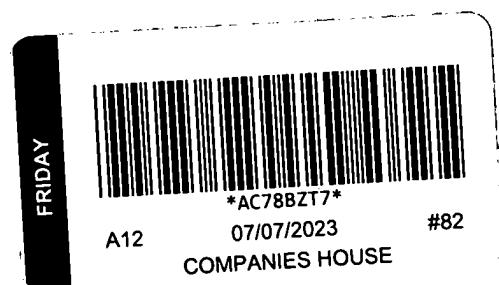


Registration number: 09223347

Centrica Lake Limited

Annual Report and Financial Statements
for the Year Ended 31 December 2022



Centrica Lake Limited

Contents

	Page(s)
Strategic Report	1 to 2
Directors' Report	3 to 6
Statement of Directors' Responsibilities	5
Independent Auditors' Report	7 to 10
Income Statement	11
Statement of Financial Position	12
Statement of Changes in Equity	13
Notes to the Financial Statements	14 to 23

Centrica Lake Limited

Strategic Report for the Year Ended 31 December 2022

The Directors present their Strategic Report for Centrica Lake Limited (the 'Company') for the year ended 31 December 2022.

Principal activity

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 2022, the Company's share of nuclear generation volumes, from the power stations held by the Lake Acquisitions Limited group, was 8.7TWh. This reflected an increase of 5% compared to 2021 due to strong performance across the fleet, partially offset by end of operations at Hunterston B and Hinkley Point B.

The recoverable amount of the Company's nuclear investment is calculated by discounting pre-tax cash flows of the existing UK nuclear fleet - an impairment charge of £65,678,000 (2021: impairment write-back of £794,277,000) has been booked during the year.

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 risks and uncertainties of the Group, which include those of the Company, are disclosed on pages 28-33 of the Group's Annual Report and Accounts 2022, which does not form part of this report.

Key risks impacting the Company include the generation volumes of the underlying nuclear fleet and forecast power prices. A change in either of these factors could impact the recoverable amount of the investments in Lake Acquisitions Limited.

Ukraine conflict

The Company is a subsidiary of the Centrica group, and as such is impacted by the energy crisis and Ukraine conflict. The energy markets remain very volatile, but the Centrica group continues to maintain a hedging strategy aligned to the price cap to minimise the exposure to market prices. The Company does not own any businesses or operate in Russia or Ukraine and so has no direct impacts from those two countries. Furthermore, the Company has no investments in Russian entities or bonds. The Company is not expecting any direct material impacts but will keep monitoring the position.

Key performance indicators ('KPIs')

The Directors of the Group use a number of KPIs to monitor progress against the Group's strategy. The development, performance and position of the Group, which includes the Company, are disclosed on pages 26-27 of the Group's Annual Report and Accounts 2022, which does not form part of this report. The results of the Company are disclosed in the Directors' Report on page 3.

Carbon emissions and energy usage

Carbon emissions and energy usage are not disclosed at a Company level due to exemptions detailed in Para 20A of Schedule 7 of the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Carbon emissions and energy usage reporting for the Group is included in the 'People and Planet' section on pages 42-44 of Centrica plc's Annual Report and Accounts 2022. Specific metrics and targets are disclosed in the 'Task Force on Climate-related Financial Disclosures' section on pages 51 to 53 of the Group's Annual Report and Accounts 2022.

Centrica Lake Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Future developments

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

Approved by the Board on 19/05/2023 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
United Kingdom

Centrica Lake Limited

Directors' Report for the Year Ended 31 December 2022

The Directors present their report and the audited financial statements for the year ended 31 December 2022.

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:

Matthew Blake

Gaylene Kendall (resigned 28 December 2022)

Alon Fink (appointed 28 December 2022)

Results and dividends

The results of the Company are set out on page 11. The loss for the financial year ended 31 December 2022 is £2,604,000 (2021: profit £797,552,000).

On 30 November 2022 the Company paid an interim dividend of £121,000,000 to its immediate parent undertaking GB Gas Holdings Limited (2021: £nil). The Directors do not recommend the payment of a final dividend (2021: £nil).

