

Registered number: 04573558

Centrica Storage Holdings Limited
Annual Report and Financial Statements
for the year ended 31 December 2015



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

Directors

G C McKenna

I G Dawson

Secretary

Centrica Secretaries Limited

Independent auditors

PricewaterhouseCoopers LLP

1 Embankment Place

London

WC2N 6RH

Registered office

1st Floor

20 Kingston Road

Staines-upon-Thames

Middlesex

TW18 4LG

Registered number

04573558

Centrica Storage Holdings Limited

Strategic Report for the year ended 31 December 2015

The Directors present the Strategic Report of Centrica Storage Holdings Limited ('the Company') for the year ended 31 December 2015.

The Company's Financial Statements have been prepared in accordance with Financial Reporting Standard 101: Reduced Disclosures Framework ('FRS 101'). The Company's transition date to FRS 101 was 1 January 2014 and comparatives have been restated accordingly.

Review of business

The Company reported a profit for the financial year of £160,869 thousand (2014: profit of £1,804 thousand).

Subsequent to the statement of financial position date, information about the conditions of the Rough asset at 31st December have resulted in an impairment of the Company's investment in Centrica Storage Limited of £177,753 thousand (2014: £nil). A £330,000 thousand dividend was received from Centrica Storage Limited in early 2015 (2014: £nil).

The Company continued to act as a holding company during the year. Its primary subsidiary, Centrica Storage Limited, made a loss; primary due to an impairment resulting from narrowing summer-winter spreads for NBP gas during the year, the cost of the 2016/17 outage and increased estimates of future expenditure.

In 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 onshore project at Caythorpe continues to be on indefinite hold.

Financial position

The financial position of the Company is presented in the statement of financial position on page 12. Total equity at 31 December 2015 was £674,082 thousand (2014: £513,213 thousand).

Principal risks and uncertainties

The management of the business in the execution of the Company's strategy are subject to a number of risks. Further discussion of these risks and uncertainties in the context of the Centrica Group (the "Group") as a whole is provided on pages 38-42 of the Centrica Annual Report and Accounts 2015 which do not form part of this report. The principal risks of the Company's primary subsidiary, Centrica Storage Limited are also risks of the Company. These are provided on pages 3-4 of the Annual Report of Centrica Storage Limited. The additional key business risks and uncertainties affecting the Company have been highlighted below:

Liquidity risk

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

The £588,867 thousand loan owed to group undertakings (2014: £588,099 thousand) is repayable on demand. This is regarded as a current liability. As these amounts are owed to another Group company, interest rate risk is not actively managed by the Company. Centrica plc manages interest rate risks for the Group.

Key performance indicators (KPIs)

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

Further information about KPIs, in the context of the Group, can be found in the Annual Report and Accounts 2015 of the Group which does not form part of this report.

Centrica Storage Holdings Limited
Strategic Report for the year ended 31 December 2015 (continued)

Future developments

The Directors intend to continue to manage the company as a holding company principally for gas storage operations.

Approved by the Board on 14 September 2016 and signed on its behalf by:



Jeremy Thom

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

Company Secretary

14 September 2016

Company number: 04573558, England and Wales

Registered Office:

1st Floor

20 Kingston Road

Staines-upon-Thames

Middlesex

TW18 4LG

Centrica Storage Holdings Limited

Directors' Report for the year ended 31 December 2015

The Directors present their report and the audited Financial Statements of Centrica Storage Holdings Limited ('the Company') for the year ended 31 December 2015.

Future developments

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

Against the backdrop of low summer-winter spreads and the decision in 2013 not to proceed with the offshore Baird storage joint venture and to put the onshore project at Caythorpe on indefinite hold, capital investments are likely to be limited.

The focus of the business is solely on the Rough asset, operated by the Company's subsidiary; Centrica Storage Limited. The Company will continue to oversee the safe and reliable operation of the Rough storage facility.

The key revenue driver for Centrica Storage Limited, assuming safe and reliable operations, is the difference between forward summer and winter gas prices. These narrowed during 2015 and the Directors continue to monitor the risks this brings. During the year, the Company wrote down the value of its investment in Centrica Storage Limited.

