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EDF ENERGY NUCLEAR GENERATION LIMITED

REGISTERED NUMBER: 03076445

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

CONTENTS

Directors
Robert Guyler
Jerry Haller
Michael Harrison
Andrew Goddard
David Tomblin
John Munro
Laurent Jean Lacroix
Matthew Sykes
Richard Bradfield (appointed on 17 April 2020)

Company secretary Sarah Merritt

Auditor
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STRATEGIC REPORT

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

Principal activity
The principal activity of EDF Energy Nuclear Generation Limited (the "Company") during the year continued to be the generation and sale of electricity. The Company will continue with these activities 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 and welcome the new reporting requirement in relation to Section 172. Further details on how the Directors' duties are discharged and the oversight of these duties are included in the Directors' Report and Corporate Governance Statement.

Following the appointment of Matt Sykes as Managing Director of the Company in December 2019, Mr Sykes tasked the leadership team with developing the Company's new strategy which is detailed in the Directors' Report on page [9] of this Annual Report, whilst maintaining its commitment to zero harm. This was supported through dialogue with employees to ensure that the Company is transformed to maximise the existing and future value of the Company's unique capability. In order to maximise opportunities in this area, the Company continues to engage with various stakeholders including industry and regulators. This refocusing of the Company's strategy promotes the success of the Company for the benefit of its shareholders.

Further, the Company makes all decisions in respect of the fleet considering the impact of the Company's operations on the community and environment and the need to maintain high standards of business conduct. In taking decisions in respect of the fleet, the Board also considers the impact on its supply chain, which is key to the continued successful generation and decommissioning of the fleet.

At Board meetings throughout the year, the Directors are presented with papers and discuss updates in relation to the Company's strategic priorities. The Board's priority in making strategic decisions is about what it considers to be in the long-term success of the Company, from both a financial and safety perspective as safety remains the Company's overriding priority. The Company uses information from stakeholder engagement, including employees, regulators, suppliers, together with community and environment factors to make these strategic decisions.

The performance of the Company'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 employees is paramount to the Board when making decisions in relation to the future of the stations. The Board also regularly reviews the Company's safety performance to ensure that the Company's zero harm ambition is met. This commitment means making sure that our workplaces are safe and healthy for everyone, including our employees and anyone working on our behalf.

Stakeholder Engagement Statement
The Company's key stakeholders, and the ways in which it engages with them, are set out in the wider Strategic Report and Corporate Governance Statement. A summary of these relationships which are fostered by the Company and, in turn, have shaped the way the Board took principal decisions over the year is contained throughout the Strategic Report.

STRATEGIC REPORT (CONTINUED)

STAKEHOLDER GROUPS

Employees and Trade Unions
Having people who bring a diverse range of talents and perspectives, and who feel engaged in their roles and the Company's strategy, is fundamental to the long-term success of our business. It is crucial that we understand their values and what motivates them and reflect this in the way we operate. We want to make a positive contribution to the communities we operate in. We work in partnership with local organisations, schools and colleges to support our projects and goals.

As a company we have outlined our commitment to be open and transparent in our business dealings.

ENGAGEMENT OPPORTUNITIES
We are committed to recruiting and retaining great people - so listening to our employees is a priority. We communicate with them regularly through team meetings, learning sessions, briefings and our intranet, "Pulse". We also frequently engage with Company Councils and Trade Unions about matters affecting employees. We use the results of the EDF Group Employee Engagement Survey to address areas of concern raised by employees.

*A more detailed breakdown can be found in our Workforce Engagement Statement.

We aim to be the best neighbour possible within the communities we operate in around the coastline of Scotland and England. Many of our employees and contract partners live locally, their children go to local schools and colleges and we recruit young people as apprentices and graduates at all our sites. Many local businesses and services engage with us professionally every day and local politicians, media and community organisations are interested in the work we do.

Suppliers
How we conduct our business, and the impact and influence we have through our supply chain, is an important aspect of our work. We know that we need to manage and mitigate the environmental and social impacts so we work closely with all of our suppliers and partners to make sure they keep to our ethical business principles throughout their own operations.

We set high expectations for ethical conduct in our supply chain. This includes whether our ethical principles are embedded across our supply chain and suppliers comply with the United Nations Global Compact (UNGC).

The Company complied with its various statutory reporting obligations in 2019 including Modern Slavery, Gender Pay Gap and Payment Practices and Reporting. The Company actively engages with all material suppliers and takes part in regular oversight, monitoring and feedback with them. The Company aims to ensure all suppliers are paid promptly.

Government and Regulators
We engage with political and regulatory stakeholders to help them understand our business better, and so shape the policy and the environment where we operate.

We have a role to play in sustainability, enabling the transition to a low-carbon future.

We have been proactive in working with the Office for Nuclear Regulation, Government and other *agencies such as the Department for Business, Energy and Industrial Strategy, Ofgem etc to continue* to generate electricity safely and securely.

STRATEGIC REPORT (CONTINUED)

Workforce Engagement Statement

The Group engages, informs and consults with its workforce on matters affecting them. This is carried out in a number of ways which gives the workforce a voice and in which our senior leaders actively participate. Some of the key mechanisms are included below:

ENGAGEMENT OPPORTUNITIES

We Communicate...

With our people
We strive to maintain a healthy employee environment in which dialogue between management and our employees is embedded in our work practices.

Management engages with employees through formal and informal channels, including emails from the Chief Executive Officer, Managing Director, team meetings, face-to-face gatherings, lunch and learns, open forums, interviews and via Pulse.

Pulse is an e-platform for sharing company newsletters, announcements and accessing a wide variety of materials, i.e. company policies, company contacts and information on well-being and company benefits etc. In addition, the Intranet also hosts a number of discussion forums for employees to take part in.

We Listen...

Through various channels including conducting annual employee engagement surveys and bi-annual nuclear safety culture surveys.
Strong employee engagement and nuclear safety are especially important in maintaining strong business delivery in times of change.

'My EDF', is the Employee Engagement Survey conducted annually which gathers the views and opinions of all employees with regard to their work situation, at local level and within the EDF Group. It identifies areas of satisfaction and opportunities for improvement in order to help establish priorities within the EDF Group.

The results of the 'My EDF' Survey are discussed at Board level and are used to support the setting of company strategy, realign company purposes / values (where identified as being required) and define individual team objectives. This filters down to discussion on wider strategy of the Company and the wider Group and impacts the principal decisions taken by the directors.

The Board considered the areas of focus presented by 'My EDF' when setting the Company's new strategy at the end of 2019 and agreed to concentrate on simplification and efficiency, confidence in the future and feeling part of the change during 2020 which were all areas raised by employees in their responses to 'My EDF'.

The nuclear safety culture survey is conducted every two years. The survey has been developed with WANO and checks that the nuclear safety culture is embedded throughout the Company. The results compare performance against ten nuclear safety traits and are reported within the industry.

The Board considers WANO's benchmarking of the Company's responses against every civil nuclear asset and the results are used to develop areas for progression.

STRATEGIC REPORT (CONTINUED)

We Engage...

With Company Councils and Trade Unions.
Having a dialogue with our employee representative bodies is also embedded in our work practices.

Continued engagement and consultations with Trade Union & Personal Contract holder structures - Company Council, European Works Council, Corporate Social Responsibility Forum, Strategy meetings, and Business Unit specific forums.

We support...
Diversity & Inclusion
Having a diverse workforce at all levels of our company will ensure we make better decisions - for our business and for our stakeholders. We believe that employing a diverse mix of people makes us a stronger and more sustainable business, and one that reflects the diverse society around us. We also value and encourage diversity of thought, perspective and experience in all respects.

The EDF Group promotes diversity through a number of diversity and inclusion networks for its workforce which are sponsored by senior management and provide environments for employee feedback and comment, including LGBT Supporters; Women's; Black, Asian and Minority Ethnic; Disability and Carers; Working Parents; Forces Support; Young Professionals; Cancer Support; and Mental Health Supporters.

Review of the business
The profit for the year before taxation amounted to £159m (2018: £158m) and the profit after taxation amounted to £122m (2018: £129m).

Principal risks and uncertainties

The future prospects of the Company are dependent on the continued safe and reliable operation of the nuclear power station fleet, and the market price for electricity in the United Kingdom.

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

Market risk
Market risk is the risk that changes in energy prices will adversely affect the profitability of the Company from normal business operations. The Company is exposed to this risk to the extent that contracts are not fixed or contracts are not delivered out of generation output. The Company sells its generation through a Transfer Pricing Mechanism linked to market prices. The forecast generation volumes and prices are fixed over a rolling three year time horizon and reduce from a fully contracted short-term position to an uncontracted position after three years.

Liquidity risk
Liquidity risk is the risk that the proceeds from financial assets 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 the significant net current asset position.

STRATEGIC REPORT (CONTINUED)

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

Interest risk
Interest risk is the exposure to interest rate fluctuations on its borrowings. This is managed principally through the use of fixed rate debt instruments and swap agreements.The Company's policy is to use derivatives to reduce exposure to short-term interest rates and not for speculative purposes.

Plant operating risk
Failure of an essential component in any of our generation assets may result in loss of generation through plant outage or restriction to operations. EDF Energy's generating assets have been in service for a significant period and ageing is a significant factor in many areas. Significant plant component failure or failure of a critical non-replaceable plant item may affect the operating lifetime of the station. This risk is mitigated through planned maintenance activities, equipment reliability and plant life extension programmes. There is a potential that the nuclear fleet plant inspection programme findings could lead to significant unknown or unplanned risk which may result in earlier then planned closure.

During planned core inspections at Hunterston B Reactor 3 in 2018, a higher than expected number of cracked graphite bricks were observed. As a result, both Hunterston B reactors are currently shut down, awaiting ONR's approval of a revised safety case. The expected return to service date for the reactors are 20th August 2020 and 17th September 2020.

Hinkley Point B Reactor 4 is shutdown following a planned graphite inspection in early 2020 and will return to service following approval of a modified safety case. Hinkley Point B Reactor 3 has also been shutdown for its planned graphite inspection in Summer 2020, and will return to service under the modified safety case. The expected return to service date for the reactors are 30th November 2020 and 14th December 2020 respectively.

Dungeness B reactor 22 was shut down during 2018 for a planned statutory outage and reactor 21 was shut down in 2018 for common statutory outage work. These outages were extended to address a number of issues discovered during the outages and the station is currently expected to return to service during 2020. The expected return to service date for the reactors are 11th September 2020 and 21st September 2020 respectively.

Foreign exchange risk
The Company is exposed to the financial risk of changes in foreign currency exchange rates. The Company keeps minimum levels of cash in foreign currency and uses foreign exchange forward contracts to hedge any significant exposure, other than contracts within the EDF SA Group.

Credit risk
The Company's credit risk is primarily attributable to its debtors. The amounts presented on the balance sheet are net of an allowance for doubtful receivables estimated by the Group's management based on prior experience and their assessment of the current economic environment. Credit risk is mitigated by the nature of the debtor balances owed, with these primarily due from other Group companies who are able to repay these if required.

