

**Bacton Storage Company Limited**

**Annual Report for the year ended 31 December 2012**

**Registered Number: 06827589**

WEDNESDAY



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26/06/2013  
COMPANIES HOUSE

# **Bacton Storage Company Limited**

## **Directors' report for the year ended 31 December 2012**

The directors present their report and the audited financial statements of Bacton Storage Company Limited (the "Company") for the year ended 31 December 2012

### **Principal activities**

The principal activity of the Company is the development of the Baird reservoir into a gas storage facility which, for the purposes of the Companies Act 2006, constitutes one class of business

### **Business Review**

During 2012 the Company continued its development studies on the potential for conversion of the Baird gas field to a gas storage facility

### **Results and dividends**

The results of the Company are set out on page 5

The loss on ordinary activities after taxation for the year ended 31 December 2012 was £14,000 (2011 £25,000)

In 2012 no dividend was paid on ordinary shares (2011 £nil) and no final dividend has been proposed (2011 £nil)

### **Financial position**

The financial position of the Company is presented in the balance sheet on page 6 Net assets as at 31 December 2012 were £35,622,000 (31 December 2011 £35,636,000)

### **Principal risks and uncertainties**

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of Joint venture partner Centrica plc and are not managed separately Accordingly, the principal risks and uncertainties of the Group which include those of the Company are discussed on pages 44 - 50 of the Centrica plc Annual Report and Accounts 2012 which does not form part of this report The key business risks and uncertainties affecting the Company have been highlighted below

#### ***Financial risk management***

The directors have established objectives and policies for managing financial risks to enable the Company to achieve its long-term shareholder value growth targets within a prudent risk management framework These objectives and policies are regularly reviewed

The Centrica Storage group of companies has a Financial Risk Management Committee which meets on a regular basis

#### ***Liquidity risk***

Cash forecasts identifying the liquidity requirements of the Company are produced periodically and monitored by the Directors

#### ***Commodity price risk***

The key commodity price risk facing the Company is the movement in gas prices, in particular the differential between summer and winter gas prices However, the continuing relatively low levels of summer / winter price differentiations mean that market conditions remain challenging With the country becoming increasingly dependent on imported gas, there is a general recognition that more seasonal storage is required in the UK However, we will only invest in new projects if the returns are appropriate to the levels of risk undertaken We may require a support mechanism to underpin the investment and welcomed the announcement by DECC in December 2012 that it is planning to carry out further investigation into possible intervention mechanisms to encourage new storage investment The Financial Risk Management Committee regularly monitors the extent of the Company's commodity price exposure

# **Bacton Storage Company Limited**

## **Directors' report for the year ended 31 December 2012 (continued)**

### **Principal risks and uncertainties (continued)**

#### **Operational risk**

The Company is exposed to operational, health and safety and environmental risks through the conversion of the Baird gas field. Through the use of an Integrated Management System the company identifies the hazards and assesses the risks associated with its activities and decisions on a continuous basis. Through the assessment of the risk the Company ensures appropriate measures are in place to mitigate or manage those risks so as to prevent / reduce the impact of potential accidents or incidents on people and the business.

#### **Key performance indicators (KPIs)**

Given that the Company's business is still under development, the Directors are of the opinion that currently analysis using KPIs is unnecessary.

#### **Future developments**

The Company will continue to work towards the final investment decision on the Baird gas storage project, expected during 2014.

#### **Directors**

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

J B Parr

S M Wills\*

R Ozsanlav\*

S Sydenham\*

G E Sibbick\* (As Alternate Director to S M Wills, R Ozsanlav, S Sydenham and J K Adam)

J K Adam\*

E Faillenet

\*Nominated by Centrica Storage Holdings Limited

At no time during the year ended 31 December 2012 (2011 nil) did any director have any interests in the shares of the Company or any of the two subsidiaries of the Company.

There were no contracts of significance during or at the end of the year ended 31 December 2012 (2011 nil) to which the Company or any subsidiary and associated undertaking is a party and in which any director is or was materially interested.

#### **Directors' and officers' liability**

Directors' liability insurance has been purchased by the ultimate parent company of Centrica Storage Holdings Limited, Centrica plc for the Centrica Storage Holdings Limited nominated directors, and was in place during the period that the relevant director served the Company in the year under review.

