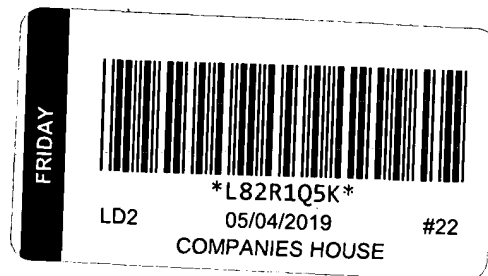


Registration number: 09223347

# Centrica Lake Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2018



## **Centrica Lake Limited**

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## **Centrica Lake Limited**

### **Strategic Report for the Year Ended 31 December 2018**

The Directors present their Strategic Report for Centrica Lake Limited (the 'Company') for the year ended 31 December 2018.

#### **Principal activities**

The principal activity of the Company is the holding of an associate investment in Lake Acquisitions Limited. The majority shareholding in Lake Acquisitions Limited is owned by EDF Energy Holdings Limited. All of these companies are registered in England and Wales. EDF Energy Holdings Limited is a company ultimately owned by Electricite de France SA, a company registered in France.

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

During 2018 the Company's share of nuclear generation volumes, from the power stations held by the Lake Acquisitions Limited group, was 11.8TWh. This reflected a reduction of 7% compared to 2017, mainly due to extended inspections and outages at Hunterston and Dungeness - both stations are expected to return to service in 2019.

#### **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 in the Group's Annual Report and Accounts 2018, 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, performance and position of the Group, which includes the Company, are discussed in the Group's Annual Report and Accounts 2018 which does not form part of this report. The results of the Company are disclosed in the Directors' Report on page 3.

#### **Future developments**

The Group continues to implement the results of the 2015 strategic review, and during the year announced that it would undertake a programme to divest its nuclear share with a target for completion by 2020. The disposal programme commenced during 2018.

**Centrica Lake Limited**

**Strategic Report for the Year Ended 31 December 2018 (continued)**

Approved by the Board on 21 March 2019 and signed on its behalf by:



SAMANTHA HOOD

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 2018**

The Directors present their report and the audited financial statements for the year ended 31 December 2018.

#### **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 (resigned 1 November 2018)

Matthew Blake

Alistair Todd (appointed 1 January 2018)

Christopher O'Shea (appointed 1 November 2018)

#### **Results and dividends**

The results of the Company are set out on page 9. The profit for the financial period ended 31 December 2018 is £18,967,000 (2017: profit £60,988,000). Dividends of £nil were paid during the year (2017: £70,000,000) and the Directors do not recommend the payment of a final dividend.

The Company's share of nuclear generation volumes, from the power stations held by the Lake Acquisitions Limited group in 2018 was 11.8TWh (2017: 12.8TWh).

The reactors in which we own an interest have secured capacity agreements until 2022. However, on 15th November 2018, the European Court of Justice annulled the European Commission's decision not to raise objections to the state aid scheme establishing a capacity market in the UK. This had the effect of placing the UK capacity market in standstill from the start of the current capacity year (commencing 1st October 2018). No payments to generators can be made under the scheme until a new approval is received from the European Commission confirming that the scheme does not breach state aid regulations. As a result, no capacity market generator revenue has been received by the reactors since October 2018.

#### **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. Exposure to counterparty credit risk and liquidity risk arises in the normal course of the Company's business. Cash forecasts identifying the liquidity requirements of the Company are produced frequently and reviewed regularly. Liquidity risk is managed through funding arrangements with Group 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.

## **Centrica Lake Limited**

### **Directors' Report for the Year Ended 31 December 2018 (continued)**

#### **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. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

## Centrica Lake Limited

### Directors' Report for the Year Ended 31 December 2018 (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

In accordance with Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

Approved by the Board on 21 March 2019 and signed on its behalf by:



SAMANTHA HOOPER

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 of Centrica Lake Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of the Company which comprise:

- the Income Statement;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 15

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (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 Financial Reporting Council's (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.

#### **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:

## **Centrica Lake Limited**

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

- 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.

