

Registered number: 04573558

Centrica Storage Holdings Limited
Annual Report and Financial Statements
for the year ended 31 December 2016

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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 2016

The Directors present the Strategic Report of Centrica Storage Holdings Limited ('the Company') for the year ended 31 December 2016.

The Company's Financial Statements have been prepared in accordance with Financial Reporting Standard 101: Reduced Disclosure Framework ('FRS 101').

Review of business

The Company reported a loss for the financial year of £255,870,000 (2015: profit of £160,869,000). The Company continued to act as a holding company during the year.

Its primary subsidiary, Centrica Storage Limited (CSL), was loss making in the year primarily due to lower summer-winter gas price spreads, reduced capacity in the first half of 2016 and the cessation of injection operations in the second half of 2016 due to results from the well testing programme. CSL agreed with its customers to buy-back unused capacity during the second half of 2016.

On 12 April 2017, CSL announced it would not be available for injection operations in the 2017/18 storage year due to a number of different potential containment failure modes in a number of the wells. CSL will continue to conduct further testing and analysis in order to determine the future pathway for commercial operation of the facilities. Based on this information and the uncertainty of the future commercial operation, the value of the investment in CSL has been fully impaired.

The Company's subsidiary, Caythorpe Gas Storage Limited, continues to monitor the economics for storage projects which remain weak following 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 11. Total equity at 31 December 2016 was £418,213,000 (2015: £674,082,000).

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 56-64 of the Centrica Plc Annual Report and Accounts 2016 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. The additional key business risks and uncertainties affecting the Company have been highlighted below:

Liquidity risk

The £592,351,000 loan owed to group undertakings (2015: £588,867,000) 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. Centrica plc has guaranteed to support the company for at least a year from the date of this report.

Exit from the European Union

The UK referendum vote in June to leave the European Union has added to the uncertainties faced by the business. However, we believe that the direct impact on the business of these events is limited in the short-term. Many details of the implementation process remain unclear. Extricating from the European Union treaties is a task of immense complexity but with that being said, the business is well-positioned to manage any market impacts. There are also potential tax consequences of the withdrawal agreement which we will continue to reassess (at each reporting date) to ensure our tax provisions reflect the most likely outcome following the withdrawal.

Centrica Storage Holdings Limited
Strategic Report for the year ended 31 December 2016 (continued)

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 2016 of the Group which does not form part of this report.

Future developments

The Directors intend to continue to manage the company as a holding company and continue to oversee the safe and reliable operations for the Rough storage facility and the investment at Caythorpe.

Approved by the Board on 8 May 2017 and signed on its behalf by:



Jeremy Thom
By order of the board for and on behalf of Centrica Secretaries Limited
Company Secretary
8 May 2017

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 2016

The Directors present their report and the audited Financial Statements of Centrica Storage Holdings Limited ('the Company') for the year ended 31 December 2016.

Future developments

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

The economics for new gas storage facilities remain unattractive so the potential project of Caythorpe remains on indefinite hold, and capital investments are likely to be limited.

The focus of the business is 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.

Results and dividends

The results of the Company are set out on page 9.

The loss for the financial year ended 31 December 2016 is £255,870,000 (2015: profit of £160,869,000). No dividends were received in 2016 (2015: £330,000,000) from Centrica Storage Limited, and there was an impairment charge of £269,278,000 (2015: £177,753,000).

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.

Events since the Statement of Financial Position date

On 12 April 2017, Centrica Storage Limited (CSL) announced it would not be available for injection operations in the 2017/18 storage year, CSL has made this decision based on the results of the well testing program to date which, due to the age of the asset, have confirmed a number of different potential containment failure modes in a number of the wells. Following extensive discussions with its independent technical wells advisers, CSL has concluded this is the prudent path forward at this time while further testing and analysis of the wells and an assessment on the asset as a whole is performed.

The updated information about the condition of the asset and uncertainty around the recoverability of the investment at 31 December has resulted in a further impairment of the company's investment in Centrica Storage Limited of £269,278,000 (2015: £177,753,000).

Centrica Storage Holdings Limited

Directors' Report for the year ended 31 December 2016 (continued)

Directors

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

G C McKenna

I G Dawson

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.