The Company's share of nuclear generation volumes, from the power stations held by the Lake Acquisitions Limited group in 2022 was 8.7 TWh (2021: 8.3 TWh).

Financial risk management policy

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 in terms of price risk, credit risk, liquidity risk and cash flow risk

Exposure to price risk, counterparty credit risk, liquidity risk and cash flow 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. Credit risk is managed through the Group continually reviewing its rating thresholds for relevant counterparty credit limits and updating these as necessary, based on a consistent set of principles. Price risks are managed through using a range of derivatives to hedge any exposures arising.

Key risks impacting the Company include the generation volumes of the underlying nuclear fleet and forecast power prices. A change in either of these factors could impact the recoverable amount of the investments in Lake Acquisitions Limited.

Future developments

Future developments are discussed in the Strategic Report on page 2.

Centrica Lake Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

Going concern

The Directors have received confirmation that provided the Company remains part of the Group, Centrica plc will support the Company for at least one year after the financial statements were authorised for issue and that amounts owed to Group undertakings will not be required to be repaid for the foreseeable future unless sufficient financial resources and facilities are available to the Company.

The Group going concern assessment as at 31 December 2022 is based upon the Group Annual Plan for 2023 and the longer-term strategic forecast for 2024 and 2025. The Group's focus on the energy supply and services businesses means the most significant risks continue to be shorter-term in nature including asset performance, commodity prices, weather and margin cash requirements. Important context to the going concern assessment is the management of the Group's financing profile through accessing a diverse source of term funding and maintaining access to carefully assessed levels of standby liquidity which support the Group's planned financial commitments. As at 31 December 2022, the Group had total committed credit facilities of £6.5 billion, of which £1.1 billion are temporary facility extensions that expire in mid-2023, £0.2 billion expire in 2024 and the remaining £5.2 billion expire in 2025. The Group undrawn committed facilities as at 31 December 2022 were £4.0 billion in addition to Group unrestricted cash and cash equivalents of £3.7 billion.

The full Centrica Group results were released on 16th February 2023 which confirm that the Group's liquidity has been stress-tested for different scenarios including reasonably possible increases/decreases in commodity prices and the risk of margin outflows in the trading and upstream businesses. Risks considered also included the impact of significant adverse weather events, increased bad debt charges due to the cost of living crisis, the risk of financial loss due to counterparty default and production falls in the Group's upstream business. Due to the elevated and more volatile commodity prices in 2022, the Group has established enhanced processes in the trading business and in respect of Upstream to plan for and manage possible increases in margin cash requirements. The largest margin outflow modelled in the going concern scenarios is significantly in excess of actual margin requirements experienced in 2021 and 2022. Following this work, the level of undrawn committed bank facilities and available cash resources enabled the Group's Directors to conclude that there are no material uncertainties relating to the Group's going concern, and that adopting the going concern basis of accounting was appropriate.

On the basis of the enquiries made, and the fact that Centrica plc, the ultimate parent company, has confirmed it will continue to support the Company, the Directors have concluded that the Company should be able to meet its liabilities as they fall due for the foreseeable future, and therefore the financial statements have been prepared on a going concern basis.

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.

Centrica Lake Limited

Directors' Report for the Year Ended 31 December 2022 (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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 applicable UK Accounting Standards 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.

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 section 418 of the Companies Act 2006.

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.

Centrica Lake Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

Approved by the Board on 19/05/2023 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
United Kingdom

Centrica Lake Limited

Independent Auditors' Report to the Members of Centrica Lake Limited

Report on the audit of the financial statements

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 2022 and of its loss 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 which comprise:

- the Income Statement;
- the Statement of Financial Position;
- the Statement of Changes in Equity; 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, 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

Centrica Lake Limited

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

Responsibilities of Directors

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, 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.

Auditor's 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 auditor's 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the documentation of the policies and procedures relating to fraud and compliance with laws and regulations that has been established by the Company's ultimate parent. We also enquired of management and directors about their own identification and assessment of the risks of irregularities, including those that are specific to the Company's business sector.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

Centrica Lake Limited

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

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Centrica Lake Limited

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

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: 22/5/23.....

