

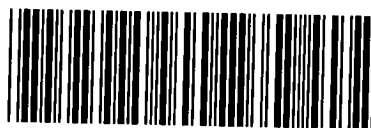
EDF ENERGY LAKE LIMITED

REGISTERED NUMBER: 09200461

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

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EDF ENERGY LAKE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2018

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Directors	Robert Guyler Jean-Marc Lefeuvre Simone Rossi
Company secretary	Joe Souto
Auditor	Deloitte LLP 1 New Street Square London United Kingdom EC4A 3HQ
Registered office	90 Whitfield Street London England W1T 4EZ

EDF ENERGY LAKE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
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STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 December 2018.

Principal activity

The principal activity of the Company is that of an investment holding company. It will continue with this activity for the foreseeable future.

Review of the business

The loss before taxation for the year amounted to £568m (2017: £232m profit) and after taxation for the year amounted to £569m (2017: £231 profit), primarily as a result of the impairment of the Company's investment in subsidiary undertakings. The net assets at 31 December 2018 amounted to £6,326m (2017: £6,895m).

The EDF Energy Holdings Limited group (the "Group") manages its operations on a group basis. For this reason, the Company's Directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Group which includes the Company is discussed in the EDF Energy Holdings Limited annual report, which does not form part of this report.

Principal risks and uncertainties

The following is a discussion of the key risks facing the Company together with a summary of the Company's approach to managing those risks.

The future prospects of the Company are dependent on the performance of its investment in subsidiaries. The investment in Lake Acquisitions Limited has been reviewed and the carrying value, after impairment, is considered to be recoverable based on the forecast performance of Lake Acquisitions Limited and its subsidiaries.

The Company is not exposed to any significant currency, interest rate or liquidity risk. The Company has exposure to credit risk. Credit risk is mitigated by the nature of the debtor balances owed, with these due from the parent company who is able to repay these if required.

EU Referendum

The UK Government has announced that the UK will leave the EU during 2019. Economists have assessed that a no-deal Brexit could result in lower base interest rates and higher inflation, following an expected weakening of sterling compared to other currencies. Such changes would affect the Group's discount rate assumptions and forward energy prices which would in turn affect the Group's investment impairment tests. The sensitivity of such changes and the impact this would have on impairment of the Group's assets is disclosed in the consolidated Group accounts of EDF Energy Holdings Limited.

EDF ENERGY LAKE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
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STRATEGIC REPORT (CONTINUED)

Going concern

After making enquiries and reviewing cash flow forecasts and available facilities for at least the next 12 months, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation 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 this report. For this reason the Directors adopt the going concern basis in preparing the financial statements.

Approved by the Board on 12 September 2019 and signed on its behalf by:



.....
Robert Guyler
Director

EDF ENERGY LAKE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
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DIRECTORS' REPORT

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

Principal risks, uncertainties and going concern are discussed within the Strategic Report.

Directors

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

Robert Guyler

Jean-Marc Lefeuve

Simone Rossi

None of the Directors had a service contract with the Company. They are all employed by associated companies within the group and no portion of their remuneration can be specifically attributed to their services to the Company.

No Director held any interests in the shares or debentures of the Company or the Group that are required to be disclosed under the Companies Act 2006.

Dividends

No Dividends were paid during the period (2017: £150m).

Political donations

The Company made no political donations in either the current year or prior period.

Future developments

The future developments of the Company are outlined in the Strategic Report.

Directors' liabilities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors during the year and these remain in force at the date of this report.

Disclosure of information to the auditor

Each Director has taken 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 auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

This confirmation is given and should be interpreted in accordance with the provision of s.418 of the Companies Act 2006.

EDF ENERGY LAKE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
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DIRECTORS' REPORT (CONTINUED)

Reappointment of auditor

It is noted that Deloitte LLP as appointed by the members are deemed to be re-appointed as the auditors to the Company for the financial year ending 31 December 2019 in accordance with the provisions of Section 487(2) of the Companies Act 2006 and that the Directors have been authorised to fix the remuneration of the auditors.

Approved by the Board on 12 September 2019 and signed on its behalf by:



.....
Robert Guyler
Director

EDF ENERGY LAKE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
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DIRECTORS' RESPONSIBILITIES STATEMENT

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), including Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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.

EDF ENERGY LAKE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDF ENERGY LAKE LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of EDF Energy Lake Limited (the 'company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its 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 Balance Sheet;
- the Statement of Changes of Equity; and
- the related notes 1 to 15.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

EDF ENERGY LAKE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDF ENERGY LAKE LIMITED
(CONTINUED)

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of Directors

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

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

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.

EDF ENERGY LAKE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDF ENERGY LAKE LIMITED
(CONTINUED)

Report on other legal and regulatory requirements

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

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

Matters on which we are required to report by exception

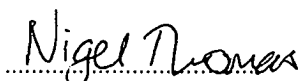
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

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.



Nigel Thomas (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor

London, United Kingdom

Date: 12/09/2019

EDF ENERGY LAKE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
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INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £m	2017 £m
Impairment	9	(651)	-
(Loss)/Result before taxation and finance costs		(651)	-
Investment income	5	83	232
(Loss)/Profit before taxation on ordinary activities		(568)	232
Taxation charge on ordinary activities	7	(1)	(1)
(Loss)/Profit for the year		(569)	231

There were no recognised gains or losses during the current or prior period other than the losses shown above. Accordingly, no statement of comprehensive income has been presented.

The above results were derived from continuing operations in both the current year and preceding period.

EDF ENERGY LAKE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
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BALANCE SHEET
AT 31 DECEMBER 2018

	Note	2018 £m	2017 £m
Non-current assets			
Financial assets	10	400	320
Investments in subsidiary undertakings	11	5,920	6,571
		<u>6,320</u>	<u>6,891</u>
Current assets			
Trade and other receivables	12	2	1
Financial assets	10	6	4
		<u>8</u>	<u>5</u>
Total assets		<u>6,328</u>	<u>6,896</u>
Current liabilities			
Current tax liability		<u>(2)</u>	<u>(1)</u>
Net current assets		<u>6</u>	<u>4</u>
Total assets less current liabilities		<u>6,326</u>	<u>6,895</u>
Net assets		<u>6,326</u>	<u>6,895</u>
Capital and reserves			
Called up share capital	13	1	1
Retained earnings		<u>6,325</u>	<u>6,894</u>
Shareholder's funds		<u>6,326</u>	<u>6,895</u>

The financial statements of EDF Energy Lake Limited (registered number 09200461) on pages 9 to 21, were approved by the Board and authorized for issue on 12 September 2019 and signed on its behalf by:



.....
Robert Guyler
Director

EDF ENERGY LAKE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2018

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital £m	Retained earnings £m	Total £m
At 1 January 2017	1	6,813	6,814
Profit for the period	-	231	231
Dividends paid (note 8)	-	(150)	(150)
At 31 December 2017	<u>1</u>	<u>6,894</u>	<u>6,895</u>
Loss for the year	-	(569)	(569)
At 31 December 2018	<u><u>1</u></u>	<u><u>6,325</u></u>	<u><u>6,326</u></u>

EDF ENERGY LAKE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2018

NOTES TO THE FINANCIAL STATEMENTS

1 General information

EDF Energy Lake Limited is a private company limited by shares. It is incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on the contents page.

Basis of preparation

The Company meets the definition of a qualifying entity under Financial Reporting Standard 101 (FRS 101) "Reduced Disclosure Framework". These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

Changes in accounting policy

Adoption of new and revised International Financial Reporting Standards

The following have been applied for the first time from 1 January 2018 and have had no effect on the financial statements:

IFRS 9 - Financial Instruments

IFRS 9 "Financial Instruments" became mandatory on 1 January 2018. It introduces new principles for classification and measurement of financial instruments, impairment for credit risk on financial assets, and hedge accounting. In application of the simplified approach allowed by IFRS 9, the comparative figures for the first year of application have not been restated. There have been no changes to the accounting treatment as a result of the adoption of IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies

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 the period presented, unless otherwise stated.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the asset. The financial statements are presented in pounds sterling as that is the currency for the primary economic environment in which the company operates.

Summary of disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a) The requirements of IFRS 7 Financial Instruments: Disclosures;
- b) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- c) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1;
- d) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- e) the requirements of IAS 7 Statement of Cash Flows;
- f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- h) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- i) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets
- j) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a)-119(c), 120-127 and 129 of IFRS 15 Revenue from Contracts with Customers.

Where relevant, equivalent disclosures have been given in the group accounts which are available to the public as set out in note 15.

Going concern

As set out in the Strategic Report, after making enquiries, after making enquiries and reviewing cash flow forecasts and available facilities for at least the next 12 months, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation 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 this report. For this reason the Directors adopt the going concern basis in preparing the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Exemption from preparing group accounts

The financial statements contain information about EDF Energy Lake Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, EDF Energy Holdings Limited, a company incorporated in United Kingdom.

Interest income

Interest income is recognised as the interest accrues (using the effective interest method that is the rate that exactly discounts estimated cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Taxation

Current tax

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 by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax

Deferred tax is provided or recognised in full using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax arising from (1) the initial recognition of goodwill, (2) the initial recognition of assets or liabilities in a transaction (other than in a business combination) that affects neither the taxable profit nor the accounting profit, or (3) differences relating to investments in subsidiaries, to the extent that they will probably not reverse in the foreseeable future is not provided for.

Deferred tax assets are recognised to the extent it is more likely than not that future taxable profits will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply for the period when the asset is realised or the liability is settled based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

Current tax and deferred tax for the period

Current tax and deferred tax are recognised in the income statement, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Fixed asset investments

Fixed asset investments are shown at cost less any provision for impairment. Current assets investments are stated at the lower of cost and net realisable value.

Impairment of non-financial assets

At each balance sheet date, the Group reviews the carrying amounts of its fixed asset investments to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the investment.

Recoverable amount is the higher of the fair value less costs to sell and the value in use. 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 which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, described in note 2, the directors of the Company 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 associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

EDF ENERGY LAKE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

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

Asset impairment

The Company performs impairment testing on investments where there is an indication of potential impairment. The impairment review involves a number of assumptions including discount rates, output values, asset lives and forward power prices. Further detail on the assumptions used in the calculation can be found in note 9.

Critical judgements in applying accounting policies

There are no critical judgements that the Directors have made in the process of applying the accounting policies of the Company, that are deemed to have a significant effect on the amounts recognised in the financial statements.

4 Operating profit

In 2018, an amount of £11,876 (2017: £6,150) was paid to Deloitte for the audit of the Company's annual accounts. This charge was borne by another Group company in both years. In 2018 amounts payable to Deloitte LLP by the Company in respect of non-audit services were £nil (2017: £nil).

The Company had no employees in 2018 (2017: None).

5 Investment income

	2018	2017
	£m	£m
Interest on intra group loans	3	2
Dividend income from investment	80	230
	<u>83</u>	<u>232</u>

6 Directors' remuneration

None of the Directors had a service contract with the Company in the current or prior year. They are all employed by associated companies within the Group and no portion of their remuneration can be specifically attributed to their services to the Company. Details of total Directors' remuneration is available in the Group accounts, which are available to the public as set out in note 15.

No Director (2017: none) held any interests in the shares or debentures of the Company or the Group required to be disclosed under the Companies Act 2006.

EDF ENERGY LAKE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 Tax

(a) Analysis of tax charge in the income statement

	2018	2017
	£m	£m
Current tax		
UK corporation tax charge on profit/(loss) made in the year	<u>1</u>	<u>1</u>
Income tax charge reported in the income statement	<u><u>1</u></u>	<u><u>1</u></u>

(b) The tax on profit before tax for the year is higher than (2017: lower than) the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%).

The charge for the year can be reconciled to the profit/(loss) in the income statement as follows:

	2018	2017
	£m	£m
(Loss)/profit before tax	(568)	232
Tax at the UK corporation tax rate of 19.00% (2017: 19.25%)	(108)	45
Effect of:		
Non-taxable dividends receivable	(15)	(44)
Non-deductible impairment	<u>124</u>	<u>-</u>
Total tax charge reported in the income statement	<u><u>1</u></u>	<u><u>1</u></u>

(c) Other factors affecting the tax charge for the year:

Changes to the main rate of corporation tax were announced in Finance (No. 2) Act 2015. These comprised a reduction in the main rate of corporation tax for the financial year beginning 1 April 2017 from 20% to 19% and a further reduction for the financial year beginning 1 April 2020 from 19% to 18%.

Finance Act 2016 announced a reduction in the main rate of corporation tax for the financial year beginning 1 April 2020 from 18% to 17%.

8 Dividends paid

	2018	2017
	£m	£m
Ordinary dividends on equity shares	<u>-</u>	<u>150</u>

Dividends per share for the period were £nil (2017: £150).

EDF ENERGY LAKE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 Impairment

	2018	2017
	£m	£m
Impairment	<u>(651)</u>	<u>-</u>

In 2018 and 2017, an impairment test was performed for the Company's investment in the nuclear generation business due to falling power prices which was considered as an impairment trigger. A recoverable amount of £7,400m was calculated based on its fair value. The Company has an 80% investment in Lake Acquisitions Limited, and as such the recoverable amount of its investment is calculated as £5,920m, compared to a carrying value before impairment of £6,571m. This has resulted in an impairment of £651m (2017: £nil). The fair value was estimated based on discounted cash flows over its expected useful life. The main assumptions for the calculation were the discount rate and forward power prices. The discount rate was derived from an after-tax rate of 6.3% (2017: 6.3%).

10 Financial assets

	2018	2017
	£m	£m
Current financial assets		
Loans to parent company	<u>6</u>	<u>4</u>
Non-current financial assets		
Loans to parent company	<u>400</u>	<u>320</u>

EDF ENERGY LAKE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Financial assets (continued)

Of the £406m loans to parent company, £6m relates to a one year deposit, new in the year, with EDF SA. It will accrue interest at 1 year LIBOR and is unsecured.

The remaining £400m will accrue interest at 1 year LIBOR minus 5bps and is unsecured. The loan arrangement is in place to provide security to the pension trustees.

On 18 December 2014, the Company entered into an agreement with the Trustees of the British Energy Generation Group (BEGG) of the Electricity Supply Pension Scheme (ESPS) as part of the scheme's triennial valuation. The ESPS is a defined benefit scheme which is sponsored by and reported in the Company's subsidiary, EDF Energy Nuclear Generation Limited. This agreement resulted in lower deficit repair payments being paid into the scheme by the subsidiary company, but the agreement also provides security over an increasing amount of Company assets in favour of the Trustees. The original amounts agreed were set at £80m p.a. for 5 years starting from 18 December 2014 followed by £56m for 3 years from 1 April 2015 followed by £29.4m for 3 years. The total payments of £576m are reviewed every three years and may be subject to revision, subject to a minimum aggregate payment of £560m. The consequence of this arrangement is to restrict the ability to pay dividends to the Company's shareholders by the amount of the assets over which security has been granted to the Trustees.

During 2018, as part of the latest Triennial valuation, a revised schedule was agreed which accelerates the remaining payments. The Company made the 2019 loan payment of £80m on 01 April 2019.

11 Investment in subsidiary undertakings

Subsidiaries	£m
Cost	
At 31 December 2017	<u>9,899</u>
At 31 December 2018	<u>9,899</u>
Impairment	
At 31 December 2017	(3,328)
Impairment (note 9)	<u>(651)</u>
At 31 December 2018	<u>(3,979)</u>
Carrying amount	
At 31 December 2018	<u><u>5,920</u></u>
At 31 December 2017	<u><u>6,571</u></u>

As mentioned in the Strategic Report, the principal activity is that of an investment holding company. At incorporation, the investment of £9,899m was the agreed transfer value for the shares in Lake Acquisitions Limited from EDF Energy Holdings Limited.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 Investment in subsidiary undertakings (continued)

The principal subsidiary undertakings at 31 December 2018, which are incorporated in the United Kingdom and are registered and operate in England and Wales, or Scotland (unless otherwise stated), are as follows:

Name of subsidiary	Principal activity	Proportion of ownership interest and voting rights held	
		2018	2017
Lake Acquisitions Limited (1)	Holding company	80%	80%
EDF Energy Nuclear Generation Group Limited*	Holding company	80%	80%
British Energy Bond Finance plc*	Financial activities	80%	80%
British Energy Limited*	Holding company	80%	80%
British Energy Generation (UK) Limited*	Holding company	80%	80%
British Energy Renewables Limited*	Investment company	80%	80%
Lochside Insurance Limited* (Guernsey) (3)	Insurance company	80%	80%
British Energy Trading and Sales Limited*	Holding company	80%	80%
British Energy International Holdings Limited*	Holding company	80%	80%
EDF Energy Nuclear Generation Limited* (2)	Power generation	80%	80%
EDF Energy Innovation Limited *	Provision of Innovation Services	80%	0%
British Energy Trustees Limited *	Financial activities	80%	80%

*indirectly held

(1) Registered Address: 90 Whitfield Street, London, England, W1T 4EZ

(2) Registered Address: Barnett Way, Barnwood, Gloucester, GL4 3RS

(3) Registered Address: PO Box 34, St Martin's House, Le Bordage, St Peter Port, Guernsey, Channel Islands, GY1 4AU

Unless stated otherwise, the registered address of the subsidiary undertakings listed above is EDF Energy, Gso Business Park, East Kilbride, Scotland, G74 5PG.

During 2018 British Energy Investment Limited, British Energy Finance Limited, British Energy Trading Services Limited, British Energy Technical Services Limited, British Energy Generation Limited, British Energy Group Limited, Hunterston Properties Limited, Stornoway Wind Power Limited, Eggborough Power (Holdings) Limited, Bruce Hydro Inc, Bruce Power Operating Corp, Lochside Energy Inc and British Energy Holdings Limited were placed in voluntary liquidation and subsequently dissolved.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 Trade and other receivables

	2018 £m	2017 £m
Other receivables	<u>2</u>	<u>1</u>

The other receivables are due from the ultimate parent company and approximate fair value. The receivable is unsecured, interest free and repayable on demand.

13 Share capital

Allotted, called up and fully paid shares

	No.	2018 £	No.	2017 £
Ordinary share of £1 each	1,000,001	1,000,001	1,000,001	1,000,001

The Company has one class of Ordinary shares which carry no right to fixed income.

14 Related party transactions

The Company has taken advantage of the exemption in FRS 101 Reduced Disclosure Framework from disclosing transactions with other members of the group, which would be required for disclosure under IAS 24.

Key management personnel for the Company are the Directors of the Company. Please refer to note 6 for details of their remuneration. There are no other transactions with key management personnel during the year (2017: none).

Amounts outstanding with other related parties at 31 December are disclosed in the relevant notes of the accounts.

15 Parent undertaking and controlling party

EDF Energy Holdings Limited holds a 100% interest in the Company and is considered to be the immediate parent company. EDF Energy Holdings Limited is the smallest group for which consolidated financial statements are prepared. Copies of that company's consolidated financial statements may be obtained from the registered address at 90 Whitfield Street, London, W1T 4EZ.

As at 31 December 2018, Électricité 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 group for which consolidated financial statements are prepared. Copies of that company's consolidated financial statements may be obtained from the registered address at Électricité de France SA, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.