



**NNB GENERATION COMPANY LIMITED**

**Registered Number 6937084**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

THURSDAY



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### **Directors**

Humphrey AE Cadoux-Hudson  
Christopher A Bakken  
Henri Herkelmann  
Barbara Jones  
Nigel M Land  
Richard TH Mayson

### **Auditors**

Deloitte LLP  
2 New Street Square  
London EC4A 3BZ

### **Registered Office**

40 Grosvenor Place  
Victoria  
London SW1X 7EN

### **Bankers**

HSBC  
City of London Branch  
60 Queen Victoria Street  
London EC4N 4TR

### **Solicitors**

Herbert Smith LLP  
Exchange House  
Primrose Street  
London EC2A 2HS

## **DIRECTORS' REPORT**

The Directors present their report and financial statements for the period ended 31 December 2009

NNB Generation Company Limited ("The Company", "GenCo") was incorporated on 17<sup>th</sup> of June 2009 and therefore there are no comparatives within these statements. The Company's immediate parent company is NNB Holding Company Limited ("HoldCo") and the ultimate parent company is Electricité de France S A ("EDF SA")

### **Principal activities and review of the business**

The Company's principal activity is the development of low carbon electricity generation facilities. This is to be achieved by the construction and operation of a mixture of generating capabilities, nuclear power and other sustainable solutions.

The Company is currently planning and designing the construction of 4 European Pressurised Reactors (EPR's) at two sites in the UK.

The Company will continue in its activities for the foreseeable future.

### **Key performance indicators**

The Company's main target during 2009 and 2010 is the planning and design of the first Nuclear Reactor at Hinkley Point which requires planning consent and the gaining of a Nuclear Site Licence.

### **Subsequent events**

Following the balance sheet date of 31 December 2009 the Company has increased equity from HoldCo by £276.7 million. HoldCo had in turn been funded by its shareholders GB Gas Holdings Limited ("Centrica") and EDF Energy Holdings Limited, for the same amount in the ratio of 20% : 80% respectively.

No other matter or circumstance has arisen since the balance sheet date that has significantly affected, or may significantly affect, the Company's operations, the results of those operations, or the Company's state of affairs, in future financial years.

### **Results and dividends**

The loss for the year before and after taxation was £4,259k. The Directors do not recommend payment of a dividend.

### **Future developments**

The Directors of NNB Generation Company Limited seek to obtain planning consent and a Nuclear Site Licence in 2010 to enable the subsequent construction and operation of the EPR's. The Company will also seek to invest in other generation opportunities that deliver the primary aim of low carbon energy.

### **Directors**

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

|                           |                        |
|---------------------------|------------------------|
| Humphrey AE Cadoux-Hudson | (Appointed 17/06/2009) |
| Christopher A Bakken      | (Appointed 17/06/2009) |
| Henn Herkelmann           | (Appointed 27/07/2009) |
| Barbara Jones             | (Appointed 13/07/2009) |
| Nigel M Land              | (Appointed 13/07/2009) |
| Richard TH Mayson         | (Appointed 13/07/2009) |

## **DIRECTORS' REPORT**

Except for Henn Herkelmann, whose contract with EDF Energy plc is by assignment from the ultimate parent company EDF SA, all the Directors are employed by and have a service contract with EDF Energy plc, a subsidiary of EDF SA.

### **Directors indemnities**

The Company has made qualifying third party indemnity provisions for the benefit of all Directors during the year

### **Risk management**

The governance structure of the company is designed to manage and mitigate risks. This covers all aspects of the companies activities, economic or other. These are principally safety considerations and the wider political and public acceptance of the nuclear new build programme, this is specifically met by obtaining all necessary licences and planning approvals to design and construct EPR's at the designated sites.

The main financial risk faced by the Company through its normal business activities is liquidity risk. Liquidity risk is the risk that the Company does not have sufficient funds available for ongoing operations and is mitigated by equity funding provided by its parent company, NNB Holding Company Limited, which is itself funded by the ultimate shareholders. Based on current cash flow forecasts the Company expects to meet its short term liquidity requirements.

### **Creditors' payment policy**

The Company's current policy concerning the payment of its trade creditors and other suppliers is to

- settle the terms of payment with those creditors/suppliers when agreeing the terms of each transaction,
- ensure that those creditors/suppliers are made aware of terms of payment by inclusion of the relevant terms in contracts, and
- pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payments to creditors/suppliers for revenue and capital supplies of goods and services without exception.

### **Political and charitable contributions**

The Company made no charitable or political contributions in the year.