Director's liability insurance has been purchased by the ultimate parent company of Perenco International Limited, Perenco Group, for the Perenco International Limited nominated directors (J B Parr and E Faillenet), and was in place for their tenures during the period under review.

The insurance, for all directors, does not provide cover in the event that a Director is proved to have acted fraudulently.

# Bacton Storage Company Limited

## Directors' report for the year ended 31 December 2012 (continued)

### Statement of Directors' responsibilities

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

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

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

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

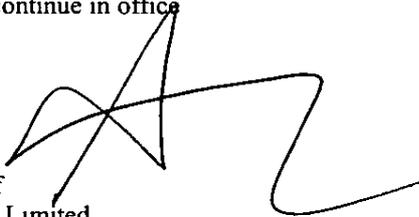
### Disclosure of information to auditors

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

### 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.

Antony Miller  
For and on behalf of  
Centrica Secretaries Limited  
**Company Secretary**



Date 24 June 2013

Company registered in England and Wales Registered number 06827589  
Registered office  
**Venture House**  
**42-54 London Road**  
**Staines**  
**Middlesex TW18 4HF**

# **Bacton Storage Company Limited**

## **Independent auditors' report to the members of Bacton Storage Company Limited**

We have audited the financial statements of Bacton Storage Company Limited (the "Company") for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 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 Companies Act 2006

### **Opinion on other matter prescribed by the Companies Act 2006**

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

### **Matters on which we are required to report by exception**

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

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

Bruce Collins (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
June 2013

# Bacton Storage Company Limited

## Profit and Loss Account For the year ended 31 December 2012

		Year ended 31 Dec 2012	Year ended 31 Dec 2011
	Notes	£000	£000
Administrative expenses		(14)	(25)
<b>Operating loss</b>	2	<u>(14)</u>	<u>(25)</u>
<b>Loss on ordinary activities before taxation</b>		(14)	(25)
Tax on loss on ordinary activities	5	-	-
<b>Loss for the financial year</b>	12	<u>(14)</u>	<u>(25)</u>

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

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

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

The notes on pages 7 to 12 form part of these financial statements.

# Bacton Storage Company Limited

Registered Number 06827589

## Balance Sheet As at 31 December 2012

	Notes	2012 £000	2011 £000
<b>Fixed assets</b>			
Investment	7	36,059	36,059
Tangible assets	8	<u>53,450</u>	<u>53,456</u>
		<b>89,509</b>	<b>89,515</b>
<b>Current assets</b>			
Debtors	9	-	3
Cash at bank and in hand		<u>1</u>	<u>1</u>
		<b>1</b>	<b>4</b>
<b>Creditors: amounts falling due within one year</b>	10	<b>(53,888)</b>	<b>(53,883)</b>
<b>Net current liabilities</b>		<b>(53,887)</b>	<b>(53,879)</b>
<b>Total assets less current liabilities</b>		<b>35,622</b>	<b>35,636</b>
<b>Net assets</b>		<b><u>35,622</u></b>	<b><u>35,636</u></b>
<b>Capital and reserves</b>			
Called up share capital	11	1	1
Share premium account	12	35,714	35,714
Profit and loss account	12	(93)	(79)
<b>Total shareholders' funds</b>	13	<b><u>35,622</u></b>	<b><u>35,636</u></b>

The financial statements on pages 5 to 12 were approved and authorised for issue by the Board of Directors on 24 June 2013 and were signed on its behalf by

The notes on pages 7 to 12 form part of these financial statements



Simon Wills  
Director  
24 June 2013

The Company's registered number is 06827589

# Bacton Storage Company Limited

## Notes to the financial statements for the year ended 31 December 2012

### 1 Principal accounting policies

#### *Basis of preparation*

These Financial Statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable UK accounting standards. These policies have been applied consistently to all the years presented, unless otherwise stated.

The Directors believe that the going concern basis is applicable for the preparation of the accounts as the ultimate parent company of one of the Company's shareholders, Centrica plc, has confirmed its present intention to provide financial support such that the Company is able to repay liabilities as they fall due.

#### *Exemptions*

The Company has taken advantage of the exemptions available to small companies under Financial Reporting Standard 1 (Revised 1996) "Cashflow statements", and accordingly has not prepared a cash flow statement.

The financial statements contain information about the Company as an individual company and do not contain consolidated financial information as the parent of a group. The company is not required to prepare consolidated financial statements under section 398 of the Companies Act 2006 as the group it heads qualifies as a small group.

#### *Taxation*

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

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

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

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

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

#### *Tangible assets*

Expenditure directly attributable to the development and construction of production and storage facilities to get such assets ready for use, including directly related overhead costs, are capitalised to be matched against future revenue. The capitalisation of directly attributable costs ceases when substantially all the activities that are necessary to get the fixed asset into use are completed. Depreciation will commence once the fixed asset is ready and available for use, and the asset will be depreciated on a straight line basis over the useful economic life of the asset.

Fixed assets are assessed for impairment by comparing the carrying values of income generating units and the estimated recoverable amount. The recoverable amount is the higher of value in use and net realisable value. Value in use represents the net present value of future net cashflows discounted on a pre-tax basis. Impairment losses and the write back of fixed assets are recognised in the Profit and Loss Account in the year in which they occur.

# Bacton Storage Company Limited

## Notes to the financial statements for the year ended 31 December 2012 (continued)

### 1 Principal accounting policies (continued)

#### *Tangible assets (continued)*

The carrying values of development costs are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable

#### *Fixed assets investments*

Fixed asset investments are shown at cost less any provision for impairments

#### *Financial instruments*

Share capital Ordinary shares are classified as equity Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds received

All interest bearing debt and loans are initially stated at the amount of the net proceeds for debt and costs for loans At initial recognition, the carrying amounts of interest bearing loan receivables and payables are increased by the finance income and finance costs respectively The carrying amounts are reduced by the payment or repayment of amounts owing under loan receivables and payables respectively Where the recoverable amount is estimated to be less than the carrying value, impairment will be charged through operating costs in the profit and loss account

All financial assets and liabilities are presented gross on the face of the Balance Sheet unless the Company has a legally enforceable right to net off the recognised amounts and it intends to settle on a net basis

### 2 Operating loss

Operating loss is stated after charging audit fees payable to the Company's auditors for audit services of the Company's own financial statements amounting to £14,100 (2011 £14,100) and £nil (2011 £12,600) relating to the Company's two wholly owned subsidiaries Centrica Baird Limited and Baird Underground Gas Storage Limited

### 3 Staff costs

The company has no direct employees (2011 nil) and as such there are no staff costs (2011 nil)

### 4 Directors' emoluments

The aggregate emoluments paid to the directors in respect of their qualifying services is £nil (2011 £nil) The Company is a jointly controlled entity and the directors are nominated by the joint venturers Accordingly no emoluments are paid for their services to the Company

### 5 Tax on loss on ordinary activities

	2012 £000	2011 £000
<b>(a) Analysis of tax charge in the year</b>		
The tax (credit)/charge comprises		
<b>Current tax</b>		
UK corporation tax at 24.5% (2011 26.5%)	-	-
Total current tax	-	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	-
Total taxation on loss on ordinary activities	-	-

# Bacton Storage Company Limited

## Notes to the financial statements for the year ended 31 December 2012 (continued)

### 5 Taxation on loss on ordinary activities (continued)

#### (b) Factors affecting the tax charge for the year

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows

	2012 £000	2011 £000
Loss on ordinary activities before tax	(14)	(25)
Tax on loss on ordinary activities at standard UK corporation tax rate of 24.5% (2011: 26.5%)	(3)	(7)
Effect of		
Pre-trading expenditure	<u>3</u>	<u>7</u>
Current taxation charge for the year	<u>-</u>	<u>-</u>

The main rate of corporation tax was reduced from 26% to 24% from 1 April 2012 and to 23% from 1 April 2013, enacted under Finance Act 2012. Further reductions to the main rate were proposed in the Autumn Statement 2012 and the Budget Statement 2013 to respectively reduce the rate to 21% from 1 April 2014 and to 20% by 1 April 2015. Beyond a reduction to 23% from 1 April 2013, the changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The impact of the proposed changes to the financial statements is nil since the company has no deferred tax balances.

### 6 Deferred taxation

A deferred tax asset of £21,190 (2011: £19,750) relating to pre-trading losses is currently unrecognised.

### 7 Fixed asset investments

	Subsidiary undertakings £000
Cost	
At 31 December 2011 & 2012	<u>36,059</u>

Details of the investments in which the Company holds any class of share capital are as follows

Name of company	Holding	Proportion of shares held	Nature of Business
Baird Underground Gas Storage Limited	Ordinary shares	100%	Oil & Gas production licenses
Centrica Baird Limited	Ordinary shares	100%	Oil & Gas production licenses

The Directors review the carrying value of investments annually for signs of impairment.