Centrica Lake Limited

Income Statement for the Year Ended 31 December 2022

	Note	2022 £ 000	2021 £ 000
Operating costs		(34)	(20)
Exceptional items - (impairment)/write-back	5	<u>(65,678)</u>	<u>794,277</u>
Operating (loss)/profit		(65,712)	794,257
Finance income	6	<u>63,108</u>	<u>3,295</u>
(Loss)/profit before tax		(2,604)	797,552
Tax credit/(expense)	9	<u>-</u>	<u>-</u>
(Loss)/profit for the year		<u><u>(2,604)</u></u>	<u><u>797,552</u></u>

The above results were derived from continuing operations.

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 2022

	Note	2022 £ 000	2021 £ 000
Non-current assets			
Investments	10	1,558,753	1,624,431
Current assets			
Trade and other receivables	11	<u>171,896</u>	<u>229,834</u>
Total assets		<u>1,730,649</u>	<u>1,854,265</u>
Current liabilities			
Trade and other payables	12	<u>-</u>	<u>(12)</u>
Net current assets		<u>171,896</u>	<u>229,822</u>
Total assets less current liabilities		<u>1,730,649</u>	<u>1,854,253</u>
Net assets		<u>1,730,649</u>	<u>1,854,253</u>
Equity			
Share premium		20,000	20,000
Retained earnings		<u>1,710,649</u>	<u>1,834,253</u>
Total equity		<u>1,730,649</u>	<u>1,854,253</u>

The financial statements on pages 11 to 23 were approved and authorised for issue by the Board of Directors on 19/05/2023 and signed on its behalf by:



Matthew Blake
Director

Company number 09223347

Centrica Lake Limited

Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2022	-	20,000	1,834,253	1,854,253
Loss for the year	-	-	(2,604)	(2,604)
Total comprehensive expense	-	-	(2,604)	(2,604)
Dividends	-	-	(121,000)	(121,000)
At 31 December 2022	-	20,000	1,710,649	1,730,649

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2021	-	20,000	1,036,701	1,056,701
Profit for the year	-	-	797,552	797,552
Total comprehensive income	-	-	797,552	797,552
At 31 December 2021	-	20,000	1,834,253	1,854,253

The notes on pages 14 to 23 form an integral part of these financial statements.

Centrica Lake Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

1 General information

Centrica Lake Limited (the 'Company') is a private company limited by shares, incorporated and domiciled in the United Kingdom under the Companies Act 2006 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 pages 1 to 2.

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 UK adopted International Financial Reporting Standards ('Adopted IFRSs'), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company financial statements are presented in pounds sterling which is the functional currency of the Company.

Changes in accounting policy

From 1 January 2022, the following standards and amendments are effective in the Company's Financial Statements:

- Amendments to IFRS 17 and IFRS 4: 'Insurance Contracts' - deferral of IFRS 9;
- Amendments to IAS 16: 'Property, Plant and Equipment', sale proceeds before intended use; and
- Annual improvements to IFRS 2018-2020.

None of these changes or amendments had any material impact on the Company's financial statements.

Summary of disclosure exemptions

In these financial statements, as a qualifying entity 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

Centrica Lake Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

- 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 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;
- certain disclosures required by IFRS 3 'Business Combinations' in respect of business combinations undertaken by the Company; and

Measurement convention

The financial statements have been prepared on the historical cost basis.

Going concern

The Directors have received confirmation that provided the Company remains part of the Group, Centrica plc will support the Company for at least one year after the financial statements were authorised for issue and that amounts owed to Group undertakings will not be required to be repaid for the foreseeable future unless sufficient financial resources and facilities are available to the Company.