The impairment test is particularly sensitive to assumptions/variations in seasonal gas price spreads, the resolution of the asset integrity issue and future expenditure assumptions. If gas price spreads or asset availability deteriorate, further impairments may be required.

Results and dividends

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

The profit for the financial year ended 31 December 2015 is £160,869 thousand (2014: £1,804 thousand), including receiving a dividend of £330,000 thousand (2014: £nil) from Centrica Storage Limited, and a £177,753 thousand impairment charge (2014: £nil).

Financial risk management

The Company's objectives and policies for managing financial risks are regularly reviewed along with the Centrica Storage Holdings Group.

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

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

Going concern

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

Centrica Storage Holdings Limited

Directors' Report for the year ended 31 December 2015 (continued)

Events since the Statement of Financial Position date

On 15 July 2016, the Group announced further potential uncertainties in a number of the wells at the Rough storage facility. Additional testing will be conducted with estimated completion in March to April 2017. In the meantime, because of the uncertainty, no gas can be injected or withdrawn from Rough. Following a feasibility study, the business anticipates returning a number of wells to service for the Winter 2016/17 withdrawal season. Further details can be found within the Centrica Storage Limited Annual Report and Financial Statements.

The updated information about the condition of the asset at 31 December has resulted in an impairment of the Company's investment in Centrica Storage Limited of £177,753 thousand (2014: £nil).

In June 2016, a UK referendum resulted in a vote for the country to leave the European Union and the resultant uncertainty adds to the challenges for UK businesses in all sectors. This uncertainty may lead to volatility in markets with potential fluctuations in foreign exchange rates, interest rates and commodity prices.

Sensitivity analysis associated with the Group's exposure to currency, interest rate and commodity price risk was included in note S3 of the Group's consolidated Financial Statements for the year ended 31 December 2015.

Overall, management assesses the direct impacts on the Company to be minimal in the short term. The Company's focus is now on understanding what the result means for energy and other material business regulations over time and how this would impact the competitiveness of the European energy markets. The UK is a major energy importer and what happens in the European energy market will ultimately impact energy prices in the UK.

In September 2016, Centrica Storage Limited concluded that it is no longer viable to operate the 47/8A installation. It is therefore permanently withdrawing the installation from service. 47/8A had up to six wells available for withdrawal out of a total of up to 30 wells in Rough field. Refer to the Directors' Report in the Centrica Storage Limited Annual Report and Financial Statements for more information.

The impact on the Company will be a potential increase in the net present value of the investment held in Centrica Storage Limited, which will be taken into account in future annual impairment tests.

Directors

The following persons served as directors during the year and up to the date of signing this report:

G C McKenna (Appointed 11.02.2015)

I G Dawson

J D Craig (Resigned 11.02.2015)

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 Holdings Limited
Directors' Report for the year ended 31 December 2015 (continued)

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' (FRS 101'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has 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 auditors are 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 auditors are aware of that information.

Strategic report

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

Centrica Storage Holdings Limited

Directors' Report for the year ended 31 December 2015 (continued)

Independent auditors

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

Approved by the Board on 14 September 2016 and signed on its behalf by:



Jeremy Thom

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

Company Secretary

14 September 2016

Company number: 04573558, England and Wales

Registered Office:

1st Floor

20 Kingston Road

Staines-upon-Thames

Middlesex

TW18 4LG

Centrica Storage Holdings Limited

Independent Auditors' Report to the member of Centrica Storage Holdings Limited

Report on the financial statements

Our opinion

In our opinion Centrica Storage Holdings 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 2015 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

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- Statement of Financial Position as at 31 December 2015;
- Income Statement for the year then ended; and
- Statement of Comprehensive Income and Statement of Changes in Equity 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 the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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.

