

EDF ENERGY NUCLEAR GENERATION GROUP LIMITED

REGISTERED NUMBER: SC270184

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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EDF ENERGY NUCLEAR GENERATION GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020

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

Company secretary Susan Lind

Auditor Deloitte LLP
Hill House
1 Little New Street
London
England
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Registered office EDF Energy
GSO Business Park
East Kilbride
Scotland
G74 5PG

**EDF ENERGY NUCLEAR GENERATION GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020**

STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 December 2020.

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.

Section 172 (1) Statement

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

The Company, as an intermediate holding company, has no employees, customers or suppliers and as such, the directors primarily consider the interests of the shareholder, Lake Acquisitions Limited with regard to performing their duties on matters set out under Section 172 of the Companies Act 2006. The key board decisions approved during the year related to oversight of the EDF Energy Nuclear Generation Limited (ENGL) business and included the lifetime strategy for ENGL's nuclear power stations in particular with regard to the end of generation decisions for Hunterston B power station and Hinkley Point B power station; the payment of dividends; the potential land transfer to facilitate nuclear new build at Sizewell C and approval of the annual report and were in line with the strategic goals of both the Company and the parent company and these are set out below in the 'Impact on Principal Decisions' section.

Impact on Principal Decisions

The Board is an oversight board, with its primary function being the oversight body for the ENGL business and advising the ENGL Board, on the findings resulting from its oversight role. The Board is committed to ensuring that high standards of corporate governance are maintained across its subsidiaries within the Nuclear Generation group and comply with company policies as well as maintaining high standards of business conduct in the spirit of the corporate governance codes and principles.

At Board meetings throughout the year, the Directors are presented with papers and discuss updates in relation to:

- Approving budgets for Nuclear Generation.
- Advising the ENGL Board on safety, health and environmental matters relating to the Nuclear Generation business by:
- Reviewing and making recommendations on ENGL's safety, occupational health and environmental related policies.
- Monitoring and improving nuclear safety performance.
- Reviewing the Nuclear Generation risk register in the areas of nuclear and industrial safety, health and the environment.
- Providing oversight of performance and nuclear governance by:
- Considering regular reports from the Executive of the ENGL business on operational performance, technical and operational risks.
- Reviewing fleet performance metrics and findings from internal and external evaluations.
- Reviewing major technical and operational options for Nuclear Generation.
- Reviewing and advising on financial performance.
- Reviewing the annual investment plan for Nuclear Generation.

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STRATEGIC REPORT (CONTINUED)

The Company uses information from stakeholder engagement, including employees of ENGL, regulators, suppliers, together with community and environment factors to make these strategic decisions. The performance of the ENGL's nuclear power stations is a key factor considered by the Board during Board meetings, from both a safety perspective and a financial perspective. The feedback from stakeholders, particularly regulators and ENGL employees, is paramount to the Board when making decisions in relation to the future of the stations and the long-term success of the Company and Nuclear Generation group as whole.

Review of the business

The loss for the year before taxation amounted to £1,558m (2019: £2,063m profit) and the loss after taxation amounted to £1,558m (2019: £2,063m profit).

The net assets of the Company at 31 December 2020 amount to £1,924m (2019: £3,782m). The reduction in assets was as a result of impairment of investment in subsidiary undertakings recognised in the year (note 5). Whilst the Company has net current liabilities of £3,291m (2019: £2,991m), 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.

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 2020, 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 is liquidity 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.

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STRATEGIC REPORT (CONTINUED)

EU Referendum

The United Kingdom (UK) voted to leave the membership of the European Union (EU) on 23 June 2016 and officially left the EU on 31 January 2020. Thereafter the UK entered a transition period that ended on 31 December 2020. During the transition period for most EU and UK businesses including EDF Energy, transactions were mostly unchanged particularly with respect to trade, access to labour & services and the business rules & regulations that govern business operations. During the transition period, the UK and EU negotiated a Trade and Cooperation Agreement (TCA) that was agreed on 24 December 2020 which set out the basis for the future UK-EU relationship from 1st January 2021.

A separate Nuclear Cooperation Agreement (NCA) was also agreed that set out the basis for the specific future civil nuclear relationship. The NCA demonstrates a clear commitment to on-going cooperation on civil nuclear, including safeguards, safety and security. It also provides a framework for trade in nuclear materials and technology, facilitates research and development, and enables exchange of information.

Covid-19

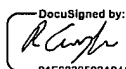
The Company continues to monitor the impact of Covid-19 on its business to ensure appropriate actions can be taken to mitigate risk to the Company. While the uncertainty continues, the Covid-19 pandemic has not had a material impact on the financial statements or the financial results of the Company.

Going concern

After making enquiries and reviewing cash flow forecasts and available facilities for at least the next 12 months (including subsequent events (note 17)), 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 in the Strategic Report, along with the support provided by other group companies. EDF Energy Limited, the intermediate parent company, has also agreed to support the Company financially and 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. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

Approved by the Board and signed on its behalf by:

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Robert Guyler
Director

21 June 2021

EDF ENERGY NUCLEAR GENERATION GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 2020.

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

Alain Litaudon

Simone Rossi

Robert Guyler

Joseph Sanchez

Deborah Roy-Gautier

Stanislas Martin

Matthew Sykes

Johnathan Richard Ford (appointed 28 July 2020 and resigned 31 January 2021)

Richard Hookway (resigned 28 July 2020)

The following director was appointed after the year end:

Katherine Ringrose (appointed 31 January 2021)

No Director is employed by or had a service contract with the Company during the year. Richard Hookway, Jonathan Ford and Katherine Ringrose are employed by and have services contract 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 (2019: 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.

Streamlined Energy and Carbon Reporting

Information on the streamlined energy and carbon reporting is discussed in the Group's Annual Report which does not form part of this report and are available to the public as set out in note 16.

Dividends

Dividends of £300m were paid in the year (2019: £50m).

Political contributions

The Company made no political contributions in the current year (2019: £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.

**EDF ENERGY NUCLEAR GENERATION GROUP LIMITED
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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.

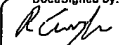
Events since the balance sheet date

Subsequent events are disclosed in note 17 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 2021 in accordance with the provisions of Section 487(2) of the Companies Act 2006 and that the Directors have been authorised to fix the remuneration of the auditors.

Approved by the Board on and signed on its behalf by:

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Robert Guyler
Director

21 June 2021

**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 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity;
- 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".

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

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ANNUAL REPORT AND FINANCIAL STATEMENTS
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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDF ENERGY NUCLEAR
GENERATION GROUP LIMITED (CONTINUED)**

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Companies Act 2006, and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

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

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

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

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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 matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and 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 the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

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.



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Stephen Pratt, CA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom

21 June 2021

EDF ENERGY NUCLEAR GENERATION GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
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INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £ m	2019 £ m
Impairment	5	(1,558)	(587)
Loss before taxation and finance costs		(1,558)	(587)
Income from investment	6	-	2,650
(Loss)/Profit before taxation		(1,558)	2,063
Taxation	8	-	-
(Loss)/Profit for the year		(1,558)	2,063

There were no recognised gains or losses during the current or prior year other than the loss shown above. Accordingly, no statement of 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 2020

	Note	2020 £ m	2019 £ m
Non-current assets			
Investments in subsidiary undertakings	10	<u>5,215</u>	<u>6,773</u>
Current assets			
Financial asset	11	5	5
Current tax asset		<u>40</u>	<u>40</u>
		<u>45</u>	<u>45</u>
Total assets		<u>5,260</u>	<u>6,818</u>
Current liabilities			
Other liabilities	12	<u>(3,336)</u>	<u>(3,036)</u>
Net current liabilities		<u>(3,291)</u>	<u>(2,991)</u>
Total liabilities		<u>(3,336)</u>	<u>(3,036)</u>
Net assets		<u>1,924</u>	<u>3,782</u>
Capital and reserves			
Called up share capital	13	161	161
Share premium reserve		65	65
Capital redemption reserve		767	767
Retained earnings		<u>931</u>	<u>2,789</u>
Shareholders' funds		<u>1,924</u>	<u>3,782</u>

The financial statements of EDF Energy Nuclear Generation Group Limited (registered number: SC270184) on pages 11 to 25 were approved by the Board, authorised for issue and signed on its behalf by:

DocuSigned by:



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Robert Guyler
 Director

21 June 2021

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 2020

	Called up share capital £ m	Share premium £ m	Capital redemption reserve £ m	Retained earnings £ m	Total £ m
At 1 January 2019	161	65	767	776	1,769
Profit for the year	-	-	-	2,063	2,063
Dividends (note 9)	-	-	-	(50)	(50)
At 31 December 2019	161	65	767	2,789	3,782
Loss for the year	-	-	-	(1,558)	(1,558)
Dividends (note 9)	-	-	-	(300)	(300)
At 31 December 2020	161	65	767	931	1,924

EDF ENERGY NUCLEAR GENERATION GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
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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 3.

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.

Summary of disclosure exemptions

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

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

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

EDF ENERGY NUCLEAR GENERATION GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Going concern

After making enquiries and reviewing cash flow forecasts and available facilities for at least the next 12 months (including subsequent events (note 17)), 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 in the Strategic Report, along with the support provided by other group companies. EDF Energy Limited, the intermediate parent company, has also agreed to support the Company financially and 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. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

Exemption from preparing group accounts

The financial statements contain information about EDF Energy 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.

Dividend income

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

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.

EDF ENERGY NUCLEAR GENERATION GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

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

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

Current tax and deferred tax for the year

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

Investment in subsidiaries

Subsidiary undertakings are those entities controlled by the company, and where the substance of the relationship between the company and the entity indicates that the entity is controlled by the company. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Considerations in the assessment of control include:

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

The company continues to assess whether it controls an entity if facts and circumstances indicate that there are 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.

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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.

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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

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.

De-recognition of financial assets

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

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.'

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, described in note 2, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Key sources of estimation uncertainty

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

Recoverability of investments

The Company performs impairment testing on investments where there is an indication of potential impairment. The impairment review involves a number of assumptions including discount rates, output values, asset lives and forward power prices. Further detail on the assumptions used 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 2020 an amount of £10,774 (2019: £9,494) was paid to Deloitte LLP for audit services. This charge was borne by another Group company in both the current and prior year. In 2020 no non-audit services were provided to the Company (2019: £nil).

The Company had no employees in the year ended 31 December 2020 (2019: None).

5 Impairment

	2020 £ m	2019 £ m
Impairment of subsidiary undertakings	<u>(1,558)</u>	<u>(587)</u>

In 2020, an impairment test was performed on the company's investment in the nuclear generation business. The early closure of Hunterston and Hinkley Point B, the extended outages and potential change around return to service dates for Hinkley Point B and Dungeness, as well as the forward and long-term power price decrease represented an impairment trigger for the nuclear power stations.

This has resulted in an impairment of £1,558m in the Company's investment in the nuclear generation business, reducing its carrying amount from £6,813m to £5,255m, including £40m in current tax assets. The recoverable value of existing nuclear assets is determined by discounting future cash flows over the assets' useful life, assuming a 20-year extension for the Sizewell B PWR plant, in line with Group strategy. A 0.5% increase in discount rate from 6.0% to 6.5% leads to a £266m increase in impairment, while a decrease in discount rate of 0.5% reduces impairment by £294m.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 Investment income

	2020	2019
	£ m	£ m
Income from investment	<u>-</u>	<u>2,650</u>

7 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 2020. Richard Hookway and Jonathan Ford 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 2020. 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 (2019: 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 Taxation

(a) Tax credited in the income statement

	2020	2019
	£ m	£ m
Total current tax credit in the year	-	-
Income tax credit reported in the income statement	-	-

(b) The tax on profit/(loss) before tax for the year is higher than (2019: lower than) the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%).

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

	2020	2019
	£ m	£ m
Profit/(loss) before tax	(1,558)	2,063
Tax at the UK corporation tax rate of 19% (2019: 19.00%)	(296)	392
Non-taxable dividends receivable	-	(504)
Non-deductible impairment	296	112
Total tax credit	-	-

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

In the March 2021 Budget it was announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2020 continue to be measured at a rate of 19%.

9 Dividends

	2020	2019
	£m	£m
Ordinary dividends on equity shares	300	50

Dividends of £300m were paid to Lake Acquisitions Limited. Dividends per share for the period was 18.7p (2019: 3.1p).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Investment in subsidiary undertakings

Cost	£m
At 1 January 2019	7,360
Impairment (note 5)	(587)
At 31 December 2019	6,773
Impairment (note 5)	(1,558)
At 31 December 2020	5,215
Carrying amount	
At 31 December 2020	5,215
At 31 December 2019	6,773

The subsidiary undertakings at 31 December 2020, 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 155 Mill Court La Charroterie St Peter Port, Guernsey, GY1 4ET.

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

11 Financial assets

	2020	2019
	£ m	£ m
Current financial assets		
Loan to parent company	5	5

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 Financial assets (continued)

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

12 Other liabilities

	2020 £m	2019 £m
Amounts owed to other group companies	3,336	3,036

Amounts owed to other group companies are owed solely to British Energy Bond Finance limited and are repayable on demand and accrued no interest.

13 Called up share capital

Allotted, called up and fully paid shares

	No.	2020 £m	No.	2019 £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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

15 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

	Parent
	£m
2020	5
Loans owed by related parties	<u>5</u>
2019	£m
Loans owed by related parties	<u>5</u>

Amounts owed to related parties

	Subsidiary
	£m
2020	3,336
Amounts owed to other group companies	<u>3,336</u>
2019	£m
Amounts owed to other group companies	<u>3,036</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 2020, 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

Taxation

In the March 2021 Budget it was announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2020 continue to be measured at a rate of 19%.

Dividend

A dividend of £6.7m was paid to Lake Acquisitions Limited on 1 April 2021.

Dungeness closure

Dungeness B Power Station last generated electricity in September 2018 and at the start of 2021 was forecast to return to service in May/June 2022. Dungeness B is one of the stations owned by EDF Energy Nuclear Generation Limited ("ENGL"), a wholly owned subsidiary of the Company.

On 7th June 2021, due to a number of unique, significant and ongoing technical challenges, the EDF Energy Nuclear Generation Limited board took the decision to move Dungeness into the defuelling phase. Since September 2018 the station has been in an extended outage in which EDF has been managing a range of unique, significant and ongoing technical challenges. Although many have been overcome or were considered manageable through subsequent repairs, new detailed analysis and events have recently identified additional station-specific risks within some key components, including parts within the fuel assemblies. This led the board to conclude it is not in the best interest of ENGL to return the station to service.

As a result, EDF has taken a decision not to restart the plant but to move it into the defuelling stage. The financial impacts on the Investment in subsidiary are currently under review and will be accounted for at the end of December 2021.