

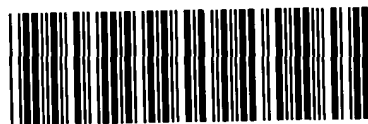
Registration number: 09223347

# Centrica Lake Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2017

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## **Centrica Lake Limited**

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## **Centrica Lake Limited**

### **Strategic Report for the Year Ended 31 December 2017**

The Directors present their Strategic Report for Centrica Lake Limited (the 'Company') for the year ended 31 December 2017.

#### **Principal activities**

The principal activity of the Company is the holding of its investment in Lake Acquisitions Limited, a joint venture between the Company (the ultimate parent undertaking of which is Centrica plc) and EDF Energy Holdings Limited. All of these companies are registered in England and Wales. EDF Energy Holdings Limited is a company ultimately owned by Electricité de France SA, a company registered in France.

#### **Review of the business**

On 19th October 2016 the Company undertook a capital reduction of £2,081,819,475 under S642 of the Companies Act 2006.

During 2017 our share of nuclear generation volumes, from the power stations held by the Lake Acquisitions Limited group, remained high at 12.8TWh in 2017. All of the nuclear reactors in which we own an interest were awarded one-year capacity agreements due to start in October 2021 and all now have contracts for five years, which started in October 2017.

#### **Principal risks and uncertainties**

From the perspective of the Company, the principal risks and uncertainties are integrated with those of the Centrica plc group (the 'Group') and are not managed separately. The principal risk and uncertainties of the Group, which include those of the Company, are disclosed on pages 52-62 of the Group's Annual Report and Accounts 2017, which does not form part of this report.

#### **Exit from the European Union**

The UK referendum vote in June 2016 to leave the European Union has added to the risks and uncertainties faced by the Company. However, it is considered that the direct impact of these uncertainties on the Company is limited in the short-term. Many details of the implementation process continue to remain unclear. Extricating from the European Union treaties is a task of immense complexity but the Company is well-positioned to manage the possible market impacts. There are also potential tax consequences of the withdrawal and these will continue to be reassessed at each reporting date to ensure the tax provisions reflect the most likely outcome following the withdrawal.

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

The Directors of the Group use a number of KPI's to monitor progress against the Group's strategy. The development and performance of the Group, which includes the Company, are discussed on pages 30-31 of the Centrica plc 2017 Annual Report and Accounts which does not form part of this report.

#### **Future developments**

The Group continues to implement the results of the 2015 strategic review. This implementation includes a review of how the Group's businesses are structured and may result in future changes to underlying subsidiary business operations including those of the Company.

**Centrica Lake Limited**

**Strategic Report for the Year Ended 31 December 2017 (continued)**

Approved by the Board on 2 AUGUST 2018 and signed on its behalf by:



By order of the Board for and on behalf of Centrica Secretaries Limited  
**Company Secretary**

Company registered in England and Wales, No. 09223347

Registered office:

Millstream

Maidenhead Road

Windsor

Berkshire

SL4 5GD

## **Centrica Lake Limited**

### **Directors' Report for the Year Ended 31 December 2017**

The Directors present their report and the audited financial statements for the year ended 31 December 2017.

#### **Directors of the Company**

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

Jeff Bell

Matthew Blake

Andrew Page (resigned 31 December 2017)

Alistair Todd (appointed 1 January 2018)

#### **Results and dividends**

The results of the Company are set out on page 8. The profit for the financial period ended 31 December 2017 is £60,988,000 (2016: profit £109,786,788). Dividends of £70,000,000 were paid during the year (2016: £215,000,000) but the Directors do not recommend the payment of a final dividend.

Our share of nuclear generation volumes, from the power stations held by the Lake Acquisitions Limited group, remained high at 12.8TWh in 2017. All of the nuclear reactors in which we own an interest were awarded one-year capacity agreements due to start in October 2021 and all now have contracts for five years, which started in October 2017.

#### **Exposure in terms of price risk, credit risk, liquidity risk and cash flow risk**

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. Liquidity risk is managed through funding arrangements with the Group's undertakings.

The Company did not take part in hedging of any kind.

#### **Future developments**

Future developments are discussed in the Strategic Report on page 1.

#### **Going Concern**

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

#### **Events after the reporting period**

There were no events after the reporting period that have a material effect on the financial statements.

#### **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. The insurance does not provide cover in the event that the Director is proved to have acted fraudulently.

#### **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 that they have taken all 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.