# Bacton Storage Company Limited

## Notes to the financial statements for the year ended 31 December 2012 (continued)

### 8 Tangible assets

	Assets under construction £000
<b>Cost and net book value</b>	
At 1 January 2012	53,456
Adjustment to opening cost	<u>(6)</u>
At 31 December 2012	<u><u>53,450</u></u>
No depreciation was charged for the year	

### 9 Debtors

	2012 £000	2011 £000
Value Added Tax	<u>-</u>	<u>3</u>
	<u><u>-</u></u>	<u><u>3</u></u>

### 10 Creditors amounts falling due within one year

	2012 £000	2011 £000
Amounts owed to group undertakings (note 14)	(53,820)	(53,750)
Other creditors	(68)	(54)
Accruals and deferred income	<u>-</u>	<u>(79)</u>
	<u><u>(53,888)</u></u>	<u><u>(53,883)</u></u>

Centrica Storage Holdings Limited, Centrica Storage Limited, Perenco UK Limited, Baird Underground Gas Storage Limited and Centrica Baird Limited have provided the Company with loans of £17,632,702 (2011 £17,552,088), £24,210 (2011 £35,567), £103,500 (2011 £103,500), £10,714,286 (2011 £10,704,286) and £25,345,000 (2011 £25,345,000) respectively. The loans are interest free, unsecured and repayable on demand.

### 11 Called up share capital

	2012 £000	2011 £000
<b>Allotted and fully paid</b>		
1,000 Ordinary shares of £1 each	<u>1</u>	<u>1</u>

# Bacton Storage Company Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

## 12 Reserves

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total £000
Balance as at 1 January 2012	1	35,714	(79)	35,636
Loss for the financial year	-	-	(14)	(14)
Balance as at 31 December 2012	<u>1</u>	<u>35,714</u>	<u>(93)</u>	<u>35,622</u>

## 13 Reconciliation of movements in shareholders' funds

	2012 £000	2011 £000
Shareholders' funds as at 1 January	35,636	35,661
Loss for the financial year	(14)	(25)
Shareholders' funds as at 31 December	<u>35,622</u>	<u>35,636</u>

## 14 Related parties

During the year the Company entered into arm's length transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 December 2012, are as follows:

Related party	Amounts owed to related parties £000
Centrica Storage Holdings Limited	(17,633)
Centrica Storage Limited	(24)
Perenco UK Limited	(104)
Baird Underground Gas Storage Limited	(10,714)
Centrica Baird Limited	(25,345)
	<u>(53,820)</u>

Centrica Storage Holdings Limited own 70 percent of the ordinary shares in the Company. Out of the Centrica Storage Holdings credit balance of £17,632,702 (2011: £17,552,088), £17,226,912 (2011: £17,146,298) was to fund capital expenditure and £405,790 (2011: £405,790) was to fund the stamp duty costs incurred by the Company in its acquisition of Baird Underground Gas Storage Limited.

The Centrica Storage Limited balance of £24,210 (2011: £35,567) was used to fund capital expenditure.

Perenco UK Limited owns 30 percent of the ordinary shares in the Company. The entire creditor balance of £103,500 (2011: £103,500) is a loan to the Company to fund the stamp duty costs incurred by the Company in its acquisition of Baird Underground Gas Storage Limited.

## **Bacton Storage Company Limited**

**Notes to the financial statements for the year ended 31 December 2012 (continued)**

### **15 Ultimate parent company**

The Company is a joint venture between Centrica Storage Holdings Limited and Perenco UK Limited to convert the largely depleted Baird gas field, for which the Company holds the production licence, into a gas storage facility

Although the Joint ownership of Bacton Storage Company Limited is held 70% by Centrica Storage Holdings and 30% by Perenco UK Limited, both entities have equal control rights

The ultimate parent companies are Centrica plc and Perenco International Limited.

Centrica plc is incorporated in the United Kingdom Copies of Centrica plc's consolidated financial statements can be obtained from Centrica plc, Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD, United Kingdom or from [www.centrica.com](http://www.centrica.com)

Perenco International Limited is incorporated in The Bahamas The company's financial statements are not available to the public