

Registration number: 09223347

Centrica Lake Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2016

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Centrica Lake Limited

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Centrica Lake Limited

Strategic Report for the Year Ended 31 December 2016

The Directors present their Strategic Report of Centrica Lake Limited ("the Company") for the year ended 31 December 2016.

Review of the business

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.

The Company was incorporated on 17 September 2014. On incorporation, the Company's year end was set for 31 December. The first financial statements were therefore drawn up for the extended period ending 31 December 2015 with the current years financial statements being for the calendar year ending 31 December 2016. The Company's activities occurred wholly within the United Kingdom.

On 10 November 2014, a loan of £2,240,539,000 was provided by Centrica plc (ultimate parent company) to the Company, and was used by the Company to acquire 20% of the issued share capital in Lake Acquisitions Limited. The acquisition was completed on 11 December 2014.

On 27 March 2015, the outstanding loan balance was novated from Centrica plc to GB Gas Holdings Limited, another Group undertaking. GB Gas Holdings Limited irrevocably forgave £158,720,000 of the loan. The outstanding loan balance of £2,081,819,000 was repaid by the Company, and the proceeds were used by GB Gas Holdings Limited to invest in the remaining share capital of the Company.

At 31 December 2015, a charge of £632,188,000 was made to reflect the impairment of the carrying value of the Company's investment in Lake Acquisitions Limited following a review of post-tax forecast cash flows. No further impairments have been required in 2016.

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

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

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company are discussed on pages 56-64 of the 2016 Centrica plc Annual Report and Accounts which does not form part of this report.

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

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 18-19 of the 2016 Centrica plc Annual Report and Accounts which does not form part of this report.

Future developments

There are no plans to change the nature of the activities in the foreseeable future.

Centrica Lake Limited

Strategic Report for the Year Ended 31 December 2016 (continued)

Approved by the Board on*5 May*.....2017 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 2016

The Directors present their report and the audited Financial Statements for the year ended 31 December 2016.

Directors of the Company

The Directors who held office during the year and up to the date of signing were as follows:

Jeff Bell

Matthew Blake

Andrew Page

Results and dividends

The results of the Company are set out on page 8. The profit for the financial period ended 31 December 2016 is £109,786,788 (2015: loss £232,742,327). On the 19th October 2016 the company undertook a capital reduction of £2,081,819,475 under S642 of the Companies Act 2006. Dividends of £215,000,000 were paid during the year (2015: £nil) 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, was up 7% to 13.0 TWh in 2016. This reflected excellent operational performance, with limited unplanned outages, and the impact of a return to full service of three of the four reactors that had been operating at reduced temperatures following the identification of an issue on one boiler spine at Heysham 1 in 2014. Following the completion of further work at Heysham 1, Reactor 1 load has now been raised and the unit is now able to operate at up to 87.5%, compared to up to 75% previously.

All of the nuclear reactors in which we own an interest were awarded one-year capacity agreements starting in October 2020 and, having also been successful in the Early Capacity Auction, all now have contracts for four years starting in October 2017.

Financial risk management

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

Directors' and officers' liability

Directors' and officers' liability insurance has been purchased by the ultimate parent company, Centrica plc, and was in place throughout the year under review. The insurance does not provide cover in the event that the Director is proved to have acted fraudulently.

Centrica Lake Limited

Directors' Report for the Year Ended 31 December 2016 (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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has 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.

Disclosure of information to the 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.

Independent auditors

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

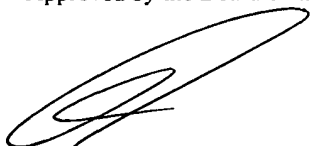
Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office, until the formal resignation process has been completed.

Centrica Lake Limited

Directors' Report for the Year Ended 31 December 2016 (continued)

Statement of Directors' Responsibilities (continued)

Approved by the Board on 5 May 2017 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 financial statements

Our opinion

In our opinion, Centrica Lake Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its 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.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 December 2016;
- the Income Statement and Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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 addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Centrica Lake Limited

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

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 4 and 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of the financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

.....
Mark King (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date:.....