The Group going concern assessment as at 31 December 2022 is based upon the Group Annual Plan for 2023 and the longer-term strategic forecast for 2024 and 2025. The Group's focus on the energy supply and services businesses means the most significant risks continue to be shorter-term in nature including asset performance, commodity prices, weather and margin cash requirements. Important context to the going concern assessment is the management of the Group's financing profile through accessing a diverse source of term funding and maintaining access to carefully assessed levels of standby liquidity which support the Group's planned financial commitments. As at 31 December 2022, the Group had total committed credit facilities of £6.5 billion, of which £1.1 billion are temporary facility extensions that expire in mid-2023, £0.2 billion expire in 2024 and the remaining £5.2 billion expire in 2025. The Group undrawn committed facilities as at 31 December 2022 were £4.0 billion in addition to Group unrestricted cash and cash equivalents of £3.7 billion.

The full Centrica Group results were released on 16th February 2023 which confirm that the Group's liquidity has been stress-tested for different scenarios including reasonably possible increases/decreases in commodity prices and the risk of margin outflows in the trading and upstream businesses. Risks considered also included the impact of significant adverse weather events, increased bad debt charges due to the cost of living crisis, the risk of financial loss due to counterparty default and production falls in the Group's upstream business. Due to the elevated and more volatile commodity prices in 2022, the Group has established enhanced processes in the trading business and in respect of Upstream to plan for and manage possible increases in margin cash requirements. The largest margin outflow modelled in the going concern scenarios is significantly in excess of actual margin requirements experienced in 2021 and 2022. Following this work, the level of undrawn committed bank facilities and available cash resources enabled the Group's Directors to conclude that there are no material uncertainties relating to the Group's going concern, and that adopting the going concern basis of accounting was appropriate.

On the basis of the enquiries made, and the fact that Centrica plc, the ultimate parent company, has confirmed it will continue to support the Company, the Directors have concluded that the Company should be able to meet its liabilities as they fall due for the foreseeable future, and therefore the financial statements have been prepared on a going concern basis.

Centrica Lake Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (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 the years presented, unless otherwise stated.

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.

Finance costs

Interest expense is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Where a specific financing arrangement is in place, the specific borrowing rate for that arrangement is applied. For non-specific financing arrangements, a borrowing rate representative of the weighted average borrowing rate is used. Financing costs not arising in connection with the acquisition, construction or production of a qualifying asset are expensed.

Dividend income

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

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 less any provision for impairment as necessary.

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 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 (if impairment of goodwill is not deductible for tax purposes) 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.

Centrica Lake Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Impairment

The carrying amounts of the Company's non-financial 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. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit ('CGU') 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 CGU). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs.

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.

The Company provides for impairments of financial assets when there is objective evidence of impairment as a result of events that impact the estimated future cash flows of the financial assets.

In accordance with IFRS 9, the Company applies the expected credit loss model to financial assets measured at amortised cost and to investments in debt instruments measured at fair value through other comprehensive income.

For trade receivables and contract assets the simplified approach is taken and the lifetime expected credit loss provided for.

For all other in-scope financial assets at the balance sheet date either the lifetime expected credit loss or a 12-month expected credit loss is provided for, depending on the Company's assessment of whether the credit risk associated with the specific asset has increased significantly since initial recognition.

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 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 expected credit losses.

Centrica Lake Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

- 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. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds received. Own equity instruments that are re-acquired (treasury or own shares) are deducted from equity. No gain or loss is recognised in the Company's Income Statement on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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 are 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 the 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 separately 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 account of outages and the likely operational lives of the stations. Assumptions include forward commodity prices, capacity rates, transportation and fuel costs and balancing system charges.

Further details of the methodology and assumptions are provided in notes 7 and S2 of the Group's Annual Report and Accounts 2022.

4 Employee costs

The Company has no direct employees (2021: nil).

5 Exceptional items

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

	2022	2021
	£ 000	£ 000
Exceptional items - (impairment)/write-back	(65,678)	794,277

Impairment

The recoverable amount of the Company's Nuclear investment is calculated by discounting pre-tax cash flows of the existing UK Nuclear fleet. Assumptions include forward commodity prices, capacity rates, transportation and fuel costs and balancing system charges. An impairment charge has been booked during the year of £65,678,000 (2021: impairment write-back of £794,277,000).