Centrica Storage Holdings Limited

Independent Auditors' Report to the member of Centrica Storage Holdings Limited (continued)

Directors' remuneration

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

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

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

15 September 2016

Centrica Storage Holdings Limited
Income Statement
for the year ended 31 December 2015

	Note	2015 £000	2014 £000
Revenue	4	330,000	-
Cost of sales		-	-
Gross profit		<u>330,000</u>	<u>-</u>
Other income	5	39	-
Operating costs	6	-	(45)
Operating profit/(loss)		<u>330,039</u>	<u>(45)</u>
Exceptional items:			
Impairment charges	8	(177,753)	-
Operating profit/(loss) after exceptional items		<u>152,286</u>	<u>(45)</u>
Finance income	9	10,724	2,264
Profit before income tax		<u>163,010</u>	<u>2,219</u>
Income tax expense	11	(2,141)	(415)
Profit for the year from continuing operations		<u>160,869</u>	<u>1,804</u>

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

Centrica Storage Holdings Limited
Statement of Comprehensive Income
for the year ended 31 December 2015

	2015	2014
	£000	£000
Profit for the year	<u>160,869</u>	<u>1,804</u>
Other comprehensive income	-	-
Total comprehensive income for the year	<u><u>160,869</u></u>	<u><u>1,804</u></u>

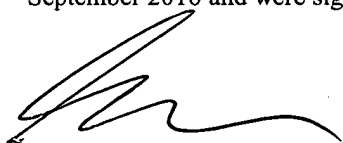
The notes on pages 14 to 24 form an integral part of these financial statements.

Centrica Storage Holdings Limited
Statement of Financial Position
as at 31 December 2015

	Note	2015 £000	2014 £000
Non-current assets			
Investments in subsidiaries	12	814,278	992,031
Current assets			
Trade and other receivables	13	448,546	109,210
Cash and cash equivalents		148	101
		<u>448,694</u>	<u>109,311</u>
Total assets		<u>1,262,972</u>	<u>1,101,342</u>
Current liabilities			
Trade and other payables	14	(588,890)	(588,129)
		<u>(588,890)</u>	<u>(588,129)</u>
Total liabilities		<u>(588,890)</u>	<u>(588,129)</u>
Net assets		<u>674,082</u>	<u>513,213</u>
Equity			
Share capital	15	545,000	545,000
Share premium		30,234	30,234
Retained earnings		98,848	(62,021)
Total equity		<u>674,082</u>	<u>513,213</u>

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

The financial statements on pages 10 to 24 were approved and authorised for issue by the Board of Directors on 14 September 2016 and were signed on its behalf by:



G McKenna
Director
14 September 2016

The Company's Registered number is 04573558.

Centrica Storage Holdings Limited
Statement of Changes in Equity
for the year ended 31 December 2015

	Share capital	Share premium	Retained Earnings	Total
	£000	£000	£000	£000
At 1 January 2015	545,000	30,234	(62,021)	513,213
Profit for the year	-	-	160,869	160,869
Total comprehensive income	<u>-</u>	<u>-</u>	<u>160,869</u>	<u>160,869</u>
At 31 December 2015	<u>545,000</u>	<u>30,234</u>	<u>98,848</u>	<u>674,082</u>

	Share capital	Share premium	Retained Earnings	Total
	£000	£000	£000	£000
At 1 January 2014	545,000	30,234	(63,825)	511,409
Profit for the year	-	-	1,804	1,804
Total comprehensive income	<u>-</u>	<u>-</u>	<u>1,804</u>	<u>1,804</u>
At 31 December 2014	<u>545,000</u>	<u>30,234</u>	<u>(62,021)</u>	<u>513,213</u>

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

Centrica Storage Holdings Limited

Notes to the Financial Statements for the year ended 31 December 2015

1 General information

Centrica Storage Holdings Limited (the 'Company') is a company limited by share capital incorporated and domiciled in the United Kingdom.

These financial statements were authorised for issue by the Board on 14 September 2016.

2 Principal accounting policies

Basis of preparation

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

These Financial Statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

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

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has effected the reported financial position, financial performance and cash flows of the Company is provided in note 14.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Disclosures in respect of related parties transactions with wholly-owned subsidiaries;
- Disclosures in respect of capital management;
- Investments in subsidiaries, associates and joint ventures - on transition to FRS 101, investments in subsidiaries are measured at deemed cost, being the previous GAAP carrying value of the investment;
- The effects of new but not yet effective IFRSs.