STRATEGIC REPORT (CONTINUED)

In addition, the Nuclear Liabilities Fund (NLF) receivable represents the Government indemnity provided to indemnify any potential future shortfall on NLF funding of qualifying uncontracted nuclear liabilities (including Pressurised Water Reactor (PWR) back end fuel services) and qualifying nuclear decommissioning costs. The NLF receivable asset recognised represents the aggregate value of the Nuclear Liabilities Fund and the Government indemnity such that the receivable equals the present value of the associated qualifying nuclear liabilities.

Also, the nuclear liabilities receivable represents the Government indemnity provided to cover services for spent Advanced Gas-cooled Reactor (AGR) fuel loaded pre-restructuring. The nuclear liabilities receivable is recognised in respect of the indemnity such that the receivable equals the present value of the associated qualifying nuclear liabilities.

Health & safety risk
The health and safety of all our employees, contractors, agency staff and the public is a key priority given the nature of the Company's business. To minimise this risk, the Company is committed to creating a culture that views safe working as the only way of working and to reviewing all our processes and procedures to ensure it delivers this.

Safety runs through the DNA of everything we do. Arriving at either our head office or any of our nuclear power stations, the words "nuclear safety is our overriding priority" can be seen carved into granite blocks and this mantra is echoed throughout the business. All meetings start with a safety message, every employee and visitor receives safety training or briefing and this is regularly reinforced by leaders. Training is provided to managers to ensure they understand their responsibility for the safety of the employees that they set to work. In addition, a confidential helpline has been set up for the use of anyone within the organisation to help eradicate unsafe practices and safeguard our employees.

The principle of safety first is also echoed in our Company structures. Dedicated functions are established to provide functional oversight and independent assurance of our activities and these support line leaders in their everyday tasks. Underpinning our safety culture is the principle of open reporting and learning. All employees are actively encouraged to raise even the smallest of concerns and near misses, with a clear expectation anything significant receives a thorough investigation with corrective action being taken.

The Company culture is one where any safety issues are self identified and reported. However, the Company respects the role of independent regulation in providing a further level of assurance that operations will be carried out safely. The Company recognises that there will always be room to improve the safety performance at all of its sites. However, there are many safety indicators (for example recordable injury rate) where the safety performance is at industry leading levels, demonstrating that a strong safety culture is reflected in strong results.

Retirement benefit obligations risk
The Company had two defined benefit pension schemes however in 2017 a Pension Covenant Alignment Exercise (PCAE) was undertaken to put all employees into the British Energy Generation Group (BEGG) Scheme. Low interest rates and changes in demographic factors have led scheme liabilities to grow at a faster rate than assets, resulting in actuarial deficits that have led to increased pension expense and cash contributions. The Company and the pension scheme trustees keep investment risk under review, concentrating on prudent asset allocation and liability hedging. See note 15 for more details of pension risks.

Cyber risk
Cyber security threats are increasing in magnitude, sophistication, and pace. The impact of a cyber security incident can significantly damage business operations, profit and brand. The Company has invested in technology to protect itself from such threats.

STRATEGIC REPORT (CONTINUED)

Nuclear liabilities risk
The Company's nuclear liabilities are in respect of costs for the management of spent fuel, nuclear decommissioning and other uncontracted nuclear liabilities. The Government has provided an indemnity to cover liabilities for spent AGR fuel loaded prior to the British Energy restructuring effective date of 14 January 2005 and in relation to qualifying uncontracted nuclear and decommissioning liabilities. The Government will also indemnify any future funding shortfall of the NLF (nuclear liabilities fund). The Company continues to be responsible for funding certain excluded or non-qualifying nuclear liabilities (if any) and will not be compensated or indemnified by the NLF and the Secretary of State in relation to such liabilities. At 31 December 2019, the Company did not have any excluded or non-qualifying nuclear liabilities; however, there is the possibility of excluded or non-qualifying liabilities arising in the future.

Capacity Market
On 15th November 2018, the UK's Capacity Market was suspended. This followed a judgment by the European Court of Justice (ECJ) that found that the European Commission should have consulted more fully before granting state aid approval in 2014. It was not a challenge to the nature of the capacity market mechanism itself. As a consequence, the UK Government has suspended the operation of the Capacity Market. Capacity providers will not receive capacity payments while the Capacity Market is suspended. Although the payments under the 2018/2019 capacity market scheme were suspended, the obligation to provide the committed capacity under the 2018/2019 capacity agreements still remained and therefore the Company continued to operate under these capacity agreements.

On 25th October 2019, the Capacity Market was reinstated, allowing the functions that were suspended during the standstill period to resume, including the invoicing and collection of the monthly supplier charges and payment of the monthly capacity payments.

Going concern
The Company has significant net current assets and is dependent on the continued cash flow generated from its nuclear power station fleet. After making enquiries and reviewing cash flow forecasts and available facilities for at least the next 12 months (including subsequent events and the impact of COVID-19 (note 31)), 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:

DocuSigned by:
David Tomblin
894A05A61629404...................
David Tomblin
Director

30 July 2020

DIRECTORS' REPORT

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

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

Directors

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

Robert Guyler

Jerry Haller

Michael Harrison

Andrew Goddard

David Tomblin

John Munro (appointed 4 February 2019)

Laurent Jean Lacroix (appointed 2 September 2019)

Matthew Sykes (appointed 2 December 2019)

Mark Gorry (resigned 4 February 2019)

Brian Cowell (resigned 2 December 2019)

Paul Winkle (resigned 1 January 2020)

The following director was appointed after the year end:

Richard Bradfield (appointed on 17 April 2020)

There are no service contracts during or at the end of the financial year in which a Director of the Company has a material interest. They are all employed by associated companies within the EDF Energy Holdings Limited Group.

No Director (2018: none) who held office at the end of the financial year had any interests in the shares of the Company or any Group company that are required to be disclosed in accordance with the Companies Act 2006.

DIRECTORS' REPORT (CONTINUED)

Corporate Governance Statement

PART 1
Introduction
For the financial year ending 31 December 2019, the Company continued to act in accordance with the robust corporate governance arrangements, outlined further in Part 2 of this Statement, which are embedded across the EDF in the UK group (the Group). The Company also continued to support its ultimate parent company, EDF SA, a listed company on the Euronext Paris, complying with its obligations under the French Afep-Medef Code.

Notwithstanding the ongoing support to EDF SA, the Group takes its own approach to corporate governance very seriously; something which is demonstrated through the company culture and behaviours adopted across the Group. To ensure strong corporate governance practices are maintained, the Group acts in accordance with 14 overarching internal policies which are underpinned by the "Better Plan", a framework enabling the Group to be a sustainable and responsible energy business. The Better Plan is also published on the EDF website. Application of the 14 policies is tested by Group on an annual basis as part of its groupwide internal controls self-assessment which is linked to EDF SA's requirement to satisfy the French Securities Markets Authority (Autorité des Marchés) Listing Requirements.

As part of the recent implementation of the Companies (Miscellaneous Reporting) Regulations 2018, the Company has spent time reviewing its and the Group's approach to corporate governance alongside considering the various formal Codes and the Wates Principles for Large Private Companies in publication.

Following this review, the Company was reassured that the corporate governance practices already being adopted across the Company and the Group are well aligned to formal codes such as the Wates Principles for Large Private Companies, and in many areas go beyond this. In part, this is demonstrated by the approach the Group takes to drive independent challenge at its Board meetings by appointment of an Independent Chairman on the Group's main governance Board, and whenever appropriate to the needs of the Group Company, by appointment of Independent Non-Executive Directors, or provision of independent oversight at meetings by Independent Advisors.
The Company is not required to comply with the UK Corporate Governance Code but seeks to apply best practices from the Code as appropriate to the Company and aligned with the corporate governance practices of the EDF SA group. Going forward it will use the Wates Principles for Large Private Companies as a benchmark for its corporate governance practices. This approach ensures the Board can demonstrate how it makes decisions for the long term success of the company and its stakeholders and also how the Board ensures the Company and wider Group complies with the requirements of Section 172 of the Companies Act 2006

This Statement is made in satisfaction of the Company's obligations under: Schedule 7 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and Section 414A Companies Act 2006.

A summary of the Group

As outlined above, the corporate governance arrangements of the Group stem from the Better Plan. The Better Plan sets out six core "Better Energy Ambitions" (the Ambitions) for improving the Group's social, economic and environmental performance, being:
• To achieve Zero Harm to people;
• To be better than anyone else at solving our customers' energy needs;
• To lead the decarbonisation of the electricity sector and achieve a net zero environmental impact;
• To achieve strong financial and ethical performance;
• To achieve world-leading excellence in nuclear construction, operation and decommissioning; and to shape a diverse, low-carbon electricity system; and
• To empower our people to be a force for good.

DIRECTORS' REPORT (CONTINUED)

The Ambitions are promoted throughout the business, encouraging a healthy company culture and promoting the Group's values and strategy. The reason for creating the Better Plan was to firmly align the Group with the values and goals of its parent company, EDF SA, who have set a strategic vision to 2030 to be the efficient, responsible electricity company, champion of low-carbon growth (the 2030 Vision). Further, the Ambitions closely link to both the wider EDF SA group's Corporate Social Responsibility Goals and, in turn, the United Nations' long term vision for sustainable development - the UN Sustainable Development Goals. In July 2019, EDF SA launched a new Group Ethics Charter which supports the 2030 Vision while bringing ethical requirements back to the heart of its corporate responsibility. Built upon EDF SA Group's three values of respect, solidarity and responsibility, it sets out the principles which guide the everyday actions and behaviour of EDF SA Group employees worldwide, which includes employees of the Group.

In addition, the Group promotes diversity through a number of diversity and inclusion networks for its workforce: LGBT Supporters; Women's; Black, Asian and Minority Ethnic; Disability and Carers; Working Parents; Forces Support; Young Professionals; Cancer Support; and Mental Health Supporters.

Part 2 of this statement will explain what specific arrangements the Company had in place during 2019 to maintain its strong corporate governance culture and support delivery of the 2030 Vision, which, for ease of review, have been aligned with the Wates Principles for Large Private Companies to ensure consistency with the principles of formal codes of governance.

PART 2
The Company operates an effective board that has developed and promoted the purpose of a company, and ensured the Company values, strategy and culture align with that purpose.

EDF is proud to be the UK's largest producer of low-carbon electricity. In 2019, EDF launched 'Generation Electric' which supports the wider EDF Group 2030 Vision through innovation and a dedication to nuclear and renewable sources of energy. The Company's principal activity is the generation and sale of electricity and it supports the 2030 Vision by generating low carbon electricity and maximising the value of the existing generation fleet to rebalance the UK generation mix.