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial 12 month period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The Directors 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.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the Director is 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 a director in order to make themselves 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(11) 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 2016 (continued)

Reappointment of auditors

Following a rigorous selection process by the Audit Committee of Centrica plc, Deloitte LLP was selected as the Group's external auditor for the financial year commencing from 1 January 2017 (subject to ratification of their appointment at the Centrica plc 2017 AGM). Consequently, PricewaterhouseCoopers LLP will remain auditors of Centrica Storage Holdings Limited until the formal resignation process has been completed later in 2017, after which Deloitte LLP will be appointed as auditors of Centrica Storage Holdings Limited.

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, until the formal resignation process has been completed.

Approved by the Board on 8 May 2017 and signed on its behalf by:



Jeremy Thom
By order of the board for and on behalf of Centrica Secretaries Limited
Company Secretary
8 May 2017

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 2016 and of its loss 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:

- the statement of financial position as at 31 December 2016;
- the income statement and statement of comprehensive income for the year then ended;
- the 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 United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (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, 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; and
- 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.

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.

Centrica Storage Holdings Limited

Independent Auditors' Report to the member of Centrica Storage Holdings 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 Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Bruce Collins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

8 May 2017

Centrica Storage Holdings Limited
Income Statement
for the year ended 31 December 2016

	Note	2016 £000	2015 £000
Revenue	4	-	330,000
Cost of sales		-	-
Gross profit		-	330,000
Other income	5	-	39
Operating costs	6	(22)	-
Operating (loss)/profit		(22)	330,039
Exceptional items:			
Impairment charges	8	(269,278)	(177,753)
Operating (loss)/profit after exceptional items		(269,300)	152,286
Finance income	9	16,907	10,724
(Loss)/ profit before income tax		(252,393)	163,010
Income tax expense	11	(3,477)	(2,141)
(Loss)/ profit for the year from continuing operations		(255,870)	160,869

The notes on pages 13 to 20 form an integral part of these financial statements.

Centrica Storage Holdings Limited
Statement of Comprehensive Income
for the year ended 31 December 2016

	2016	2015
	£000	£000
(Loss)/ profit for the year	<u>(255,870)</u>	<u>160,869</u>
Other comprehensive income	-	-
Total comprehensive (loss)/ income for the year	<u><u>(255,870)</u></u>	<u><u>160,869</u></u>

The notes on pages 13 to 20 form an integral part of these financial statements.

Centrica Storage Holdings Limited
Statement of Financial Position
as at 31 December 2016

	Note	2016 £000	2015 £000
Non-current assets			
Investments	12	<u>545,000</u>	<u>814,278</u>
		545,000	814,278
Current assets			
Trade and other receivables	13	465,454	448,546
Cash and cash equivalents		<u>147</u>	<u>148</u>
		465,601	448,694
Total assets		<u>1,010,601</u>	<u>1,262,972</u>
Current liabilities			
Trade and other payables	14	<u>(592,388)</u>	<u>(588,890)</u>
		(592,388)	(588,890)
Total liabilities		<u>(592,388)</u>	<u>(588,890)</u>
Net assets		<u>418,213</u>	<u>674,082</u>
Equity			
Share capital	15	545,000	545,000
Share premium		30,234	30,234
Retained earnings		(157,021)	98,848
Total equity		<u>418,213</u>	<u>674,082</u>

The notes on pages 13 to 20 form an integral part of these financial statements.

The financial statements on pages 9 to 20 were approved and authorised for issue by the Board of Directors on 8 May 2017 and were signed on its behalf by:



G McKenna
Director
8 May 2017

The Company's Registered number is 04573558.

Centrica Storage Holdings Limited
Statement of Changes in Equity
for the year ended 31 December 2016

	Share capital	Share premium	Retained Earnings	Total
	£000	£000	£000	£000
At 1 January 2016	545,000	30,234	98,848	674,082
Profit for the year	-	-	(255,870)	(255,870)
Total comprehensive income	-	-	(255,870)	(255,870)
At 31 December 2016	<u>545,000</u>	<u>30,234</u>	<u>(157,022)</u>	<u>418,212</u>

	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	-	-	160,869	160,869
At 31 December 2015	<u>545,000</u>	<u>30,234</u>	<u>98,848</u>	<u>674,082</u>

The notes on pages 13 to 20 form an integral part of these financial statements.