Centrica Lake Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

6 Net finance income/cost

Finance income

	2022	2021
	£ 000	£ 000
Interest income from amounts owed by Group undertakings	3,108	1,962
Dividend income from Investment in Associates	60,000	1,333
Total finance income	63,108	3,295

7 Directors' remuneration

The Directors were remunerated as employees of Centrica plc Group and did not receive any remuneration, from any source, for their services as Directors of the Company during the current or preceding financial year. Accordingly, no details in respect of their emoluments have therefore been included in these financial statements.

8 Auditors' remuneration

Auditors' remuneration totalling £21,000 (2021: £20,000) relates to fees for the audit of the financial statements of the Company. The auditors' remuneration in 2022 was borne by Centrica plc.

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 accounts of its ultimate parent, Centrica plc.

9 Income tax

Tax credited in the Income Statement

	2022	2021
	£ 000	£ 000
Current taxation	-	-

Centrica Lake Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

9 Income tax (continued)

The UK rate of corporation tax for the year ended 31 December 2022 was 19% (2021: 19%). The rate of corporation tax has increased to 25% with effect from 1 April 2023. As at 31 December 2022 the deferred tax balances included in these Financial Statements are based on the enacted rate of corporation tax having regard to their reversal profiles.

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

	2022 £ 000	2021 £ 000
(Loss)/profit before tax	<u>(2,604)</u>	<u>797,552</u>
Tax on (loss)/profit at standard UK corporation tax rate of 19% (2021: 19%)	495	(151,535)
Decrease (increase) from effect of revenues exempt from taxation	11,400	151,482
Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	(12,479)	-
Increase (decrease) arising from group relief tax reconciliation	636	474
Increase (decrease) from transfer pricing adjustments	<u>(52)</u>	<u>(421)</u>
Total tax credit	<u>-</u>	<u>-</u>

Centrica Lake Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

10 Investments

	Participating interests (associates and JVs) £ 000
Equity investments	
Cost or valuation	
At 1 January 2022	<u>2,240,539</u>
At 31 December 2022	<u>2,240,539</u>
Provision	
At 1 January 2022	616,108
Impairments provided in the year	<u>65,678</u>
At 31 December 2022	<u>681,786</u>
Net book value	
At 31 December 2022	<u>1,558,753</u>
At 31 December 2021	<u>1,624,431</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.

11 Trade and other receivables

	2022 Current £ 000	2021 Current £ 000
Amounts owed by Group undertakings	<u>171,896</u>	<u>229,834</u>

Within the amounts receivable from Group undertakings is a £171,972,000 (2021: £43,656,000) receivable that bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 0.35% and 2.72% per annum during 2022 (2021: 3.61% and 4.23%). Other net amounts owed by Group undertakings are interest-free, unsecured and repayable on demand.

Centrica Lake Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

12 Trade and other payables

	2022	2021
	Current £ 000	Current £ 000
Accrued expenses	-	12

The amounts owed by Group undertakings have been presented on a net basis as there is a legal right of offset, and the intent is to settle amounts on a net basis. All amounts owed by Group undertakings are interest-free, unsecured and repayable on demand.

13 Capital and reserves

Allotted, called up and fully paid shares

	2022		2021	
	No.	£	No.	£
Ordinary shares of £1 each	3	3	3	3

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

On 26th March 2019 the Company issued one ordinary share of £1 to GB Gas Holdings Limited at a premium of £19,999,999.

Share premium

Consideration transferred in excess of the nominal value of ordinary shares is allocated to share premium.

14 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.

Centrica Lake Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

15 Related party transactions

	2022	2021
	Associates	Associates
	£ 000	£ 000
Dividend income	60,000	1,333

16 Parent and ultimate parent undertaking

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

The ultimate parent undertaking is Centrica plc incorporated in the UK, a company registered in England and Wales, which is the only company to include these financial statements in its consolidated financial statements. Copies of the Centrica plc consolidated financial statements may be obtained from www.centrica.com.

Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is Centrica plc. The registered address of Centrica plc is Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD.