



centrica

LAKE ACQUISITIONS LIMITED

Registered number 06612465

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2009



CONTENTS

Page

2	Directors' report
4	Statement of Directors' responsibilities
5	Independent Auditors' report
6	Profit and loss account
7	Balance sheet
8	Cash flow statement
9	Notes to the financial statements

Directors

Humphrey A E Cadoux-Hudson
Vincent de Rivaz
François Driesen
Vincent Mark Hanafin
Thomas Kusterer
Nicholas Lawrence Luff
Stéphane Tortajada

Company Secretary

Guido Santi

Auditors

Deloitte LLP
Lomond House
9 George Square
Glasgow
G2 1QQ

Registered office

40 Grosvenor Place
Victoria
London
SW1X 7EN

DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 31 December 2009

Principal activity and review of the business

The Company's principal activity during the period was that of a holding company for the British Energy group of companies which was acquired on 5 January 2009. It will continue in this activity for the foreseeable future.

On 5 January 2009, the Company announced that it owned or had received valid acceptances of the offers in respect of 96.4% of the issued share capital of British Energy Group plc. Accordingly, the Company announced that the offers had become unconditional in all respects and that the acquisition had become effective. In compliance with UK stock exchange regulations, the Company launched a "squeeze out" offer on 12 January 2009 for compulsory purchase of the outstanding shares. The compulsory acquisition process was completed on 23 March 2009.

The Company issued CVRs (contingent value right notes) to Barclays Bank plc who in turn issued Nuclear Power Notes to subscribing shareholders of British Energy Group plc. The Nuclear Power Notes were admitted to trading on the PLUS-quoted market on 20 January 2009.

The Company successfully acquired the remaining share capital of British Energy Group plc in addition to the 26.5% purchased in September 2008 for a total consideration of approximately £12.5 billion (excluding purchasing expenses).

On 26 November 2009 Centrica subscribed to 2,229,000,003 ordinary shares of the Company for £2,214.7m to give it a 20% holding in the enlarged share capital of Lake Acquisitions. As part of this deal Centrica secured the rights to receive 20% of the output of British Energy Group plc based on market rates.

Results and dividends

The profit for the year, before taxation, amounted to £101m (period ending 31 December 2008: loss £3m) and after taxation to a profit of £100m (period ending 31 December 2008: loss £3m). The Directors do not recommend payment of a dividend (period ending 31 December 2008: £nil). The profit in the year was primarily a result of the £400m of dividend income which offset the £303m of finance costs.

Going concern

After making enquiries and reviewing cash flow requirements for the next 12 months, the Directors have formed a judgement, at the time of approving the financial statements, that the Company has adequate resources to continue in operational existence for the foreseeable future. This judgement has been formed, taking into account the principal risks and uncertainties that the Company faces and which have been outlined in more detail elsewhere in the Directors' report. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

Directors

The Directors who held office during the year and subsequently were as follows:

Humphrey A E Cadoux-Hudson	
Daniel Camus	(resigned 30 October 2009)
Vincent de Rivaz	
François Driesen	(appointed 30 October 2009)
Goulven Graillat	(appointed 30 October 2009, resigned 30 June 2010)
Vincent Mark Hanafin	(appointed 26 November 2009)
Thomas Kusterer	(appointed 30 October 2009)
Marianne Laigneau	(resigned 30 October 2009)
Anne Le Lorier	(resigned 26 July 2010)
Nicholas Lawrence Luff	(appointed 26 November 2009)
Stéphane Tortajada	(appointed 26 July 2010)
Gerard Wolf	(resigned 30 October 2009)

DIRECTORS' REPORT continued

Directors continued

No Director is employed by or has a service contract with the Company. Nicholas Luff and Vincent Mark Hanafin are employed by and have service contracts with members of the Centrica plc group. The remaining Directors are employed by and have service contracts with subsidiaries of the ultimate parent company Electricité de France S A ("EDF S A").

There are no contracts of significance during or at the end of the financial year in which a Director of the Company has a material interest.

There were qualifying third-party indemnity provisions in place for the benefit of the Directors of the Company during the financial year and at the date of approval of the financial statements.

Financial risk management

The future prospects of the Company are dependent on the performance of its investment in subsidiaries. The investment in British Energy Group plc has been reviewed and the carrying value is considered to be recoverable based on forecast performance of the British Energy Group plc group of companies.

The Company is not exposed to any significant currency risk.

Interest rate risk exists due to floating rate borrowings in place with the Company's shareholders. The Company's exposure to credit risk and liquidity risk is reduced as it is a 80% subsidiary of the EDF Energy Group of Companies. Liquidity risk is mitigated by the financial support given by British Energy Group plc, a fellow Group company.