EDF's strategy, which is supported by the Company, targets a sustainable long-term business that meets its customers' needs for energy and associated services in an efficient and responsible way while supporting the transition to a lower-carbon economy through the generation of safe, reliable and affordable low-carbon electricity. In support of achieving the 2030 Vision, EDF has developed detailed action plans which build on the high-level vision and objectives. All these actions are underpinned through a focus on maintaining industry leading safety performance and improving cost efficiency across the business.

The Board has developed and promoted the purpose of the Company through the Group's communications team which supports the Company to ensure appropriate tailored communications are issued that support the Company's strategy, sustainable business plan and brand vision. The Company also has an open and ongoing dialogue with trade unions and other employee representatives.

Externally, the communications team supports the Company to manage reputational issues and stakeholder engagement. Public and political opinion with regard to EDF is monitored and the team frequently engages with political parties and other stakeholders to ensure engagement continues. The social media team has an active listening and monitoring strategy, as well as response, to gauge market perception of delivery of the strategy of the Company.

DIRECTORS' REPORT (CONTINUED)

The Group conducts its EDF Group Employee Engagement Survey, 'My EDF', annually which gathers the views and opinions of all employees with regard to their work situation, as well as their impression of the relevant company they work for, at local level or EDF SA Group-wide. It identifies areas of satisfaction and opportunities for improvement in order to help establish priorities within the Group and to implement action plans within the different teams. The results of the My EDF survey are used to support the setting of company strategy, realign company purposes / values (where identified as being required) and define individual team objectives to help deliver the 2030 Vision.

The Company's generating fleet in the future will be very different from today. The continued long term operation of Sizewell B and West Burton B, coupled with the Group's operation of Hinkley Point C and eventually Sizewell C. means it is crucial to have the right people to ensure safe, reliable generation from the Company's and the Group's future fleet. At the same time, the Company's AGR and coal stations are moving towards decommissioning over the course of this decade and the organisation and the way it supports the fleet will need to evolve. The Company also needs to ensure it is ready to manage decommissioning.

The business will begin a transformational change, on a scale unprecedented in the Company.

To guide this change, the Company recently revisited its vision and strategic priorities to inform and guide the business as it refocuses on the challenges and opportunities ahead. The transformation will set the Company and the generation business in the Group up for the long term, as a highly skilled business ready to deliver on Britain's ambition to tackle climate change with low carbon electricity.

Generation's strategic priorities focus on three activities:
• **Generate**: Delivering operational excellence to maximise safe, reliable generation of the Company's existing nuclear and thermal assets;
• **Decommission**: Safely and efficiently defueling the AGRs and decommissioning the coal stations; and
• **Transform**: Transforming the business to maximise the existing and future value of the Company's unique capability.

The Company has an effective board composition, with an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of the board is appropriate to the scale and complexity of the company.

The Board has an obligation to discharge all of the Company's statutory and regulatory requirements as a holder of a Nuclear Site Licence granted by the Office for Nuclear Regulation. Additionally, the Board is required to set the strategy established within the Group, approve plans to achieve objectives in furtherance of the strategy and monitor the Company's performance against its objectives. The Board receives standing reports at each meeting to monitor business as usual activities and current trends, whilst also focusing on forward strategy and discussing ad-hoc matters of focus as they arise. The main areas of responsibility are as follows:

• To discharge the duties of the nuclear site licensee
• To ensure nuclear safety and security in discharge of its licensee obligations
• To monitor health, safety and environmental protection policies
• To monitor compliance with Government and regulatory requirements
• To monitor the Company's organisational structure and approve modifications
• To approve contributions to the Nuclear Liabilities Fund
• To approve all policies and strategies applicable to the Company's business
• To approve the acquisition and disposal of the Company's assets
• To receive and approve capital investment programmes
• To ensure that changes to Company organisation, resources and processes are properly justified and managed
• To review power station security arrangements

DIRECTORS' REPORT (CONTINUED)

To assist with the above responsibilities, the Company, together with EDF Energy (Thermal Generation) Limited, has management teams for: Coal and Gas; Waste and Decommissioning; Nuclear Generation; and Transformation, which are responsible for the day-to-day management and comprise members of the Company's Executive Team.

The directors of the Company have given careful consideration to the size and structure of the Board, in order to meet the strategic needs and challenges of the organisation. There are regular Board evaluations undertaken with input from the Board's Independent Advisors. Structurally, the business of the Group is transacted at either operational Board level or at a holding group Board level. In addition, the Group has adopted and acts in accordance with a Financial Authority Limit (FALs) framework which means contracts and transactions up to a certain financial threshold are not required to be presented to a board for approval (unless otherwise required). The composition of the Company's Board as at 31 December 2019 includes eight Executive Directors, three Independent Advisors and other attendees bringing oversight from other aspects of the business including HR and Legal. The Company's Board has recognised a need to improve the diversity on the Board but the roles in which the Directors are appointed are sufficient to satisfy the need of this particular Board, having strong knowledge and expertise of operations in order to discharge any decision making.

Any changes to the Board composition of the Company, particularly appointments, are approved in accordance with the 'Politique Gouvernance des filiales' policy mandated by EDF SA for the worldwide EDF SA Group before being approved by the Company.

On appointment, Directors are provided with the EDF Directors Training and Induction Manual which is intended to provide them with key information they need to understand their obligations as a Director, how to comply with them, and how to operate within EDF's corporate governance framework. Directors are also offered face-to-face bespoke training should they need additional support in their new role and are encouraged to update their skills, knowledge and familiarity with the Group by meeting with senior management, visiting sites (such as the power stations) and by attending appropriate external seminars and training courses.

In order to ensure that all potential conflicts of interest of Directors are identified and duly authorised, any newly appointed Director is required to complete a Conflicts of Interest Questionnaire and sign a declaration to this effect. This information is collected by the Company Secretary. Directors are reminded that any new conflicts arising thereafter must be declared and authorised in advance by the board of directors or by the shareholders.

The Office for Nuclear Regulation undertakes periodic reviews of the Board's governance arrangements through observations of Board meetings and through meetings with the Board's Independent Advisors. The Board also receives reports from the Company's Independent Nuclear Assurance function which enables the Company to meet its obligations to have a strong internal regulator. In addition, the Company receives further assurance with regards to its governance arrangements and performance from Lloyd's Register Quality Assurance Reports and from the oversight of the Nuclear Safety Review Board.

The Company is also part of the World Association of Nuclear Operators **(WANO)**, which is a nuclear industry body established to ensure standards of nuclear safety governance across the nuclear industry, including processes, procedures and behaviours. The Company shares in their good practices around governance and organisational effectiveness. Additionally, the Company receives peer reviews from WANO and seconds employees into WANO which enables learning and best practice to be shared. The Company also adheres to the standards set by the International Atomic Energy Agency in respect of nuclear safety, design authorities and safety management principles.

The Company is also assessed by the Inspector General for Nuclear Safety and Radiation Protection, which produces annual reports on the nuclear safety and radiation protection within the Group. The report will confirm whether the Company is operating within the Group's nuclear safety policy and is published annually for analysis by the public.

DIRECTORS' REPORT (CONTINUED)

The board and individual directors have a clear understanding of their accountability and responsibilities. The Company's policies and procedures support effective decision-making and independent challenge.

The Company's constitutional documents set out the authority, role and conduct of Directors. As Executive Directors, the Board and individual Directors understand their fiduciary accountabilities and responsibilities to the Company in addition to those of the wider Group. As at 31 December 2019, the Board was subject to appropriate independent challenge from three Independent Advisors and a Shadow Board.

The Directors receive regular, timely information on all aspects of the Generation business ahead of each Board meeting and are confident in the integrity of the information used for decision-making. This is due to its internal procedures in relation to financial reporting, key performance indicators (KPIs), workforce data, environmental data, stakeholder engagement feedback and consumer data. Information provided to the Board as part of its Board pack or appended to any written resolution of the Board is verified by the respective Executive Team and/or Senior Leadership Team member before presentation or circulation to the Board.

The Board recognised its limited level of diversity and created a Shadow Board in response to this issue. The Shadow Board is made up of individuals from the Company's Early Talent and Diversity and Inclusion groups. The Shadow Board reviews the Board pack ahead of the Board meeting and a representative attends the Board meeting to provide feedback and help to inform discussions. This has provided the Board with an opportunity to take on more views from a diverse selection of the workforce, thus demonstrating the Board's commitment to diversity and inclusion.

Key financial information is collated from SAP, the Group's accounting system. The Group's finance function is appropriately qualified to ensure the integrity of this information is provided with the necessary training to keep up to date with regulatory changes. Financial information is currently externally audited by Deloitte LLP on an annual basis.

The Company uses FALs (as detailed in the Group Corporate Governance Policy) and contract signatory authority mechanisms to control and provide oversight over the various financial commitments it enters into. The FALs are formally adopted by the Company annually as part of good governance procedures. There are set principles of delegation for each high level authority.

In addition, the Group Audit Charter provides internal authority to independently assess the effectiveness of risk management, control and governance processes by the Company and wider Group. The findings of any such review are reported to the Audit Committee of the EDF Energy Holdings Limited Board and presented to the Company to discussion.

The board promotes long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risk.

The Company has stringent risk management culture through policies, reporting and internal audit and assurance enabling Directors to make robust decisions concerning principal risks to the Group. The Group has developed a risk and internal controls policy, which defines key standards the group companies should be achieving. The Company assess itself against these standards, and the Group is audited against them to provide assurance that group companies have an appropriate risk culture. The Directors have agreed on how these principal risks should be managed or mitigated to reduce the likelihood of their incidence or magnitude of their impact. These risks are set out in the "Principal risks and uncertainties" section of the Strategic Report.

The Group has also adopted a Sustainable Business Policy, which sets out the requirement:

1. For EDF to have the Better Plan and related strategic goals and targets that are reviewed periodically;

DIRECTORS' REPORT (CONTINUED)

2. For governance bodies to provide strategic direction and monitor progress against the delivery of The Better Plan;
3. To embed being a sustainable and responsible business into decision making, policies and processes;
4. For sustainable business communications, training and tools to be provided to all employees to ensure awareness, understanding and action to deliver The Better Plan;
5. For there to be defined responsibilities for delivering, measuring and reporting on progress; and
6. For sustainability performance to be reported publicly, annually and for this information to be independently assured.

In practice, control testing against each Group policy is carried out at least annually through the Internal Control Self-Assessment process. The results are reported to EDF Group Risk department to support EDF SA's compliance with the French Afep-Medef Code.

The Company has processes in place to ensure that all significant risks are effectively managed, at an appropriate level in the business, ensuring risks are 'communicated and escalated' and 'trends and interfaces are monitored' providing visibility of risks from a local level (power station or business unit) right through to company level (the 'Golden Thread'). As the significance of the risk increases so does the level of communication and escalation in order to ensure significant risks are appropriately reviewed and stress tested, supporting effective decision making by key stakeholders at the appropriate level in the business. Risk reviews on progress against delivering mitigation plans and controls are conducted on a regular basis. On a quarterly basis, the business-level risk committees conduct a holistic review of the significant risks as well as the linkages to other risks challenging the effectiveness of the deployed risk strategies. Membership includes senior management from across the organisation providing diverse, independent and intrusive challenge of risks.