Centrica Lake Limited

Income Statement for the Year Ended 31 December 2016

		Year ended 31 December 2016 £ 000	17 September 2014 to 31 December 2015 £ 000
	Note		
Operating costs		(81)	(51)
Exceptional items - loans forgiven	5	-	158,720
Exceptional items - impairment charges	5	-	(632,188)
Operating loss		(81)	(473,519)
Finance income	6	110,900	256,000
Finance cost	6	(1,107)	(19,141)
		109,793	236,859
Profit/(loss) before income tax		109,712	(236,660)
Income tax credit	8	75	3,918
Profit/(loss) for the financial period		109,787	(232,742)

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

Centrica Lake Limited

Statement of Comprehensive Income for the Year Ended 31 December 2016

	Year ended 31 December 2016 £ 000	17 September 2014 to 31 December 2015 £ 000
Profit/(loss) for the financial year	<u>109,787</u>	<u>(232,742)</u>
Total comprehensive income/(expense) for the financial year	<u><u>109,787</u></u>	<u><u>(232,742)</u></u>

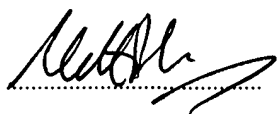
The notes on pages 12 to 21 form an integral part of these financial statements.

Centrica Lake Limited

Statement of Financial Position as at 31 December 2016

		31 December 2016 £ 000	31 December 2015 £ 000
	Note		
Non-current assets			
Investments	9	1,608,351	1,608,351
Current assets			
Trade and other receivables	10	135,513	240,777
Current liabilities			
Trade and other payables	11	-	(51)
Net current assets		135,513	240,726
Net assets		1,743,864	1,849,077
Equity			
Called up share capital	12	-	-
Share premium reserve	12	-	2,081,819
Retained earnings		1,743,864	(232,742)
Total equity		1,743,864	1,849,077

The financial statements on pages 8 to 21 were approved and authorised for issue by the Board of Directors on **5 MAY** 2017 and signed on its behalf by:



MATTHEW BLAKE

Director

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 2016

	Share premium £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2016	2,081,819	(232,742)	1,849,077
Profit for the financial year	-	109,787	109,787
Total comprehensive income	-	109,787	109,787
Reduction of capital	(2,081,819)	2,081,819	
Dividends	-	(215,000)	(215,000)
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.

On 19th October 2016 the company paid a dividend of £215,000,000 to GB Gas Holdings Limited.

	Share premium £ 000	Retained earnings £ 000	Total equity £ 000
At 17 September 2014	2,081,819	-	2,081,819
Loss for the year	-	(232,742)	(232,742)
Total comprehensive income	-	(232,742)	(232,742)
At 31 December 2015	2,081,819	(232,742)	1,849,077

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 2016

1 General information

Centrica Lake Limited (the 'Company') is a company limited by share capital incorporated and domiciled in UK.

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

Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

These Financial Statements were authorised for issue by the Board on 5 May 2017.

2 Accounting policies

Basis of preparation

The Company is exempt by virtue of the Companies Act 2006 from the requirement to prepare group financial statements as it is a wholly-owned subsidiary of Centrica Plc. These financial statements present information about the Company as an individual undertaking and not about its group.

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.

The Company's 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:

- A cash flow statement and related notes;
- Comparative period reconciliations for tangible fixed assets;
- Disclosures in respect of related parties transactions with wholly-owned subsidiaries;
- Disclosures in respect of the compensation of Key Management Personnel;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs.

These financial statements are presented in pound sterling (with all values rounded to the nearest thousand pounds (£000) except when otherwise indicated), which is also the functional currency of the Company.

The financial statements are prepared on the historical cost basis.

Centrica Lake Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (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.

Exceptional items

Exceptional items are those items that, in the judgement of the Directors, need to be disclosed separately by virtue of their nature, size or incidence. Items which may be considered exceptional in nature include disposals of businesses or significant assets, business restructurings, significant onerous contract charges and asset write-downs/impairments.

Finance Income

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

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 balance sheet 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 balance sheet 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.

Interest in joint arrangements and 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 2016 (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. 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.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

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, net of the direct costs of issuing the equity instruments. 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 2016 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty

Impairment of non-financial assets

The recoverable amount of the investment in Lake Aquisitions Limited 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 account of planned outages and the possibility of life extensions. Further details of the impairments booked during the prior period are provided in note 5.

4 Employees' costs

In respect of the Directors' remuneration, refer to note 13 'related parties' transactions'.

The Company has no direct employees (2015: none).

5 Exceptional items

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

	Year ended 31 December 2016 £ 000	17 September 2014 to 31 December 2015 £ 000
Loans forgiven	-	158,720
Impairment charges	-	(632,188)
	-	(473,468)

On 27 March 2015, GB Gas Holdings Limited irrevocably forgave a loan of £158,720,000 to the Company as part of a wider intra-group reorganisation.

An impairment charge of £632,188,000 was recorded in 2015 within exceptional items in respect of Centrica Lake Limited's investment in Lake Aquisitions Limited. The impairment charge was due to the decline in forecast power prices and capacity market auction prices at the time. No further impairments have been required in 2016.

