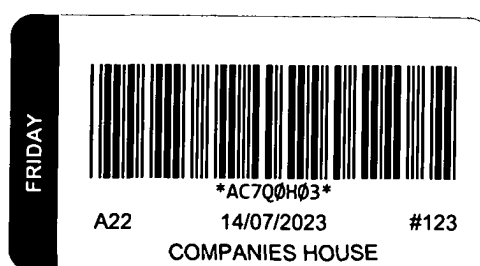


EDF ENERGY NUCLEAR GENERATION LIMITED

REGISTERED NUMBER: 03076445

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022



**EDF ENERGY NUCLEAR GENERATION LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2022**

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Directors David Tomblin
John Munro
Laurent Jean Lacroix
Matthew Sykes
Richard Bradfield
Paul Alexander Morton
Mark Treasure

Company secretary Rose Manassei

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

Registered office Javelin House
Building 1420, Charlton Court
Gloucester Business Park
Gloucester
England
GL3 4AE

**EDF ENERGY NUCLEAR GENERATION LIMITED
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STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 December 2022.

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. 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.

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. The table below provides 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.

STAKEHOLDER GROUPS

Employees and Trade Unions

Having people who bring a diverse range of talents and perspectives, and who feel engaged in their roles, 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.

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 employee surveys, team meetings, learning sessions, briefings, our internal social networking site, Yammer and our intranet, "eNZO". We also frequently engage with Company Councils and Trade Unions about matters affecting employees.

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 2022 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.

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STRATEGIC REPORT (CONTINUED)

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 Britain to achieve Net Zero by championing the transition to a low-carbon future through safe operation and defueling of our stations.

We have been proactive in working with the Office for Nuclear Regulation, Environment Agency, Scottish Environmental Protection Agency, Government and other agencies such as the Department for Business, Energy and Industrial Strategy, Ofgem, etc. to continue to generate electricity safely and securely. We also protect the people and environment around our sites. These sites are situated in some of the most beautiful and environmentally sensitive parts of the UK; we have an obligation to look after those areas, for current and future generations.

Communities

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.

We aim to be the best neighbour possible with 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.

Impact on Principal Decisions

Matt Sykes as Managing Director of the Company, together with the Company's leadership team, continue to implement the Company's vision which is to harness our nuclear skills and capabilities to support the industry's transformation and help Britain achieve net zero. We are also committed to zero harm which includes harm to the environment, harm to the public and harm to those on site. The Company strives to avoid causing harm in any way. This ties into the overriding principle that nuclear safety is our number one priority at the heart of the business. The vision continues to be 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. The focus of the Company's vision 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, security 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 environmental factors to make these strategic decisions.

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STRATEGIC REPORT (CONTINUED)

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.

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 in the table 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, team meetings, face-to-face gatherings, lunch and learns, open forums, interviews and via eNZO.

eNZO 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 and Yammer also provide a number of discussion forums for employees to take part in.

We Listen...

Through various channels including conducting annual employee engagement surveys.

Strong employee engagement is 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 Executive 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.

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STRATEGIC REPORT (CONTINUED)

The nuclear safety culture survey is conducted every two years. The survey has been developed with World Association of Nuclear Operators (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. WANO is a nuclear industry body established to ensure standards of nuclear safety governance across the global nuclear industry, including processes, procedures and behaviours.

We Engage...

With Company Councils and Trade Unions.

Having a dialogue with our employee representative bodies is also embedded in our work practices.

We also engage with a number of other bodies with representatives from the Company and workplace to ensure that they are consulted on matters such as corporate social responsibility, personal contracts and strategy.

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 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 comments. These include LGBTQ+ Supporters; Women's; RACE; Disability and Carers; Working Parent; Forces Supporters; Young Professionals; Cancer Support; and Mental Health Supporters. They help us build cultural awareness and understanding of identity, and how different demographic groups face different challenges.

Review of the business

The profit for the year before taxation amounted to £921m (2021: loss of £953m) and the profit after taxation amounted to £ 744m (2021: loss of £833m).

The profit in the year is a result of lower statutory outages and unplanned losses compared to prior year which increased output of the nuclear generation fleet. Also favorable realised prices for nuclear generation has lead to an increase in revenue from £1,660m in the prior year to £2,959m.

EDF Energy Holdings Limited (the "Group") indirectly holds an 80% interest in EDF Energy Nuclear Generation Limited which manages its operations on a group basis. For this reason, the Company's Directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Group, which includes the Company, and future likely developments of the business are discussed in the Strategic report of the Group's Annual Report which does not form part of this report.

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

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 through generation. The Company sells its generated electricity through a Transfer Pricing Mechanism linked to market prices. The forecast generation volumes and prices are fixed over a rolling three years' 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.

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.

Political and regulatory risk

In response to high UK wholesale market prices, in November 2022 the UK Government announced an 'Electricity Generator Levy', which places a 45% tax on electricity generation receipt above £75/MWh generated between 1st January 2023 and 31st March 2028 (5.25 yrs) and will apply to the Company.

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 and equipment reliability. There is a potential that the nuclear fleet plant inspection programme findings could lead to significant unknown or unplanned risk which may bring forward early 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 were shut down whilst graphite inspection outages were undertaken. The station returned to service in September 2020 following these outages and approval from the ONR for 2 operating cycles of 6 months. Reactor 3 ended power generation on 26 November 2021 and Reactor 4 on 7 January 2022 as previously planned.

Hinkley Point B Reactor 3 and 4 were shutdown following planned graphite inspections in 2020. The station had received the approval to return to service in March 2021 for reactor 3 and April 2021 for reactor 4. Reactor 3 ended power generation on 6 July 2022 and Reactor 4 on 1 August 2022 as previously planned.

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STRATEGIC REPORT (CONTINUED)

Dungeness B reactor 2 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. On 7 June 2021, it was announced that the station would not return to service and would be moved to defueling operations with immediate effect.

Subsequent to year end, Hartlepool and Heysham 1 operating life was extended post year-end. See note 35 further for details.

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 (Parent company).

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 Company'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.

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 (see note 19). 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 risk 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 review all our processes and procedures to ensure they deliver this. Training is provided to managers to ensure they understand their responsibility for the safety of the employees that they set to work. In addition, there is a confidential helpline for the use of anyone within the organisation to help eradicate unsafe practices and safeguard our employees.

Retirement benefit obligations risk

On 31 December 2021 the assets and liabilities of EEGS (EDF Energy Generation and Supply) and EEPS (Energy Pension Scheme) were merged into BEGG (British Energy Generation Group) and BEGG was renamed EDFG. A significant reduction in real interest rates over the year together with a fall in the value growth assets have resulted in the consolidated pension schemes assets falling faster than liabilities, resulting in a significant reduction in the IAS 19 surplus in the year. Higher interest rates and closure to future accrual for most members have led to reduced pension cash expense for future accrual. EDF Energy and the Pension Scheme Trustees keep investment risk under review, concentrating on prudent asset allocation and liability hedging.

A revised Memorandum of Understanding (MoU) was agreed in 2021 as part of the negotiation around consolidation setting out a framework whereby EDF SA provides financial support in return for agreement on funding and investment/risk matters. See note 20 for more details of pension risks.

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STRATEGIC REPORT (CONTINUED)

Cyber risk

Safety is the overriding priority for the Company and it takes the risks of cyber-attack on plant computer systems and IT infrastructure very seriously. The Company has implemented strong controls to protect against cyber threats and incorporated diverse protection measures within the UK's eight nuclear power stations, including back up safety systems which do not rely on software. Information and cyber security is an important issue and the Company is continually reviewing its defences in this area.

Climate-related risk

Risks and opportunities associated with climate change and the transition to a lower carbon economy are considered both strategically and operationally. It underpins our strategy and decision-making, and helps our activities be compatible with achieving our objectives in a sustainable and fair way.

