

BRITISH ENERGY LIMITED

REGISTERED NUMBER: SC162273

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018



BRITISH ENERGY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2018

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| | |
|--------------------------|---|
| Directors | Brian Cowell David Tomblin |
| Auditor | Deloitte LLP Hill House 1 Little New Street London United Kingdom EC4A 3TR |
| Registered office | GSO Business Park East Kilbride Scotland G74 5PG |

BRITISH ENERGY LIMITED
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STRATEGIC REPORT

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

Principal activity

The principal activity of British Energy Limited (the "Company") during the year was the provision of information management, engineering and administrative services to EDF Energy Nuclear Generation Group Limited and its subsidiaries (the "Group"), the costs of which were recharged to group companies. With the transfer of operations on 1 November 2018 to EDF Energy Nuclear Generation Limited, the Company is now acting as an intermediate holding company of the Group.

Review of the business

The profit for the year before taxation amounted to £443m (2017: £3m) and the profit after taxation amounted to £442m (2017: £2m).

The Group manages its operations on a business segment 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 EDF Energy Holdings Limited Group, which includes the Company is discussed in the Group's Annual Report which doesn't form part of this report.

Principal risks and uncertainties

The future prospects of the Company are dependent on the performance of the investments in its subsidiaries. The investments have been reviewed and the carrying value is considered to be recoverable based on forecast performance of those subsidiaries.

The main financial risks faced by the Company through its normal business activities are liquidity risk, credit risk and foreign exchange risk. These risks and the Company's approach to dealing with them are described below:

Liquidity risk is the risk that the proceeds from financial assets, including investments in subsidiaries, are not sufficient to fund the obligations arising from liabilities as they fall due. The Company's exposure to liquidity risk is reduced due to the significant net current asset position.

Credit risk is mitigated by the nature of the debtor balances owed, with these due from other Group companies who are able to repay these if required.

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 the Group uses foreign exchange forward contracts to hedge any significant exposure, other than contracts within the EDF SA Group.

EU Referendum

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

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STRATEGIC REPORT (CONTINUED)

Going concern

The company is a holding company and is dependent on the continued forecast profitability and cash generation of its subsidiaries. After making enquiries and reviewing cash flow forecasts and available facilities for at least the next twelve months, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. This judgement has been formed taking into account the principal risks and uncertainties that the Company faces and which have been outlined within the Strategic Report. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

Approved by the Board on 07 June 2019 and signed on its behalf by:



.....
D Tomblin

David Tomblin
Director

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DIRECTORS' REPORT

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

Principal risks, going concern and a review of the business are discussed within the Strategic Report.

Directors

The Directors who held office during the year and to the date of this report were as follows:

Brian Cowell

David Tomblin (appointed 5 February 2018)

David Mitchell (resigned 5 February 2018)

None of the Directors had a service contract with the Company in the current or prior year. They are all employed by associated companies within the EDF Energy Holdings Limited Group, and no portion of their remuneration can be specifically attributed to their services to the company. Details of total Directors' remuneration is available in the group accounts, which are available to the public as set out in note 22.

No Director (2017: none) held any interests in the shares or debentures of the Company or the Group that are required to be disclosed under the Companies Act 2006.

Dividends

The Directors do not recommend payment of a dividend (2017: £nil).

Political donations

The Company made no political donations in either the current or prior year.

Future developments

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

Post balance sheet events

On 09 May 2019, the Company received a dividend in specie of £2,850m from British Energy Generation (UK) Limited and declared a dividend in specie of £3,350m to British Energy Bond Finance plc.

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.

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DIRECTORS' REPORT (CONTINUED)

Disclosure of information to the auditor

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

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

Reappointment of auditor

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

Approved by the Board on 07 June 2019 and signed on its behalf by:



D Tomblin

.....
David Tomblin
Director

BRITISH ENERGY LIMITED
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DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether 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.

BRITISH ENERGY LIMITED
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRITISH ENERGY LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of British Energy Limited (the 'company'):

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

We have audited the financial statements of which comprise:

- the Income Statement;
- the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 22.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRITISH ENERGY LIMITED
(CONTINUED)

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRITISH ENERGY LIMITED
(CONTINUED)

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2006

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

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

In the light of 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

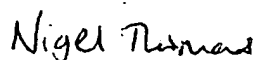
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.



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

London, United Kingdom

Date: 07 June 2019

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INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

| | Note | 2018 £m | 2017 £m |
|--|-------------|--------------------|--------------------|
| Revenue | 4 | 56 | 62 |
| Gross margin | | 56 | 62 |
| Materials and contracting costs | | (19) | (20) |
| Personnel expenses | 5 | (8) | (10) |
| Other operating expenses | | (19) | (20) |
| Depreciation and amortisation | 6 | (7) | (9) |
| Operating profit | | 3 | 3 |
| Other gains and (losses) | 7 | (391) | - |
| (Loss)/profit before taxation and investment income | | (388) | 3 |
| Investment income | 8 | 831 | - |
| Profit on ordinary activities before taxation | | 443 | 3 |
| Taxation | 10 | (1) | (1) |
| Profit for the year | | 442 | 2 |

All results are derived from continuing operations in both the current and preceding year.