### **Going concern**

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the immediate future. Current cash flow forecasts report that the Company will be in a position of net current assets for the foreseeable future. It is the expectation of the management of the company that all obligations in respect of creditor liabilities will be met as they fall due. Capital injections of £158.6 million and £276.7 million were received from its shareholders in November 2009 and August 2010 respectively. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

**DIRECTORS' REPORT continued ...**

**Disclosure of information to Auditors**

Each of the persons who is a Director at the date of approval of this annual report confirms that

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Directors have taken all the 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 auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

**Auditors**

Deloitte LLP were appointed as the Company's auditors by the Board of Directors on 23 June 2009. Deloitte will be re-appointed by written Shareholder resolution after which they will be deemed re-appointed year on year in accordance with S487 of the Companies Act 2006 until such time as the Directors or the Shareholders resolve otherwise.

By order of the Board

  
Nigel Land  
Director  
30 September 2010

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 as at the end of the financial year 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 estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NNB GENERATION COMPANY LIMITED**

We have audited the financial statements of NNB Generation Company Limited for the period ended 31 December 2009 which comprise of the Profit and Loss Account, the Balance Sheet, Cash Flow Statement and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice ("UK GAAP"))

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 auditors' 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.

### **Respective responsibilities of the Directors and auditors**

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. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Audit Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2009 and of its results for the period then ended,
- have been properly prepared in accordance with UK GAAP, and
- have been prepared in accordance with the requirements of the Companies Act 2006

### **Opinion on other matter prescribed by the Companies Act 2006**

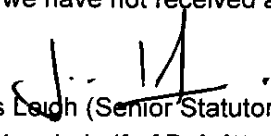
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NNB GENERATION COMPANY LIMITED**

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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

  
James Leigh (Senior Statutory Auditor)

for and on behalf of **Deloitte LLP**

Chartered Accountants and Statutory Auditors

London, UK

30 September 2010



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**PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD TO 31 DECEMBER 2009**

|  | <i>Note</i> | 17 June 2009 to<br>31 December<br>2009<br>£000 |
|--|-------------|--|
| Administrative expenses                            | 2           | (4,259)  |
| <b>Operating loss before interest and tax</b>      |             | <b>(4,259)</b>                                 |
| <b>Loss on ordinary activities before taxation</b> |             | <b>(4,259)</b>                                 |
| Tax on profit on ordinary activities               | 4           | -  |
| <b>Loss for the financial year</b>                 |             | <b>(4,259)</b>                                 |

There were no recognised gains or losses during the year other than the loss for the period. Accordingly, no statement of total recognised gains and losses has been presented.

All results are derived from continuing operations in the current period.

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**BALANCE SHEET  
AT 31 DECEMBER 2009**

|   | <i>Note</i> | 2009<br>£000   |
|---|-------------|----------------|
| <b>Fixed assets</b>                           |             |                |
| Tangible assets                               | 5           | 150,835        |
|   |             | <b>150,835</b> |
| <b>Current assets</b>                         |             |                |
| Debtors amounts falling due within one year   | 6           | 8,762          |
| Cash at bank and in hand                      |             | 14,106         |
|   |             | <b>22,868</b>  |
| <b>Current liabilities</b>                    |             |                |
| Creditors amounts falling due within one year | 7           | (19,385)       |
| <b>Net current assets</b>                     |             | <b>3,483</b>   |
| <b>Net assets</b>                             |             | <b>154,318</b> |
| <b>Capital and reserves</b>                   |             |                |
| Called up share capital                       | 8           | 15,858         |
| Share premium                                 | 8           | 142,719        |
| Profit and loss account                       | 9           | (4,259)        |
| <b>Equity shareholder's funds</b>             | 9           | <b>154,318</b> |

The financial statements of NNB Generation Company Limited, registered number 6937084 on pages 8 to 16 were approved by the Directors on 30 Sep 2010 and were signed on its behalf by



Nigel Land  
Director

NNE GENERATION COMPANY LIMITED  
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**CASH FLOW STATEMENT  
AT 31 DECEMBER 2009**

|   | <i>Note</i>  | 17 June 2009 to<br>31 December<br>2009<br>£000 |
|---|--------------|--|
| <b>Net cash outflow from operating activities</b>   | <b>10(a)</b> | <b>6,364</b>                                   |
| <hr/>   |              |  |
| <b>Capital expenditure and financial investment</b> |              |  |
| Acquisition of tangible assets                      | 5            | (150,835)                                      |
| <hr/>   |              |  |
| <b>Financing</b>                                    |              |  |
| Ordinary share issue                                | 9            | 158,577  |
| <hr/>   |              |  |
| <b>Net increase in cash</b>                         | <b>10(b)</b> | <b>14,106</b>                                  |

The Company has not provided a reconciliation of net cash flow to movement in net cash as this is the first financial period of operation, where the cash movement is the same as the cash on hand

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Accounting policies

The principal accounting policies are set out below. They have all been applied consistently throughout the period.