## **Centrica Lake Limited**

### **Directors' Report for the Year Ended 31 December 2017 (continued)**

#### **Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Strategic Report, Directors' Report and the Financial Statements in accordance with applicable UK 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

#### **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 1 January 2017. Consequently, PricewaterhouseCoopers LLP ('PwC') ceased to hold office as auditor of the Company in 2017. Pursuant to Section 519 of the Companies Act 2006, PwC has confirmed that there are no circumstances in connection with their ceasing to hold office that need to be brought to the attention of the members or creditors of the Company.

Following the resignation of PwC as auditors of the Company and, pursuant to Section 487 of the Companies Act 2006, Deloitte LLP were appointed as auditors of the Company.

Approved by the Board on ~~2 AUGUST~~ 2018 and signed on its behalf by:



By order of the Board for and on behalf of Centrica Secretaries Limited  
**Company Secretary**

Company registered in England and Wales, No. 09223347  
Registered office:  
Millstream  
Maidenhead Road  
Windsor  
Berkshire  
SL4 5GD

## **Centrica Lake Limited**

### **Independent Auditors' Report to the Members of Centrica Lake Limited**

#### **Report on the audit of the financial statements**

##### **Our opinion**

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of the Centrica Lake Limited which comprise:

- the Income Statement;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 13

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 (United Kingdom Generally Accepted Accounting Practice).

##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

## **Centrica Lake Limited**

### **Independent Auditors' Report to the Members of Centrica Lake Limited (continued)**

#### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

#### **Responsibilities of Directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



## Centrica Lake Limited

### Independent Auditors' Report to the Members of Centrica Lake Limited (continued)

#### Report on other legal and regulatory requirements

##### Opinions 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 the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

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

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.



.....  
Anthony Matthews FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
2 New Street Square  
London  
EC4A 3BZ  
United Kingdom

Date: 2 August 2018.

## Centrica Lake Limited

### Income Statement for the Year Ended 31 December 2017

	Note	2017 £ 000	2016 £ 000
Operating costs		<u>(58)</u>	<u>(81)</u>
Operating loss		<u>(58)</u>	<u>(81)</u>
Finance income	5	61,901	110,900
Finance cost	5	<u>-</u>	<u>(1,107)</u>
		<u>61,901</u>	<u>109,793</u>
Profit before income taxation		61,843	109,712
Income tax (charge)/credit	7	<u>(855)</u>	<u>75</u>
Profit for the year		<u><u>60,988</u></u>	<u><u>109,787</u></u>

There were no recognised gains and losses in either period other than those shown above and accordingly no separate statement of comprehensive income has been included in the financial statements.

# Centrica Lake Limited

## Statement of Financial Position as at 31 December 2017

		31 December 2017 £ 000	31 December 2016 £ 000
	Note		
<b>Non-current assets</b>			
Investments	8	1,608,351	1,608,351
<b>Current assets</b>			
Trade and other receivables	9	126,501	135,513
<b>Current liabilities</b>			
Trade and other payables		-	-
<b>Net current assets</b>		126,501	135,513
<b>Net assets</b>		1,734,852	1,743,864
<b>Equity</b>			
Called up share capital	10	-	-
Retained earnings		1,734,852	1,743,864
<b>Total equity</b>		1,734,852	1,743,864

The financial statements on pages 8 to 18 were approved and authorised for issue by the Board of Directors on 2<sup>nd</sup> AUGUST 2018 and signed on its behalf by:



MATTHEW BLAKE

Director

Company number 09223347

The notes on pages 11 to 18 form an integral part of these financial statements.

## Centrica Lake Limited

### Statement of Changes in Equity for the Year Ended 31 December 2017

	Retained earnings £ 000	Total equity £ 000
At 1 January 2017	1,743,864	1,743,864
Profit for the financial year	60,988	60,988
Total comprehensive income	60,988	60,988
Dividends	(70,000)	(70,000)
At 31 December 2017	1,734,852	1,734,852

During 2017 the company paid a dividend of £70,000,000 (2016: £215,000,000) to GB Gas Holdings Limited.

	Share premium £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2016	2,081,819	(232,742)	1,849,077
Profit for the year	-	109,787	109,787
Total comprehensive income	-	109,787	109,787
Dividends	-	(215,000)	(215,000)
Capital redemption movements	(2,081,819)	2,081,819	
At 31 December 2016		1,743,864	1,743,864

On the 19th October 2016 the company undertook a capital reduction of £2,081,819,475 under S642 of the Companies Act 2006.

## **Centrica Lake Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017**

#### **1 General information**

Centrica Lake Limited (the 'Company') is a private company limited by shares, incorporated and domiciled in the United Kingdom and registered in England and Wales.