Disclosure of information to Auditors

Each of the persons who is a Director at the date of approval of this annual report confirms that

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

Auditors

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board



Thomas Kusterer

Director

14 December 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom 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 the affairs of the Company and of the profit or loss of the Company for the period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, 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 proper 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LAKE ACQUISITIONS LIMITED

We have audited the financial statements of Lake Acquisitions Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet, the Cash flow Statement and the related notes 1 to 16. 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).

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 auditors' 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.

Respective responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 (APB's) Ethical Standards for Auditors.

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.

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 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.



David Bell CA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Glasgow, UK

14 December 2010

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2009**

	<i>Notes</i>	2009 £m	Period from 5 June 2008 to 31 December 2008 £m
Administrative expenses		-	(3)
Other operating income		3	-
Operating profit/(loss)	2	3	(3)
Investment income	4	401	-
Interest payable and similar charges	5	(303)	-
Profit/(loss) on ordinary activities before taxation		101	(3)
Tax on profit/(loss) on ordinary activities	6	(1)	-
Profit/(loss) for the financial year/period	13	100	(3)

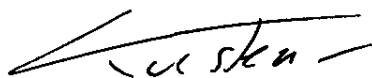
There were no recognised gains or losses other than the profit in the current year and loss for the prior period. Accordingly no statement of total recognised gains and losses has been presented.

All results are from continuing operations.

**BALANCE SHEET
AT 31 DECEMBER 2009**

	<i>Notes</i>	2009 £m	2008 £m
Fixed assets			
Investments	7	12,421	2,154
Debtors: amounts falling due within one year	8	1	-
Creditors: amounts falling due within one year	9	(119)	(2,157)
Net current liabilities		(118)	(2,157)
Total assets less current liabilities		12,303	(3)
Creditors: amounts falling due after more than one year	10	(92)	-
Net assets/(liabilities)		12,211	(3)
Capital and reserves			
Called up share capital	12	1,115	-
Share premium	13	10,999	-
Profit and loss account	13	97	(3)
Shareholders' funds/(deficit)	13	12,211	(3)

The financial statements of Lake Acquisitions Limited, registered number 06612465, on pages 6 to 15 were approved by the Board of Directors on 14 December 2010 and were signed on its behalf by



Thomas Kusterer
Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009**

	<i>Notes</i>	2009 £m	Period from 5 June 2008 to 31 December 2008 £m
Net cash outflow from operating activities	11	-	-
Returns on investments and servicing of finance			
Dividends received		400	-
Interest paid		(302)	-
		98	-
Cash inflow before financing		98	-
Financing			
Decrease in shareholder borrowings		(2,313)	-
Issue of ordinary share capital		2,215	-
		(98)	-
Change in cash during the year/period		-	-

Shareholder borrowings of £2,154m were incurred on the purchase of shareholdings in British Energy Group plc in 2008 for £2,154m with no cash flows being incurred

A further shareholder borrowing of £10,132m was incurred on the purchase of shareholdings in British Energy Group plc in 2009 for £10,132m with no cash flows being incurred £9,899m of this was repaid via the issuance of share capital for no cash consideration in 2009

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

The principal accounting policies are set out below. They have all been applied consistently throughout the year and preceding period.

Basis of preparation

These financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards.

Consolidation

The Company is exempt from preparing consolidated accounts as it is a member of a group, headed by EDF International S.A. ("EDFI"), whose consolidated financial statements are publicly available (see note 16).

Going concern

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Investments

Fixed asset investments in subsidiaries and associates are shown at cost less provision for impairment. For acquisitions of investment where there is contingent consideration, it is included in the cost of acquisition at fair value if it is considered probable to be paid and can be reliably measured. If this estimate is revised in subsequent periods any movements are recognised in the cost of the investment.

Finance charges

Finance charges are accounted for on an accruals basis in the profit or loss account based upon contracted rates.

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, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exceptions:

- provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets with no likely subsequent rollover or available capital losses,
- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured on an undiscounted basis.

NOTES TO THE FINANCIAL STATEMENTS continued

2 Operating profit/(loss)

In 2009, the audit fee of £10,000 (2008 £10,000) and non-audit services of £nil (2008 £16,000) were payable to Deloitte LLP and were borne by another group company

Other operating expenses relate to expenses associated with the acquisition of British Energy Group plc

Other operating income relates to the recharge of expenses relating to the acquisition of British Energy Group plc

3 Directors' emoluments and employees

None of the Directors received any remuneration for services to the Company during the year (2008 £nil)
There were no employees of the Company in the year (2008 nil)

4. Investment income

	2009 £m	Period from 5 June 2008 to 31 December 2008 £m
Dividends from subsidiary undertakings	400	-
Interest received from group companies	1	-
	401	-

5 Interest payable and similar charges

	2009 £m	Period from 5 June 2008 to 31 December 2008 £m
Interest payable to group companies	303	-