Centrica Storage Holdings Limited

Notes to the Financial Statements for the year ended 31 December 2016

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 8 May 2017.

2 Principal accounting policies

Basis of preparation

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 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 were measured at deemed cost, being the previous GAAP carrying value of the investment;
- The effects of new but not yet effective IFRSs.

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.

Going concern

The Company had net current liabilities at the Statement of Financial Position date of £126,787,000 (2015: 140,196,000). 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 Directors have received confirmation that Centrica plc intends to support the Company for at least one year after the date the Financial Statements were authorised.

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.

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.

2 Principal accounting policies (continued)

Impairment of non-financial assets (continued)

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", CGU).

Recoverable amount calculations use cash flow projections based on the Group's internal Board-approved three year business plans, which include observable market data where available and liquid. For net realisable value calculations the cash flows are discounted at a post tax rate of 7.5% (2015: 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

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.

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.

Centrica Storage Holdings Limited

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

2 Principal accounting policies (continued)

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 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.

(b) 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.

(c) 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.

(d) 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. These future cash flows, in relation to the carrying value of CSL, are sensitive to business model assumptions, in particular: gas prices, gas price spreads, capex requirements, availability of wells and the limitation of the maximum operating pressure of the storage asset.

Centrica Storage Holdings Limited

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Investments in subsidiaries (continued)

Future cash flows have been modelled on a number of scenarios, as CSL is continuing to conduct further tests and analysis in order to allow CSL to make an assessment of the future pathway for commercial operation of the facilities. This is to ensure safe operations based on the results of the well testing program to date which, due to the age of the asset, have confirmed a number of different potential containment failure modes in a number of the wells.

4 Revenue	2016	2015
	£000	£000
By activity:		
Dividends from investment	-	330,000
	<u>-</u>	<u>330,000</u>

In 2015 dividends were received from Centrica Storage Limited, a UK domiciled company.

	2016	2015
	£000	£000
By geography:		
UK	-	330,000
	<u>-</u>	<u>330,000</u>

5 Other income

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

	2016	2015
	£000	£000
Miscellaneous other operating income	-	39
	<u>-</u>	<u>39</u>

6 Analysis of costs by nature

	2016	2015
	£000	£000
<i>Operating costs: Year ended 31 December</i>		
Auditors' remuneration for audit services	16	15
Other operating costs	6	(15)
Total operating costs	<u>22</u>	<u>-</u>
<i>Total costs: Year ended 31 December</i>		
Operating costs	22	-
Total costs	<u>22</u>	<u>-</u>

7 Employee costs

The Company has no employees (2015: nil) and no staff costs (2015: 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 2016 (continued)****8 Exceptional items**

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

	2016 £000	2015 £000
Impairment of investment	269,278	177,753
	<u>269,278</u>	<u>177,753</u>

On 12 April 2017, the Company's primary subsidiary, Centrica Storage Limited (CSL) announced it would not be available for injection operations in the 2017/18 storage year, CSL has made this decision based on the results of the well testing program to date which, due to the age of the asset, have confirmed a number of different potential containment failure modes in a number of the wells. Following extensive discussions with its independent technical wells advisers, CSL has concluded this is the prudent path forward at this time while further testing and analysis of the wells and an assessment on the asset as a whole is performed.

In order to assess the impact on the recoverability of the investment in CSL based on the information about the condition of the asset and the ongoing assessment of the future pathway for commercial operation of the facilities, the Directors have modelled a number of scenarios and concluded it would be prudent to fully impair the CSL investment. The result of this judgement is an impairment of £269,278,000 (2015: £177,753,000).

9 Finance income

	2016 £000	2015 £000
Interest income from amounts owed by group undertakings	16,907	10,724
	<u>16,907</u>	<u>10,724</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.

	2016 £000	2015 £000
Audit of the financial statements	16	15
	<u>16</u>	<u>15</u>

The company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the Group Financial Statements of its ultimate parent, Centrica plc.

