EDF ENERGY LAKE LIMITED

REGISTERED NUMBER: 09200461

ANNUAL REPORT AND UNAUDITED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

CONTENTS

Directors	Robert Guyler Jean-Marc Lefeuvre Simone Rossi
Company secretary	Joe Souto
Registered office	90 Whitfield Street London England W1T 4EZ

STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 December 2021.

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.

Section 172 (1) Statement

The Directors are fully aware of their responsibilities to promote the success of the company in accordance with Section 172 of the Companies Act 2006. Further details on how the Directors' duties are discharged, and the oversight of these duties are included in the Directors Report.

The principal activity of the Company is to act as an investment holding company for Lake Acquisitions Limited and its subsidiaries within the wider EDF Energy Group (the Group).

The Company is non-trading, has no employees, customers or suppliers. As a result of this, the breadth of stakeholder and other considerations that would often apply to decision making for those operational companies within the Group have generally not applied to the decisions made by the Directors of the Company. The Board's decisions in the reporting year have been limited to approval of the Company's Annual Report & Financial Statements.

The main governance oversight board of the Group is EDFEH, the Company's sole shareholder, which frequently meets to discuss matters which are of strategic importance for the Group. For more information on these matters please consider the comprehensive s.172 Directors Duties Statement as detailed in the Consolidated Annual Report & Financial Statements (2021) EDFEH.

Review of the business
The loss before taxation for the year amounted to £845m (2020: loss of £1,002m) and after taxation for the year amounted to £845m (2020: loss of £1,002m), primarily as a result of the impairment of the Company's investment in subsidiary undertakings. The net assets at 31 December 2021 amounted to £3,932m (2020: £4,777m).

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.

STRATEGIC REPORT (CONTINUED)

Brexit
The United Kingdom (UK) left the European Union (EU) on 31 January 2020, entering into a Transition Period that ended on 31 December 2020. The EU-UK Trade and Cooperation Agreement (TCA), agreed on 24 December 2020, sets the basis for the EU-UK relationship from 1st January 2021.

EDF had identified the business risks arising from the UK's exit from the EU and was well prepared, enabling the business to manage most of the adverse impacts.

EDF believes that the risks are relatively low and are manageable in respect of issues specific to the electricity sector, including the longer-term relationship in the areas of energy trading, new interconnector trading arrangements and North Seas Co-operation.

The civil nuclear agreement, the EU-UK Nuclear Cooperation Agreement (NCA), is similar to other NCAs that the EU has signed with third countries. It will operate for an initial period of 30 years, providing a commitment to cooperation on civil nuclear, including safeguards, safety and security. It also provides a framework for trade in nuclear materials and technology, facilitates research and development, and enables exchange of information.

EDF will continue to work closely with UK Government and Trade Associations to monitor and adapt to the evolving EU-UK trade relationship as the new arrangements are fully implemented.

STRATEGIC REPORT (CONTINUED)

Going concern

After making enquiries and reviewing cash flow forecasts and available facilities for at least the next twelve months (including subsequent events), the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company has the ability to draw on 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, along with the support provided by other Group companies, which have been outlined in more detail elsewhere in the strategic report. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Approved by the Board and signed on its behalf by:

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Robert Guyler
Director
15 September 2022

DIRECTORS' REPORT

The Directors present their annual report and the financial statements for the year ended 31 December 2021.

Principal risks and uncertainties, principal activities, going concern and business review 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 Lefeuvre

Simone Rossi

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 17.

No Director (2020: none) 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

Dividends of £Nil were paid during the period (2020: £80m).

Political contributions

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

Future developments

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

Exemption from audit

For the year ending 31 December 2021 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Post balance sheet event

The impact of subsequent events is disclosed in note 18 of the financial statements.

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.

Approved by the Board and signed on its behalf by:

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Robert Guyler
Director
15 September 2022

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.

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £m	2020 £m
Impairment of subsidiary undertakings	6	(853)	(1,246)
Investment income	7	8	245
Finance costs	8	-	(1)
(Loss) before taxation		**(845)**	**(1,002)**
Taxation	9	-	-
(Loss) for the year		**(845)**	**(1,002)**

There were no recognised gains or losses during the current or prior period other than the profits/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.