6. Tax on profit/(loss) on ordinary activities

(a) Analysis of tax charge in the year

UK current tax

	2009 £m	Period from 5 June 2008 to 31 December 2008 £m
UK corporation tax charge/(credit) on profit/(loss) for the year/period	1	-
Total tax charge/(credit) on profit/(loss) on ordinary activities (note 6(b))	1	-

NOTES TO THE FINANCIAL STATEMENTS continued

6. Tax on profit/(loss) on ordinary activities continued

(b) Factors affecting tax charge for the year

The tax assessed for the period is lower (2008 nil) than the standard rate of corporation tax in the UK

The differences are explained below

	2009 £m	Period from 5 June 2008 to 31 December 2008 £m
Profit/(loss) on ordinary activities before tax	101	(3)
Tax on profit/(loss) on ordinary activities at standard UK rate of corporation tax of 28% (2008 28%)	28	(1)
Effect of		
Non taxable income	(112)	-
Permanent differences	-	1
Group relief not paid for	85	-
Current tax charge for the year	1	-

7 Investments in associated and subsidiary undertakings

Subsidiaries	2009 £m	2008 £m
Cost		
Opening	-	-
Transferred from investment in associates	2,154	-
Additions	10,420	-
Change in value of CVR instrument	(153)	-
At 31 December	12,421	-
Associates	2009 £m	2008 £m
Cost		
Opening	2,154	-
Additions	-	2,154
Transferred to investment in subsidiaries	(2,154)	-
At 31 December	-	2,154

On 24 September 2008, the Company acquired 274,288,774 British Energy Group plc shares representing approximately 26.5% of the issued share capital of British Energy for 774 pence per share, or a total of £2,123 million. The cost of investment also includes expenses directly attributable to the acquisition.

On 5 January 2009, the Company acquired the remaining British Energy Group plc shares for a total consideration of £10,131 million including expenses directly attributable to the acquisition. In addition to this a CVR note was issued with a fair value of £289m on acquisition.

NOTES TO THE FINANCIAL STATEMENTS continued

7. Investments in associates and subsidiary undertakings continued

The principal undertakings at 31 December 2009, which are incorporated in Great Britain and are registered and operate in England and Wales, or Scotland (unless otherwise stated), are as follows

Name of subsidiary	Proportion of ownership interest %	Proportion of voting power held %	Principal activity
British Energy Bond Finance plc *	100%	100%	Financial activities
British Energy Finance Limited *	100%	100%	Financial activities
British Energy Generation (UK) Limited *	100%	100%	Holding company
British Energy Generation Limited *	100%	100%	Power generation
British Energy Group plc	100%	100%	Holding company
British Energy Holdings Limited * (Canada)	100%	100%	Holding company
British Energy International Holdings Limited *	100%	100%	Holding company
British Energy Investment Limited *	100%	100%	Investment company
British Energy Limited *	100%	100%	Holding company
British Energy Renewables Limited *	100%	100%	Renewable power generation
British Energy Trading and Sales Limited *	100%	100%	Sale of electricity
British Energy Trading Services Limited *	100%	100%	Sale of electricity
British Energy Technical Services Limited *	100%	100%	Sale of electricity
Eggborough Power (Holdings) Limited*	100%	100%	Holding company
Eggborough Power Limited *	100%	100%	Power generation
Lewis Wind Power Limited *	50%	50%	Renewable power generation
Lochside Energy Inc * (Canada)	100%	100%	Financial activities
Lochside Insurance Limited * (Guernsey)	100%	100%	Insurance company
NNB Land Company Limited	100%	100%	Property company
Northern Power Limited*	100%	100%	Investment company

* Indirectly held

The UK Government owns a single special rights redeemable preference share of £1 in British Energy Group plc. The Special Share is redeemable at par at any time after 30 September 2006 at the option of the Secretary of State, after consulting British Energy Group plc. This share, which may only be held by and transferred to one or more of Her Majesty's Secretaries of State, another Minister of the Crown, the Solicitor for the affairs of Her Majesty's Treasury or any other person acting on behalf of the Crown, does not carry any rights to vote at general meetings, but entitles the holder to attend and speak at such meetings. The Special Share confers no rights to participate in the capital or profits of British Energy Group plc beyond its nominal value. The consent of the holder of the Special Share is required for certain matters including the alteration or removal of the provisions in British Energy Group plc's Articles of Association relating to the Special Share and to the limitations on shareholdings.

In addition, consent of the holder of the Special Share is required in relation to, amongst others, certain amendments to the Articles of Association of British Energy Bond Finance plc, British Energy Limited, British Energy Generation Limited or British Energy Generation (UK) Limited, or a disposal by British Energy Group plc of its shares in these companies. However, the holder of the Special Share will only be entitled to withhold consent to such an amendment or disposal if, in the holder's opinion, the matter in question would be contrary to the interests of national security. The Articles of Association include full details of these restrictions.