The company is responsible for identification and management of risk associated with their business area. Climate risk associated with existing nuclear power stations is assessed, and managed or mitigated, using information from several sources including the UK Climate Impacts Programme (UKCIP). Safety cases for existing site licenses look at one in 10,000 year extreme weather and flooding events and over the life of the stations periodic safety reviews consider any needed updates to adaptation measures, based on continuously evolving climate science. Climate resilience is also integral to the design of new stations with studies undertaken as part of Development Consent Order applications and site license applications.

In line with wider EDF Energy / UK approach, the company produced a high-level climate change adaptation plan in 2022 that is now integrated in the environmental management system.

The company's financial statements reflect issues relating to climate change and sustainable development through the implementation of its investment and divestment strategy, through expenditure incurred specifically in response to environmental issues, particularly under applicable laws and regulations, and through the valuation methods used for the Company's assets and liabilities.

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 UK 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 UK Government will also indemnify any future funding shortfall of the NLF. 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. On 23 June 2021 EDF and the UK government signed an update to the Restructuring Agreements. The changes and clarifications to the Agreements confirm the recovery of qualifying costs and stipulate that once the AGR stations have finished defueling under EDF Energy responsibility, they will transfer to the NDA which will be responsible for subsequent decommissioning activities.

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STRATEGIC REPORT (CONTINUED)

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), 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
994A05A81829404...

David Tomblin
Director

26 May 2023

**EDF ENERGY NUCLEAR GENERATION LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2022**

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 2022.

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

Directors

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

David Tomblin

John Munro

Laurent Jean Lacroix

Matthew Sykes

Richard Bradfield

Paul Alexander Morton

Mark Treasure

Christopher Ball (appointed 3 October 2022 and resigned 31 December 2022)

Jerry Haller (resigned 30 June 2022)

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 (the "Group").

No Director (2021: 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.

Corporate Governance Statement

**PART 1
INTRODUCTION**

The Company is not required to comply with the UK Corporate Governance Code but seeks to apply best practices from the Code using the Wates Principles for Large Private Companies (the **Wates Principles**). This approach allows the Company to maintain robust corporate governance arrangements whilst continuing to support the corporate governance practices of its parent company, EDF SA Group (a listed company on the Euronext Paris), with its compliance obligations under the French Afep-Medef Code.

The Company purpose and strategy is set out in the Strategic Report and published on the EDF Energy (EDF UK) website. The purpose is summarised as helping Britain to achieve Net Zero. The purpose and strategy are guided by: i) feedback from stakeholder engagement; ii) consideration of the long-term impact of strategic decisions on the long-term objectives of the Company and the wider EDF UK Group, being EDF Energy Holdings and its subsidiaries (the **Group**); and iii) the environmental impact of those decisions.

The purpose is a UK articulation of the EDF SA Group **Raison d'être**. It underpins strategy setting and decision making by the Board and ensures activity within the Company is compatible with achieving these objectives in order to promote long term success.

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DIRECTORS' REPORT (CONTINUED)

To ensure strong corporate governance practices are maintained, the Group acts in accordance with multiple overarching internal policies that are tested on an annual basis to satisfy the French Securities Markets Authority (**Autorité des Marchés**) Listing Requirements.

This statement will explain what arrangements the Company had in place during 2022 to maintain its strong corporate governance culture and support delivery of the purpose and strategy, which, for ease of review, have been aligned with the Wates Principles 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 Company purpose and ensured the Company values, strategy and culture align with that purpose.

EDF is proud to be Britain's biggest generator of zero carbon electricity and in order to help Britain achieve Net Zero EDF intends to lead the transition to a decarbonised energy system across its seven business areas.

The Company's principal activity is the generation and sale of electricity and it supports the Raison d'être by generating low carbon electricity and maximising the value of the existing generation fleet to rebalance the UK generation mix.

To ensure the strategy, objective and purpose of the Company is articulated and implemented throughout the Generation business, the Group has a communications team to support the Company with issuing tailored communications to employees. Public and political opinion with regard to EDF UK is monitored and the team frequently engages with political parties and other stakeholders. The social media team also has an active listening, response and monitoring strategy to gauge market perception of delivery of the strategy of the Company.

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 strategy.

The Company's generating fleet in the future will be very different from today. The continued long-term operation of Sizewell B, coupled with the Group's operation of Hinkley Point C and eventually Sizewell C which was recently backed by government funding to support the continued development of the project 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 are moving towards decommissioning over the course of this decade, meaning the organisation and the way it supports the fleet will need to evolve. The Company also needs to ensure its continued readiness for the defueling phase of operations, noting that Dungeness is preparing for the defueling phase in Q2 2023 and Hunterston B and Hinkley Point B have now moved into defueling. The Company is continuing preparations for the transfer of the AGR station to the NDA at the end of the defueling phase.

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DIRECTORS' REPORT (CONTINUED)

The business is undergoing a transformational change, on a scale unprecedented in the Company. To guide this change, the Company ensures that its activities are in line with its vision and strategic priorities which then inform and guide the business as it refocuses on the challenges and opportunities ahead. The ongoing transformation is preparing the Company and the generation business in the Group in 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 and expertise 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 ensure nuclear safety and security in discharge of its licensee obligations;
- To monitor the safety and operational performance of the business;
- To monitor health, safety, security and environmental protection policies;
- 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 and the budget for decommissioning works;
- 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; and
- To review power station security arrangements.

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

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DIRECTORS' REPORT (CONTINUED)

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 2022 includes a mix of Executive Directors, three Independent Advisors and other attendees bringing oversight from other aspects of the business including HR, Legal and Technical Client Organisation. All directors appointed have a strong background in the relevant sector(s). 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.

All 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 outlines their obligations as a Director, including those in the Companies Act 2006, and EDF's corporate governance framework. Directors are able to participate in bespoke training and are encouraged to update their skills and knowledge of the Group by meeting with senior management, visiting sites (such as the power stations), undertaking external training and engaging with stakeholders across the Generation business and its operations.

To ensure that all conflicts of interest are identified and duly authorised, newly appointed directors are 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 aware that any new conflicts arising thereafter must be declared and authorised in advance by the board of directors or by the shareholders. In addition, at the start of every board meeting directors are asked to declare the nature and extent of their respective interests in the matters tabled or relevant to the Board.

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 and the Nuclear Safety Committee which acts on its behalf in respect of Licence Condition 13. 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 seconded 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.

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DIRECTORS' REPORT (CONTINUED)

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

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 2022, the Board was subject to appropriate independent challenge from three Independent Advisors and a Shadow Board.

The Directors receive regular updates 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 dictated by the Company's internal procedures relating 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.

The Company uses Financial Authority Limits (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 Company formally adopts the FALs annually. 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.

**EDF ENERGY NUCLEAR GENERATION LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2022**

DIRECTORS' REPORT (CONTINUED)

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 Management, Internal Control, Business Continuity and Crisis Management Policy which defines key standards the companies within the Group are required to achieve. The Company self-assess against these standards, and the Group is audited against them to provide assurance that group companies have an appropriate risk culture.

Control testing against each Group policy is carried out at least annually through the Internal Control Self-Assessment process. Actions are identified following completion of the results, where required, to facilitate continuous improvement across teams. This presents an opportunity for the directors to consider any emerging risks and provides a forum to devise solutions to minimise the impact of those risks. The results are then reported to the 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. 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.

EDF ENERGY NUCLEAR GENERATION LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2022

DIRECTORS' REPORT (CONTINUED)

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 publishes its annual Gender Pay Gap report on its website.

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.

Good governance and effective communication are essential to deliver the purpose, the Raison d'être of EDF SA, and to protect EDF's reputation and relationships with all stakeholders including shareholders, customers, employees, suppliers, regulators and the local communities.

The Board is committed to social responsibility, community engagement and environmental sustainability which is demonstrated, through the sustainable business roadmap (available online). The roadmap showcases our commitment to operating as a responsible business and continued engagement with internal and external stakeholders.

The Group engages, informs and consults with its employees on matters affecting them and has regard to their interests in decision making. Employees who possess a diverse range of talents and perspectives, that feel engaged in their roles, is fundamental to the long-term success of the Company.