Note that the Company has early adopted the following amendments to FRS 101 (effective for periods beginning on or after 1 January 2016) in these financial statements:

- Presentation of IAS format financial statements;
- Exemption from the presentation of a third statement of financial position (being the opening statement of financial position of the Company at the date of application of FRS 101, meaning in this instance 1 January 2014).

As the consolidated financial statements of Centrica Plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair value measurement and the disclosures required by IFRS 7 Financial instrument disclosures have not been provided.

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

The financial statements are prepared on the historical cost basis.

Centrica Storage Holdings Limited

Notes to the Financial Statements for the year ended 31 December 2015

2 Principal accounting policies (continued)

Going concern

The Company had net current liabilities at the Statement of Financial Position date of £140,196 thousand (2014: £478,818 thousand). The Financial Statements have been prepared on the going concern basis as Centrica plc, the ultimate parent company, intends to support the Company to ensure it can meet its obligations as they fall due. The Director has received confirmation that Centrica plc intends to support the Company for at least one year after the date the Financial Statements were authorised.

Exemptions from preparing group financial statements

The financial statements contain information about Centrica Storage Holdings 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.

Investments in subsidiaries

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

Interests in joint arrangements and associates

Under IFRS 11, joint arrangements are those that convey joint control which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Associates are investments over which the Company has significant influence but not control or joint control, and generally holds between 20% and 50% of the voting rights. The Company's joint ventures and associates are accounted for at cost in accordance with IAS 27, less any provision for impairment as necessary.

The Company's interests in joint operations (oil and gas exploration and production licence arrangements) are accounted for by recognising its assets (including its share of assets held jointly), its liabilities (including its share of liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly).

Where the Company has an equity stake or a participating interest in operations governed by a joint arrangement for which it is acting as operator, an assessment is carried out to confirm whether the Company is acting as agent or principal. As the terms and conditions negotiated between business partners usually provide joint control to the parties over the relevant activities of the oil and gas fields and/or wind farms that are governed by joint arrangements, the Company is usually deemed to be an agent when it is appointed as operator and not a principal (as the contracts entered into do not convey control to the parties). Accordingly, when assessed as a 'joint operation', the Company recognises its share of assets, liabilities, revenue and expenses of these arrangements as outlined above except that it presents gross liabilities and gross receivables of the joint venture (including amounts due to or from non-operating partners) in accordance with netting requirements under IAS 32.

Centrica Storage Holdings Limited

Notes to the Financial Statements for the year ended 31 December 2015

2 Principal accounting policies (continued)

Impairment of non-financial assets

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

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

Recoverable amount calculations use cash flow projections based on the Group's internal Board-approved three year business plans. For net realisable value calculations the cash flows are discounted at a post tax rate of 7.5% (2014: 7.5%).

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

Revenue

The dividend income is recognised when the right to receive payment is established.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Deferred tax is recognised in respect of all temporary differences identified at the statement of financial position date, except to the extent that the deferred tax arises from the initial recognition of goodwill (if impairment of goodwill is not deductible for tax purposes) or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit and loss. Temporary differences are differences between the carrying amount of the Company's assets and liabilities and their tax base.

Deferred tax liabilities are offset against deferred tax assets when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority. Any remaining deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits, within the same jurisdiction, in the foreseeable future, against which the deductible temporary difference can be utilised.

Centrica Storage Holdings Limited

Notes to the Financial Statements for the year ended 31 December 2015

2 Principal accounting policies (continued)

Deferred tax is provided on temporary differences arising on subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the asset is realised or liability settled, based on tax rates and laws that have been enacted or substantively enacted by the statement of financial position date. Measurement of deferred tax liabilities and assets reflects the tax consequences expected from the manner in which the asset or liability is recovered or settled.

Interest

Interest payable and receivable is recognised when accrued.