#### Basis of preparation

These financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards.

#### Going concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the immediate future. Current cash flow forecasts report that the company will be in a position of net current assets. It is the expectation of the management of the company that all obligations in respect of creditor liabilities will be met as they fall due. Capital injections of £158,577,135 and £276,732,000 were received from its shareholders in November 2009 and August 2010 respectively. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

#### Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and provision for impairment. No depreciation is provided on tangible fixed assets comprising of assets in the course of construction. Included in cost are all those incremental and necessary to the construction of nuclear reactors, including but not limited to generic design assessment, planning, site preparation, associated development, safety compliance, construction and decommission. Company Shared Service and Integration charges (CSSI), interest and foreign exchange gains or losses are not capitalised, with the exception of IT development project costs and other costs deemed incremental to the project.

#### Taxation

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 or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred at the balance sheet date, with the following exceptions:

- provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets with no likely subsequent rollover or available capital losses;
- provision is made for gains on re-valued fixed assets only where there is a commitment to dispose of the re-valued assets and the attributable gain can neither be rolled over nor eliminated by capital losses; and
- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured on a non-discounted basis.

#### Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

NOTES TO THE FINANCIAL STATEMENTS continued ...

2. Operating loss

|  |   |
|--|---|
|  | 17 June 2009<br>to 31<br>December<br>2009<br>£000 |
| This is stated after charging                  |   |
| Company shared service and integration charges | 2,574   |
| Corporate charges from British Energy plc      | 4,230   |
| Less expense capitalised                       | (2,545)   |
| <b>Operating loss</b>                          | <b>4,259</b>                                      |

In 2009, an amount of £12,000 was paid to Deloitte LLP for the audit of the Company's annual accounts and in respect of non-audit services, £498,000 was paid (comprising of tax services £90,000, corporate finance services £362,000 and other services £46,000). These costs were reflected in the Company shared service and integration charges referred to in note 11 below.

The Company had no employees during the current financial period.

3. Directors' emoluments

|  |   |
|--|---|
|  | 17 June 2009<br>to 31<br>December<br>2009<br>£000 |
| Emoluments                                       | 1,038   |
| Contributions to defined benefit pension schemes | 99  |
|  | <b>1,137</b>                                      |
|  | <b>2009<br/>Number</b>                            |
| Members of defined benefit pension schemes       | 6   |
|  | 17 June 2009<br>to 31<br>December<br>2009<br>£000 |
| <b>Remuneration of highest paid director</b>     |   |
| Emoluments                                       | 457   |
| Contributions to defined benefit pension schemes | 40  |
|  | <b>497</b>  |

All Directors are employees of associated EDF group companies. The Directors are remunerated from associated EDF group companies, in respect of their services to the Company.

**NOTES TO THE FINANCIAL STATEMENTS continued ...**

**4. Tax on profit on ordinary activities**

**(a) Analysis of tax charge in the year**

|  | 17 June 2009<br>to 31<br>December<br>2009<br>£000 |
|--|---|
| UK current tax                                   |   |
| UK corporation tax charge on profit for the year | -   |
| Total current tax expense (Note (b))             | -   |

**(b) Factors affecting tax charge for the year**

|   | 17 June 2009<br>to 31<br>December<br>2009<br>£000 |
|---|---|
| The tax assessed for the year is higher than the standard rate of corporation tax in the UK |   |
| The differences are explained below   |   |
| Loss on ordinary activities before tax  | 4,259   |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% | (1,193)   |
| Effect of Pre-trading expenses  | 1,193   |
| Current tax charge for the period   | -   |

The company has £4,259,049 of pre-trading expenses available to be carried forward for offset against future profits. The pre-trading expenses give rise to a deferred tax asset of £1,192,534 which has not been recognised in the financial statements because future recoverability of the asset against future tax payable on profits is not yet assured (as future profits are not yet assured).

**5. Tangible fixed assets – Assets under construction**

|                     | Total<br>£000 |
|---------------------|---------------|
| Cost                |               |
| At 17 June 2009     | -             |
| Additions           | 150,835       |
| At 31 December 2009 | 150,835       |

NOTES TO THE FINANCIAL STATEMENTS continued ...

6. Debtors: amounts falling due within one year

|                 | 2009<br>£000 |
|-----------------|--------------|
| VAT recoverable | 8,762        |
|                 | <b>8,762</b> |

7. Creditors: amounts falling due within one year

|  | 2009<br>£000  |
|--|---------------|
| Amounts owed to EDF group undertakings | 16,809        |
| Accruals and deferred income           | 2,576         |
|  | <b>19,385</b> |

8. Share capital

| Authorised                         | 2009<br>Number | 2009<br>£30 billion |
|------------------------------------|----------------|---------------------|
| Ordinary shares of £0 10 each      | 300 billion    | £30 billion         |
| Allotted, called up and fully paid | 2009<br>Number | 2009<br>£000        |
| Ordinary shares of £0 10 each      | 158,577,136    | 15,858              |

In November 2009, in addition to 1 share at incorporation, the Company issued 158,577,135 shares with a nominal value of £15,857,714 (at a par value of £0 10) and at a premium of £142,719,422 for cash

9. Reconciliation of shareholder's funds and movement on reserves

|                               | Share<br>capital<br>£000 | Share<br>Premium<br>£000 | Profit and<br>loss<br>account<br>£000 | Total<br>Shareholder's<br>funds<br>£000 |
|-------------------------------|--------------------------|--------------------------|---------------------------------------|---|
| Loss for the year             | -                        | -                        | (4,259)                               | (4,259)                                 |
| Shares issued for cash        | 15,858                   | 142,719                  | -                                     | 158,577                                 |
| <b>As at 31 December 2009</b> | <b>15,858</b>            | <b>142,719</b>           | <b>(4,259)</b>                        | <b>154,318</b>                          |

**NOTES TO THE FINANCIAL STATEMENTS continued ...**

**10. Notes to the cash flow statement**

(a) Reconciliation of operating loss to net cash inflow from operating activities

|  | 2009<br>£000 |
|--|--------------|
| Operating loss                                   | (4,259)      |
| Increase in trade and other receivables          | (8,762)      |
| Increase in trade and other payables             | 2,576        |
| Increase in intercompany payables                | 16,809       |
| <b>Net cash inflow from operating activities</b> | <b>6,364</b> |

(b) Analysis of net cash flow

|                          | At 17 June 2009<br>£000 | Cash in flow<br>2009<br>£000 | As at 31<br>December 2009<br>£000 |
|--------------------------|-------------------------|------------------------------|-----------------------------------|
| Cash at bank and in hand | -                       | 14,106                       | 14,106                            |

**11. Related parties**

Funding from HoldCo, was in the form of an equity injection and was in turn provided to HoldCo by its shareholders. In 2009 HoldCo received £158,577,140 of which Centrica provided £31,715,428 and EDF Energy Holdings Limited £126,861,712.

The following companies are associated subsidiary undertakings of the parent EDF SA with whom NNB Generation Company Limited ("GenCo") has a relationship

- British Energy plc – referred to as Existing Nuclear ("EN"),
- EDF Energy plc – which charges for Company Shared Services and Integration ("CSSI")
- EDF Development Company Limited ("DevCo") – transferred development costs
- EDF SA – Division Ingénierie Nucléaire France ("DIN France") comprises of Architect Engineering costs
- EDF DIN UK Limited – Architect Engineering costs incurred on behalf of GenCo, charged to DIN France

EN charged GenCo £4,230,284 in relation to Generic Design Assessment necessary to assist GenCo in support of its activities. This amount was outstanding at 31 December 2009.

Charges of £10,295,037 were accrued for CSSI. This related to flow through charges from EDF Energy plc of which £2,573,822 was charged to the Profit and Loss Account with the remaining £7,721,215 capitalised in tangible assets. CSSI charges include both CSSI and Corporate Steering Functions. The latter can be broken down further into Finance, People, Organisation & Brand Performance, and Strategy & Regulation.

DevCo charged GenCo £57,984,201 in relation to project development costs of which £14,256,175 related to previous years and £43,728,027 relates to the current financial year. This was settled before year-end. A further £551,748 of costs was accrued at year-end. An amount of £29,570,499 from DIN France is included in the DevCo charge above.



**NOTES TO THE FINANCIAL STATEMENTS continued ...**

**11. Related parties continued .**

DIN France charged GenCo a total of £78,477,563 comprising of £68,400,000 for 'forged parts' and £10,077,563 for 'Engineering GDA services in relation to development of EPR site' An amount of £1,731,962 remained outstanding at year-end

**12 Capital commitments**

At the balance sheet date, the company had entered into contracts committing it to £42.7 million payable in future periods. These amounts have not been provided for

**13. Subsequent events**

Following the balance sheet date of 31 December 2009, the Company has increased equity by £276,732,000 from HoldCo

**14. Parent undertaking and controlling party**

EDF Energy Holdings Limited holds an 80% interest in NNB Holding Company Limited which in turn holds 100% interest in NNB Generation Company Limited. NNB Holding Company Limited is considered to be the immediate parent company. EDF International S.A. is the smallest group for which consolidated financial statements are prepared. Copies of that company's consolidated financial statements may be obtained from EDF International S.A., 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France

As at 31 December 2009, EDF S.A., 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 EDF S.A., 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France