In the summer of 2020, EDF UK launched its Everyone's Welcome vision for being a great place to work, where everyone is welcome. Following this launch and engagement with our employee networks, EDF UK issued a Standards of Behaviour statement in September 2021. This statement applies to everyone, makes it explicitly clear that our people deserve a respectful working environment and that we will not tolerate any behaviour that is not in line with our Everyone's Welcome vision.

Employee engagement mechanisms include:

- Formal and informal briefings, departmental meetings and regular reports in staff newsletters and on the Group intranet.
- Trade Union & personal contract holder structures - Company Council, European Works Council, Corporate Social Responsibility Forum, Strategy meetings, and business unit specific forums.
- Employee networks sponsored by senior management to provide diverse and inclusive environments for employee support, feedback and comment. They help build cultural awareness and understanding of identity, and how different demographic groups face different challenges.
- Diversity and Inclusion Strategy Group (**DISG**) chaired by the CEO reviews Group strategy and actions taken to promote Diversity and Inclusion (**D&I**). It discusses items raised via the employee networks to guide policy development within the Group.
- Regular employee surveys where senior leaders gather feedback on employee wellbeing which inform policy, for example the EDF Group Employee Engagement Survey 'My EDF' discussed in further detail above at page 3.

**EDF ENERGY NUCLEAR GENERATION LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2022**

DIRECTORS' REPORT (CONTINUED)

The Company continued to face challenges during 2022 due to the impact of the current UK energy market crisis which was mitigated by a strong safe operational performance and delivery of its output plan. The Board advised that the mental health and wellbeing of employees, particularly those in customer facing roles, should remain a top priority for management.

The Company and wider Group proactively engages with relevant external stakeholders including trade associations (such as Confederation of British Industry, Energy UK, Nuclear Industry Association and Renewable UK, etc). Directors and other attendees share feedback from these external discussions with internal stakeholders to support decision making and facilitate transparency.

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.

In addition, as part of its work on the future defueling and decommissioning of its AGR power stations, the Company is proactively engaging with the Department for Business, Energy and Industrial Strategy, the Nuclear Liabilities Fund and the Non NDA Liabilities Assurance department.

The Company takes a proactive approach to communications with the public, regulators and stakeholders through communications on its website. 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.

Streamlined Energy and Carbon Reporting

Information on the streamlined energy and carbon reporting is discussed in the EDF Energy Holdings Limited Group's Annual Report which does not form part of this report and are available to the public as set out in note 34.

Dividends

Dividends of £300m (2021: £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.

**EDF ENERGY NUCLEAR GENERATION LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2022**

DIRECTORS' REPORT (CONTINUED)

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 notes 17 and 21.

Post balance sheet event

Subsequent events, are disclosed in note 35 of the financial statements.

Political donations

The Company made no political donations in the current year (2021: £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, sexual orientation, marital status, disability, race, colour, nationality or ethnic origin. 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. Please see 'Stakeholder Engagement Statement' section on page 1.

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

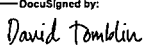
Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of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

Deloitte LLP are auditors for the financial year ended 31 December 2022 and will be replaced by PwC LLP as the auditors of the Company for the financial year ending 31 December 2023 in accordance with the provisions of the Companies Act 2006. The Directors have been authorized to fix the remuneration of the auditors.

Approved by the Board and signed on its behalf by:

DocuSigned by:

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David Tomblin
Director
26 May 2023

**EDF ENERGY NUCLEAR GENERATION LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2022**

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors 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.

**EDF ENERGY NUCLEAR GENERATION LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2022**

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 2022 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.
- the related notes 1 to 35.

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

Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Comparing the underlying data and key assumptions, such as price and output, to past performance;
- Assessing the sophistication of the model used to prepare the forecasts, testing the clerical accuracy of those forecasts and considering the historical accuracy of the forecasts prepared by management;
- Determining the likelihood of the downside scenarios and sensitivities performed by management; and
- Assessing the adequacy of the going concern disclosures.

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

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

**EDF ENERGY NUCLEAR GENERATION LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2022**

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

**EDF ENERGY NUCLEAR GENERATION LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2022**

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

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

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

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

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

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

We discussed among the audit engagement team, including relevant internal specialists such as tax, IT, pensions and financial instruments regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

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

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

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

**EDF ENERGY NUCLEAR GENERATION LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2022**

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

Report on other legal and regulatory requirements

Opinions 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.

Matters on which we are required to report by exception


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

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



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

26 May 2023

EDF ENERGY NUCLEAR GENERATION LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2022

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £m	2021 £m
Revenue	4	2,959	1,660
Fuel and energy purchases	5	(827)	(729)
Gross margin		2,132	931
Materials and contracting costs		(391)	(464)
Personnel expenses	6	(322)	(479)
Other operating expenses		(31)	(25)
Other operating income		-	9
Operating profit/(loss) before depreciation and amortisation	7	1,388	(28)
Depreciation and amortisation		(521)	(632)
Exceptional income	8	32	57
Impairment	9	-	(352)
Profit/(loss) before taxation and finance costs		899	(955)
Investment income	10	1,795	818
Finance costs	11	(1,773)	(816)
Profit/(loss) on ordinary activities before taxation		921	(953)
Taxation	13	(177)	120
Profit/(loss) for the year		744	(833)

EDF ENERGY NUCLEAR GENERATION LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2022

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £m	2021 £m
Profit/(loss) for the year	744	(833)
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of retirement benefit obligations	(1,808)	770
Income tax effect	<u>446</u>	<u>(269)</u>
Total comprehensive loss attributable to the owners of the Company for the year	<u>(618)</u>	<u>(332)</u>

The income tax effect on defined benefit pensions includes a deferred tax credit of £434m (2021: charge of £276m) and a current tax credit of £12m (2021: credit of £8m).

EDF ENERGY NUCLEAR GENERATION LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2022

BALANCE SHEET
AT 31 DECEMBER 2022

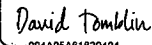
	Note	2022 £m	2021 £m
Non-current assets			
Intangible assets	14	13	13
Property, plant and equipment	15	1,889	2,223
Right of use assets	16	7	7
Financial assets	17	11	11
Investments in subsidiary undertakings	18	10	10
NLF and Nuclear Liabilities receivables	19	11,075	12,592
Post-employment benefit asset	20	584	2,292
Trade and other receivables	23	907	947
		<u>14,496</u>	<u>18,095</u>
Current assets			
NLF and Nuclear Liabilities receivable	19	1,341	841
Derivative financial instruments	21	7	1
Inventories	22	1,594	2,054
Trade and other receivables	23	653	368
Cash and cash equivalents	24	541	228
Current tax asset		46	-
		<u>4,182</u>	<u>3,492</u>
Total assets		<u>18,678</u>	<u>21,587</u>
Current liabilities			
Derivative financial instruments	21	(1)	(3)
Lease liabilities	16	(1)	(1)
Other liabilities	25	(589)	(550)
Short-term provisions	26	(1,161)	(1,228)
Current tax liability		-	(11)
		<u>(1,752)</u>	<u>(1,793)</u>
Net current assets		<u>2,430</u>	<u>1,699</u>
Total assets less current liabilities		<u>16,926</u>	<u>19,794</u>

EDF ENERGY NUCLEAR GENERATION LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2022

BALANCE SHEET
AT 31 DECEMBER 2022 (CONTINUED)

	Note	2022 £m	2021 £m
Non-current liabilities			
Lease liabilities	16	(6)	(6)
Other liabilities	25	(395)	(451)
Long-term provisions	26	(11,818)	(13,336)
Deferred tax liability	29	(295)	(671)
		<u>(12,514)</u>	<u>(14,464)</u>
Total liabilities		<u>(14,266)</u>	<u>(16,257)</u>
Net assets		<u>4,412</u>	<u>5,330</u>
Capital and reserves			
Called up share capital	32	-	-
Share premium reserve		72	72
Retained earnings		<u>4,340</u>	<u>5,258</u>
Shareholders' funds		<u>4,412</u>	<u>5,330</u>

The financial statements of EDF Energy Nuclear Generation Limited (registered number: 03076445) on pages 23 to 65 were approved by the Board, authorised for issue and signed on its behalf by:

DocuSigned by:

 004A05061920409
 David Tomblin
 Director
 26 May 2023

EDF ENERGY NUCLEAR GENERATION LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2022

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital £ m	Share premium £ m	Retained earnings £ m	Total £ m
At 1 January 2021	-	72	5,590	5,662
Loss for the year	-	-	(833)	(833)
Other comprehensive income	-	-	501	501
At 31 December 2021	-	72	5,258	5,330
Profit for the year	-	-	744	744
Other comprehensive loss	-	-	(1,362)	(1,362)
Dividends	-	-	(300)	(300)
At 31 December 2022	-	72	4,340	4,412

EDF ENERGY NUCLEAR GENERATION LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2022

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 8.

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".

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.

These financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value at the end of each reporting period as explained in the accounting policies in note 2. Historical cost is generally based on the fair value of the consideration given in exchange for the asset. The financial statements are presented in pounds sterling as that is the currency for the primary economic environment in which the Company operates.

Summary of disclosure exemptions

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

- a) The requirements of IFRS 7 Financial Instruments: Disclosures;
- b) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- c) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1;
- d) the requirements of paragraphs 10(d), 10(f) and 134-136 of IAS 1 Presentation of Financial Statements;
- e) the requirements of IAS 7 Statement of Cash Flows;
- f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- h) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- i) 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;
- j) the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases; and
- k) 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 34.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

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), 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.

Exemption from preparing group accounts

The financial statements contain information about EDF Energy Nuclear Generation Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of EDF Energy Holdings Limited, a company incorporated in United Kingdom.

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.

Interest income

Interest income is recognised as the interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Finance cost

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

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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

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.

Property, plant and equipment

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 three years, for the PWR power station it is 18 months.

Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Borrowing costs incurred relating to the construction or purchase of fixed assets are capitalised as below. Depreciation is calculated on a straight-line basis, less any residual value, over the estimated total useful life of the asset and charged to income as follows:

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Asset class	Depreciation method and rate
AGR Power Stations	40 to 41 years
PWR Power Stations	60 years
Other buildings	30 years
Other plant and equipment	18 months to 5 years

De-recognition

An item of property, plant and equipment and any significant part initially recognised 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 on 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 when the asset is de-recognised.

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. The amortisation expense on intangible assets is recognised in the income statement. An intangible asset 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.

Leases

Company as a lessee

At contract inception, the company assesses 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 assets

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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

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.

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

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.

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 recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the 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 recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

Defined benefit pension obligation

The cost of providing benefits is determined using the Projected Unit Credit method with actuarial valuations being carried out at each balance sheet date. Remeasurements 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 cost.

The retirement benefit obligation recognised on the balance sheet represents the deficit or surplus in the Company's defined benefit scheme. 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 scheme.

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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.

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 Other Comprehensive Income. The cost of ex-gratia and supplementary long-term employee benefits are 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.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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 finance costs in the income statement. Any adjustment to the provision is recorded through property, plant and equipment and depreciated over remaining station life. These are recorded as 'provisions for liabilities' in the balance sheet.

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's 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 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 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

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.

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

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.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instruments.

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

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

Financial assets

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

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

Financial assets measured at amortised cost

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

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

Financial assets measured at fair value through other comprehensive income (FVOCI)

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

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

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

Recognition of expected credit losses

The Company recognises a loss allowance for expected credit losses (ECLs) on a financial asset that is measured at amortised cost. The Company applies IFRS 9's simplified approach to measure expected credit losses on trade receivables, using provision matrices established on the basis of credit loss histories. The expected credit losses are assessed considering all reasonable and supportable information, including that which is forward-looking.

The amount of credit losses (or reversal) is recognised in profit or loss, as an impairment gain or loss at the reporting date.

De-recognition of financial assets

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

Financial liabilities and equity

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

- (a) financial liabilities at fair value through profit or loss - these include derivatives that are liabilities which are subsequently measured at fair value.
- (b) financial liabilities that arise when a transfer of a financial asset does not qualify for de-recognition or when continuing involvement applies.
- (c) financial guarantee contracts to which (a) or (b) does not apply are subsequently measured as the higher of - the amount of loss allowance determined, or, the amount initially recognised less the cumulative amount of income recognised.
- (d) commitments to provide a loan at below market interest rate to which (a) or (b) does not apply are subsequently measured as the higher of - the amount of loss allowance determined, or, the amount initially recognised less the cumulative amount of income recognised.
- (e) contingent consideration recognised as an acquirer in a business combination which is measured at fair value through profit or loss.

Gains or losses on financial liabilities held through profit and loss are recognised in the statement of profit or loss.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

De-recognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Derivative financial instruments

The Company enters into financial instruments to manage its exposure to fluctuations in foreign exchange rates, interest rates and commodity prices (including gas, coals, carbon certificates and electricity), including FX forwards and forward sales and purchases of energy or commodities. Further details of derivative financial instruments are disclosed in note 21.

Forward sales and purchase of commodities and energy are considered to fall outside the scope of IFRS 9 when the contract concerned qualifies as "own use". This is demonstrated to be the case when the following conditions have been met:

- a physical delivery takes place under all such contracts;
- the volume purchased or sold under the contracts correspond to the Company's operating requirements;
- and
- the contracts are not considered as written options as defined by the standard.

Commodity forward contracts not qualifying as 'own use' which also meet the definition of a derivative are within the scope of IFRS 9. This includes both financial and non-financial contracts.

Derivatives and other financial instruments are measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivatives and other financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise. Changes in the fair values of derivative financial instruments that are designated as hedges of future cash flows are recognised directly in equity with any ineffective element being recognised immediately in the income statement, as explained further below.

The fair value of derivative financial instruments is also adjusted to account for counterparty risk. This is done through a credit value adjustment (CVA) or a debit value adjustment (DVA) depending on whether the financial instrument is an asset or liability. Where the financial instrument is an asset, a credit value adjustment is made which reflects the credit risk of the counterparty and where the financial instrument is a liability a debit value adjustment is made which accounts for the credit risk of the company.

The use of derivatives and other financial instruments is governed by the Company's policies and approved by appropriate management. The Company does not use derivatives and other financial instruments for speculative purposes.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

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

Nuclear decommissioning and spent nuclear fuel provisions

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. 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 26. 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. Any changes to the qualifying liabilities would result in an equal movement to the NLF receivable.

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 20.

Generation - useful economic lives of the 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 expectations.

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 six years. The last extensions were formally declared following NDA approval in February 2016. Hartlepool and Heysham 1 were extended by a further five years, and Heysham 2 and Torness were extended by seven years.

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

Following a lifetime review in December 2021, the end of generation of Heysham 1 and Hartlepool remain as March 2024 (subsequently, Hartlepool and Heysham 1 operating life was extended post year-end. See note 43 further for details) and the end of generation of Heysham 2 and Torness have been brought forward to March 2028 to reflect knowledge and experience on graphite behaviour.

Although the long term operation project is progressing, the useful economic life of Sizewell B has been reassessed and extended by 20 years to 2055 based on the operations to date, an international benchmark and the modern design of Sizewell B.

Critical judgement in applying accounting policies

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

4 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 other related goods and is recognised on an accrual basis.

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

	2022	2021
	£ m	£ m
Generation of energy and other related income	<u>2,959</u>	<u>1,660</u>

5 Fuel, energy and related purchases

	2022	2021
	£ m	£ m
Purchase of energy and grid costs	824	726
Carbon certificates	<u>3</u>	<u>3</u>
Total fuel, energy and related purchases	<u>827</u>	<u>729</u>

6 Personnel expenses

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

	2022	2021
	£ m	£ m
Wages and salaries	223	271
Social security costs	34	43
Pension costs	<u>65</u>	<u>165</u>
	<u>322</u>	<u>479</u>

Not included in the above are payroll costs of £55m (2021: £89m) which have been capitalised in property, plant and equipment and £113m (2021: £nil) which have been recovered from the NLF.

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

	2022	2021
	No.	No.
Average number of employees	<u>4,993</u>	<u>5,221</u>
		40

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7 Profit/(Loss) for the year

	2022	2021
	£ m	£ m
Impairment of property, plant and equipment (note 9)	-	352
Amortisation of intangible assets (note 14)	5	7
Depreciation on Property, plant and equipment (note 15)	515	624
Depreciation of right of use assets (note 16)	1	1
Cost of inventories recognised as an expense (note 22)	367	414
Research costs	4	13
Foreign exchange (gains) / losses	-	(1)

In 2022 an amount of £480,000 (2021: £385,000) was paid to Deloitte LLP for audit services. This charge was borne by another Group company in both the current and prior year. In 2022, amounts payable to Deloitte LLP by the Company in respect of other assurance services were £nil (2021: £nil).

8 Exceptional (income)/costs

	2022	2021
	£ m	£ m
Restructuring	4	-
Impact of end of generation at Dungeness	(36)	140
Past service credit in relation to change of DB scheme	-	(197)
	<u>(32)</u>	<u>(57)</u>

In 2022, included in the Generation business unit costs are partial release of Capacity Market provision in respect of Dungeness £36m, partly offset by increase in restructuring costs in line with station closure plans £4m.

9 Impairment

	2022	2021
	£ m	£ m
Impairment of fixed assets (note 15)	-	352

Prior year impairment is in relation to end of generation at Dungeness.

10 Investment income

	2022	2021
	£ m	£ m
Other finance income	9	-
Net pension interest income	44	25
Foreign exchange gains	9	1
Unwinding of discount on NLF and Nuclear Liabilities Receivables	1,733	792
	<u>1,795</u>	<u>818</u>

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11 Finance costs

	2022	2021
	£ m	£ m
Interest payable on facility from other Group companies	3	1
Unwinding of discount on provisions	21	15
Unwinding of discount on NLF Liabilities	9	7
Unwinding of discount on Nuclear Liabilities	1,740	792
Fair value losses on foreign currency derivatives	-	1
	<u>1,773</u>	<u>816</u>

12 Directors' remuneration

The Directors' remuneration for the year was as follows:

	2022	2021
	£m	£m
Remuneration	3	2
	<u>3</u>	<u>2</u>

All Directors are employees of associated EDF companies.

No Director (2021: 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:

	2022	2021
	No.	No.
Accruing benefits under defined benefit pension scheme	<u>6</u>	<u>6</u>
In respect of the highest paid director:		
	2022	2021
	£m	£m
Remuneration	1	1
	<u>1</u>	<u>1</u>

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13 Tax

(a) Tax charged in the income statement

	2022 £ m	2021 £ m
Current taxation		
UK corporation tax charge on profits made in the year	113	(55)
Adjustments in respect of previous years' reported tax credits	6	(1)
Total current tax charge/(credit) for the year	<u>119</u>	<u>(56)</u>
Deferred taxation		
Current year charge/(credit)	91	(125)
Adjustments in respect of previous years' reported tax charges	(41)	-
Effect of increased tax rate on opening balance	8	61
Total deferred tax charge/(credit) for the year	<u>58</u>	<u>(64)</u>
Income tax charge/(credit) reported in the income statement	<u>177</u>	<u>(120)</u>

(b) The tax on profit/(loss) before tax for the year is higher than (2021: higher than) the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%).

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

	2022 £ m	2021 £ m
Profit/(loss) before taxation	<u>921</u>	<u>(953)</u>
Tax at the UK corporation tax rate of 19% (2021: 19.00%)	175	(181)
Effect of:		
Other non-deductible expenses and non-taxable income	7	29
Current year effect of deferred tax rate change	22	(28)
Adjustment to prior-year corporation tax credit	6	(1)
Adjustment to prior-year deferred tax charge	(41)	-
Impact of increased tax rate on opening deferred tax balance	8	61
Tax charge/(credit) reported in the income statement	<u>177</u>	<u>(120)</u>

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13 Tax (continued)

(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 credit of £434m (2021: charge of £276m) in respect of pension movements has been recognised in equity.

A current tax credit of £12m (2021: credit of £8.1m) has also been recognised in equity in respect of pension movements.

14 Intangible assets

	IT software £ m	Total £ m
Cost or valuation		
At 1 January 2022	171	171
Transfers	<u>5</u>	<u>5</u>
At 31 December 2022	<u>176</u>	<u>176</u>
Amortisation		
At 1 January 2022	(158)	(158)
Amortisation eliminated on disposals	<u>(5)</u>	<u>(5)</u>
At 31 December 2022	<u>(163)</u>	<u>(163)</u>
Carrying value		
At 31 December 2022	<u>13</u>	<u>13</u>
At 31 December 2021	<u>13</u>	<u>13</u>

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15 Property, plant and equipment

	Land and buildings	Other property, plant and equipment	Nuclear generation asset	Total
	£m	£m	£m	£m
Cost				
At 1 January 2022	39	1,053	11,538	12,630
Additions	-	273	-	273
Disposals	-	(86)	(1,471)	(1,557)
Transfers	-	(128)	123	(5)
Write back provision for unburnt fuel at station closure	-	-	(87)	(87)
At 31 December 2022	<u>39</u>	<u>1,112</u>	<u>10,103</u>	<u>11,254</u>
Depreciation				
At 1 January 2022	20	700	9,687	10,407
Depreciation charge	-	197	318	515
Depreciation eliminated on disposal	-	(86)	(1,471)	(1,557)
At 31 December 2022	<u>20</u>	<u>811</u>	<u>8,534</u>	<u>9,365</u>
Carrying Amount				
At 31 December 2022	<u>19</u>	<u>301</u>	<u>1,569</u>	<u>1,889</u>
At 31 December 2021	<u>19</u>	<u>353</u>	<u>1,851</u>	<u>2,223</u>

16 Leases

Company as a lessee

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 3.72% (2021: 3%).

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

	2022 £m	2021 £m
As at 1 January	7	8
Additions	3	-
Payments	(1)	(1)
Early Terminations	(2)	-
As at 31 December	<u>7</u>	<u>7</u>

The lease liabilities have been split as follows:

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16 Leases (continued)

	2022	2021
	£m	£m
Current	1	1
Non-current	6	6
Total	<u>7</u>	<u>7</u>

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

	RoU - Land and Buildings	Total
	£m	£m
Cost		
At 1 January 2022	11	11
Additions	3	3
Disposal	(3)	(3)
At 31 December 2022	<u>11</u>	<u>11</u>
Accumulated depreciation		
At 1 January 2022	(4)	(4)
Charge for the year	(1)	(1)
Disposals	1	1
At 31 December 2022	<u>(4)</u>	<u>(4)</u>
Carrying amount		
At 31 December 2022	<u>7</u>	<u>7</u>
At 31 December 2021	<u>7</u>	<u>7</u>

The following are amounts recognised in profit or loss:

	2022	2021
	£m	£m
Depreciation expense for right of use assets	1	1
Total amount recognised in income statement	<u>1</u>	<u>1</u>

17 Financial assets

	2022	2021
	£ m	£ m
Non-current financial assets		
Interest in insurance fund	<u>11</u>	<u>11</u>

Fair value of the available-for-sale financial assets is determined as the Company's percentage share of the net asset value of the insurance fund in Euros. This is converted to the Company's functional currency using the spot rate on the date of conversion. The fair value of the financial asset is retranslated at the spot rate at balance sheet date.

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18 Investment in subsidiary undertakings

	Subsidiaries £m	Total £m
Cost		
At 1 January 2022	10	10
Additions during the year	-	-
At 31 December 2022	10	10
Carrying amount		
At 31 December 2022	10	10
At 31 December 2021	10	10

In the prior year, the Group performed a corporate simplification transaction which resulted in a subsidiary being hived-up in the Company from a fellow subsidiary. The hive-up resulted in a £10m addition to investment in subsidiaries and a corresponding increase of the same amount to intercompany payables.

The subsidiary undertakings at 31 December 2022, which are incorporated in the United Kingdom and are registered and operate in England and Wales, or Scotland (unless otherwise stated), are as follows:

Name of subsidiary	Principal activity	Proportion of ownership interest and voting rights held	
		2022	2021
Lochside Insurance Limited	Financial activities	100%	100%

* indicates direct investment of EDF Energy Nuclear Generation Limited

Unless stated otherwise, the registered address of the subsidiary undertakings above is PO Box 34, St Martin's House, Le Bordage, St Peter Port, Guernsey, Channel Islands, GY1 4AU.

19 NLF and nuclear liabilities receivable

	2022 £ m	2021 £ m
Nuclear liabilities receivable	330	379
NLF receivable	10,745	12,213
Total non-current NLF and nuclear liabilities receivables	11,075	12,592
NLF receivable	1,238	726
Nuclear liabilities receivable	103	115
Total current NLF and nuclear liabilities receivables	1,341	841
Total NLF and nuclear liabilities receivables	12,416	13,433

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19 NLF and nuclear liabilities receivable (continued)

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.

20 Retirement benefit schemes

Following the pension schemes consolidation in financial year 2021, the Company sponsored a single funded defined benefit pension scheme for qualifying UK employees - the EDF Group of the Electricity Supply Pension Scheme (EDFG). This scheme was administered by a separate board of Trustees which is legally separate from the Company.

Under the EDFG scheme, employees were in the final salary section and were entitled to annual pensions on retirement at ages 60 or 63 (depending on the date of joining the scheme), of 1/60th of pensionable salary for each year of service for the BEGG ESPS Final Salary section and 1/80th of final pensionable salary for each year of service plus a lump sum of 3/80th's of final pensionable salary for each year of service for the EEGS ESPS Final Salary section. Benefits are also paid on death or other events such as withdrawing from active service. All benefits were ultimately paid in accordance with the scheme rule.

The latest full actuarial valuations of the EDFG scheme was carried out by qualified actuaries at 31 March 2022. 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.

Funding requirements

UK legislation requires that pension schemes are funded prudently. The last funding valuations of EEGS and EEPs were carried out by qualified actuaries as at 31 March 2019 and showed deficits of £13m, and £142m respectively and for BEGG it showed a surplus of £479m. The valuations as at 31 March 2019 were completed at the end of April 2020. The Company pays contributions to repair legacy deficit as well as additional contributions and contributions in respect of ongoing benefit accrual. The Company expects to make contributions amounting to £47m in 2023.

a) Risks associated with the pension scheme

The defined benefit pension schemes typically expose the Company to actuarial risks as detailed below:

Risk of asset volatility

The pension scheme liabilities are calculated using a discount rate based on corporate bond yields. If return on assets underperforms corporate bonds, then this will lead to an increased deficit / reduced surplus. The scheme holds a significant proportion of growth assets (equities, diversified growth fund and global absolute return fund) which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the scheme's long-term objectives.

Risk of changes in bond yields

A decrease in corporate bond yields will increase the value of the scheme liabilities, although this will be partially offset by an increase in the value of the scheme's corporate bond holdings and an increase in the value of the scheme's matching portfolios (which are set to hedge changes in Gilt yields).

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20 Retirement benefit schemes (continued)

Inflation risk

Most of the scheme's defined benefit obligations are linked to inflation hence an increase in inflation rates will lead to an increase in liabilities, although this will be partially offset by an increase in the value of the scheme's matching portfolios.

Life expectancy

The majority of the scheme's obligations are to provide benefits for the life of the member hence an increase in life expectancy will increase the liabilities.

b) Risk management

The company and trustees have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes an asset-liability matching policy which aims to reduce the volatility of the funding level of the scheme. By investing in assets such as swaps, which perform in line with the liabilities of the scheme the scheme is protected against inflation being higher than expected.

c) Assumptions used in the valuation of the pension surplus

The principal financial assumptions used to calculate the pension liabilities under IAS 19 were:

	2022	2021
	% p.a	% p.a
Discount rate for service costs	4.70	1.90
Discount rate for defined benefit obligation	4.75	1.90
Rate of increase in salaries	2.65	2.70
RPI inflation DBO assumption	2.90	2.95
RPI inflation Service Cost assumption	2.85	2.85
Rate of increase of pensions in deferment Pre-2001 joiners	2.95	2.95
Rate of increase of pensions in deferment Post-2001 joiners	2.75	2.85

The table below shows details of assumptions around mortality rates used to calculate the IAS 19 liabilities.

	2022	2021
Life expectancy for current male pensioner aged 60	27	27
Life expectancy for current female pensioner aged 60	29	29
Life expectancy at 60 for future male pensioner currently aged 40	28	28
Life expectancy at 60 for future female pensioner currently aged 40	30	30

Mortality assumptions have been determined based on standard mortality tables, specifically the SAPS S3 "All" tables for male members and SAPS S3 "Mid" tables for female members (2021: SAPS S3 standard tables). Future improvements in mortality rates are assumed to be in line with the CMI 2021 Core Projections Model subject to a 1.25%p.a long-term rate of improvement. Increasing the life expectancy by 1 year would increase the DBO at 31 December 2022 by approximately £260m. Reducing the life expectancy by 1 year would reduce the DBO at 31 December 2022 by approximately £260m.

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20 Retirement benefit schemes (continued)

d) Financial impact of defined benefit pension schemes

The amount recognised in the consolidated balance sheet in respect of the Group's funded defined benefit retirement benefit plans is as follows:

	2022	2021
	£ m	£ m
Present value of defined benefit obligations ("DBO")	(5,666)	(8,732)
Fair value of scheme assets	6,250	11,024
Surplus in scheme	<u>584</u>	<u>2,292</u>

There was an additional amount of £11m (2021: £15m) included within other liabilities that relate to unapproved pension scheme amounts. The movement of £4m is recognised in actuarial reserves.

The recognition of a surplus is determined by IAS 19 and applying IFRIC 14. The Group considers that under the Pension scheme rules, the Group has an unconditional right to a refund of surplus after all pension payments have been made. As such the surplus has been recognised as the amount that the Group has a right to receive as a refund.

The costs associated with these defined benefit schemes are as follows:

	Total	Total
	2022	2021
	£m	£m
Current Service cost	27	125
Past service credit	-	(209)
Recognised in arriving at profit before taxation and finance costs	<u>27</u>	<u>(84)</u>
Interest (income)/cost	162	102
Expected return on scheme assets	<u>(206)</u>	<u>(127)</u>
Recognised in other finance cost	<u>(44)</u>	<u>(25)</u>
Total recognised in the income statement	<u><u>(17)</u></u>	<u><u>(109)</u></u>

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20 Retirement benefit schemes (continued)

Movements in the present value of defined benefit obligations in the current year were as follows:

	2022 £ m	2021 £ m
Present value at start of year	8,732	6,386
Current service cost	27	125
Actuarial (gains) / losses scheme liabilities arising from changes in demographic assumptions	(143)	(100)
Actuarial losses from changing in financial assumptions	(3,810)	(15)
Interest cost	162	102
Disbursements from scheme assets	(374)	(297)
Member contributions	1	1
Past service credit	-	(12)
Actuarial gains arising from experience adjustments	1,071	(58)
Exceptional item due to EEPS and EEGS transfer	-	2,600
At 31 December	5,666	8,732

Movements in the fair value of scheme assets in the current year were as follows:

	2022 £ m	2021 £ m
Fair value at start of year	11,024	7,718
Interest income on scheme assets	206	127
Actuarial (gains) / losses	(4,694)	599
Employer contributions	87	132
Benefits paid	(374)	(297)
Member contributions	1	1
Exceptional item due to EEPS and EEGS transfer	-	2,744
Fair value at end of year	6,250	11,024

e) Breakdown of scheme assets:

	2022 £m	2021 £m
Equities by region:		
United Kingdom	7	116
Europe	3	121
North America	11	646
Asia Pacific	1	85
Japan	2	91
Emerging Markets	1	55
Others	(1)	-
Total Equities	24	1,114

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20 Retirement benefit schemes (continued)

Bonds by rating:

AAA	175	271
AA	1,674	4,731
A	73	62
BBB	226	177
Non-investing grade	678	1,111
Private debt	225	197
Other	86	67
Total Bonds	3,137	6,616
Real estate	630	751
Private Equity	541	493
Systematic Multi-Asset Fund	146	561
Cash and derivatives	1,546	1,189
other	226	300
	6,250	11,024

As at 31 December 2022, the scheme held repurchase transactions. The net value of these transactions is included in the value of bonds in the table above. The value of the funding obligation for the repurchase transactions is £2,628m at 31 December 2022 (2021: £548m).

Equity and bond classifications above represent those investments where the underlying exposure is exclusively within those asset classes. Investments in diversified funds and private equity and debt funds are included within the "other" category above. The assets of the pension scheme do not include any financial instruments which have been issued by the Company nor any property or other assets which are in use by the Company in either the current or prior year.

The investment strategy is determined by the scheme trustees.

f) Profile of the pension scheme

Current year

The Defined Benefit Obligation (DBO) includes benefits for current employees, former employees and current pensioners. Broadly, about 10% of the DBO is attributable to current employees, 40% to deferred pensioners and 50% to current pensioners.

The scheme duration is an indicator of the weighted-average time until benefit payments are made. For the consolidated scheme as a whole, the duration is approximately 18 years.

Prior year

The Defined Benefit Obligation (DBO) includes benefits for current employees, former employees and current pensioners. Broadly, about 45% of the DBO is attributable to current employees, 11% to deferred pensioners and 44% to current pensioners.

The scheme duration is an indicator of the weighted-average time until benefit payments are made. For the consolidated scheme as a whole, the duration is approximately 19 years.

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20 Retirement benefit schemes (continued)

g) 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 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.

2022

Impact of a 25bp increase in discount rate **-4.21%**

Impact of a 25bp decrease in discount rate **4.00%**

Impact of a 25bp increase in inflation rate **3.67%**

Impact of a 25bp decrease in inflation rate **-3.74%**

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.

21 Derivative financial instruments

	Fair value		Notional value	
	2022	2021	2022	2021
	£m	£m	£m	£m
Current				
<i>Derivative financial assets/(liabilities) at fair value through profit and loss (FVTPL)</i>				
Foreign currency forward contracts	6	(2)	-	-
Total current derivative financial instruments	6	(2)	-	-
Split by:				
Current assets	7	1	202	252
Current liabilities	(1)	(3)	(202)	(252)
	6	(2)	-	-

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21 Derivative financial instruments (continued)

	Fair value		Notional value	
	2022	2021	2022	2021
	£m	£m	£m	£m
Non-current				
<i>Derivative financial assets/(liabilities) at fair value through profit and loss (FVTPL):</i>				
Foreign currency forward contracts	-	-	-	-
Total non-current derivative financial instruments	-	-	-	-
Split by:				
Non-current assets	-	-	8	40
Non-current liabilities	-	-	(8)	(40)
	-	-	-	-

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 and cross currency swaps. There are no significant unobservable inputs into the valuation.

22 Inventories

	2022	2021
	£ m	£ m
Raw materials and consumables	84	89
Unburnt nuclear fuel	1,124	1,611
Other nuclear fuel and uranium	386	354
	<u>1,594</u>	<u>2,054</u>

Cost of inventories recognised as an expense during the year was £367m (2021: £414m) which includes £nil (2021: £17m) of exceptional stock obsolescence charge within the total exceptional cost. Inventories of £1,224m (2021: £1,669m) are expected to be held for a period of over 12 months largely relating to nuclear fuel inventory.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23 Trade and other receivables

	2022	2021
	£ m	£ m
Current assets		
Trade receivables	154	74
Prepayments and other debtors	89	104
Amounts owed by other Group companies	383	168
Value added tax receivables	27	22
	<u>653</u>	<u>368</u>
Non-current assets		
Amounts owed by other Group companies	907	947
	<u>1,560</u>	<u>1,315</u>

Amounts owed by other Group companies are unsecured, interest free and are repayable on demand. The carrying amount of trade and other receivables approximates to their fair value.

Included in amount owed by other Group companies is the non current amount of £907m (2021: £947m) receivable from EDF Energy Nuclear Generation Group Limited.

Included in trade receivables is £112m (2021: £44m) receivable from entities with significant influence over the company.

24 Cash and cash equivalents

	2022	2021
	£ m	£ m
Cash at bank and in hand	541	10
Cash pooling with Group companies	-	218
	<u>541</u>	<u>228</u>

25 Other liabilities

	2022	2021
	£ m	£ m
Trade payables and accruals	468	417
Amounts owed to other Group companies	3	5
NLF liabilities	15	13
Nuclear liabilities (note 27)	103	115
Total other liabilities due within one year	<u>589</u>	<u>550</u>
NLF liabilities	65	72
Other non-current financial liabilities Nuclear liabilities	330	379
Total other liabilities due after more than one year	<u>395</u>	<u>451</u>

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25 Other liabilities (continued)

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

Included in trade payables and accruals is £2m (2021: £1m) payable to entities with significant influence over the company.

26 Provisions for liabilities

The provisions have been split as follows:

	Restructuring costs	Nuclear liabilities	Provision for unburnt fuel	Other provisions	Long-term employee benefit	Total
	£m	£m	£m	£m	£m	£m
At 1 January 2022	7	12,906	1,546	90	15	14,564
Arising during the year	4	-	-	3	-	7
Utilised during the year	-	(533)	(491)	(59)	(4)	(1,087)
Change in estimates	-	(2,108)	(74)	-	-	(2,182)
Unwinding of discount	-	1,656	21	-	-	1,677
At 31 December 2022	11	11,921	1,002	34	11	12,979

	2022			2021		
	Current	Non-Current	Total	Current	Non-Current	Total
	£m	£m	£m	£m	£m	£m
Restructuring costs	11	-	11	7	-	7
Nuclear liabilities	1,119	10,802	11,921	641	12,265	12,906
Provision for unburnt fuel at station closure	-	1,002	1,002	497	1,049	1,546
Other costs*	31	3	34	83	7	90
Unfunded pension scheme	-	11	11	-	15	15
Total	1,161	11,818	12,979	1,228	13,336	14,564

*Other provisions relates mainly to the impact of end of generation at Dungeness and the related capacity market and transmission costs required as a result of Dungeness entering defueling in June 2021. These are expected to be utilised during 2023 and 2024.

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. A review of the provision was carried out in the year resulting in a decrease in the assumption of average unburnt reactor cores from 39.8% to 38.4%.

See note 27 for further information about the nuclear liabilities.

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27 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 Energy is responsible for funding certain excluded or disqualified liabilities (mainly liabilities incurred in connection with the event of 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.

On 23 June 2021 EDF and the UK government signed an update to the Agreements, confirming that:

- EDF will conduct the defueling activities (with a related incentive mechanism) in their entirety, and will recover all related qualifying costs from the Nuclear Liabilities Fund (NLF), and
- formally stipulating that after the defueling phase, ownership and responsibility for the AGR plants will be transferred to the NDA, which will then take charge of decommissioning and bear the associated costs.

The signature of these agreements has no accounting consequences for decommissioning provisions or the receivable representing reimbursements to be made by the NLF and the UK government at December 2022.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27 Nuclear liabilities (continued)

	Spent fuel	Radioactive waste Transport & Disposal	Radioactive waste retrieval & Processing	De- commissioning	Total
	£m	£m	£m	£m	£m
At 1 January 2021	1,155	995	491	9,052	11,693
Charged to profit and loss account:					
Unwinding of the discount	83	67	33	609	792
Updated cash flows	84	122	9	1,032	1,247
Operating costs	17	5	4	-	26
Payments in the period	(162)	-	-	(196)	(358)
At 31 December 2021	1,177	1,189	537	10,497	13,400
Charged to profit and loss account:					
Unwinding of the discount	166	154	68	1,352	1,740
Updated cash flows	103	85	(80)	88	196
Discount rate update	(184)	(485)	(195)	(1,481)	(2,345)
Operating costs	18	2	1	-	21
Payments in the period	(141)	-	-	(517)	(658)
At 31 December 2022	1,139	945	331	9,939	12,354

Nuclear liabilities are included in the balance sheet as follows:

	2022 £m	2021 £m
Other liabilities:		
- amounts due within one year	103	115
- amounts due after more than one year	330	379
Provision for liabilities	11,921	12,906
	12,354	13,400

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 UK Government under the UK Government indemnity.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27 Nuclear liabilities (continued)

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 Company's decommissioning strategy. These liabilities are also funded by the NLF.

Updated cost estimates

Provisions for decommissioning of nuclear plants result from the Company management's best estimates. They cover the full cost of decommissioning and are measured on the basis of existing techniques and methods that are most likely to be used for application of current regulations.

The Integrated Plan (IP) 22 was approved by the Non-Nuclear Liabilities Assurance team (NLA) in December 2021, which updated the AGR defueling cost estimates previously submitted in 2020.

Phase 2 of the Decommissioning plan submission (DPS 21) was approved by the NLA in August 2022, which included updates for all the other decommissioning activities for the AGR plants, decommissioning of Sizewell B and an update to the Uncontracted Liability Discharge Plan (UCLDP).

The IP23 was approved by the NLA in December 2022, which updated the cost estimates from IP22 and DPS21, respectively.

The cost estimates from IP23 (based on NDA approved closure dates) together with the additional spent fuel management costs associated with Sizewell life extension from 2035 to 2055 form the basis of the nuclear liabilities as at 31st December 2022.

As the decommissioning provision is sensitive to a number of different assumptions including timing, cost and discount rate, it is reasonably possible that changes in assumptions relating to these factors within the next year could materially affect the carrying amount of the provision, any changes to the qualifying liabilities would result in an equal movement to the NLF receivable.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27 Nuclear liabilities (continued)

Updated discount rate applicable to nuclear liabilities

During 2022, 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 1.9% used in 2021, to 2.9% used in 2022

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	2022 Total	2021 Total
	£m	£m	£m	£m	£m	£m
Undiscounted	3,277	4,575	1,656	18,515	28,023	25,063
Discounted	1,480	990	341	9,944	12,755	13,672
Accrued to date	1,139	945	331	9,939	12,354	13,400

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. 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.

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: On 23 June 2021 EDF and the UK government signed an update to the Agreements, confirming that EDF will conduct the defueling activities in their entirety, and will recover all related qualifying costs from the Nuclear Liabilities Fund (NLF), and formally stipulating that after the defueling phase, ownership and responsibility for the AGR plants will be transferred to the UK government, which will then take charge of decommissioning and bear the associated costs. The signature of these agreements has no immediate accounting consequences for decommissioning provisions or the receivable representing reimbursements to be made by the NLF and the UK government. Nuclear decommissioning liabilities and the associated assets will be derecognised during the agreement's operational implementation phase.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27 Nuclear liabilities (continued)

	Spent fuel	Radioactive Waste - Transport & Disposal	Radioactive Waste - Retrieval & Processing	Decommissioning	2022 Total	2021 Total
	£m	£m	£m	£m	£m	£m
Within five years	486	66	26	5,291	5,869	4,597
6 – 10 years	257	299	90	3,206	3,852	4,141
11 – 25 years	465	163	23	2,034	2,685	2,622
26 – 50 years	1,067	546	151	1,715	3,479	2,636
51 years and over	1,002	3,501	1,366	6,269	12,138	11,067
	<u>3,277</u>	<u>4,575</u>	<u>1,656</u>	<u>18,515</u>	<u>28,023</u>	<u>25,063</u>

28 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.

Key management personnel for the Company are the Directors of the Company. Please refer to note 12 for details of their remuneration. There are no other transactions with key management personnel during the year (2021: none).

Amount owed by related parties:

	Other related parties	Parent
	£m	£m
2022		
Financial assets	-	-
Amounts owed by entities with significant influence over the company	112	-
Amounts owed by other Group companies	<u>383</u>	<u>907</u>
2021		
Financial assets	-	218
Amounts owed by entities with significant influence over the company	44	-
Amounts owed by other Group companies	<u>168</u>	<u>947</u>

Amount owed to related parties:

	Other related parties
	£m
2022	
Borrowings	-
Amounts due to entities with significant influence over the company	2
Amounts due to other Group companies (note 25)	<u>3</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. Related party transactions (continued)

	Other related parties
	£m
2021	
Borrowings	-
Amounts due to entities with significant influence over the company	1
Amounts due to other Group companies (note 25)	5

During the year, the Company entered into the following transactions with related parties who has significant influence over the Company:

		Sales to related parties
		£m
Transactions with entities with significant influence over the company	2022	569
	2021	303

29 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	Pension	Losses	Total
	£m	£m	£m	£m	£m
At 31 December 2020	(213)	4	(250)	-	(459)
Credit / (charge) to income:					
Current year	67	(2)	(36)	96	125
Effect of increased tax rate on opening liability	(62)	1	-	-	(61)
Credit / (Charge) to equity:					
Current year	-	-	(200)	-	(200)
Adjustments in respect of previous years' reported tax charges	-	-	1	-	1
Effect of increased tax rate on opening liability	-	-	(77)	-	(77)
At 31 December 2021	(208)	3	(562)	96	(671)

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29 Deferred tax (continued)

Credit / (charge) to income:

Current year	25	1	(10)	(107)	(91)
Adjustments in respect of previous years' reported tax charges	32	(2)	1	10	41
Effect of increased tax rate on opening liability	(3)	-	(5)	-	(8)
Credit / (Charge) to equity:					
Current year	-	-	436	-	436
Effect of increased tax rate on opening liability	-	-	(2)	-	(2)
At 31 December 2022	(154)	2	(142)	(1)	(295)

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2022	2021
	£m	£m
Deferred tax liabilities	(295)	(671)

30 Dividends

Dividends of £300m (2021: £nil) were paid in the year to EDF Energy Nuclear Generation Group Limited.

31 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £127m (2021: £104m).

Other financial commitments

Under contractual arrangements, the Company has the following nuclear fuel commitments at 31 December 2022.

	2022	2021
	Total	Total
	£m	£m
Commitments to purchase in the year	185	128
	67	380
	511	

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32 Share capital

Allotted, called up and fully paid shares

	No.	2022 £	No.	2021 £
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
	<u>1,001</u>	<u>1,001</u>	<u>1,001</u>	<u>1,001</u>

Special rights redeemable preference shares 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.

33 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.

Following the agreement of the amended and restated NLFA signed on 23rd June 2021, an incentivisation mechanism has been introduced based on targets and milestones to be achieved during the defueling phase. At the end of 2022, there is no present obligation for EDF Energy Nuclear Generation (ENGL) and therefore no provision has been recognised.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33 Contingent liabilities (continued)

The amended and restated NLFA affirmed that ENGL will carry out activities relating to the defueling of the stations. This includes preparation for defueling, some pre-deconstruction activities, as well as the development of the Transfer and Deconstruction Programme. ENGL will recover the qualifying costs generated by these activities from the NLF when the contractual conditions are met. Additionally, performance in the discharge of these liabilities is subject to an incentivisation mechanism, whereby if ENGL meets all of its targets, then it will in aggregate receive payments from the NLF of up to £100m (subject to indexation), or if it exceeds its targets, then aggregate penalty charges of up to £100m (subject to indexation) will be payable to the NLF.

The structure for the incentivisation penalty/receipt is based upon individual station targets/milestones as well as a fleet wide defueling target. ENGL will perform an annual assessment against these targets/milestones and will recognise a related asset / liability as and when appropriate based on expected performance.

34 Parent undertaking and controlling party

EDF Energy Nuclear Generation Group 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 2022, 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.

35 Post balance sheet events

In March 2023, the Company extended the operating life of its Hartlepool and Heysham 1 nuclear plants by two years to March 2026 (+/- 1 year), as a result of positive inspections of the graphite reactor cores during 2022. Originally both plants were due to enter defueling by March 2024.