11 Income tax

	2016 £000	2015 £000
Tax charged to the income statement		
Current tax		
Current tax on profits for the year	3,377	2,079
Adjustment in respect of prior years	100	62
Total current income tax	<u>3,477</u>	<u>2,141</u>
Tax per income statement	<u>3,477</u>	<u>2,141</u>

Centrica Storage Holdings Limited
Notes to the Financial Statements for the year ended 31 December 2016 (continued)
11 Income tax (continued)
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:

	2016 £000	2015 £000
Profit for the year from continuing operations	(252,393)	163,010
Tax on profit at standard UK tax rate of 20% (2015: 20.25%)	(50,479)	33,010
Effects of:		
Adjustments in respect of prior years	100	62
Expenses not deductible	53,856	35,989
Income not taxable	-	(66,820)
Transfer pricing adjustments	(4,195)	(100)
Effects of group relief/ other reliefs	4,195	-
Total income tax expense	3,477	2,141

Factors that may affect future tax charges

The main rate of corporation tax for the year to 31 December 2016 was 20%. The corporation tax rate will reduce to 19% with effect from 1 April 2017 and to 17% with effect from 1 April 2020 following the enactment of Finance (No. 2) Act 2015 and Finance Act 2016 respectively. These enacted rates have been reflected in these financial statements when providing for deferred tax.

12 Investments

Investments classified as non-current

	Shares in group undertakings (subsidiaries) £000
Equity investments	
Cost	
At 1 January 2015	992,031
At 31 December 2015	992,031
At 31 December 2016	992,031
Provisions	
At 1 January 2015	-
Impairments provided in the year	177,753
At 31 December 2015	177,753
Impairments provided in the year	269,278
At 31 December 2016	447,031
Net book values	
At 31 December 2016	545,000
At 31 December 2015	814,278

Centrica Storage Holdings Limited**Notes to the Financial Statements for the year ended 31 December 2016 (continued)****12 Investments in subsidiaries (continued)**

Details of the equity interests of the Company in its subsidiaries undertakings are as follows as at 31 December 2016:

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 2016/(2015)
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 UK Limited	Dormant	Ordinary	England	100%/(100%)

Investments held indirectly by Centrica Storage Holdings Limited with 100% voting rights

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 2016/(2015)
Centrica Offshore UK Limited	Gas production	Ordinary	England	100%/(100%)

There was no changes in company subsidiaries in the year ended 31st December 2016.

The Centrica Storage Holdings Limited Annual Report and Financial Statements for the year ended 31 December 2015 incorrectly stated the name and ownership of Centrica Onshore Processing UK Limited (incorrectly named as Centrica Onshore Processing Limited and stated to have been struck off on 5th May 2015). Centrica Storage Holdings Limited is still the parent company of Centrica Onshore Processing UK Limited (a dormant 100% owned subsidiary). The investment has a carrying value of £1.

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
Centrica Onshore Processing UK Limited	20 Kingston Road, Staines, TW18 4LG, UK

Impairment

There was an impairment loss during the year of £269,278,000 (2015: charge of £177,753,000 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 2016 (continued)
13 Trade and other receivables

	2016 Current £000	2015 Current £000
Amounts owed by group undertakings	465,454	448,546
	<u>465,454</u>	<u>448,546</u>

The amounts receivable from Group undertakings include £483,550,000 (2015: £466,642,000) that bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 3.04% and 4.04% per annum during 2016 (2015: 2.36 and 2.88%). The other amounts receivable from Group undertakings are interest-free. All amounts receivable from Group undertakings are unsecured and repayable on demand.

14 Trade and other payables

	2016 Current £000	2015 Current £000
Amounts owed to Group undertakings	592,351	588,867
Other payables	-	8
Accruals and deferred income	37	15
	<u>592,388</u>	<u>588,890</u>

Amounts owed to Group undertakings includes £592,351,000 (2015: £588,867,000) which is unsecured, repayable on demand and non-interest bearing.

15 Capital and reserves
Share capital
Allotted, called up and fully paid shares:

	2016	2015
	No. 000 £000	No. 000 £000
Ordinary shares of £1 each	545,000	545,000
	<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.

16 Parent and ultimate parent undertaking

The immediate parent undertaking is GB Gas Holdings Limited, a company registered in England and Wales

The ultimate parent undertaking and controlling party is Centrica plc, a company registered in England and Wales, which is the only company to include these financial statements in its consolidated statements. Copies of the Centrica plc consolidated financial statements may be obtained from www.centrica.com.