EDF ENERGY NUCLEAR GENERATION GROUP LIMITED

REGISTERED NUMBER: SC270184

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

CONTENTS

Directors
Humphrey Cadoux-Hudson
Stuart Crooks
Robert Guyler
Alain Litaudon
Marie-Sylvie Collet
Simone Rossi
Brian Cowell
Joseph Sanchez
Richard Hookway

Company secretary Sarah Merritt

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

Registered office
GSO Business Park
East Kilbride
Scotland
G74 5PG

STRATEGIC REPORT

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

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 plc and its subsidiaries (the "Group"), 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 loss for the year before taxation amounted to £924m (2017: £58m) and the loss after taxation amounted to £907m (2017: £47m). This is primarily driven by an investment impairment of £833m (2017: nil).

The net assets of the Company at 31 December 2018 amount to £1,769m (2017: £2,776m). The reduction in the net assets is as a result of the losses incurred in the year and the dividends of £100m paid in the year. Whilst the Company currently has net current liabilities of £5,591m (2017: £5,417m), these liabilities are owed to other Group companies who have confirmed that they will not recall these amounts.

The Directors monitor the operational performance of the Company within the wider Group and therefore the main Group operational key performance indicators are described below.

The nuclear generation fleet produced 59.1TWh during 2018, 4.8TWh less than 2017 (63.9TWh). The reduction in output is largely due to; the extension of graphite inspection outages at Hunterston B, extension of the 2017 Sizewell B statutory outage into 2018 in order to repair steam generator drains, extension of the Dungeness B statutory outage in order to repair corroded cooling water pipework and cracked steam pipework, an additional statutory outage (other than the Sizewell B outage extension) offset by lower refuelling losses and smaller unplanned losses.

The Group remains committed to safety and environmental excellence and has continued its efforts to embed a culture of operational safety and excellence through investment in its people and working practices.

The actual and potential significance of individual nuclear events is measured against the International Nuclear Event Scale ("INES"). These are categorised between Level 0, which has no safety significance and Level 7 which represents a major accident. In 2018 there were eight events rated at Level 1, which represents events that have no impact on safety to the general public or our workforce, compared with seven in 2017.

There were nine lost time injuries during 2018, up from four in the previous year, and the total number of recordable injuries (including medical treatment and restricted work injuries) increased from nine in 2017 to nineteen in 2018.

Similar to 2017, there were no environmental events during 2018.

The Group also uses a more stringent measure for monitoring injuries and environmental events in order to highlight precursors and thereby enable early action to be taken.

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 plc has been reviewed and the carrying value as at 31 December 2018, following an impairment being recognised in the year, is considered to be recoverable based on the forecast performance of the British Energy Bond Finance plc 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.

Interest risk is the exposure to interest rate fluctuations on its borrowings. The Company's exposure to interest risk is reduced due to all interest being within the Group.

EU Referendum

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

Going concern

The Directors have made enquiries and reviewed cash flow forecasts and available facilities for at least the next twelve months. Additionally, British Energy Bond Finance plc 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 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:

....
Robert Guyler
Director

23 April 2019

DIRECTORS' REPORT

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

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

Directors

The Directors who held office during the year were as follows:
Humphrey Cadoux-Hudson
Stuart Crooks
Robert Guyler
Alain Litaudon
Marie-Sylvie Collet
Simone Rossi
Brian Cowell
Joseph Sanchez (appointed 1 August 2018)
Richard Hookway (appointed 1 December 2018)
Michel Buisset (resigned 29 June 2018)
Vincent Mark Hanafin (resigned 30 November 2018)
Jean-Michel Quilichini (resigned 1 April 2019)

No Director is employed by or had a service contract with the Company during the year. Vincent Mark Hanafin and Richard Hookway are 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 (2017: 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 £100m were paid in the year (2017: £287m).

Political donations

The Company made no political donations in the current year (2017: £nil).

Future developments

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

Post balance sheet events

On 17th January 2019, the Company paid a £50m dividend to Lake Acquisitions Limited. There is no material impact to the accounts.

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.

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.

Reappointment of auditor

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

Approved by the Board and signed on its behalf by:

....

Robert Guyler
Director

23 April 2019

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.

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:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework" and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of EDF Energy Nuclear Generation Group Limited (the 'Company') which comprise:

- the Income Statement;
- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 17.

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.

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

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDF ENERGY NUCLEAR GENERATION GROUP LIMITED (CONTINUED)

Opinion on other matter prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
  the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a Strategic Report.

We have nothing to report in respect of these matters.

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

London, United Kingdom

23 April 2019

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £ m	2017 £ m
Impairment	9	(833)	-
Loss before taxation and finance costs		**(833)**	-
Finance costs	5	(91)	(58)
Loss on ordinary activities before taxation		**(924)**	(58)
Taxation	7	**17**	11
Loss for the year		**(907)**	(47)

There were no recognised gains or losses during the current or prior year other than the 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.

BALANCE SHEET
AT 31 DECEMBER 2018

	Note	2018 £ m	2017 £ m
Non-current assets			
Investments in subsidiary undertakings	10	7,360	8,193
Current assets			
Financial asset	11	5	-
Current tax asset	7	40	34
		45	34
Total assets		7,405	8,227
Current liabilities			
Other liabilities	12	(5,636)	(5,451)
Net current liabilities		(5,591)	(5,417)
Total liabilities		(5,636)	(5,451)
Net assets		1,769	2,776
Capital and reserves			
Called up share capital	13	161	161
Share premium reserve		65	65
Capital redemption reserve		767	767
Retained earnings		776	1,783
Shareholders' funds		1,769	2,776

The financial statements of EDF Energy Nuclear Generation Group Limited (registered number SC270184) on pages 9 to 23 were approved by the Board, authorised for issue and signed on its behalf by:

....
Robert Guyler
Director

23 April 2019

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

	Called up share capital £ m	Share premium £ m	Capital redemption reserve £ m	Retained earnings £ m	Total £ m
At 1 January 2017	161	65	767	2,117	3,110
Loss for the year	-	-	-	(47)	(47)
Dividends (note 8)	-	-	-	(287)	(287)
At 31 December 2017	161	65	767	1,783	2,776
Loss for the year	-	-	-	(907)	(907)
Dividends (note 8)	-	-	-	(100)	(100)
At 31 December 2018	161	65	767	776	1,769

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.

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".

Changes in accounting policy

Adoption of new and revised International Financial Reporting Standards

The following have been applied for the first time from 1 January 2018 and have had an effect on the financial statements:

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 "Revenue from Contracts with Customers" became applicable on 1 January 2018. The Company has applied the full retrospective approach, which has no impact on opening equity. There have been no changes to the accounting treatment as a result of the adoption of IFRS 15.

IFRS 9 - Financial Instruments

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

IFRS 16 - Leases

IFRS 16 "Leases" was adopted by the European Union on 31 October 2017 and will be mandatory for financial years beginning on or after 1 January 2019. IFRS 16 requires all leases other than short-term leases and leases of low-value assets to be recognised in the lessee's balance sheet in the form of a "right-of-use" asset, with a corresponding financial liability. Contracts classified as "operating leases" are currently reported as off-balance sheet items.

The Company intends to apply this standard retrospectively from 1 January 2019 without restating the figures for the comparative periods (modified retrospective approach).

Based on work performed to date, application of IFRS 16 to the Company's financial statements as at 31 December 2018 would have no impact.

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.

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 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
c) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
d) the requirements of IAS 7 Statement of Cash Flows;
e) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
f) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
g) 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
h) 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.
i) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

Where relevant, equivalent disclosures have been given in the Group accounts which are available to the public as set out in note 16.

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, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. This judgement has been formed taking into account the principal risks and uncertainties that the Company faces, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

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.

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.

2 Accounting policies (continued)

Financial assets
Financial assets are classified as financial assets subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss (FVTPL) on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

A financial asset shall be measured at amortised cost if both the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through other comprehensive income if both the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

An irrevocable election is made at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

Financial assets at FVTPL are stated at fair value with any gains or losses on remeasurement recognised in profit or loss.
Financial assets other than those at FVTPL are tested for impairment at the end of each reporting period. The financial asset impairment is measured as the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

The Company de-recognises a financial asset when the contractual rights to the cashflows 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 and 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 profit or loss.

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

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.

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 reviews the recoverability of investments on an annual basis where there is an indicator of impairment. The impairment review involves a number of assumptions including discount rates, output values, asset lives and forward power prices.

Critical judgements in applying accounting policies

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

4 Operating profit

In 2018 an amount of £11,970 (2017: £15,375) was paid to Deloitte LLP for audit services. This charge was borne by another Group company in both the current and prior year. In 2018 no non-audit services were provided to the Company (2017: £nil).

The Company had no employees in the year ended 31 December 2018 (2017: None).

5 Finance costs

	2018 £ m	2017 £ m
Interest payable on loans from other Group companies	91	58

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 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 Brian Cowell 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 2018. Vincent Mark Hanafin and Richard Hookway are paid by Centrica plc for their services and their emoluments are included in Centrica plc's Annual Report and Accounts for the year ended 31 December 2018. Humphrey Cadoux-Hudson, Michel Buisset, Marie-Sylvie Collet, Jean-Michel Quilichini, Alain Litaudon and Joseph Sanchez are employed by and have service contracts with associated companies within the Électricité de France SA group.

No Director (2017: 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.

7 Tax on loss

(a) Tax credited in the income statement

	2018 £ m	2017 £ m
Current taxation		
UK corporation tax credit on loss made in the year	17	11
Total current tax credit in the year	17	11
Income tax credit reported in the income statement	17	11

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

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

	2018 £ m	2017 £ m
Loss before tax	924	58
Tax at the UK corporation tax rate of 19.00% (2017: 19.25%)	176	11
Non-deductible impairment	(159)	-
Total tax credit	17	11

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 Tax on loss (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%.

8 Dividends

	2018 £ m	2017 £ m
Ordinary dividends on equity shares	100	287

Dividends per share for the period was 6.2p (2017: 17.9p).

9 Impairment

	2018 £ m	2017 £ m
Impairment	(833)	-

In 2018, an impairment test was performed in EDF Energy Nuclear Generation Group Limited for the nuclear generation business due to falling power prices which was considered an impairment trigger. This gave a recoverable amount of the nuclear generation business of £7,400m based on its fair value, compared to a book value of £8,233m. This has resulted in an impairment of £833m in the period. The fair value 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 and forward power prices. The discount rate was derived from an after-tax rate of 6.3% (2017: 6.3%).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Investment in subsidiary undertakings

	£ m
Cost	
At 1 January 2017 and 31 December 2017	8,193
Impairment	(833)
At 31 December 2018	7,360
Carrying amount	
At 31 December 2018	7,360
At 1 January 2017	8,193

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

Name of subsidiary	Principal activity	Proportion of ownership interest and voting rights held	
		%	%
British Energy Bond Finance plc	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%
British Energy Renewables Limited*	Investment company	100%	100%
British Energy Trading and Sales 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 Bordage, St Peter Port, Guernsey, Channel Islands, GY1 4AU.

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

10 Investment in subsidiary undertakings (continued)

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

11 Financial assets

	2018 £ m	2017 £ m
Current financial assets		
Loans to parent company	5	-

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

12 Other liabilities

	2018 £ m	2017 £ m
Amounts owed to other Group companies	5,636	5,451

Amounts owed to British Energy Bond Finance plc are repayable on demand and accrue interest at 3 month LIBOR plus 0.87% in the current year (2017: 3 month LIBOR plus 0.73%).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 Called up share capital

Allotted, called up and fully paid shares

	No.	2018 £m	No.	2017 £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	-
	1,607,494,288	161	1,607,494,288	161

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.

14 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 Related party transactions

The Company has taken advantage of the exemption in FRS 101 "Reduced Disclosure Framework" from disclosing transactions with other members of the Group, which would be required for disclosure under IAS 24. Amounts outstanding with other related parties at 31 December are as follows:

Amounts owed by related parties

	Parent
2018	**£ m**
Loans owed by related parties	5

	Parent
2017	**£ m**
Loans owed by related parties	-

Amounts owed to related parties

	Subsidiary
2018	**£ m**
Amounts owed to other Group companies	5,636

	Subsidiary
2017	**£ m**
Amounts owed to other Group companies	5,451

16 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 2018, Électricité de France SA, a company incorporated in France, is regarded by the Directors as the Company's ultimate parent company and controlling party. This is the largest group for which consolidated financial statements are prepared. Copies of that company's consolidated financial statements may be obtained from the registered office at Électricité de France SA, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.

17 Post balance sheet events

On 17th January 2019, the Company paid a £50m dividend to Lake Acquisitions Limited. There is no material impact to the accounts.