,579**	-

A deferred taxation charge has been recognised against the impairment write-back, amounting to £50.2m (refer to Note 8). None of the above exceptional items in 2002 gave rise to a tax charge under United Kingdom corporation tax.

Severance and reorganisation costs

During 2002, the Company undertook a significant restructuring programme at a cost of £7,912,000. Included in these costs was a voluntary redundancy programme at its operational centres at Easington and Rough of approximately £6,914,000. Other significant costs included the payout of the various inherited BG plc incentive scheme programmes.

Loss on disposal of fixed assets

A loss on disposal of fixed assets of £92,000 following the closure of an office was made in 2002.

Profit on sale of business

On 1 September 2002, the Company transferred the Hornsea Gas Storage Facility and Aldbrough Gas Storage site to Dynegy Hornsea Limited, a wholly owned subsidiary of the Company during the year. The net book value of the assets and liabilities disposed of amounted to £36,793,000. Total consideration was 126,942,308 £1 shares in Dynegy Hornsea Limited. The resulting profit on sale of the business was £90,149,308. No tax was payable on this transaction by the Company.

Notes to the accounts (continued)

6 Exceptional items (continued)

Impairment write-back

During 2003, a review of the carrying value of the UK storage assets has resulted in a £167.6 million exceptional credit to operating profit in respect of a reversal of the impairment of the Rough offshore storage facility during the year ending 31 December 2000. The review was based upon estimated value in use, calculated from forecast pre-tax cash flows discounted at 7.5% (2000 8%). Forecast cash flows were based upon assumptions in respect of the UK and European gas markets, supported by external market studies. The net book value of Rough's fixed assets at 31 December 2003, following reversal of the impairment is £528.5 million.

7 Net interest (payable)/receivable

	2003	2002
	£000	£000
Interest payable on customer deposits	**(39)**	(51)
Unwinding of discount on decommissioning provision	-	(240)
Interest receivable from group undertakings	**8,189**	1,047
	8,150	756

8 Taxation on ordinary activities

(a) Analysis of tax charge in period	**2003**	2002
The tax charge comprises:	**£000**	£000
Current tax		
UK corporation tax at 30% (2002 30%) based on profit for the period	-	5,088
Adjustments in respect of prior years	-	(2,064)
	-	3,024
Deferred tax (note 14)		
Origination and reversal of timing differences	**50,832**	1,187
Adjustments in respect of prior years	**(212)**	1,340
Tax on profit on ordinary activities	**50,620**	5,551

Notes to the accounts (continued)

8 Taxation on ordinary activities (continued)

(b) Factors affecting the tax charge for the period

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:

	2003 **£000**	2002 £000
Profit on ordinary activities before tax	**206,863**	111,067
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2002: 30%)	**62,059**	33,320
Effects of:		
Expenses not deductible for tax purposes	**68**	(27,045)
Excess of capital allowances over depreciation (see Note 6)	**(50,795)**	(1,115)
Utilisation of timing differences including losses	**(38)**	(72)
Group relief	**(11,294)**	-
Adjustment to tax charge in respect of prior periods	**-**	(2,064)
Current taxation charge for the year	**-**	3,024

Deferred tax liabilities have not been discounted.

Notes to the accounts (continued)

9 Tangible fixed assets

	Freehold Land and Buildings	Gas Storage Plant and Facilities	Other	Major Overhauls and Inspections	Total
	£000	**£000**	**£000**	**£000**	**£000**
Cost					
As at 1 January 2003	8,904	1,031,564	2,551	-	1,043,019
Additions	-	1,526	390	4,225	6,141
As at 31 December 2003	**8,904**	**1,033,090**	**2,941**	**4,225**	**1,049,160**
Accumulated Depreciation					
As at 1 January 2003	(3,935)	(667,471)	(1,757)	-	(673,163)
Charges for the period	(188)	(13,798)	(394)	(675)	(15,055)
Impairment write-back	-	167,579	-	-	167,579
As at 31 December 2003	**(4,123)**	**(513,690)**	**(2,151)**	**(675)**	**(520,639)**
Net book value as at 31 December 2003	**4,781**	**519,400**	**790**	**3,550**	**528,521**
Net book value as at 31 December 2002	4,969	364,093	794	-	369,856

10 Investments

	£000
Cost:	
As at 1 January 2003	4,500
Additions	-
Disposals	-
As at 31 December 2003	**4,500**

Investments relate to the following subsidiary undertakings:

Centrica Offshore UK Limited

Centrica Storage Limited owns 100% of the share capital of Centrica Offshore Limited, which comprises of 4.5 million shares of nominal value of £1.