The day-to-day management and the implementation of strategies agreed by the Board are delegated to the relevant Director(s), who are also members of the Company's Executive Team. The reporting structure below board level is designed so that decisions are made by the most appropriate people in a timely manner. This is underpinned by the Management System Manual (MSM) of which the processes within detail the internal procedures in relation to all aspects of the business. An annual assessment of the controls of each process within the MSM is undertaken to ensure they remain fit for purpose at site and fleet level. There are periodic deep dives on the performance of the company processes and key performance indicators are monitored through both line management and functional oversight. The annual process control effectiveness assessments are reviewed and challenged and action plans to address gaps in controls are monitored on a regular basis. The overall outcome of the annual process control assessment is presented to the Company's Executive Team and is submitted to EDF Energy Limited for information.

The board promotes executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.

The Group's executive remuneration structures and policies are set and implemented within the wider framework of EDF Group policies for Senior Leaders and operate under the supervision and governance of the Remuneration Committee of the main governance board of the Group, EDF Energy Holdings Limited (EDF Energy Remuneration Committee). Although the purpose of the EDF Energy Remuneration Committee is to provide a forum for considering the level and composition of the remuneration of the EDF Energy Holdings Board and Executive Team, its responsibilities are wide and go beyond that. One of its responsibilities is to make recommendations about the overall remuneration policy of the Group having due regard to the practices adopted by comparator UK companies and the need to attract, retain and motivate employees of the experience and calibre required, including detailed elements of the remuneration packages, pension arrangements and service contracts for the above group.

The Group operates both short-term and long-term incentives arrangements for their Senior Leaders, with targets which align to and reinforce the requirement for the long-term sustainability and performance of the business. These incentives represent a significant part of the remuneration package of the Senior Leaders.

DIRECTORS' REPORT (CONTINUED)

The individual performance of Senior Leaders across the Group, and determination of their annual pay awards, is balanced with affordability based on the Company's economic and financial position, including that of the wider Group. When determining the pay approach for the Senior Leaders, as well as setting the rules of the annual incentive arrangements, the EDF Energy Remuneration Committee ensures that the principles used are consistent with the approach applied to the rest of the workforce (for instance regular benchmark against the market, through Competition Act 1998 compliant processes).

The Company is committed to building a sustainable future for all employees. Honouring this commitment means fostering a work environment where everyone is rewarded fairly for the work they do and the contributions they make to the Company's success. The Group is also an active equal opportunities employer and promotes an environment free from discrimination, harassment and victimisation, where everyone receives equal treatment and career development regardless of age, gender, nationality, ethnic origin, religion, marital status, sexual orientation or disability. All decisions relating to employment practices (including remuneration) are objective, free from bias and based solely upon work criteria and individual merit. The Company reported its gender pay gap information on 11 March 2020.

Directors foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

The Company's key stakeholders, and the ways in which it engages with them, are set out in the Strategic Report.

The Company is clear that good governance and effective communication are essential on a day-to-day basis to deliver the Ambitions and 2030 Vision and to protect the company's brand, reputation and relationships with all our stakeholder community including shareholders, customers, employees, suppliers and the local communities in which we work.

The Board is committed to social responsibility, community engagement and environmental sustainability which is demonstrated through the Ambitions, namely to have a culture of zero harm (ensuing the safety, health and wellbeing of everyone who works with the Group), creating a positive environmental and social impact; and being an employer of choice.

Annual employee engagement surveys are performed to highlight areas of improvement in communication of the Group's purpose. The Board considers the results of all employee engagement surveys as a good barometer of the workforce's confidence in the Group's strategic direction, optimism in the future and career opportunities.

In recent years, the Company has published a Modern Slavery Act Statement, Gender Pay Gap Report and Payment Practices and Report in accordance with UK law. Each of these is published externally. The additional analysis required to conduct this reporting has highlighted some areas on which the Company needs to improve. The Company welcomes these reports as it is constantly looking to improve its engagement with all stakeholders.

The Company (through relevant teams within the Group) engages, informs and consults with its employees on matters affecting them. This is carried out in a number of ways which all give employees a voice and in which our senior leaders actively participate. Some of the mechanisms include:

1. Formal and informal briefings, departmental meetings and regular reports in staff newsletters and on the Group intranet.
2. Through our existing Trade Union & Personal Contract holder structures - Company Council, European Works Council, Corporate Social Responsibility Forum, Strategy meetings, and Business Unit specific forums.
3. Our employee networks which are sponsored by senior management and provide diverse and inclusive environments for employee feedback and comment.

DIRECTORS' REPORT (CONTINUED)

4. Our 'My EDF' employee engagement survey which enables employees to provide direct feedback to executives. The Board considers the results of all employee engagement surveys as a good barometer of the workforce's confidence in the Group's strategic direction, optimism in the future and career opportunities.

The Company and wider Group proactively engages with relevant external stakeholders where we have various trade association memberships (such as Confederation of British Industry, Energy UK, Nuclear Industry Association and Renewable UK, etc). EDF's active participation in these fora is a useful way to enhance relationships with stakeholders. These trade associations are the channels the Company and wider Group use to engage with central government (such as the Department for Business, Energy and Industrial Strategy and the Department for Environment, Food and Rural Affairs) and industry & environmental regulators (such as the Office for Nuclear Regulation, Ofgem, the Environment Agency and the Scottish Environment Protection Agency).

The Generation (Nuclear) business unit and its respective teams therein, are responsible for engagement with relevant stakeholders affecting the Generation business, ensuring that the information shared with them represents a fair, balanced and understandable assessment of the Company's position and prospects. These teams also evaluate any feedback from stakeholders and escalate information (where relevant) to the Board for consideration in order to aide its principle decision making.

The Company maintains four levels of interaction with the Office for Nuclear Regulation. These meetings, coupled with workshops when required, take place on a regular basis and ensure effective communication between the Company and its regulator. The Company adopts a similar approach to its engagement with the Environment Agency and the Scottish Environment Protection Agency.

The Company takes a proactive approach to communications with the public, regulators and stakeholders through communications on its website. This is recognised external to the organisation as good practice. The Company also engages with communities local to its power stations through its Site Stakeholder Groups and uses this as an alternative forum for communications. It is essential that the Company provides a range of opportunities to engage with the people in local communities, from constituency MPs and MSPs to local schoolchildren. Each nuclear site has a fully-equipped visitor centre and hosts school visits and station tours by appointment. The Company also hosts community meetings throughout the year when the station director provides information about operations and takes questions from attendees. The Company ensures that it keeps in touch with the community between meetings and issues written updates from the station director as required. The Company also participates in local careers events and sponsors the Cheltenham Science Festival to help encourage young people to study STEM subjects. Employees select an employee charity every three years and from 2020 that is Prostate Cancer UK. Each site works with local branches of this and other local charities to raise funds and help their cause.

Dividends
Dividends of £1,400m (2018: £nil) were paid in the year.

Employees
The Company's policies and procedures relating to Health and Safety at work continue to exceed the requirements of current legislation and are kept under constant review to ensure a safe and healthy working environment for all employees.

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

Financial instruments
The use of financial instruments in the Company is outlined in the statement of accounting policies and note 21.

DIRECTORS' REPORT (CONTINUED)

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

Equal opportunities
The Company is fully committed to ensuring that all current and potential future employees and customers are treated fairly and equally, regardless of their gender, marital status, disability, race, colour, nationality or ethnic origin in accordance with the appropriate legislation and Government guidelines. The Company provides equal opportunities for employment, training and development, having regard to particular aptitudes and abilities. In the event of employees becoming disabled during employment, where possible, assistance and retraining is given so that they may attain positions compatible with their ability.

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

Disclosure of information to the auditor
Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware

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

Reappointment of auditor
It is noted that Deloitte LLP as appointed by the members, are deemed to be re-appointed as the Auditor to the Company for the financial year ending 31 December 2020 in accordance with the provisions of Section 487(2) of the Companies Act 2006 and that the Directors have been authorised to fix the remuneration of the auditor.

Approved by the Board and signed on its behalf by:

DocuSigned by:
David Tomblin
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David Tomblin
Director

30 July 2020

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 are required 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 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 LIMITED

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Income Statement;
- the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity;
- the related notes 1 to 31.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

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

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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 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.

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

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.

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.

We have nothing to report in respect of these matters.

Nigel Thomas

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

London, United Kingdom

Date: 30 July 2020

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £ m	2018 £ m
Revenue	4	2,465	2,446
Fuel and energy purchases	5	(683)	(719)
Gross margin		**1,782**	1,727
Materials and contracting costs		(583)	(625)
Personnel expenses	6	(457)	(433)
Other operating expenses		(12)	(7)
Other operating income		-	7
Operating profit	7	**730**	669
Depreciation and amortisation		(514)	(472)
Pension equalisation costs		-	(11)
Profit before taxation and finance costs		**216**	186
Investment income	8	352	493
Finance costs	9	(409)	(521)
Profit on ordinary activities before taxation		**159**	158
Taxation	11	(37)	(29)
Profit for the year		**122**	129

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £ m	2018 £ m
Profit for the year	122	129
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of post-employment benefit obligations	120	47
Income tax effect	(21)	(6)
Total comprehensive income	221	170

The income tax effect on defined benefit pensions includes a deferred tax charge of £28m (2018: charge of £13m) and a current tax credit of £7m (2018: credit of £7m).