Financial assets and liabilities

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Company no longer has the rights to cash flows, the risks and rewards of ownership or control of the asset. Financial liabilities are de-recognised when the obligation under the liability is discharged, cancelled or expires.

(a) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

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

(b) Trade and other payables

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

Trade payables are initially recognised at fair value, which is usually original invoice amount and are subsequently held at amortised cost using the EIR method (although, in practice, the discount is often immaterial). If payment is due within one year or less payables are classified as current liabilities. If not, they are presented as non-current liabilities.

(c) Share capital

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

Centrica Storage Holdings Limited

Notes to the Financial Statements for the year ended 31 December 2015

2 Principal accounting policies (continued)

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less.

(e) Interest-bearing loans and other borrowings

All interest-bearing (and interest free) loans and other borrowings with banks or and similar institutions and 'intercompany entities' are initially recognised at fair value net of directly attributable transaction costs (if any, in respect of 'intercompany funding'). After initial recognition, these financial instruments are measured at amortised cost using the EIR method, except when they are the hedged item in an effective fair value hedge relationship where the carrying value is also adjusted to reflect the fair value movements associated with the hedged risks. Such fair value movements are recognised in the Company's income statement. Amortised cost is calculated by taking into account any issue costs, discount or premium, when applicable.

3 Critical accounting judgements and key sources of estimation uncertainty

Investments in subsidiaries

The recoverable amount of the Company's investment in Centrica Storage Limited (CSL) is calculated by discounting the post-tax cash flows expected to be generated by CSL, based on predictions of seasonal gas price spreads and shorter-term price volatilities and the value from extracting cushion gas at the end of the field life less any related capital and operating expenditure.

The impairment calculation, in relation to the carrying value of CSL, is particularly sensitive to assumptions/variations in seasonal gas price spreads and to the resolution of the limitation of the maximum operating pressure of the Rough asset. To illustrate the impact of price on the impairment analysis, sensitivities were performed to vary the gas spreads by +/- 10%. An increase in spreads of 10%, assuming all other assumptions remain constant, reduces the impairment to £103 million. A reduction of 10% would have given rise to an impairment of £252 million. A £10 million per annum increase/decrease in expenditure assumptions results in a £68 million increase/decrease in the impairment charge.

Centrica Storage Holdings Limited

Notes to the Financial Statements for the year ended 31 December 2015

4 Revenue	2015 £000	2014 £000
By activity:		
Dividends from investment	330,000	-
	<u>330,000</u>	<u>-</u>

Dividends were received from Centrica Storage Limited, a UK domiciled company.

By geography:		
UK	330,000	-
	<u>330,000</u>	<u>-</u>

5 Other income

The analysis of the Company's other income for the year is as follows:

	2015 £000	2014 £000
Miscellaneous other operating income	39	-
	<u>39</u>	<u>-</u>

6 Analysis of costs by nature	2015 £000	2014 £000
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Other operating costs: Year ended 31 December

Auditors' remuneration for audit services	15	15
Other operating costs	(15)	30
Total other operating costs	<u>-</u>	<u>45</u>

Total costs: Year ended 31 December

Other operating costs	-	45
Total costs	<u>-</u>	<u>45</u>

7 Employee costs

The Company has no employees (2014: nil) and no staff costs (2014: nil).

The emoluments of the directors are not paid to them in their capacity as Directors of the Company and are payable for services wholly attributable to other Centrica plc subsidiary undertakings. Accordingly, no details in respect of their emoluments have been included in these financial statements.

Centrica Storage Holdings Limited**Notes to the Financial Statements for the year ended 31 December 2015****8 Exceptional items**

The following exceptional items were recognised in arriving at operating profit for the reporting period:

	2015 £000	2014 £000
Impairment of investment	177,753	-
	<u>177,753</u>	<u>-</u>

On 15 July 2016, the Group announced further potential uncertainties in a number of the wells at the Rough storage facility. Additional testing will be conducted with estimated completion in March to April 2017. In the meantime, because of the uncertainty, no gas can be injected or withdrawn from Rough. Following a feasibility study, the business anticipates returning a number of wells to service for the Winter 2016/17 withdrawal season. Further details can be found within the Centrica Storage Limited Annual Report and Financial Statements. The updated information about the condition of the asset at 31 December has resulted in an impairment of the Company's investment in Centrica Storage Limited of £177,753 thousand (2014: £nil).

Sensitivities are provided in note 3.

9 Finance income

	2015 £000	2014 £000
Interest income from amounts owed by group undertakings	10,724	2,264
	<u>10,724</u>	<u>2,264</u>

10 Auditors' remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements provided to the Company.

	2015 £000	2014 £000
Audit of the financial statements	15	15
	<u>15</u>	<u>15</u>

There were no non-audit fees paid to the Company's auditors in 2015 (2014: nil).

Centrica Storage Holdings Limited

Notes to the Financial Statements for the year ended 31 December 2015

11 Income tax	2015 £000	2014 £000
Tax charged to the income statement		
Current tax		
Current tax on profits for the year	2,079	415
Adjustment in respect of prior years	62	-
Total current income tax	<u>2,141</u>	<u>415</u>
Tax per income statement	<u>2,141</u>	<u>415</u>

Factors affecting total tax charge for the current period

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

	2015 £000	2014 £000
Profit for the year from continuing operations	<u>163,010</u>	<u>2,219</u>
Tax on profit at standard UK tax rate of 20.25% (2014: 21.49%)	33,010	477
Effects of:		
Adjustments in respect of prior years	62	-
Expenses not deductible	35,989	-
Income not taxable	(66,820)	-
Transfer pricing adjustments	(100)	(62)
Total income tax expense	<u>2,141</u>	<u>415</u>

Factors that may affect future tax charges

The main rate of corporation tax was reduced to 20% from 1 April 2015. Further reductions were enacted by Finance (No.2) Act 2015 to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. These enacted reduced rates of corporation tax have been reflected within these financial statements. The Chancellor of the Exchequer has announced a further reduction in the rate, to 17% from 1 April 2020, which is expected to be substantively enacted as part of the Summer Finance Bill 2016 and is therefore not reflected in these financial statements. As such, the previously enacted rate of 18% from 1 April 2020 will not come into effect. The impact of the reduction in the corporate tax rate to 17% on the financial statements is not expected to be significant.

Centrica Storage Holdings Limited

Notes to the Financial Statements for the year ended 31 December 2015

12 Investments in subsidiaries

Investments classified as non-current

<i>Equity investments</i>	Shares in group undertakings (subsidiaries) £000	Total £000
Cost		
At 1 January 2014	992,031	992,031
At 31 December 2014	992,031	992,031
At 31 December 2015	992,031	992,031
Provisions		
At 1 January 2014	-	-
At 31 December 2014	-	-
Impairments provided in the year	177,753	177,753
At 31 December 2015	177,753	177,753
Net book values		
At 31 December 2015	814,278	814,278
At 31 December 2014	992,031	992,031

Details of the equity interests of the Company in its subsidiaries undertakings are as follows as at 31 December 2015:

Name of subsidiary	Principal activity	Class of shares held	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held in 2015/(2014)
Centrica Storage Limited	Gas storage	Ordinary	England	100%/(100%)
Caythorpe Gas Storage Limited	Gas storage	Ordinary	England	100%/(100%)
Centrica Jersey Limited	Financing	Ordinary	Channel Islands	100%/(100%)

Centrica Onshore Processing Limited (previously a dormant 100% owned subsidiary) was struck off on 5th May 2015. The investment had a carrying value of £1.

Bacton Storage Company Limited (previously 70% interest at 31 December 2014) was struck off on 5th May 2015. The investment had a carrying value of £nil.

Name of subsidiary	Address
Centrica Storage Limited	20 Kingston Road, Staines, TW18 4LG, UK
Caythorpe Gas Storage Limited	20 Kingston Road, Staines, TW18 4LG, UK
Centrica Jersey Limited	26 New Street, St Helier, JE2 3RA, Jersey

Impairment

The impairment loss during 2015 of £177,753 thousand (2014: £nil) arose on reducing the carrying value of the investment in Centrica Storage Limited to its recoverable amount, being fair value less cost of disposal. See notes 3 and 8 for more information.