#### **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.

D. Winstone  
Daryl Winstone (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London  
United Kingdom

Date: 21/5/19

## Centrica Lake Limited

### Income Statement for the Year Ended 31 December 2018

	Note	2018 £ 000	2017 £ 000
Operating costs		(20)	(58)
Exceptional items - consultancy fees	5	(1,615)	-
Operating loss		(1,635)	(58)
Finance income	6	20,693	61,901
		20,693	61,901
Profit before income taxation		19,058	61,843
Income tax charge	8	(91)	(855)
Profit for the year		18,967	60,988

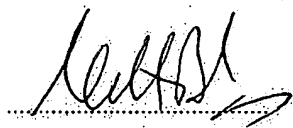
There were no recognised gains and losses in either period other than those shown above and accordingly no separate statement of comprehensive income has been included in the financial statements.

# Centrica Lake Limited

## Statement of Financial Position as at 31 December 2018

		31 December 2018 £ 000	31 December 2017 £ 000
	Note		
<b>Non-current assets</b>			
Investments	9	1,608,351	1,608,351
<b>Current assets</b>			
Trade and other receivables	10	146,979	126,501
<b>Current liabilities</b>			
Trade and other payables	11	(1,511)	-
<b>Net current assets</b>		145,468	126,501
<b>Total assets less current liabilities</b>		1,753,819	1,734,852
<b>Net assets</b>		1,753,819	1,734,852
<b>Equity</b>			
Called up share capital	12	-	-
Retained earnings		1,753,819	1,734,852
<b>Total equity</b>		1,753,819	1,734,852

The financial statements on pages 9 to 21 were approved and authorised for issue by the Board of Directors on 21 March 2019 and signed on its behalf by:



Matthew Blake

Company number 09223347

The notes on pages 12 to 21 form an integral part of these financial statements.

## Centrica Lake Limited

### Statement of Changes in Equity for the Year Ended 31 December 2018

	Share capital £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2018	-	1,734,852	1,734,852
Profit for the financial year	-	18,967	18,967
Total comprehensive income	-	18,967	18,967
At 31 December 2018	-	1,753,819	1,753,819

During 2018 the company paid a dividend of £nil (2017: £70,000,000) to GB Gas Holdings Limited.

	Share capital £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2017	-	1,743,864	1,743,864
Profit for the 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

The notes on pages 12 to 21 form an integral part of these financial statements.

## **Centrica Lake Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2018**

#### **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.

From 1 January 2018, the following standards and amendments are effective in the Company's Financial Statements. Their first time adoption did not have a material impact on the financial statements:

- IFRS 9: 'Financial Instruments'
- IFRS 15: 'Revenue with contracts from customers'

The key changes to the accounting policies are disclosed below.

##### **IFRS 9: 'Financial Instruments'**

The Company adopted IFRS 9: 'Financial Instruments' from 1 January 2018. In accordance with the transition provisions in the Standard, comparatives have not been restated.

##### **Classification of financial assets**

IFRS 9 requires the use of two criteria to determine the classification of financial assets: the entity's business model for the financial assets and the contractual cash flow characteristics of the financial assets. The Standard goes on to identify three categories of financial assets - amortised cost; fair value through profit or loss (FVTPL); and fair value through other comprehensive income (FVOCI).

##### **Impairment**

IFRS 9 mandates the use of an expected credit loss model to calculate impairment losses rather than an incurred loss model, and therefore it is not necessary for a credit event to have occurred before credit losses are recognised. The new impairment model applies to the Company's financial assets and loan commitments. No changes to the impairment provisions were made on transition to IFRS 9 as these are not considered material.

## **Centrica Lake Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)**

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

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.

As the consolidated financial statements of the Centrica plc group (the 'Group'), which are available from its registered office, 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 IAS 36 'Impairment of Assets' in respect of the impairment of goodwill and indefinite life intangible assets;
- certain disclosures required by IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instruments: Disclosures' have not been provided apart from those which are relevant for the financial instruments which are held at fair value;

#### **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, 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.

#### **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.

## **Centrica Lake Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)**

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

##### **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.

##### **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.



## **Centrica Lake Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)**

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

##### **Financial instruments**

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 initially recognised at fair value, which is usually the original invoice amount, and are subsequently held at amortised cost using the effective interest method less an allowance for impairment losses. Changes in the Company's impairment policy as a result of the application of IFRS 9 did not result in any material changes. Balances are written off when recoverability is assessed as being remote. If collection is due in one year or less, receivables are classified as current assets. If not they are presented as non-current assets.