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

BALANCE SHEET
AT 31 DECEMBER 2019

	Note	2019 £ m	2018 £ m
Non-current assets			
Intangible assets	12	13	15
Property, plant and equipment	13	2,909	2,867
Right of use assets	28	9	-
NLF and Nuclear Liabilities receivable	14	11,072	8,019
Post-employment benefit asset	15	6,929	6,291
Derivative financial instruments	21	3	-
		20,935	17,192
Current assets			
Inventories	16	2,307	2,250
Trade and other receivables	17	1,928	3,433
NLF and Nuclear Liabilities receivable	14	246	229
Cash and cash equivalents	18	279	-
		4,760	5,912
Total assets		25,695	23,104
Current liabilities			
Other liabilities	19	(609)	(639)
Borrowings	20	(670)	(681)
Derivative financial instruments	21	(4)	-
Lease liabilities	28	(1)	-
Current tax liability		(52)	(3)
		(1,336)	(1,323)
Net current assets		3,424	4,589
Total assets less current liabilities		24,359	21,781
Non-current liabilities			
Other liabilities	19	(651)	(758)
Derivative financial instruments	21	(1)	-
Long-term provisions	22	(12,210)	(8,843)
Deferred tax liability	25	(365)	(352)
Lease liabilities	28	(9)	-
Post-employment benefits provision	15	(5,998)	(5,524)
		(19,234)	(15,477)
Total liabilities		(20,570)	(16,800)
Net assets		5,125	6,304

BALANCE SHEET
AT 31 DECEMBER 2019 (CONTINUED)

	Note	2019 £ m	2018 £ m
Capital and reserves			
Called up share capital	27	-	-
Share premium reserve		72	72
Retained earnings		5,053	6,232
Shareholders' funds		5,125	6,304

The financial statements of EDF Energy Nuclear Generation Limited (registered number 03076445) on pages 22 to 59, were approved by the Board and authorised for issue and signed on its behalf by:

DocuSigned by:
David Tomblin
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David Tomblin

Director

30 July 2020

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital £ m	Share premium £ m	Retained earnings £ m	Total £ m
At 1 January 2018	-	72	6,062	6,134
Profit for the year	-	-	129	129
Other comprehensive income	-	-	41	41
At 31 December 2018	-	72	6,232	6,304
Profit for the year	-	-	122	122
Other comprehensive income	-	-	99	99
Dividends	-	-	(1,400)	(1,400)
At 31 December 2019	-	72	5,053	5,125

NOTES TO THE FINANCIAL STATEMENTS

1 General information

EDF Energy Nuclear Generation Limited is a private company limited by shares. It is incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on the contents page. The principal activities of the Company and the nature of the Company's operations are set out in the strategic report on pages 1 to 5.

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 Financial Reporting Standard 101 (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 2019 and have had an effect on the financial statements:

IFRS 16 - Leases
IFRS 16, "Leases" was adopted by the European Union on 31 October 2017 and became applicable on 1st January 2019. The Company has applied this standard without restating the figures for the comparative periods (modified retrospective approach) and opted to value the right-of-use asset at an amount equal to the lease payment liability. The recognition and measurement principles that now apply to lease contracts are described as part of note 2 - Accounting policies. The company has also decided to apply the exemptions allowed by IFRS 16 and not re-assess lease contracts at date of first application. There has been an increase in assets of £9m and liabilities of £10m as a result of the adoption of IFRS16.

The impact of adoption of these standards and the key changes to the accounting policies are disclosed in note 26 leases.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Summary of disclosure exemptions

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

a) The requirements of IFRS 7 Financial Instruments: Disclosures;
b) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
c) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1;
d) the requirements of paragraphs 10(d), 10(f) and 134-136 of IAS 1 Presentation of Financial Statements;
e) the requirements of IAS 7 Statement of Cash Flows;
f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
h) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
i) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets;
j) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118,119(a)-119(c), 120-127 and 129 of IFRS 15 Revenue from Contracts with Customers;
k) the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases; and
l) the requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

Where relevant, equivalent disclosures have been given in the Group accounts which are available to the public as set out in note 30.

Going concern

As set out in the Strategic Report, the Company has significant net current assets and is dependent on the continued cash flow generated from its nuclear power station fleet. After making enquiries and reviewing cash flow forecasts and available facilities for at least the next 12 months (including subsequent events and the impact of COVID-19 (note 31)), 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.

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. Revenue is recognised either when the performance obligation in the contract has been performed or as control of the performance obligation is passed to the customer.

Finance costs

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Foreign currency transactions and balances
The functional and presentational currency of the Company is pounds sterling. Transactions in foreign currency are initially recorded in the functional currency at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Taxation
Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Tangible assets

Property, plant and equipment are stated at cost, net of depreciation and provision for impairment. Included in cost are all those costs incremental and necessary to the construction of low carbon power generators, including but not limited to Generic Design Assessment, planning, site preparation, associated development, safety compliance, construction and decommissioning.

Expenditure on major inspection and overhauls of production plant is capitalised, within other plant and equipment, when it meets the asset recognition criteria and is depreciated over the period until the next outage. For AGR power stations, this depreciation period is two to three years, for the PWR power station it is 18 months.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
AGR Power Stations	41 to 47 years
PWR Power Stations	40 years
Other buildings	30 years
Other plant and equipment	18 months to 5 years

Intangible assets

IT software

IT software is initially recognised at cost and is amortised on a straight-line basis over a useful economic life of 5 years. It is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade receivables

Trade receivables are amounts due from customers for sales of commodities, goods and services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using a weighted average method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in the income statement.

Borrowings

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

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

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

Leases

The Company's accounting rules and methods were changed as follows at 1 January 2019. These accounting rules for leases only apply in 2019, and the comparative period of 2018 is still presented in accordance with IAS 17.

Company as Lessee

At contract inception, the Company as lessee whether a contract is or contains a lease. A contract is treated as a lease if it conveys the rights to control the use of an identified asset for a period of time in exchange for consideration. Identified arrangements that do not have the legal form of a lease contract but nonetheless convey the right to control the use of an asset or group of specific assets to the purchaser are treated by the Company as leases, and analysed by reference to IFRS 16. The Company recognises a lease liability which represents the lease payments to be made and a right-of-use asset representing the right to use the underlying asset for all leases apart from short-term leases (12 months or less) and leases of low value assets. Payment on short-term leases and low value assets are recognised on a straight-line basis over the lease term in the income statement

Right-of-use asset

IFRS 16 requires leases to be recognised in the lessee's balance sheet when the leased asset is made available, in the form of a "right-of-use" asset. This is presented on the face of the balance sheet. Right-of-use asset is measured at cost less any accumulated depreciation and impairment loss and adjusted for any re-measurement of lease liability. The cost of right-of-use assets includes the initial measurement of the lease liability, any lease payment made at or before the commencement dates less any lease incentives received, any initial direct costs and an estimate of the costs to be incurred in dismantling and removing the underlying asset, restoring the site or restoring the underlying asset to the condition required by the terms of the lease. Right-of-use assets are depreciated on straight-line basis over the shorter of the lease term and the estimated useful life of the asset.

2 Accounting policies (continued)

Lease Liabilities
At commencement of a lease the Company recognises a lease liability measured at the present value of the lease payments to be made over the lease term. The discount rate used is the incremental borrowing rate at the date of the lease commencement. The lease liability is split between current and non-current lease liabilities. Lease payments include fixed payments less any lease incentives receivable and amounts expected to be paid under residual value guarantees. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The carrying amount of lease liabilities is re-measured if there is a modification such as a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

Impairment of non-financial assets
At each balance sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the value in use 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 value in use 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 value in use 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 value in use. 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 value in use, 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.

Defined benefit pension obligation
The Company operated two defined benefit pension schemes however in 2017 a Pension Covenant Alignment Exercise (PCAE) was undertaken to put all employees into the BEGG Scheme. The cost of providing benefits is determined using the Projected Unit Credit method with actuarial valuations being carried out at each balance sheet date. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs include current service, past service cost and gains or losses on curtailments and settlements which are included in personnel expenses. It also includes net interest expense which is included in finance costs.

The retirement benefit obligation recognised on the balance sheet represents the deficit or surplus in the Company's defined benefit schemes. Any surplus arising from this calculation is limited to the present value of any economic benefits available in the form of refunds from the scheme or reductions in future contributions to the schemes.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Pension surplus
The pension surplus is calculated by independent qualified actuaries, based on actual payroll data and certain actuarial assumptions. These actuarial assumptions are made to model potential future costs and benefits and include: life expectancy, rates of returns on plan assets, inflation, discount rate and expected retirement age. These assumptions are reviewed on an annual basis and may change based on current market data. Further information is available in the consolidated financial statements of EDF Energy Holdings Limited.

Long-term employee benefits
Unfunded long-term employee benefits are provided to eligible employees. The cost and actuarial gains and losses of providing such benefits are charged to the Income Statement. The cost of ex-gratia and supplementary long-term employee benefits is charged to the Income Statement to the extent that the arrangements are not covered by the surplus in the scheme, in the accounting period in which they are granted.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Fuel costs – nuclear front end
Advanced Gas-cooled Reactors ("AGR")
Front-end fuel costs consist of the costs of procurement of uranium, conversion and enrichment services and fuel element fabrication. Fabrication costs comprise fixed and variable elements. All costs are capitalised into inventory and charged to the income statement in proportion to the amount of fuel burnt.

Pressurised Water Reactor ("PWR")
All front-end fuel costs are variable and are capitalised into inventory and subsequently charged to the income statement in proportion to the amount of fuel burnt.

Fuel costs – nuclear back end
AGR
Spent fuel extracted from the reactors is sent for reprocessing and/or long-term storage and eventual disposal of resulting waste products. Back-end fuel costs comprise:
(a) a cost per tonne of uranium in AGR fuel, in respect of amounts payable on loading of fuel into any one of the AGR reactors; and
(b) a rebate/surcharge against the cost mentioned in (a) above that is dependent on the out-turn market electricity price in the year and the amount of electricity generated in the year.

The loading related cost and the rebate/surcharge is capitalised into inventory and charged to the income statement in proportion to the amount of fuel burnt.

PWR
Back-end fuel costs are based on wet storage in station ponds followed by dry storage and subsequent direct disposal of fuel. Back-end fuel costs comprise the estimated cost of this process at current prices discounted back to current value. Back-end fuel costs are capitalised into inventory on loading and charged to the income statement in proportion to the amount of fuel burnt.

Unburnt fuel at shutdown
Due to the nature of the nuclear fuel process, costs have been committed in relation to the unburnt fuel in the reactors at station closure. The costs of this unburnt fuel (final core) are fully provided for at the balance sheet date. The provision is based on a projected value per tonne of fuel remaining at closure, discounted back to the balance sheet date and recorded as a long term liability. The unwind of the discount each year is charged to the income statement. Any adjustment to the provision is recorded through fixed assets and depreciated over remaining station life. These are recorded as 'provisions for liabilities' in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

NLF funding arrangements
Under the arrangements in place with the Secretary of State at the Restructuring Effective Date ("RED"), the NLF will fund, subject to certain exceptions, the Company qualifying uncontracted nuclear liabilities and qualifying decommissioning costs. To the extent there is any surplus remaining in the NLF after all obligations have been discharged, this amount will be paid to the Secretary of State. The Company is responsible for funding certain excluded or disqualified liabilities and will, in certain circumstances, be required to compensate or indemnify the NLF and the Secretary of State in relation to such liabilities.

The Company makes fixed decommissioning payments to the NLF which have been recorded as a liability on the consolidated balance sheet at their discounted value and disclosed as the NLF liability. The NLF liability is reduced as payments are made to the NLF. Each year the financing charges in the consolidated income statement include the unwinding of the discount of NLF liabilities required to discharge one year's discount from the liability.

PWR fuel loaded after RED will increase the qualifying nuclear liability recognised for back end PWR fuel costs and will increase the NLF receivable by a corresponding amount. The difference between the payment of £150,000 (indexed to RPI) per tonne made to the NLF on the loading of PWR fuel and the increase in the liability recognised upon loading of this fuel is recognised in back end fuel costs as the loaded tonnes are burned in the PWR reactor.