BALANCE SHEET
AT 31 DECEMBER 2021

	Note	2021 £m	2020 £m
Non-current assets			
Financial assets	10	565	560
Investments in subsidiary undertakings	11	3,351	4,204
		3,916	4,764
Current assets			
Trade and other receivables	12	1	2
Cash and cash equivalents	13	18	14
		19	16
Total assets		3,935	4,780
Current liabilities			
Current tax liability		(3)	(3)
Net current assets		16	13
Total assets less current liabilities		3,932	4,777
Net assets		3,932	4,777
Capital and reserves			
Called up share capital	14	1	1
Retained earnings		3,931	4,776
Shareholder's funds		3,932	4,777

For the financial year ending 31 December 2021 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476; and
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The financial statements of EDF Energy Lake Limited (registered number: 09200461) on pages 6 to 22 were approved by the Board, authorised for issue and signed on its behalf by:

DocuSigned by:
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Robert Guyler
Director
15 September 2022
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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital £m	Retained earnings £m	Total £m
At 1 January 2020	1	5,858	5,859
Loss for the year	-	(1,002)	(1,002)
Dividends (note 15)	-	(80)	(80)
At 31 December 2020	1	4,776	4,777
Loss for the year	-	*(845)*	*(845)*
At 31 December 2021	1	3,931	3,932

NOTES TO THE UNAUDITED 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. The nature of the company's operations and its principal activities are set out in the strategic report on pages 1 to 2.

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.

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.

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 were prepared in accordance with FRS 101 Reduced Disclosure Framework.

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) 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; and
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.

Where relevant equivalent disclosures have been given in the group accounts which are available to the public as set out in note 17.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Going concern

After making enquiries and reviewing cash flow forecasts and available facilities for at least the next twelve months (including subsequent events), the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company has the ability to draw on 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, along with the support provided by other Group companies, which have been outlined in more detail elsewhere in the strategic report. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

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 future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividend income

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

Finance cost

Finance costs of debt are recognised in the income statement over the term of such instruments, at a constant rate on the carrying amount.

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.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

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 year

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.

Investment in subsidiaries

Subsidiary undertakings are those entities controlled by the company, and where the substance of the relationship between the company and the entity indicates that the entity is controlled by the company.

The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Considerations in the assessment of control include:

- the purpose and design of the entity;
- what the relevant activities are and how decisions about those activities are made;
- whether the rights of the company give it the current ability to direct the relevant activities;
- whether the company is exposed, or has rights, to variable returns from its involvement with the entity; and
- whether the entity has the ability to use its power over the investee to affect the amount of the investor's returns.

The company continues to assess whether it controls an entity if facts and circumstances indicate that there changes to the elements of control.

Investment in subsidiaries is recorded at cost and is subsequently assessed for indicators of impairment. If such factors exist, a detailed impairment test is carried out. Impairment is recognised in the income statement when the recoverable amount of the company's investment is lower than the carrying amount of the investment.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Upon disposal of the investment in the entity, the company measures the investment at its fair value. Any difference between the fair value of the company's investment and the proceeds of disposal is recognised in the income statement.

Financial instruments

Financial assets and liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through the profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through the profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial liability or a financial asset and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or asset or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial assets

The Company's financial assets are classified as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

(a) the company's business model for managing of financial assets and
(b) the contractual cash flow characteristics of financial asset

Financial assets measured at amortised cost

Financial assets are classified as measured at amortised cost if both the following conditions are met:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
(b) the contractual terms of financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value through other comprehensive income (FVOCI)
Financial assets are classified as measured at fair value through other comprehensive income if both the following conditions are met:

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

(a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets and
(b) the contractual terms of financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value through profit or loss (FVTPL)

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

Recognition of expected credit losses

The Company recognises a loss allowance for expected credit losses on a financial asset that is measured at amortised cost, measured at fair value through other comprehensive income, a lease receivable, a contract asset or a loan commitment and a financial guarantee contract to which impairment requirements apply.

At each reporting date, the Company measures the loss allowance for a financial instrument at an amount equal to lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. The expected credit losses are assessed considering all reasonable and supportable information, including that which is forward-looking.

If at the reporting date the credit risk on a financial instrument has not increased significantly since initial recognition, and entity shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. The amount of credit losses (or reversal) is recognised in profit or loss, as an impairment gain or loss at the reporting date.

De-recognition of financial assets

The Company de-recognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset along with substantially all the risks and rewards of ownership to a third party. On de-recognition of a financial asset in its entirety, the difference between the asset's carrying value, the sum of the consideration received and receivable, and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in the income statement.

Financial liabilities and equity
Financial liabilities as subsequently measured at amortised cost, except for:

(a) financial liabilities at fair value through profit or loss - these include derivatives that are liabilities which are subsequently measured at fair value.
(b) financial liabilities that arise when a transfer of a financial asset does not qualify for de-recognition or when continuing involvement applies.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

(c) financial guarantee contracts to which (a) or (b) does not apply are subsequently measured as the higher of - the amount of loss allowance determined, or, the amount initially recognised less the cumulative amount of income recognised.
(d) commitments to provide a loan at below market interest rate to which (a) or (b) does not apply are subsequently measured as the higher of - the amount of loss allowance determined, or, the amount initially recognised less the cumulative amount of income recognised.
(e) contingent consideration recognised as an acquirer in a business combination which is measured at fair value through profit or loss.

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.

Cash and cash equivalents

Cash and cash equivalents comprises cash at bank and in hand, including short term deposits with a maturity date of three months or less from the date of acquisition and restricted cash. The Company operates a cash concentration arrangement which physically offsets cash balances and overdrafts between subsidiary companies.

Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (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, 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.

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.

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.

Recoverability of investments
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 6.

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 costs

In 2021 and 2020, the Company utilised the exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. As such no amounts were paid to Deloitte (or any other auditor) in respect of the Company's annual accounts.

The Company had no employees in 2021 (2020: None).

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED)

5 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 17.

No Director (2020: none) held any interests in the shares or debentures of the Company or the Group required to be disclosed under the Companies Act 2006.

6 Impairment

	2021 £m	2020 £m
Impairment of subsidiary undertakings	(853)	(1,246)

In 2021, an impairment test was performed on the company's investment in the nuclear generation business. The recoverable value reflects the early closure decisions made in recent years for certain AGR plants, beginning with Hunterston, which was closed on 7 January 2022, and Hinkley Point B, to be closed no later than 15 July 2022, as announced by the Group on 27 August 2020 and 19 November 2020 respectively. It also includes the impact of the decision of 7 June 2021 to move Dungeness B AGR plant into defueling phase; Dungeness had been offline since September 2018 and has had continuous specific technical difficulties. The updated impairment test conducted at 31 December 2021 also considers the decision made in December 2021 to bring forward the end of generation for Torness and Heysham 2 from 31 March 2030 to 31 March 2028. The operating lifetimes of the two AGR plants at Hartlepool and Heysham 1 are still scheduled to end in 2024.

The Company has an 80% investment in Lake Acquisitions Limited, and as such the recoverable amount of its investment is calculated as £3,351m (2020: £4,204m), compared to a carrying value before impairment of £4,204m (2020: £5,450m). This has resulted in an impairment of £853m (2020: £1,246m). The value in use was estimated based on discounted cash flows over its expected useful life.

The main assumptions for the calculation were the discount rate, forward power prices and network grid costs. The discount rate was derived from an after-tax rate of 5.7% (2020: 6.0%). A 0.5% increase in discount rate from 5.7% to 6.2% leads to a £177m increase in impairment, while a decrease in discount rate of 0.5% reduces impairment by £195m.

7 Investment income

	2021 £m	2020 £m
Interest on intra group loans	3	5
Dividend income from investment	5	240
	8	245

Dividends of £5.3m (2020: £240m) were received from the Company's subsidiary Lake Acquisitions Limited.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED)

8 Finance costs

	2021 £m	2020 £m
Interest payable on loans from other Group companies	-	(1)

9 Tax

(a) Analysis of tax charge in the income statement

	2021 £m	2020 £m
Current tax		
UK corporation tax charge on profit/(loss) made in the year	-	-
Income tax charge reported in the income statement	-	-

(b) The tax on profit before tax for the year is higher than (2020: higher than) the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%).

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

	2021 £m	2020 £m
Loss before tax	(845)	(1,002)
Tax at the UK corporation tax rate of 19.00% (2020: 19.00%)	(161)	(191)
Effect of:		
Non-taxable dividends receivable	(1)	(46)
Non-deductible impairment	162	237
Total tax charge/(credit) reported in the income statement	-	-

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

The closing deferred tax balance at 31 December 2021 has been calculated at 25.20% (31 December 2020: 19.00%). This is the average tax rate at which the reversal of the net deferred tax liability is expected to occur.

10 Financial assets

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED)

10 Financial assets (continued)

	2021 £m	2020 £m
Current financial assets		
Loans to parent company	-	-
Non-current financial assets		
Loans to parent company	565	560

The loan to parent company accrues interest at 1 year LIBOR minus 0.05% 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 £576m.

On 29 June 2017, the above payment schedule totalling £576m was amended to £80m p.a. for 7 years until 1 April 2020, followed by payments of £5.3m p.a. for 3 years from 1 April 2021. The consequence of this arrangement is to restrict the ability to pay dividends to the Company's shareholders.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED)

11 Investment in subsidiary undertakings

Subsidiaries	**£m**
Cost	
At 31 December 2020	9,899
At 31 December 2021	9,899
Impairment	
At 31 December 2020	(5,695)
Impairment (Note 6)	(853)
At 31 December 2021	(6,548)
Carrying amount	
At 31 December 2021	3,351
At 31 December 2020	4,204

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.

The principal subsidiary undertakings at 31 December 2021, 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**	
		2021	**2020**
Lake Acquisitions Limited (1)	Holding company	80%	80%
EDF Energy Nuclear Generation Group Limited*	Holding company	80%	80%
British Energy Bond Finance Limited*	Financial activities	80%	80%
British Energy Limited*	Holding company	80%	80%
British Energy Generation (UK) Limited*	Holding company	80%	80%
Lochside Insurance Limited* (Guernsey) (3)	Insurance 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 * (1)	Provision of Innovation Services	80%	80%
British Energy Trustees Limited *	Financial activities	80%	80%
BEGG Trustee Limited*	Dormant Company	80%	80%

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED)

11 Investment in subsidiary undertakings (continued)
*indirectly held

(1) Registered Address: 90 Whitfield Street, London, England, WIT 4EZ
(2) Registered Address: Barnett Way, Barnwood, Gloucester, GL4 3RS
(3) Registered Address: PO Box 155, Mill Court, La Charroterie, St Peter Port, Guernsey, GY1 4ET.

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

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

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

12 Trade and other receivables

	2021	**2020**
	£m	**£m**
Other receivables	1	2

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED)

13 Cash and cash equivalents

	2021	2020
	£m	£m
Short-term deposits	18	12
Cash pooling with Group Companies	-	2
	18	14

The Company participates in cash pooling with EDF S.A. The balance of cash pooled with the ultimate parent as at 31 December 2021 is £Nil (2020: £12m). Short term deposits are placed with EDF S.A. for varying periods up to 12 months and earn interest at the respective short-term deposit rate.

14 Share capital
Allotted, called up and fully paid shares

	2021		2020	
	No.	£	No.	£
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.

15 Dividends paid

	2021	2020
	£m	£m
Ordinary dividends on equity shares	-	80

No dividend was paid in the year to EDF Energy Holdings Limited (2020: £80m). The dividends per share for 2021 were £Nil (2020: £80).

16 Related party transactions
The Company has taken advantage of the exemption in FRS 101 Reduced Disclosure Framework from disclosing transactions with other wholly owned 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 5 for details of their remuneration. There are no other transactions with key management personnel during the year (2020: none).

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED)

17 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 2021, 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.

18 Post balance sheet event

The £565m upstream loan from EDF Energy Lake Limited to EDF SA increased to £2.8bn in January 2022 as part of the pensions consolidation loan restructure, in addition to EDF Energy Lake Limited increasing its borrowing through a £900m facility from EDF Energy Limited and a £1.334bn facility from EDF SA.