NOTES TO THE FINANCIAL STATEMENTS continued

8. Debtors: amounts falling due within one year

	2009 £m	2008 £m
Amounts owed by other Group companies	1	-
	1	-

The amounts owed by other Group companies are non interest-bearing and are repayable on demand

9. Creditors: amounts falling due within one year

	2009 £m	2008 £m
Amounts owed to other Group companies	59	2,157
Amounts due to equity holders	15	-
Current tax liability	1	-
Contingent consideration	44	-
	119	2,157

The amounts owed to other Group companies and equity holders accrue interest based on a floating rate and are repayable on demand. They are considered by the company as net debt except for £3m trading balances in 2008.

The contingent consideration is the fair value of the CVR (contingent value right notes) notes on issue to Barclays Bank plc who in turn issued Nuclear Power Notes to subscribing shareholders of British Energy Group plc. The Nuclear Power Notes were admitted to trading on the PLUS-quoted market on 20 January 2009 (see also note 10).

10. Creditors: amounts falling due after more than one year

	2009 £m	2008 £m
Contingent consideration	92	-
	92	-

NOTES TO THE FINANCIAL STATEMENTS continued

11 Notes to the cash flow statement

(a) Reconciliation of operating profit/(loss) to net cash inflow from operating activities

	2009 £m	Period from 5 June 2008 to 31 December 2008 £m
Operating profit/(loss)	3	(3)
(Decrease)/Increase in creditors	(3)	3
Net cash flow from operating activities	-	-

(b) Analysis of net cash flow

	At 1 January 2009 £m	Non-cash increase in debt £m	Cash flow £m	Conversion of debt into share capital £m	At 31 December 2009 £m
Cash at bank and in hand	-	-	-	-	-
Debt due within 1 year	2,154	10,132	(2,313)	(9,899)	74
Net debt	2,154	10,132	(2,313)	(9,899)	74

Amounts owed to shareholders are included within net debt due to the fact that interest is charged on these balances

12 Share capital

	2009 Number	2008 Number	2009 £m	2008 £m
Allotted, called up and fully paid				
Ordinary shares of £0 10 each	11,145,000,015	1	1,115	-

The Company has one class of ordinary share in issue which carries no right to fixed income

On 29 June 2009, Lake Acquisitions Limited issued 8,916,000,000 ordinary shares with a nominal value of £0 10 each to EDF Energy Holdings Limited for a consideration of £9,899m, resulting in share premium of £9,007m. These shares have the same rights as the existing share capital.

On 26 November 2009, Lake Acquisitions Limited issued 2,229,000,003 ordinary shares with a nominal value of £0 10 each to Centrica for a consideration of £2,214 7m, resulting in share premium of £1,992m. These shares have the same rights as the existing share capital.

NOTES TO THE FINANCIAL STATEMENTS continued

13 Reconciliation of movements in shareholders' funds

	Share capital £m	Share premium £m	Profit and loss account £m	Total £m
At 5 June 2008 (date of incorporation)	-	-	-	-
Loss for the period	-	-	(3)	(3)
At 31 December 2008	-	-	(3)	(3)
Issue of share capital	1,115	10,999	-	12,114
Profit for the year	-	-	100	100
At 31 December 2009	1,115	10,999	97	12,211

14. Related parties

In the year interest of £303m was charged by an EDF group company. There was no outstanding balance at the year end (2008 £ nil)

In the year interest of £1m was charged to an EDF group company. This balance was due at the year end (2008 £ nil)

In the year costs of £3m were recharged to (2008 £3m charged by) an EDF group company. There was no outstanding balance at the year end (2008 £3m)

In the year corporation tax losses with a value of £85m were transferred to an EDF group company for nil consideration. There was no such event in 2008.

Balances due to EDF SA, the ultimate parent company, amounted to £59m. This balance was due at the year end (2008 £ 2,154m)

Balances due to GB Gas Holdings Limited, a shareholder, amounted to £15m. This balance was due at the year end (2008 £ nil)

15 Commitments

At the year end Lake Acquisitions Limited has guaranteed the availability of a £400m credit facility with a subsidiary company for the period of at least 9 months and up to 21 months at the borrower's option.

At the year end Lake Acquisitions Limited has guaranteed the availability of a £529m credit facility with a subsidiary company. The amount of this facility reduces annually until its expiration in 2022.

16 Ultimate parent undertaking and controlling party

EDF Energy Holdings Limited holds a 80% interest in Lake Acquisitions Limited and is considered to be the immediate parent company.

At 31 December 2009, Electricité de France SA, a company incorporated in France, is regarded by the Directors as the Company's ultimate parent company and controlling party. This is the largest and only group for which consolidated financial statements are prepared. Copies of that company's consolidated financial statements may be obtained from Electricité de France SA, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.