NLF and nuclear liabilities receivables
The Government indemnity is provided to indemnify any future shortfall on NLF funding of qualifying uncontracted nuclear liabilities (including PWR back end fuel services) and qualifying nuclear decommissioning costs.

In principle, the NLF receivable asset recognised represents the aggregate value of the Nuclear Liabilities Fund and the Government indemnity such that the receivable equals the present value of the associated qualifying nuclear liabilities. The nature of the process, whereby the Company claims back from the NLF for qualifying liabilities, can cause timing differences between the receivable and the nuclear liabilities at the balance sheet date.

The Government indemnity is also provided to cover services for spent AGR fuel loaded pre-Restructuring. The nuclear liabilities receivable is recognised in respect of the indemnity such that the receivable equals the present value of the associated qualifying nuclear liabilities.

The NLF receivable and the nuclear liabilities receivable are stated in the balance sheet at current price levels, discounted at a long-term real rate of interest which takes account of the timing of payments. Each year the financing charges in the income statement include the revalorisation of these receivables required to match the revalorisation of the nuclear liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Nuclear liabilities
Nuclear liabilities represent provision for the Company's liabilities in respect of the costs of waste management of spent fuel and nuclear decommissioning. The provisions represent the Directors' best estimates of the costs expected to be incurred. They are calculated based on the latest technical evaluation of the processes and methods likely to be used, and reflect current engineering knowledge. The provisions are based on such commercial agreements as are currently in place, and reflect the Directors' understanding of the current Government policy and regulatory framework. Given that Government policy and the regulatory framework on which the Company's assumptions have been based may be expected to develop and that the Directors' plans will be influenced by improvements in technology and experience gained from decommissioning activities, liabilities and the resulting provisions are likely to be adjusted.

In recognising the costs of generating electricity, accruals and provisions are made in respect of the following:

a) Back end fuel costs
The treatment of back end. fuel costs in the income statement has been dealt with under the accounting policies for fuel costs stated previously. Back end nuclear liabilities cover reprocessing and storage of spent nuclear fuel and the long-term storage, treatment and eventual disposal of nuclear waste. They are based, as appropriate, on contractual arrangements or the latest technical assessments of the processes and methods likely to be used to deal with these obligations under the current regulatory regime. Where accruals are based on contractual arrangements they are included within creditors. Other liabilities are based on long-term cost forecasts which are reviewed regularly and adjusted where necessary, and are included within provisions.

Nuclear liabilities (continued)
b) Decommissioning of nuclear power stations
The financial statements include provision for the full cost of decommissioning the Company's nuclear power stations. Provision is made on the basis of the latest technical assessments of the processes and methods likely to be used for decommissioning under the current regulatory regime.

Accruals and provisions for back end fuel costs and decommissioning are stated in the balance sheet at current price levels, discounted at a long-term real rate of interest which takes account of the timing of payments. Each year the financing charges in the income statement include the revalorisation of liabilities required to discharge one year's discount from provisions made in prior years and restate these provisions to current price levels.

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.

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.

Nuclear decommissioning and spent nuclear fuel provisions

The financial statements include provision for the full cost of decommissioning the Company's nuclear power stations, as agreed with the Nuclear Decommissioning Authority (NDA) on a regular basis. Provision is made on the basis of the latest technical assessments of the processes and methods likely to be used for decommissioning under the current regulatory regime. Expected future costs of decommissioning are monitored to ensure that the provision remains at an adequate level. Further information about decommissioning and spent nuclear fuel provisions can be found in note 21. As the decommissioning provision is sensitive to a number of different assumptions including timing, cost and discount rate, changes in assumptions relating to these factors could affect the carrying amount of the provision.

Pension surplus

The pension surplus is calculated by independent qualified actuaries, based on actual payroll data and certain actuarial assumptions. These actuarial assumptions are made to model potential future costs and benefits and include: life expectancy, rates of returns on plan assets, inflation, discount rate and expected retirement age. These assumptions are reviewed on an annual basis and may change based on current market data. Further information about pensions can be found in note 15.

Generation - useful economic lives of the AGR fleet

The useful economic lives of the AGR fleet are reviewed on at least an annual basis. This review is based on the lifetime management process which assesses the station lifetime based on current technical advice, economic assessment and engagement with key stakeholders. The company aligns the useful economic lives with the station technical lifetime.

The AGRs were designed with a nominal 25 year lifetime, and Sizewell B with a 40 year lifetime. However, with the aggregation of technical information, and operational and safety experience, it has been possible to revise the expected AGR lifetimes. Prior to EDF Energy ownership, the AGRs had been extended by an average of 10 years. Since British Energy was acquired by EDF, the AGRs have been further extended by an average of eight years. The last extensions were declared in February 2016. Hartlepool and Heysham 1 were extended by a further five years, and Heysham 2 and Torness were extended by seven years.

Asset impairment

The Company performs impairment testing of tangible assets on an annual basis where there is an indicator of impairment. The extended outages and potential change around RTS dates for Hunterston B and Dungeness represents an impairment trigger. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Revenue

Revenue, which is stated net of value added tax, arises entirely in the United Kingdom and is attributable to the continuing activities of the sale of generated electricity and sales of other related goods and is recognised on an accruals basis.

The analysis of the Company's revenue for the year from continuing operations is as follows:

	2019 £ m	2018 £ m
Sales of goods and services	2,465	2,446

5 Fuel, energy and related purchases

	2019 £ m	2018 £ m
Purchase of energy and grid costs	683	719

6 Personnel expenses

The aggregate payroll costs (including directors' remuneration) were as follows:

	2019 £ m	2018 £ m
Wages and salaries	277	250
Social security costs	43	40
Pension costs	137	143
	457	433

The average number of persons employed by the company is analysed as follows:

	2019 No.	2018 No.
Average number of employees	5,535	5,477

7 Operating profit

In 2019 an amount of £231,648 (2018: £203,889) was paid to Deloitte LLP for audit services. This charge was borne by another Group company in both the current and prior year. In 2019 no non-audit services were provided to the Company (2018: £nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 Investment income

	2019 £ m	2018 £ m
Foreign exchange gains	-	4
Pension income receivable	18	16
Other finance income	1	1
Interest receivable from other Group companies	-	65
Unwinding of discount on NLF and Nuclear Liabilities Receivables	333	407
	352	493

9 Finance costs

	2019 £ m	2018 £ m
Other interest	-	1
Interest payable on loans from other Group companies	1	44
Unwinding of discount on provisions	61	61
Unwinding of discounting on NLF Liabilities	7	8
Unwinding of discounting on Nuclear Liabilities	333	407
Fair value losses on foreign currency derivatives	7	-
	409	521

10 Directors' remuneration

The Directors' remuneration for the year was as follows:

	2019 £m	2018 £m
Remuneration	2	1
Contributions to defined benefit pension schemes	-	-
	2	1

All Directors are employees of associated EDF companies.

No Director (2018: none) held any interests in the shares or debentures of the Company or the EDF S.A. Group that are required to be disclosed under the Companies Act 2006.

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2019 No.	2018 No.
Accruing benefits under defined benefit pension scheme	4	4

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Directors' remuneration (continued)

In respect of the highest paid director:

	2019 £m	2018 £m
Remuneration	1	1
Contributions to defined benefit pension schemes	-	-
	1	1

11 Tax

(a) Tax charged in the income statement

	2019 £ m	2018 £ m
Current taxation		
UK corporation tax charge on profits made in the year	56	58
Adjustments in respect of previous years' reported tax credits	(4)	(4)
Total current tax charge for the year	52	54
Deferred taxation		
Current year credit	(18)	(22)
Adjustments in respect of previous years' reported tax charges	3	1
Effect of decreased tax rate on opening balance	-	(4)
Total deferred tax credit for the year	(15)	(25)
Income tax charge reported in the income statement	37	29

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 Tax (continued)

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

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

	2019 £ m	**2018 £ m**
Profit before taxation	159	158
Tax at the UK corporation tax rate of 19.00% (2018: 19.00%)	30	30
Effect of:		
Other non-deductible expenses and non-taxable income	6	3
Current year effect of deferred tax rate change	2	3
Adjustment to prior-year corporation tax (credit)	(4)	(4)
Adjustment to prior-year deferred tax charge	3	1
Impact of decreased tax rate on opening deferred tax balance	-	(4)
Tax charge reported in the income statement	37	29

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

The accounting for deferred tax follows the accounting treatment of the underlying item on which deferred tax is being provided and hence is booked within equity if the underlying item is booked within equity.

In the current year a deferred tax charge of £28m (2018: charge of £13m) in respect of pension movements has been recognised in equity.

A current tax credit of £7m (2018: credit of £7m) has also been recognised in equity in respect of pension movements..

The closing deferred tax balance at 31 December 2019 has been calculated at 17.00% (31 December 2018: 17.00%). This is the average tax rate at which the reversal of the net deferred tax liability is expected to occur.

Changes to the main rate of corporation tax were enacted after the balance sheet date. The impact of the changes is disclosed as a post balance sheet event in account note 31.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 Intangible assets

	IT software £ m	Total £ m
Cost or valuation		
At 1 January 2019	154	154
Transfers (note 13)	4	4
At 31 December 2019	158	158
Amortisation		
At 1 January 2019	(139)	(139)
Amortisation charge	(6)	(6)
At 31 December 2019	(145)	(145)
Carrying value		
At 31 December 2019	13	13
At 31 December 2018	15	15

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 Property, plant and equipment

	Other land and buildings £ m	Other plant and equipment £ m	Power stations £ m	Total £ m
Cost				
At 1 January 2019	39	1,111	12,120	13,270
Additions	-	416	-	416
Disposals	-	(180)	(29)	(209)
Transfers (note 12)	-	(201)	197	(4)
Adjustment to provision for unburnt fuel at station closure	-	-	137	137
At 31 December 2019	39	1,146	12,425	13,610
Depreciation				
At 1 January 2019	(20)	(657)	(9,726)	(10,403)
Charge for the year	-	(226)	(281)	(507)
Disposal	-	180	29	209
At 31 December 2019	(20)	(703)	(9,978)	(10,701)
Carrying value				
At 31 December 2019	19	443	2,447	2,909
At 31 December 2018	19	454	2,394	2,867

14 NLF and nuclear liabilities receivable

	2019 £ m	2018 £ m
Nuclear liabilities receivable	563	665
NLF receivable	10,509	7,354
Total non-current NLF and nuclear liabilities receivables	11,072	8,019
Nuclear liabilities receivable	147	163
NLF receivable	99	66
Total current NLF and nuclear liabilities receivables	246	229
Total NLF and nuclear liabilities receivables	11,318	8,248

The NLF receivable asset represents amounts that will be reimbursed by the NLF in respect of the qualifying nuclear liabilities recognised at the balance sheet date.