Centrica Storage Holdings Limited

Notes to the Financial Statements for the year ended 31 December 2015

13 Trade and other receivables

	2015 Current £000	2014 Current £000
Amounts owed by group undertakings	448,546	109,210
	<u>448,546</u>	<u>109,210</u>

The amounts receivable from Group undertakings include £448,546 thousand (2014: £109,210 thousand) that bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 2.36 and 2.88% per annum during 2015 (2014: 1.69 and 1.90%). All amounts receivable from Group undertakings are unsecured and repayable on demand.

14 Trade and other payables

	2015 Current £000	2014 Current £000
Amounts owed to Group undertakings	588,867	588,099
Other payables	8	-
Accruals and deferred income	15	30
	<u>588,890</u>	<u>588,129</u>

Amounts owed to Group undertakings includes £588,867 thousand (2014: £588,099 thousand) which is unsecured, repayable on demand and non-interest bearing.

15 Capital and reserves

Share capital

Allotted, called up and fully paid shares:

	2015		2014	
	No. 000	£000	No. 000	£000
Ordinary shares of £1 each	545,000	545,000	545,000	545,000
	<u>545,000</u>	<u>545,000</u>	<u>545,000</u>	<u>545,000</u>

Reserves

Retained earnings

The balance classified as retained earnings includes the profits and losses realised by the company in previous periods that were not distributed to the shareholders of the company at the Statement of Financial Position date.

Share premium

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

Centrica Storage Holdings Limited

Notes to the Financial Statements for the year ended 31 December 2015

16 Parent and ultimate parent undertaking

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 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 Centrica plc consolidated financial statements can be obtained from www.centrica.com.

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

On 15 July 2016, the Group announced further potential uncertainties in a number of the wells at the Rough storage facility. Additional testing will be conducted with estimated completion in March to April 2017. In the meantime, because of the uncertainty, no gas can be injected or withdrawn from Rough. Following a feasibility study, the business anticipates returning a number of wells to service for the Winter 2016/17 withdrawal season. Further details can be found within the Centrica Storage Limited Annual Report and Financial Statements. The updated information about the condition of the asset at 31 December has resulted in an impairment of the Company's investment in Centrica Storage Limited of £177,753 thousand (2014: £nil).

In June 2016, a UK referendum resulted in a vote for the country to leave the European Union and the resultant uncertainty adds to the challenges for UK businesses in all sectors. This uncertainty may lead to volatility in markets with potential fluctuations in foreign exchange rates, interest rates and commodity prices.

Sensitivity analysis associated with the Group's exposure to currency, interest rate and commodity price risk was included in note S3 of the Group's consolidated Financial Statements for the year ended 31 December 2015.

Overall, management assesses the direct impacts on the Company to be minimal in the short term. The Company's focus is now on understanding what the result means for energy and other material business regulations over time and how this would impact the competitiveness of the European energy markets. The UK is a major energy importer and what happens in the European energy market will ultimately impact energy prices in the UK.

In September 2016, Centrica Storage Limited concluded that it is no longer viable to operate the 47/8A installation. It is therefore permanently withdrawing the installation from service. 47/8A had up to six wells available for withdrawal out of a total of up to 30 wells in Rough field. Refer to the Directors' Report in the Centrica Storage Limited Annual Report and Financial Statements for more information.

The impact on the Company will be a potential increase in the net present value of the investment held in Centrica Storage Limited, which will be taken into account in future annual impairment tests.

18 Transition to FRS 101

As stated in the 'basis of preparation' note, these are the Company's first Financial Statements prepared in accordance with FRS 101. The accounting policies set out in the policies note have been applied in preparing the financial statements for the year ended 31 December 2015, the comparative information presented in these financial statements for the year ended 31 December 2014.

In preparing its FRS 101 statement of financial position, the Company has not been required to adjust any amounts reported previously in its financial statements prepared in accordance with its old basis of accounting (UK GAAP).