Notes to the accounts (continued)

11 Stocks

	2003 £000	2002 £000
Gas stocks	**1,179**	3,988
	1,179	3,988

12 Debtors (amounts falling due within one year)

	2003 £000	2002 £000
Trade debtors	**79**	168
Amounts owed by group undertakings	**236,311**	195,480
Other debtors	**22**	136
Prepayments and accrued income	**6,551**	7,634
	242,963	203,418

Amounts owed by group undertakings are unsecured, have no fixed date of repayment, and bear interest at 4%.

13 Creditors (amounts falling due within one year)

	2003 £000	2002 £000
Bank overdraft	**95**	-
Trade creditors	**1,917**	1,722
Amounts due to group undertakings	**8,235**	13,993
Corporation tax	-	4,924
Other taxation and social security	-	187
VAT	**694**	2,212
Other creditors	**604**	5,134
Accruals and deferred income	**8,393**	3,525
	19,938	31,697

Amounts due to group undertakings are non-interest bearing and repayable on demand.

Notes to the accounts (continued)

14 Provisions for liabilities and charges

	Deferred Taxation £000
As at 1 January 2003	89,651
Profit and loss account	50,620
As at 31 December 2003	140,271

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

Deferred taxation

The deferred taxation provision comprises:

	2003 £000	2002 £000
Accelerated capital allowances	**140,278**	89,651
Other timing differences	**(7)**	-

There are no unprovided amounts in 2003 and 2002.

15 Called up share capital

	Number of Shares '000	2003 £000	2002 £000
Ordinary shares of £1 each			
Authorised	**500,000**	**500,000**	500,000
Allotted, called up and fully paid	**463,257**	**463,257**	463,257

16 Reserves

	Profit & Loss Account £000
Balance as at 1 January 2003	(2,267)
Transfer from profit and loss account for the year	156,243
Balance as at 31 December 2003	**`153,976**

Notes to the accounts (continued)

17 Reconciliation of movements in shareholder's funds

	£000
Profit for the financial year	156,243
Net movement in shareholder's funds for the financial year	156,243
Shareholder's funds as at 1 January 2003	460,990
Shareholder's funds as at 31 December 2003	**617,233**

18 Commitments

Commitments for the following year under operating leases are as follows:

	Land & Buildings £000	**Other £000**	**31 Dec 2003 Total £000**
Expiring:			
Less than one year	-	17	17
Between two and five years	25	8	33
More than five years	185	-	185
	210	25	235

	Land & Buildings £000	Other £000	31 Dec 2002 Total £000
Expiring:			
Less than one year	-	59	59
Between two and five years	-	81	81
More than five years	25	-	25
	25	140	165

Notes to the accounts (continued)

19 Pensions

Centrica Plc Group Pension Schemes

The majority of the Company's employees as at 31 December 2003 were members of two of the four 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 for disclosure purposes as defined contribution schemes. The aggregate contributions to the schemes during the year was £720,795. The amount outstanding at the balance sheet date was nil. The latest actuarial valuation of the schemes, prepared for the purposes of making the transitional disclosures in accordance with FRS17 in the consolidated financial statements of Centrica plc, show a total deficit of £571 million (£398 million net of deferred tax). Further details of this valuation can be found in the annual report of Centrica plc.

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 triennial funding valuations, the last of which was as at 31 March 2001. Since then, the Company has continued to take actuarial advice and has increased its contribution levels on 1 January 2002 and on 1 September 2003.

Dynegy Pension Scheme

The Company continued to participate in the defined benefit Dynegy Pension Scheme until 1 March 2003, and employees of Centrica Storage Limited continued their membership of the Dynegy Pension Scheme without interruption up until the transfer date. Members were then given the option of joining the Centrica Pension Scheme of which Centrica Storage Limited is a participating employer and were also given the option of transferring their previous pension entitlements to the Centrica Pension Scheme.

The total charged to the profit and loss account for contributions to the Dynegy Pension Scheme was £144,214 of which nil was owed at 31 December 2003.

Standard Life and Norwich Union Defined Contribution Schemes

The company contributes for a small number of the Centrica Storage Limited employees to various defined contributions schemes including the Standard Life and Norwich Union Schemes of which the assets of the schemes are held separately from those of the Company in an independently administered fund. The unpaid contributions at year-end are included in creditors.

The total charged to the profit and loss account during the year amounted to £91,063 of which £21,558 was owed at 31 December 2003.

Notes to the accounts (continued)

20 Ultimate parent company

Centrica plc, a company registered in the United Kingdom is the ultimate holding company and ultimate controlling party. Centrica plc has a 100% interest in the equity share capital of GB Gas Holdings Limited, which in turn owns 100% of Centrica Storage Holdings Limited. Centrica Storage Holdings Limited has a 100% 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.