##### **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.

#### **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 pre-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. An assumption that the UK Capacity market remains suspended until September 2019, with a prospective resumption thereafter, did not lead to an impairment. Further details of the methodology and assumptions are provided in notes 7 and S2 of the Group's Annual Report and Accounts 2018. Note that the Nuclear investment was not considered to be an asset held for sale as at the reporting date as its disposal was not deemed to be highly probable within one year.

#### **4 Employees' costs**

In respect of the Directors' remuneration, refer to note 14 'Related party transactions'.

The Company has no direct employees (2017: none).

## Centrica Lake Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 5 Exceptional items

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

	2018 £ 000	2017 £ 000
Consultancy fees	<u>(1,615)</u>	<u>-</u>

During the year it was announced that the Group would undertake a programme to divest its nuclear share with a target for completion by 2020. The disposal process commenced during 2018. The above exceptional items relate to legal, professional and consultancy fees associated with the early stages of the disposal programme.

## Centrica Lake Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 6 Net finance income

	2018 £ 000	2017 £ 000
Interest income from amounts owed by Group undertakings	693	4,501
Dividend income from joint venture	20,000	57,400
<b>Total finance income</b>	<b>20,693</b>	<b>61,901</b>

#### 7 Auditors' remuneration

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

	2018 £ 000	2017 £ 000
Audit of the Financial Statements	20	20

Auditors' remuneration relates to fees for the audit of the financial statements of the Company.

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.

#### 8 Income tax

Tax credited in the income statement

	2018 £ 000	2017 £ 000
<b>Current tax</b>		
UK corporation tax at 19.00% (2017: 19.25%)	91	855

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:

## Centrica Lake Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 8 Income tax (continued)

	2018 £ 000	2017 £ 000
Profit before tax	19,058	61,843
Tax at standard UK rate of 19.00.% (2017: 19.25%)	3,621	11,905
<i>Effects of:</i>		
Net expenses non-deductible for tax purposes	270	-
Effect of income exempt from taxation	(3,800)	(11,050)
Effect from group relief tax reconciliation	(310)	(222)
Transfer pricing adjustment	310	222
Total income tax expense	91	855

The main rate of corporation tax for the year to 31 December 2018 was 19.00% (2017: 19.25%). The corporation tax rate will reduce to 17% with effect from 1 April 2020. The deferred tax assets and liabilities included in these financial statements are based on tax rates having regard to their reversal profiles.

There are no deferred tax balances as at 31 December 2018 (2017: nil).

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

	Participating interests (associates and JVs) £ 000
<i>a) Equity investments</i>	
<b>Cost</b>	
At 1 January 2018	2,240,539
At 31 December 2018	2,240,539
<b>Provision</b>	
At 1 January 2018	632,188
At 31 December 2018	632,188
<b>Net book values</b>	
At 31 December 2018 and 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.

## Centrica Lake Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 10 Trade and other receivables

	31 December 2018 £ 000	31 December 2017 £ 000
Amounts owed by Group undertakings	146,979	127,356
Amounts owed by Group undertakings - tax group relief	-	(855)
	<u>146,979</u>	<u>126,501</u>

Within the amounts receivable from Group undertakings is a £100,000,000 (2017: £80,000,000) 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 £100,000,000 loan receivable from Centrica plc has been provided in favour of the Trustees of the British Energy Generation Group. 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 five years security in favour of the Trustees will be provided over a further £44,000,000 (2017: £64,000,000) 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 £100,000,000 (2017: £80,000,000) of the dividends received from Lake Acquisitions Limited on to the Company's shareholders as a dividend. The £100,000,000 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.

# Centrica Lake Limited

## Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

### 11 Trade and other payables

	31 December 2018 £ 000	31 December 2017 £ 000
Trade payables	29	-
Accrued expenses	1,391	-
Amounts owed to group undertakings - corporation tax	91	-
	<u>1,511</u>	<u>-</u>

### 12 Capital and reserves

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

	31 December 2018		31 December 2017	
	No.	£	No.	£
Ordinary Shares of £1 each	2	2	2	2
	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

### 13 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

### 14 Related party transactions

	2018 Associates £ 000	2017 Associates £ 000
Dividend income	<u>20,000</u>	<u>57,400</u>

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

## **Centrica Lake Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)**

#### **14 Related party transactions (continued)**

##### **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.

#### **15 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).

The address of Centrica plc is Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD.