

# EDF ENERGY NUCLEAR GENERATION GROUP LIMITED

REGISTERED NUMBER: SC270184

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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**EDF ENERGY NUCLEAR GENERATION GROUP LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2019**

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**Directors**

Humphrey Cadoux-Hudson  
Stuart Crooks  
Robert Guyler  
Alain Litaudon  
Simone Rossi  
Joseph Sanchez  
Richard Hookway  
Deborah Roy-Gautier  
Stanislas Martin  
Matthew Sykes

**Company secretary** Sarah Merritt

**Auditor**

Deloitte LLP  
Hill House  
1 Little New Street  
London  
United Kingdom  
EC4A 3TR

**Registered office**

EDF Energy  
GSO Business Park  
East Kilbride  
Scotland  
G74 5PG

**EDF ENERGY NUCLEAR GENERATION GROUP LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
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**STRATEGIC REPORT**

The Directors present their Strategic Report for the year ended 31 December 2019.

**Principal activity**

The principal activity of EDF Energy Nuclear Generation Group Limited (the "Company") during the year continued to be to act as a holding company for British Energy Bond Finance Limited and its subsidiaries, which own and operate eight nuclear power stations in the United Kingdom. It will continue with this activity for the foreseeable future.

**Review of the business**

The profit for the year before taxation amounted to £2,063m (2018: £924m loss) and the profit after taxation amounted to £2,063m (£2018: £907m loss). This is primarily driven by investment income of £2,650m received as an internal dividend from British Energy Bond Finance Limited (2018: £nil).

The net assets of the Company at 31 December 2019 amount to £3,783m (2018: £1,769m). The increase in assets was as a result of the profit earned in the year and the dividends of £50m paid in the year. Whilst the Company currently has net current liabilities of £2,991m (2018: £5,591m), these liabilities are owed to other Group companies who have confirmed that they will not recall these amounts.

EDF Energy Holdings Limited (the "Group") indirectly holds an 80% interest in EDF Energy Nuclear Generation Group Limited which 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, and future likely developments of the business are discussed in the Group's Annual Report which does not form part of this report.

**EDF ENERGY NUCLEAR GENERATION GROUP LIMITED**  
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**STRATEGIC REPORT (CONTINUED)**

**Principal risks and uncertainties**

The future prospects of the Company are dependent on the performance of its investment in its subsidiaries. The investment in British Energy Bond Finance Limited has been reviewed and the carrying value as at 31 December 2019, following an impairment being recognised in the year, is considered to be recoverable based on the forecast performance of the British Energy Bond Finance Limited group of companies.

The main financial risks faced by the Company through its normal business activities are liquidity risk and interest risk. These risks and the Company's approach to dealing with them are described below:

Liquidity risk is the risk that the proceeds from financial assets, including investments in subsidiaries, are not sufficient to fund the obligations arising from liabilities as they fall due. The Company's exposure to liquidity risk is reduced due to all current liabilities being within the Group.

**EU Referendum**

The United Kingdom (UK) voted to leave the membership of the European Union (EU) on 23 June 2016. Following the vote to leave, a Withdrawal Agreement (WA) and Political Declaration (PD), setting out the framework for the future relationship between the European Union and UK after the UK's exit from the European Union and Euratom, were agreed in November 2018 but were subsequently revised in October 2019. The revised Agreements (WA and PD) were subsequently approved by both the UK Parliament and the EU institutions in January 2020 and the UK officially left the EU on 31 January 2020.


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 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 note 5.

**Going concern**

The Directors have made enquiries and reviewed cash flow forecasts and available facilities for at least the next twelve months (including subsequent events and the impact of COVID-19 (note 18)). Additionally, British Energy Bond Finance Limited has agreed not to recall amounts advanced to the Company if it would impact on the ability of the Company to continue trading and meet other liabilities as they fall due.

Taking this all into account, 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 and 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:

DocuSigned by:  
  
.....A1F6836592A941E.....  
Robert Guyler  
Director

18 June 2020

**EDF ENERGY NUCLEAR GENERATION GROUP LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
YEAR ENDED 31 DECEMBER 2019**

**DIRECTORS' REPORT**

The Directors present their annual report and the audited financial statements for the year ended 31 December 2019.

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

**Directors**

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

Humphrey Cadoux-Hudson

Stuart Crooks

Robert Guyler

Alain Litaudon

Simone Rossi

Joseph Sanchez

Richard Hookway

Deborah Roy-Gautier (appointed 1 November 2019)

Stanislas Martin (appointed 25 June 2019)

Matthew Sykes (appointed 2 December 2019)

Lisa Minns (appointed 25 June 2019 and resigned 25 June 2019)

Marie-Sylvie Collet (resigned 31 October 2019)

Jean-Michel Quilichini (resigned 1 April 2019)

Brian Cowell (resigned 2 December 2019)

No Director is employed by or had a service contract with the Company during the year. Richard Hookway is employed by and have service contracts with Centrica plc, a minority shareholder of the Company's immediate parent company Lake Acquisitions Limited. The remaining Directors are employed by and have service contracts with associated companies within the Électricité de France SA group. No portion of their remuneration can be specifically attributed to their services to the Company.

No director (2018: 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 £50m were paid in the year (2018: £100m).

**Political donations**

The Company made no political donations in the current year (2018: £nil).

**Future developments**

The likely 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 which were made during the financial year and remain in force at the date of this report.

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**DIRECTORS' REPORT (CONTINUED)**

**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.


**Events since the balance sheet date**

Subsequent events including the impact of Covid-19 are disclosed in note 18 of the financial statements.

**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 2020 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 and signed on its behalf by:

DocuSigned by:  
  
81F6836592A0415.....  
Robert Guyler  
Director

18 June 2020

**EDF ENERGY NUCLEAR GENERATION GROUP LIMITED  
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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 NUCLEAR GENERATION GROUP LIMITED  
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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDF ENERGY NUCLEAR  
GENERATION GROUP LIMITED**

**Report on the audit of the financial statements**

**Opinion**

In our opinion the financial statements of EDF Energy Nuclear Generation Group Limited (the 'company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit 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 in Equity; and
- the related notes 1 to 18.

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 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 NUCLEAR GENERATION GROUP LIMITED  
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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDF ENERGY NUCLEAR  
GENERATION GROUP 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDF ENERGY NUCLEAR  
GENERATION GROUP 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 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.

**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

18 June 2020

**EDF ENERGY NUCLEAR GENERATION GROUP LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
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**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £ m	2018 £ m
Impairment	5	(587)	(833)
<b>Loss before taxation and finance costs</b>		<b>(587)</b>	<b>(833)</b>
Income from investment	6	2,650	-
Finance costs	7	-	(91)
<b>Profit/(Loss) before taxation</b>		<b>2,063</b>	<b>(924)</b>
Taxation	9	-	17
<b>Profit/(Loss) for the year</b>		<b>2,063</b>	<b>(907)</b>

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

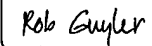
The above results were derived from continuing operations in both the current and prior year.

**EDF ENERGY NUCLEAR GENERATION GROUP LIMITED**  
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**BALANCE SHEET**  
**AT 31 DECEMBER 2019**

	Note	2019 £ m	2018 £ m
<b>Non-current assets</b>			
Investments in subsidiary undertakings	11	6,773	7,360
<b>Current assets</b>			
Financial asset	12	5	5
Current tax asset		<u>40</u>	<u>40</u>
		<u>45</u>	<u>45</u>
<b>Total assets</b>		6,818	7,405
<b>Current liabilities</b>			
Other liabilities	13	<u>(3,036)</u>	<u>(5,636)</u>
Net current liabilities		<u>(2,991)</u>	<u>(5,591)</u>
<b>Total liabilities</b>		<u>(3,036)</u>	<u>(5,636)</u>
<b>Net assets</b>		<u>3,782</u>	<u>1,769</u>
<b>Capital and reserves</b>			
Called up share capital	14	161	161
Share premium reserve		65	65
Capital redemption reserve		767	767
Retained earnings		<u>2,789</u>	<u>776</u>
Shareholders' funds		<u>3,782</u>	<u>1,769</u>

The financial statements of EDF Energy Nuclear Generation Group Limited (registered number SC270184) on pages 9 to 25 were approved by the Board, authorised for issue and signed on its behalf by:

DocuSigned by:  
  
 .....81F6838592A841E.....  
 Robert Guyler  
 Director

18 June 2020

**EDF ENERGY NUCLEAR GENERATION GROUP LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
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**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £ m	Share premium £ m	Capital redemption reserve £ m	Retained earnings £ m	Total £ m
At 1 January 2018	161	65	767	1,783	2,776
Loss for the year	-	-	-	(907)	(907)
Dividends (note 10)	-	-	-	(100)	(100)
At 31 December 2018	161	65	767	776	1,769
Profit for the year	-	-	-	2,063	2,063
Dividends (note 10)	-	-	-	(50)	(50)
At 31 December 2019	161	65	767	2,789	3,782

**EDF ENERGY NUCLEAR GENERATION GROUP LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS**

**1 General information**

EDF Energy Nuclear Generation Group Limited is a private company limited by shares. It is incorporated in the United Kingdom under the Companies Act 2006 and is registered in Scotland. 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 were prepared in accordance with FRS 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 all the years 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.

**EDF ENERGY NUCLEAR GENERATION GROUP LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 Accounting policies (continued)**

**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;
- 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;
- k) the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases; and
- l) the requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

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

**Going concern**

As set out in the Strategic Report, after making enquiries and reviewing cash flow forecasts and available facilities for at least the next 12 months (including subsequent events and the impact of COVID-19 (note 18)), 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 this report. For this reason the Directors adopt the going concern basis in preparing the financial statements.

**Exemption from preparing group accounts**

The financial statements contain information about EDF Energy Nuclear Generation Group 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 EDF Energy Holdings Limited, a company incorporated in United Kingdom.

**EDF ENERGY NUCLEAR GENERATION GROUP LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 Accounting policies (continued)**

**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.

**Finance costs**

Finance charges are accounted for on an accruals basis in the income statement based upon contracted rates.

**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 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.



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 Accounting policies (continued).**

**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.

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."

**EDF ENERGY NUCLEAR GENERATION GROUP LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 Accounting policies (continued)**

**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.

**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 group 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.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 Accounting policies (continued)**

**Impairment of non-financial assets**

At each balance sheet date, the Company 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 Company 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.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**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 and forward power prices. Further detail on the assumptions used and sensitivity analysis in the calculation can be found in note 5.

***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 2019 an amount of £9,494 (2018: £11,970) was paid to Deloitte LLP for audit services. This charge was borne by another Group company in both the current and prior year. In 2019 no non-audit services were provided to the Company (2018: £nil).

The Company had no employees in the year ended 31 December 2019 (2018: None).

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**5 Impairment**

	2019 £ m	2018 £ m
Impairment of subsidiary undertakings	<u>(587)</u>	<u>(833)</u>

In 2019, an impairment test was performed on the Company's investment the nuclear generation business as the extended outages and potential change around return to service for Hunterston B and Dungeness represents an impairment trigger.

An impairment test was performed which gave a recoverable amount of the nuclear generation business of £6,813m based on its value in use, compared to a carrying value of £7,400m. This has resulted in an impairment of £587m in the period. The value in use was estimated based on discounted cash flows over its expected useful life, including the prevailing current tax asset. The main assumptions used for the calculation were the discount rate of 6.0% (2018: 6.3%), forward power prices and network grid costs. A 0.5% increase in discount rate from 6.0% to 6.5% leads to a £308m increase in impairment, while a decrease in discount rate of 0.5% reduces impairment by £340m.

**6 Investment income**

	2019 £ m	2018 £ m
Income from investment	<u>2,650</u>	<u>-</u>

**7 Finance costs**

	2019 £ m	2018 £ m
Interest payable on loans from other Group companies	<u>-</u>	<u>91</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**8 Directors' remuneration**

All Directors are employees of associated EDF companies or Centrica plc.

The Directors did not receive any remuneration from the Company for their services during the year or preceding year. Simone Rossi, Robert Guyler, Stuart Crooks and Matt Sykes were paid by associated EDF companies for services to the EDF Energy (UK) Limited group. Simone Rossi and Robert Guyler's emoluments are included in EDF Energy Holdings Limited's financial statements for the year ended 31 December 2019. Richard Hookway is paid by Centrica plc for his services and his emoluments are included in Centrica plc's Annual Report and Accounts for the year ended 31 December 2019. Humphrey Cadoux-Hudson, Stanislas Martin, Deborah Roy-Gautie, Alain Litaudon and Joseph Sanchez are employed by and have service contracts with associated companies within the Électricité de France SA group.

No Director (2018: 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.

**9 Tax on profit**

(a) Tax credited in the income statement

	2019 £ m	2018 £ m
<b>Current taxation</b>		
UK corporation tax credit on loss made in the year	-	17
Total current tax credit in the year	-	17
Income tax credit reported in the income statement	-	17

(b) The tax on profit before tax for the year is lower than (2018: lower than) the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%).

The credit for the year can be reconciled to the income statement as follows:

	2019 £ m	2018 £ m
Profit/(loss) before tax	2,063	(924)
Tax at the UK corporation tax rate of 19% (2018: 19.00%)	392	(176)
Non-taxable dividends receivable	(504)	-
Non-deductible impairment	112	159
Total tax credit	-	17

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**9 Tax on profit (continued)**

(c) Other factors affecting the tax credit 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%.

**10 Dividends**

	<b>2019</b>	<b>2018</b>
	<b>£m</b>	<b>£m</b>
Ordinary dividends on equity shares	<u>50</u>	<u>100</u>

Dividends per share for the period was 3.1p (2018: 6.2p).

**11 Investment in subsidiary undertakings**

<b>Cost</b>	<b>£m</b>
At 1 January 2018	8,193
Impairment	<u>(833)</u>
At 31 December 2018	7,360
Impairment (note 5)	<u>(587)</u>
At 31 December 2019	<u>6,773</u>
<b>Carrying amount</b>	
At 31 December 2019	<u><b>6,773</b></u>
At 31 December 2018	<u>7,360</u>

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**11 Investment in subsidiary undertakings (continued)**

The subsidiary undertakings at 31 December 2019, 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	
		%	%
British Energy Bond Finance Limited	Financial activities	100%	100%
British Energy Limited *	Holding company	100%	100%
British Energy Generation (UK) Limited *	Holding company	100%	100%
British Energy International Holdings Limited *	Holding company	100%	100%
EDF Energy Nuclear Generation Limited (1) *	Power generation	100%	100%
Lochside Insurance Limited (Guernsey) (2) *	Insurance company	100%	100%
British Energy Trustees Limited *	Financial activities	100%	100%

\*indicates indirect investment of EDF Energy Nuclear Generation Group Limited

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

(2) Registered Address: PO Box 34, St Martin's House, Le Bording, 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.

**12 Financial assets**

	2019 £ m	2018 £ m
<b>Current financial assets</b>		
Loan to parent company	<u>5</u>	<u>5</u>

The loan to parent company is interest free and repayable on demand.

**13 Other liabilities**

	2019 £m	2018 £m
Amounts owed to other group companies	<u>3,036</u>	<u>5,636</u>

Amounts owed to other group companies are owed solely to British Energy Bond Finance limited and are repayable on demand and accrued no interest (2018: 3 month LIBOR plus 0.87%).



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**14 Called up share capital**

**Allotted, called up and fully paid shares**

	No.	2019 £m	No.	2018 £m
Ordinary shares of £0.10 each	1,607,494,287	161	1,607,494,287	161
Special rights redeemable preference shares of £1 each	1	-	1	-
	<u>1,607,494,288</u>	<u>161</u>	<u>1,607,494,288</u>	<u>161</u>

**Special rights redeemable preference share of £1**

The Special Share is redeemable at par at any time after 30 September 2006 at the option of the Secretary of State, after consulting the Company. 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 the Company 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 the Company's Articles of Association relating to the Special Share and to the limitations on shareholdings.

In addition, consent of the holder of the Special Share is required in relation to, amongst others, certain amendments to the Articles of Association of British Energy Limited, EDF Energy Nuclear Generation Limited or British Energy Generation (UK) Limited, or a disposal by the Company 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.

**15 Contingent liabilities**

The Company has given certain indemnities and guarantees in respect of its subsidiary undertakings. No losses are anticipated to arise under these indemnities and guarantees, provided relevant subsidiary undertakings continue on a going concern basis.

The Company has given a guarantee and indemnity to the Secretary of State for Business, Innovation and Skills and the Nuclear Liabilities Fund along, with a number of other Group companies in respect of their compliance with, among other agreements, the Nuclear Liabilities Funding Agreement.

The Company has provided a debenture comprising fixed and floating charges to the Secretary of State for Business, Innovation and Skills and the Nuclear Liabilities Fund, along with a number of other Group companies, in respect of any decommissioning default payment.

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**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. Amounts outstanding with other related parties at 31 December are as follows:

**Amounts owed by related parties**

	<b>Parent</b>
	<b>£m</b>
<b>2019</b>	<b>5</b>
Loans owed by related parties	<u>5</u>
	<b>Parent</b>
	<b>£m</b>
<b>2018</b>	<b>5</b>
Loans owed by related parties	<u>5</u>

**Amounts owed to related parties**

	<b>Subsidiary</b>
	<b>£m</b>
<b>2019</b>	<b>3,036</b>
Amounts owed to other group companies	<u>3,036</u>
	<b>Subsidiary</b>
	<b>£m</b>
<b>2018</b>	<b>5,636</b>
Amounts owed to other group companies	<u>5,636</u>

**17 Parent undertaking and controlling party**

Lake Acquisitions 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 office at 90 Whitfield Street, London, England, W1T 4EZ.

At 31 December 2019, 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 office at Électricité de France SA, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**18 Post balance sheet events**

A dividend of £100m was paid to Lake Acquisitions Limited on 1 April 2020.

**Covid-19**

Since the year-end significant economic and social disruption has arisen from the Covid 19 pandemic. EDF's priorities are the safety and wellbeing of our people and customers, maintaining access to energy and gas for our customers, keeping our power stations running safely, protecting Hinkley Point C and supporting the most directly exposed businesses, vulnerable people and supply chain. Since the beginning of the pandemic, the Group has offered support to all its customers and specifically the most vulnerable ones by offering special measures. EDF is as well engaging with its suppliers to ensure that service levels can continue to be maintained throughout a prolonged pandemic. The Group is managing the impact of Covid 19, utilizing business continuity and resilience processes where appropriate.

The Group's critical functions have been adapted to ensure appropriate measures in the nuclear power station and Hinkley Point C, allow a maximum of employees to work from home (including call center employees) and redeploy the smart metering engineers to help in the local community. The Group IT system has been leveraged in order to support the transition in a most efficient way, time and to protect our systems against cyber threats. The Group is following the guidance and discussing on a regular basis with the Government on the pandemic evolution and deployment of appropriate policies and actions.

The overall financial impact of Covid-19 is being estimated at this time.