The nuclear liabilities receivable asset represents amounts due under the historical British Nuclear Fuels Limited contracts which will be reimbursed by the Government.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 Retirement benefit schemes

Defined benefit pension schemes

EDF Energy Nuclear Generation Limited sponsors the pension arrangement operated by British Energy Generation Group (BEGG) within the Electricity Supply Pension Scheme (ESPS). The ESPS is a defined benefit scheme, which is externally funded and subject to triennial actuarial valuation. Each pension group that participates in the ESPS is financially independent from the other groups. The BEGG defined benefits plan is a multi-employer plan which is run on a basis that does not enable individual companies within the Group to identify their share of the underlying assets and liabilities. The Company closed its legacy BEGG pension arrangements to new entrants with effect from 1 August 2012.

There is no contractual agreement or stated policy for charging the net defined benefit cost to other companies within the Group whose employees are members of the BEGG pension scheme. In accordance with IAS 19 (Revised 2011), these other Group companies recognise a cost equal to its contribution payable for the period, which is presented within personnel expenses in the income statement.

Under the BEGG scheme, employees are either in the final salary section or a career average revalued earnings ("CARE") section. In the final salary section employees are entitled to annual pensions on retirement at ages 60, 63 or 65 (depending on the date of joining the scheme), of 1/60th of pensionable salary for each year of service. In the CARE section of BEGG the employees accrue benefits based on their average salary during their period of employment within EDF Energy. The rate of accrual of CARE is 1/60th of the employee's average salary based on a 5% contribution rate.

The latest full actuarial valuations of the BEGG were carried out by qualified actuaries at 31 March 2016. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method. The High Court handed down the main elements of a judgement relating to equalisation of member benefits for the gender effects of Guaranteed Minimum Pensions ("GMP"). The judgement confirmed that GMP equalisation was required and the impact of GMP equalisation on the pension schemes has been evaluated at 0.2% of the total liabilities for BEGG and any additional reserve has been recognised as a past service cost.

Funding requirements
Further details of the BEGG pension scheme is disclosed in note 39 of the consolidated financial statements of EDF Energy Holdings Limited which are available as disclosed in note 30 below.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 Retirement benefit schemes (continued)

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	31 December 2019 £ m	31 December 2018 £ m
Fair value of scheme assets	6,929	6,291
Present value of scheme liabilities	(5,998)	(5,524)
Defined benefit pension scheme surplus	931	767

Scheme assets

Changes in the fair value of scheme assets are as follows:

	2019 £ m	Total 2018 £ m
Fair value at start of year	6,291	6,729
Interest income on assets	176	171
Employer contributions	153	156
Member contributions	3	4
Benefits paid	(292)	(504)
Actuarial gain/(loss)	598	(265)
Fair value at end of year	6,929	6,291

The pension scheme has not invested in any of the Company's own financial instruments or in properties or other assets used by the Company.

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	2019 £ m	Total 2018 £ m
Present value at start of year	5,524	6,014
Current service cost	136	156
Interest cost	158	155
Member contributions	3	4
Past service cost	-	11
Actuarial (gain)/loss	469	(312)
Disbursements from scheme assets	(292)	(504)
Present value at end of year	5,998	5,524

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 Retirement benefit schemes (continued)

Amounts recognised in the income statement

	2019 £ m	2018 £ m
Amounts recognised in profit before taxation and finance costs		
Current service cost	136	156
Past service cost	-	11
Recognised in arriving at profit before taxation and finance costs	136	167
Amounts recognised in finance income or costs		
Interest (income) cost	158	155
Expected return on scheme assets	(176)	(171)
Recognised in other finance cost	(18)	(16)
Total recognised in the income statement	118	151

Sensitivity of pension defined benefit obligations to changes in assumptions:
The significant actuarial assumptions for the determination of the defined benefit obligations are discount rate, salary increase and inflation rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, holding all other assumptions constant.

At 31 December 2019:
Impact of a 25bp increase/decrease in discount rate -4.61% to +4.9%
Impact of a 25bp increase/decrease in salary increase assumption +0.39% to -0.4%
Impact of a 25bp increase/decrease in inflation rate +3.56% to -3.38%

In calculating the sensitivities, the present value of the obligation has been calculated using the projected unit credit method at the end of the reporting period which is consistent with how the defined benefit obligation has been calculated and recognised on the balance sheet.

There have been no changes in the methodology for the calculation of the sensitivities since the prior year

16 Inventories

	2019 £ m	2018 £ m
Raw materials and consumables	112	115
Unburnt nuclear fuel	1,849	1,760
Other nuclear fuel and uranium	346	375
	2,307	2,250

Cost of inventories recognised as an expense during the year was £38m (2018: £33m).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 Trade and other receivables

	2019 £ m	2018 £ m
Trade receivables	235	75
Prepayments	46	17
Other debtors	84	1
Amounts owed by other Group companies	1,563	3,340
	1,928	3,433

In 2019 balances were interest free and in 2018 Interest of LIBOR +0.87% was charged on amounts owed by other Group companies. The balances are unsecured and are repayable on demand.

18 Cash and cash equivalents

	2019 £ m	2018 £ m
Cash pooling	279	-

19 Other liabilities

	2019 £ m	2018 £ m
Trade payables	109	122
Accruals	253	252
Amounts owed to other Group companies	88	90
Nuclear liabilities (note 23)	147	163
NLF liabilities	12	12
Total other liabilities due within one year	609	639
Nuclear liabilities (note 23)	563	665
NLF liabilities	88	93
Total other liabilities due after more than one year	651	758

Amounts owed to other Group companies are unsecured, repayable on demand and interest free.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 Borrowings

	2019 £ m	2018 £ m
Current loans and borrowings		
Bank overdrafts	-	11
Loans from other Group companies	670	670
	670	681

The loans from other Group companies relates to a loan from British Energy Bond Finance Limited which is unsecured, accrued interest at 7% and was paid in 2019.

21 Derivative financial instruments

	Fair value		Notional value	
	2019	2018	2019	2018
	£m	£m	£m	£m
Current				
Derivative financial assets/(liabilities) at fair value through profit and loss				
Foreign currency forward contracts	(1)	-	143	-
Total current derivative financial instruments	(1)	-	143	-
Split by:				
Current assets	3	-	22	-
Current liabilities	(4)	-	120	-
	(1)	-	142	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 Derivative financial instruments (continued)

	Fair value		Nominal value	
	2019	**2018**	**2019**	**2018**
	£m	**£m**	**£m**	**£m**
Non-current				
Derivative financial assets/(liabilities) at fair value through profit and loss				
Foreign currency forward contracts	(1)	-	34	-
Total non-current derivative financial instruments	-	-	-	-
Split by:				
Non-current assets	-	-	1	-
Non-current liabilities	(1)	-	33	-
	(1)	-	34	-

In 2019 British Energy Bond Finance Limited's derivative financial instruments were transferred to EDF Energy Nuclear Generation Limited.

All the derivative financial instruments are valued using a discounted cash flow. Future cash flows are estimated based on forward rates (from observable rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of the counterparties. Similar valuation methodologies are used for commodity forward contracts, foreign currency forward contracts, cross currency swaps and interest rate swaps. There are no significant unobservable inputs into the valuation.

22 Provisions for liabilities

	Nuclear Provision	**Provision for unburnt fuel**	**Other provisions**	**Long-term employee benefit**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
At 1 January 2019	7,413	1,411	7	12	8,843
Arising during the year	2,901	137	-	-	3,038
Utilised during the year	(27)	-	-	-	(27)
Unwinding of discount	297	61	-	-	358
Released during the year	-	-	(2)	-	(2)
At 31 December 2019	10,584	1,609	5	12	12,210

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 Provisions for liabilities (continued)

Due to the nature of the nuclear fuel process there will be some unburnt fuel in the reactors at station closure. The costs of this unburnt fuel (final core) are fully provided for at the balance sheet date. The provision is based on a projected value per tonne of fuel remaining at closure, discounted back to the balance sheet date and recorded as a long term provision. Any adjustment to the provision is recorded through property, plant and equipment and depreciated over remaining station life.

See note 23 for further information about the nuclear liabilities.

23 Nuclear liabilities

Restructuring Agreements were originally entered into on 14 January 2005 as part of the restructuring of the former British Energy Group of companies (hereafter referred to as "the EDF Energy Nuclear Generation Group") carried out from 2002 under the authority of the UK Government in order to stabilise the financial situation of the EDF Energy Nuclear Generation Group.

By virtue of these restructuring agreements:

• The Nuclear Liabilities Fund ("NLF"), an independent trust set up by the UK Government as part of the restructuring, agreed (at the direction of the Secretary of State) to fund, to the extent of its assets: (i) qualifying uncontracted nuclear liabilities (including liabilities in connection with the management of spent fuel at the Sizewell B power station); and (ii) qualifying costs of decommissioning in relation to the existing nuclear power stations owned and operated by EDF Energy Nuclear Generation Limited;

• the Secretary of State agreed to fund: (i) qualifying uncontracted nuclear liabilities (including liabilities in connection with the management of spent fuel at the Sizewell B power station) and qualifying costs of decommissioning, in each case in relation to the existing nuclear power stations owned and operated by EDF Energy Nuclear Generation Limited, to the extent that they exceed the assets of NLF; and (ii) subject to a cap of £2,185 million (in December 2002 monetary values, adjusted accordingly), qualifying contracted liabilities for the EDF Energy Nuclear Generation Group's spent fuel (including in particular liabilities for management of AGR waste from spent fuel loaded prior to 15 January 2005); and

• EDF Group is responsible for funding certain excluded or disqualified liabilities (mainly liabilities incurred in connection with an unsafe or careless operation of the power stations) and the potential associated obligations of its subsidiaries to the NLF and the Secretary of State are guaranteed by the principal members of the EDF Energy Nuclear Generation Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23 Nuclear liabilities (continued)

	Spent fuel	Radioactive waste Transport & Disposal	Radioactive waste retrieval & Processing	De-commissioning	Total
	£m	£m	£m	£m	£m
At 1 January 2018	1,390	572	280	5,422	7,664
Charged to profit and loss account:					
Unwinding of the discount	86	30	14	277	407
Updated cash flows	(8)	(1)	-	(12)	(21)
Discount rate update	24	62	34	259	379
Operating costs	10	2	2	-	15
Payments in the period	(193)	-	-	(9)	(202)
At 31 December 2018	1,309	665	330	5,937	8,241
At 1 January 2019	1,309	665	330	5,937	8,241
Charged to profit and loss account:					
Unwinding of the discount	54	27	14	238	333
Updated cash flows	10	-	-	1,749	1,759
Discount rate update	72	202	106	759	1,139
Operating costs	11	2	3	-	16
Payments in the period	(177)	-	-	(17)	(194)
At 31 December 2019	1,279	896	453	8,666	11,294

Nuclear liabilities are included in the balance sheet as follows:

	2019	2018
	£m	£m
Other liabilities:		
- amounts due within one year	147	163
- amounts due after more than one year	563	665
Provision for liabilities	10,584	7,413
	11,294	8,241

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23 Nuclear liabilities (continued)

Spent fuel
Spent fuel represents all costs associated with the ongoing storage and treatment of spent fuel and the products of reprocessing. Cash flows for AGR spent fuel services relating to fuel loaded into reactors up to RED are based on the terms of the Historic Liability Funding Agreement (HLFA) with BNFL. The pattern of payments within the HLFA is fixed (subject to indexation by RPI) at RED and will be funded by the Government under the Government indemnity.

Other cash flows in respect of spent fuel services relating to storage of AGR and PWR fuel are based on cost estimates derived from the latest technical assessments and are funded by the NLF.

Radioactive waste (Transport and Disposal)
Radioactive waste (Transport and Disposal) comprises the provision of services relating to the transport and disposal of waste arising from the decommissioning of PWR and AGR stations, and the transport and disposal of spent fuel and associated wastes. These liabilities are derived from the latest technical estimates and are funded by the NLF.

Radioactive waste (Retrieval and Processing)
Radioactive waste (Retrieval and Processing) comprises the provision of services relating to the management and processing of high- and intermediate-level radioactive waste products, including the costs of construction and operation of a radioactive waste packaging plant. These liabilities are derived from the latest technical estimates and are funded by the NLF.

Decommissioning
The costs of decommissioning the power stations have been estimated on the basis of ongoing technical assessments of the processes and methods likely to be used for decommissioning under the current regulatory regime. The estimates are designed to reflect the costs of making the sites of the power stations available for alternative use in accordance with the Group's decommissioning strategy. These liabilities are also funded by the NLF.

Updated cost estimates
EDF Energy has issued an update to the strategy, plan and cost estimates for AGR Decommissioning through the Decommissioning Plan Submission (DPS) 20. The submission to Government/Non-NDA Liabilities Assurance (NLA) will be in two phases, with Phase 1 submitted in January 2020 in the form of a range of scenarios. Phase 1 includes an update to the AGR defuelling preparation and execution phase of decommissioning. An updated cost estimate has been included in the provision as at 31 December 2019 which includes an update to a number of assumptions including an alternative and enhanced approach to risk and uncertainty. Following submission there is an expectation that the NLA will review and agree the DPS20 submission by the end of Q3. All costs within the DPS 20 submission are considered to be qualifying in line with the NLFA and therefore the corresponding receivable has been updated.

The second phase of the DPS 20 submission is expected 2021 and will cover an update to all other AGR decommissioning activities, Sizewell decommissioning and an update to the Uncontracted Liabilities Discharge Plan.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23 Nuclear liabilities (continued)

Updated discount rate applicable to nuclear liabilities
During 2019, an assessment of long-term bond yields and inflationary assumptions resulted in a change to the discount rate used in the present value calculation of the liabilities from a real, pre-tax discount rate of 2.5% used in 2018, to 2.0% used in 2019.

Projected payment details
Based on current estimates of station lives and lifetime output projections, the following table shows, in current prices, the likely undiscounted payments, the equivalent sums discounted to reflect the time value of money and the amounts accrued to date

	Spent fuel	Radioactive Waste - Transport & Disposal	Radioactive Waste - Retrieval & Processing	Decommissioning	2019 Total	2018 Total
	£m	£m	£m	£m	£m	£m
Undiscounted	2,259	3,307	1,684	16,402	23,652	21,385
Discounted	1,440	930	490	8,666	11,526	8,423
Accrued to date	1,279	896	453	8,666	11,294	8,241

The difference between the undiscounted and discounted amounts reflect the fact that the costs concerned will not fall due for payment for a number of years. The differences between the discounted amounts and those accrued to date will be charged to the profit and loss account over the remaining station lives since they relate to future use of fuel. A discount rate of 2.0% pre-tax real rate was applied during 2019, and a pre-tax real rate of 2.5% was applied during 2018.

Under the terms of the historical contracts with BNFL referred to above and in accordance with the projected pattern of payments for decommissioning and other liabilities, taking account of the decommissioning fund arrangements described in note 2, the undiscounted payments in current prices are expected to become payable as follows:

	Spent fuel	Radioactive Waste - Transport & Disposal	Radioactive Waste - Retrieval & Processing	Decommissioning	2019 Total	2018 Total
	£m	£m		£m	£m	£m
Within five years	681	1	-	1,067	1,749	1,046
6 – 10 years	354	88	23	2,909	3,374	2,433
11 – 25 years	339	211	60	4,879	5,489	4,919
26 – 50 years	141	249	85	1,092	1,567	1,635
51 years and over	744	2,758	1,516	6,455	11,473	11,352
	2,259	3,307	1,684	16,402	23,652	21,385

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24 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 otherwise be required for disclosure under IAS 24.

Amounts owned by related parties:

	Parent	Other related parties
2019	**£m**	**£m**
Trade and other receivables	-	1,563

	Parent	Other related parties
2018	**£m**	**£m**
Trade and other receivables	1	3,342

Amount owed to related parties:

	Other related parties
2019	**£m**
Loan owed to other Group Companies	670
Amounts owed to other Group companies	88

	Other related parties
2018	**£m**
Loan owed to other Group Companies	670
Amounts owed to other Group companies	90

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25 Deferred tax

The following are the major deferred tax assets and (liabilities) recognised by the company and movements thereon during the current and prior reporting period.

	Accelerated capital allowances	Short term timing differences	Pensions	Total
	£m	£m	£m	£m
At 1 January 2018	(248)	3	(123)	**(368)**
Credit / (charge) to income:				
Current year	16	1	5	**22**
Adjustments in respect of previous years' reported tax charges	-	(1)	-	**(1)**
Effect of decreased tax rate on opening liability	4	-	-	**4**
Credit / (Charge) to equity:				
Current year	-	-	(15)	**(15)**
Effect of decreased tax rate on opening liability	-	-	2	**2**
Intra-scheme transfers	2	2	-	**4**
At 31 December 2018	**(226)**	**5**	**(131)**	**(352)**
Credit / (charge) to income:				
Current year	18	-	-	**18**
Adjustments in respect of previous years' reported tax charges	(2)	(1)	-	**(3)**
Effect of decreased tax rate on opening liability	-	-	-	**-**
Credit / (Charge) to equity:				
Current year	-	-	(28)	**(28)**
Effect of decreased tax rate on opening liability	-	-	-	**-**
Business acquisitions	-	-	-	**-**
At 31 December 2019	**210**	**4**	**(159)**	**(365)**

	2019	2018
	£m	£m
Deferred tax liabilities	(365)	(352)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26 Commitments

Capital commitments
The total amount contracted for but not provided in the financial statements was £80m (2018: £118.9m).

Other financial commitments
Under contractual arrangements, the Company has the following nuclear fuel commitments at 31 December 2019.

	2020	2021	2022	2023	Thereafter	2019 Total	2018 Total
	£m	£m	£m	£m	£m	£m	£m
Commitments to purchase in the year	320	193	113	127	175	928	885

27 Share capital

Allotted, called up and fully paid shares

	2019 No.	2019 £	2018 No.	2018 £
Ordinary shares of £1 each	1,000	.1,000	1,000	1,000
Special rights redeemable preference shares of £1 each	1	1	1	1
	1,001	1,001	1,001	1,001

Special rights redeemable preference share of £1
The special rights redeemable preference 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 the Company. However, the holder of the special share will only be entitled to withhold consent to such an amendment 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28 Leases

An analysis has been performed of the impact of the first time application of IFRS 16 under the modified retrospective approach. Contracts that previously had been classified as operating leases now qualify as leases as defined by IFRS 16. The entity elected not to re-assess whether a contract is, or contains a lease at date of initial application. In addition, the entity applies the recognition exemptions for short-term leases and leases for which the underlying asset is of low value. The weighted average incremental borrowing rate applied in discounting the lease liability is 3%.

The differences between the operating lease commitments under IAS 17 reported at 31 December 2018 and the estimated lease liability under IFRS 16 relating to the same contracts at 1 January 2019 are explained in the following table:

	£m
Operating lease commitments as lessee as at 31/12/2018	**8**
Difference in the duration applied for termination and extension options that are reasonably certain to be exercised	5
Discount effect	(4)
Discounted lease liability under IFRS 16 at 01/01/2019	9

Set out below are the carrying amounts of lease liabilities and movement during the period:

	£m
As at 31 December 2018	
Transition impact	9
As at 1 January 2019	**9**
Additions	3
Payments	(2)
As at 31 December 2019	**10**

	2019 £m
Current	1
Non-current	9
Total	**10**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28 Leases (continued)

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	£m
Cost	
Transition impact	9
At 1 January 2019	**9**
Additions	2
At 31 December 2019	**11**
Accumulated Depreciation:	
At 1 January 2019	-
Charge for the year	(2)
At 31 December 2019	**(2)**
Carrying value	
At 31 December 2019	**9**

The transition impact of £9m represents the right of use assets brought on balance sheet as a result of the company's adoption of IFRS 16.

The following are amounts recognised in profit or loss:

	2019 £m
Depreciation expense for right-of-use asset	2
Total amount recognised in income statement	2

29 Contingent liabilities

The Company has given certain indemnities and guarantees in respect of fellow 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)

30 Parent undertaking and controlling party

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

At 31 December 2019, Électricité de France SA, a company incorporated in France, is regarded by the Directors as the Company's ultimate parent company and controlling party. This is the largest group for which consolidated financial statements are prepared. Copies of that company's consolidated financial statements may be obtained from the registered office at Électricité de France SA, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.

31 Post balance sheet events

Covid 19

Since the year-end significant economic and social disruption has arisen from the Covid 19 pandemic. EDF Group's priorities are the safety and wellbeing of our people and customers, maintaining access to energy and gas for our customers, keeping our power stations running safely, protecting Hinkley Point C and supporting the most directly exposed businesses, vulnerable people and supply chain. EDF Group is as well engaging with its suppliers to ensure that service levels can continue to be maintained throughout a prolonged pandemic.

The Company is managing the impact of Covid 19, utilising business continuity and resilience processes where appropriate.

The Company's critical functions have been adapted to allow a maximum of employees to work from home. The Group IT system has been leveraged in order to support the transition in a most efficient way, time and to protect our systems against cyber threats. The Company is following the guidance and discussing on a regular basis with the Government on the pandemic evolution and deployment of appropriate policies and actions.

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

Taxation

In March 2020, changes to the main rate of corporation tax were enacted in Finance Bill 2020. This maintained the main rate of corporation tax at 19%, rather than reducing to 17% on 1 April 2020 (as had been enacted by Finance Act 2016). If the main rate of corporation tax of 19% had been substantively enacted by the balance sheet date, the deferred tax balance at 31 December 2019 would be a liability of £408m. This is a movement of £43m compared to the deferred tax recognised on the balance sheet.