The recoverable amount of the investment is calculated on a fair value less cost of disposal (FVLCD) basis. FVLCD is determined by discounting the post-tax cash flows expected to be generated by the investment, net of associated selling costs, taking into account those assumptions that market participants would use in estimating fair value. Post-tax cash flows are derived from projected production profiles of the underlying nuclear power stations, planned and unplanned outage assumptions, operating cost assumptions, forward prices for power, forecast capacity market auction prices and the timing and extent of capital expenditure. Where forward market prices are not available, prices are determined based on internal model inputs. Post-tax cash flows used in the FVLCD calculations for the first three years are based on the Group's Board-approved five-year business plans and, thereafter, are based on long-term production and cash flow forecasts.

The future post-tax cash flows are discounted using a post-tax nominal discount rate of 8% for the period to determine the FVLCD.

Centrica Lake Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

6 Net finance income

	Year ended 31 December 2016 £ 000	17 September 2014 to 31 December 2015 £ 000
Interest income from amounts owed by group undertakings	900	-
Dividend income from joint venture	110,000	256,000
Total finance income	110,900	256,000

Finance interest

	Year ended 31 December 2016 £ 000	17 September 2014 to 31 December 2015 £ 000
Interest on amounts owed to group undertakings	(1,107)	(19,141)
Total finance cost	(1,107)	(19,141)

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.

	Year ended 31 December 2016 £ 000	17 September 2014 to 31 December 2015 £ 000
Audit of the Financial Statements	81	51

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.

Centrica Lake Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

8 Income tax

Tax credited in the income statement

	Year ended 31 December 2016 £ 000	17 September 2014 to 31 December 2015 £ 000
Current taxation		
UK corporation tax at 20.00% (2015: 20.41%)	(58)	(3,918)
UK corporation tax adjustment to prior periods	(17)	-
	<u>(75)</u>	<u>(3,918)</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:

	Year ended 31 December 2016 £ 000	17 September 2014 to 31 December 2015 £ 000
Profit/(loss) before tax	<u>109,712</u>	<u>(236,660)</u>
Tax at standard UK rate of 20.00% (2015: 20.41%)	21,942	(48,314)
Effects of:		
Net expenses non-deductible for tax purposes	-	129,060
Adjustments in respect of prior periods	(17)	-
Effect of income exempt from taxation	(22,000)	(84,664)
Effect from group relief tax reconciliation	(220)	(701)
Transfer pricing adjustment	<u>220</u>	<u>701</u>
Total income tax credit	<u>(75)</u>	<u>(3,918)</u>

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

There are no deferred tax balances as at 31 December 2016 (2015: nil).

Centrica Lake Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

9 Investments in subsidiaries, associates and joint ventures

	Participating interests (associates and JVs) £ 000
<i>a) Equity investments</i>	
Cost	
At 1 January 2016	<u>2,240,539</u>
At 31 December 2016	<u>2,240,539</u>
Provision	
At 1 January 2016	<u>632,188</u>
At 31 December 2016	<u>632,188</u>
Net book values	
At 31 December 2016	<u>1,608,351</u>

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.

10 Trade and other receivables

	31 December 2016 £ 000	31 December 2015 £ 000
Amounts owed by group undertakings	135,455	236,859
Amounts owed by group undertakings - tax group relief	<u>58</u>	<u>3,918</u>
	<u>135,513</u>	<u>240,777</u>

Centrica Lake Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

10 Trade and other receivables (continued)

Within the amounts receivable from Group undertakings is a £60,000,000 (2015: £40,000,000) 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 £60,000,000 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. Under the terms of the agreement, over the next seven years security in favour of the Trustees will be provided over a further £84,000,000 (2015: £104,000,000) 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 £60,000,000 (2015: £40,000,000) of the dividends received from Lake Acquisitions Limited on to the Company's shareholders as a dividend. The £60,000,000 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.

11 Trade and other payables

	31 December 2016 £ 000	31 December 2015 £ 000
Amounts owed to group undertakings	-	51

Centrica Lake Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

12 Share capital and share premium

Allotted, called up and fully paid shares

	31 December 2016		31 December 2015	
	No.	£	No.	£
Ordinary Shares of £1 each	2	2	2	2
Share Premium	-	-	-	2,081,819,475
	<u>2</u>	<u>2</u>	<u>2</u>	<u>2,081,819,477</u>

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

13 Related party transactions

	Year ended 31 December 2016 Joint ventures £ 000	17 September 2014 to 31 December 2015 Joint ventures £ 000
Dividend income	<u>110,000</u>	<u>256,000</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.

14 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.

Centrica Lake Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

15 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 40 Grosvenor Place, London, SW1X 7EN, United Kingdom