The address of its registered office and principal place of business is:

Millstream  
Maidenhead Road  
Windsor  
Berkshire  
SL4 5GD

The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 1.

#### **2 Accounting policies**

##### **Basis of preparation**

The Company financial statements have been 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:

- the requirements of IAS 7 'Statement of Cash Flows';
- the statement of compliance with Adopted IFRSs;
- the effects of new but not yet effective IFRSs;
- prior year reconciliations for property, plant and equipment and intangible assets;
- the prior year reconciliations in the number of shares outstanding at the beginning and at the end of the year for share capital;
- disclosures in respect of related party transactions with wholly-owned subsidiaries in a group;
- disclosures in respect of the compensation of key management personnel; and
- disclosures in respect of capital management.

##### **Measurement convention**

The financial statements have been prepared on the historical cost 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 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 Lake Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

#### **2 Accounting policies (continued)**

##### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

##### **Dividend income**

Dividend income is recognised when the right to receive payment is established.

##### **Finance income**

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying value.

##### **Taxation**

Current tax, including UK corporation tax, UK petroleum revenue tax and foreign 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 reporting date. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in equity. In this case, the tax is recognised in equity.

Deferred tax is recognised in respect of all temporary differences identified at the reporting date, except to the extent that the deferred tax arises from the initial recognition of goodwill 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 is provided on temporary differences arising on investments in 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.

Deferred tax assets are recognised only to the extent that it is probable that the deductible temporary differences will reverse in the future and there is sufficient taxable profit available against which the temporary differences can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement using tax rates that have been enacted or substantively enacted at the reporting date.

##### **Interests in associates**

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.

## **Centrica Lake Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

#### **2 Accounting policies (continued)**

##### **Impairment of non-financial assets**

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax 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 value in use, the estimated future cash flows are discounted to their present value using a pre-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"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units ("CGU").

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. An impairment loss in respect of goodwill shall not be reversed in a subsequent period. 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.

##### **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 de-recognised 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.

##### **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 recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

##### **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. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

## Centrica Lake Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the Directors may be required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. In the Directors' opinion there are no critical judgements, apart from those involving estimations (which are dealt with below).

##### Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

##### Nuclear investment

The recoverable amount of the Nuclear investment is based on the value of the existing UK nuclear fleet operated by EDF. The existing fleet value is calculated by discounting post-tax cash flows derived from the stations based on forecast power generation and power prices, whilst taking into account of planned outages and the possibility of life extensions.

#### 4 Employees' costs

In respect of the Directors' remuneration, refer to note 12 'Related party transactions'.

The Company has no direct employees (2016: none).

#### 5 Net finance income

	2017 £ 000	2016 £ 000
Interest income from amounts owed by Group undertakings	4,501	900
Dividend income from joint venture	57,400	110,000
<b>Total finance income</b>	<b>61,901</b>	<b>110,900</b>
<b>Finance interest</b>		
	2017 £ 000	2016 £ 000
Interest on amounts owed to Group undertakings	-	(1,107)
<b>Total finance cost</b>	<b>-</b>	<b>(1,107)</b>



## Centrica Lake Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 6 Auditors' remuneration

The Company paid the following amounts to its auditors in respect of the audit of the Financial Statements provided to the Company.

Auditors' remuneration relates to fees for the audit of the financial statements of the Company. The prior year audit fee includes both the fee for the statutory audit of the financial statements and an allocation of the audit fee for the Group's consolidated financial statements.

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.

	2017 £ 000	2016 £ 000
Audit of the Financial Statements	<u>20</u>	<u>81</u>

#### 7 Income tax

Tax credited in the income statement

	2017 £ 000	2016 £ 000
<b>Current tax</b>		
UK corporation tax at 19.25% (2016: 20.00%)	855	(58)
UK corporation tax adjustment to prior periods	<u>-</u>	<u>(17)</u>
	<u>855</u>	<u>(75)</u>

The differences between the taxes shown above and the amounts calculated by applying the standard rate of UK corporation tax rate to the profit before tax are reconciled below:

	2017 £ 000	2016 £ 000
Profit before tax	<u>61,843</u>	<u>109,712</u>
Tax at standard UK rate of 19.25.% (2016: 20.00%)	11,905	21,942
<b>Effects of:</b>		
Adjustments in respect of prior periods		(17)
Effect of income exempt from taxation	(11,050)	(22,000)
Effect from group relief tax reconciliation	(222)	(220)
Transfer pricing adjustment	<u>222</u>	<u>220</u>
Total income tax expense/(credit)	<u>855</u>	<u>(75)</u>

# Centrica Lake Limited

## Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

### 7 Income tax (continued)

The main rate of corporation tax for the year to 31 December 2017 was 19.25% (2016: 20.00%). The corporation tax rate will reduce to 17% with effect from 1 April 2020 following the enactment of Finance Act 2016. The deferred tax assets and liabilities included in these financial statements are based on the reduced rate of 17.00% having regard to their reversal profiles.

There are no deferred tax balances as at 31 December 2017 (2016: nil).

### 8 Investments in subsidiaries, associates and joint ventures

	Participating interests (associates and JVs) £ 000
<i>a) Equity investments</i>	
<b>Cost</b>	
At 1 January 2017	2,240,539
At 31 December 2017	2,240,539
<b>Provision</b>	
At 1 January 2017	632,188
At 31 December 2017	632,188
<b>Net book values</b>	
At 31 December 2017	1,608,351

The company owns 20% of the ownership interest and voting rights in Lake Acquisitions Limited, a holding company for nuclear investments with EDF which is incorporated in England and Wales.

### 9 Trade and other receivables

	31 December 2017 £ 000	31 December 2016 £ 000
Amounts owed by Group undertakings	127,356	135,455
Amounts owed by Group undertakings - tax group relief	(855)	58
	<u>126,501</u>	<u>135,513</u>

## Centrica Lake Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 9 Trade and other receivables (continued)

Within the amounts receivable from Group undertakings is a £80,000,000 (2016: £60,000,000) receivable relating to pension dividends received from Lake Acquisitions Limited. The cash that the Company has received from Lake Acquisitions Limited as a dividend has been loaned to Centrica plc under the terms of an agreement between the Company, EDF Energy Lake Limited and the Trustees of the British Energy Generation Group on 18 December 2014.

On 7 July 2014, Lake Acquisitions Limited entered into an agreement with the Trustees of the British Energy Generation Group of the Electricity Supply Pension Scheme as part of the scheme's triennial valuation. The results of this valuation indicated that the approach taken by the Trustees with respect to payments into the Electricity Supply Pension Scheme by EDF and Centrica in prior years could be revised. This agreement was therefore novated to the Company and to EDF Energy Lake Limited on 18 December 2014. Under the terms of the revised agreement lower deficit repair payments are being paid into the Electricity Supply Pension Scheme by Lake Acquisitions Limited's subsidiary companies. In exchange for these lower payments, security over the £80,000,000 loan receivable from Centrica plc has been provided in favour of the Trustees of the British Energy Generation Group at 31 December 2016. The security/guarantee is callable by the Trustees if certain events occur, including insolvency of Centrica plc or the Company or non-payment by Lake Acquisitions Ltd or its subsidiary companies of the scheduled pension contributions. An amendment agreement was signed on 29 June 2017 to adjust certain terms of the original agreement, although the principles referred to above remain unchanged. Under the terms of the agreement, including the amendment agreement, over the next six years security in favour of the Trustees will be provided over a further £64,000,000 (2016: £84,000,000) of loans to be provided to Centrica plc on receipt of an equivalent amount of dividends by the Company from Lake Acquisitions Limited.

The consequence of this arrangement is that the Company is unable to pay £80,000,000 (2016: £60,000,000) of the dividends received from Lake Acquisitions Limited on to the Company's shareholders as a dividend. The £80,000,000 has instead been converted into a loan on which interest is charged at LIBOR less 0.05%. The Directors believe that the likelihood of the security being called is remote.

Other amounts receivable from Group undertakings are interest free and repayable on demand.

#### 10 Capital and reserves

##### Allotted, called up and fully paid shares

	31 December 2017		31 December 2016	
	No.	£	No.	£
Ordinary Shares of £1 each	2	2	2	2
	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

## Centrica Lake Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 11 Related undertakings

The Company has related undertakings as follows:

Name	Principal activity	Country of incorporation	Class of shares held	Direct interest and voting rights (%)
Lake Acquisitions Limited	Holding company	United Kingdom	Ordinary shares	20.0%

The registered address for Lake Acquisitions Limited is 90 Whitfield Street, London, W1T 4EZ, United Kingdom

#### 12 Related party transactions

	2017 Associates £ 000	2016 Associates £ 000
Dividend income	<u>57,400</u>	<u>110,000</u>

No provision for bad or doubtful debts owed by related parties was required.

#### Directors' remuneration

The emoluments of the three 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.

#### 13 Parent and ultimate parent undertaking

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

The ultimate parent 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](http://www.centrica.com).