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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018


| | Note | 2018 £m | 2017 £m |
|--|------|------------|------------|
| Profit for the year | | <u>442</u> | <u>2</u> |
| Items that may be reclassified subsequently to profit or loss | | | |
| Net (losses)/gains on available for sale assets | 12 | (2) | 2 |
| Remeasurements of post employment benefit obligations | | <u>1</u> | <u>-</u> |
| | | <u>(1)</u> | <u>2</u> |
| Total comprehensive income attributable to the owners of the Company for the year | | <u>441</u> | <u>4</u> |

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BALANCE SHEET
AT 31 DECEMBER 2018

| | Note | 2018 £m | 2017 £m |
|--|------|--------------|--------------|
| Non-current assets | | | |
| Property, plant and equipment | 11 | - | 23 |
| Financial assets | 12 | 10 | 12 |
| Investments in subsidiary undertakings | 13 | 127 | 518 |
| Deferred tax assets | 14 | - | 4 |
| Current assets | | | |
| Trade and other receivables | 15 | 2,254 | 1,427 |
| Total assets | | <u>2,391</u> | <u>1,984</u> |
| Current liabilities | | | |
| Other liabilities | 16 | (3) | (26) |
| Current tax liability | | (5) | (3) |
| Non-current liabilities | | | |
| Long-term employee benefits provision | 17 | - | (14) |
| Total liabilities | | <u>(8)</u> | <u>(43)</u> |
| Net assets | | <u>2,383</u> | <u>1,941</u> |
| Equity | | | |
| Called up share capital | 18 | - | - |
| Share premium reserve | 18 | 1,144 | 1,144 |
| Capital redemption reserve | 18 | 351 | 350 |
| Merger reserve | 18 | 187 | 187 |
| Retained earnings | | 701 | 260 |
| Shareholders' funds | | <u>2,383</u> | <u>1,941</u> |

The financial statements of British Energy Limited (registered number SC162273) on pages 9 to 29 were approved by the Board and authorised for issue on 07 June 2019 and signed on its behalf by:



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D Tomblin

David Tomblin
Director

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

| | Called up share capital £m | Share premium reserve £m | Capital redemption reserve £m | Merger reserve £m | Retained earnings £m | Total £m |
|---------------------------------------|-------------------------------------|-----------------------------------|--|-------------------------|----------------------------|-------------|
| At 1 January 2017 | - | 1,144 | 350 | 187 | 256 | 1,937 |
| Profit for the year | - | - | - | - | 2 | 2 |
| Other comprehensive income | - | - | - | - | 2 | 2 |
| Total comprehensive income | - | - | - | - | 4 | 4 |
| At 31 December 2017 | - | 1,144 | 350 | 187 | 260 | 1,941 |
| Profit for the year | - | - | - | - | 442 | 442 |
| Other comprehensive income | - | - | - | - | (1) | (1) |
| Transfer to other Group subsidiary | - | - | 1 | - | - | 1 |
| Total comprehensive income | - | - | 1 | - | 441 | 442 |
| At 31 December 2018 | - | 1,144 | 351 | 187 | 701 | 2,383 |

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NOTES TO THE FINANCIAL STATEMENTS

1 General information

British Energy Limited is a private company limited by shares. It is incorporated in the United Kingdom under the Companies Act 2006 and is registered in Scotland. The address of the Company's registered office is shown on the contents page.

Basis of preparation

The Company meets the definition of a qualifying entity under Financial Reporting Standard 101 (FRS 101) "Reduced Disclosure Framework". These financial statements were prepared in accordance with FRS 101 Reduced Disclosure Framework.

Changes in accounting policy

Adoption of new and revised International Financial Reporting Standards

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

IFRS 15 - Revenue from Contracts with Customers

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

IFRS 9 - Financial Instruments

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

IFRS 16 - Leases

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 the period presented, unless otherwise stated.

The financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at revalued amounts or fair values 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.

Fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the balance sheet date.

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:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- d) the requirements of IAS 7 Statement of Cash Flows;
- e) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- f) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- g) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- h) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Where relevant equivalent disclosures have been given in the group accounts of EDF Energy Holdings Limited, which are available to the public as set out in note 22.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Going concern

As set out in the Strategic Report, after making enquiries, the Directors' have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Exemption from preparing group accounts

The financial statements contain information about British Energy 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 its intermediate parent, 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.

Finance income and costs policy

Finance charges are accounted for on an accruals basis in the Income Statement based upon effective rates.

Investment income is earned on financial assets and recognised on an accruals basis.

Foreign currency transactions and balances

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

Taxation

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.

BRITISH ENERGY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

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

Fixed assets comprise assets acquired or constructed by the Company. Expenditure of a capital nature incurred to improve operational performance or to improve safety in order to meet increased regulatory standards is also capitalised. Other expenditure including that incurred on preliminary studies and on the initiation of new technologies not yet adopted is charged to the income statement as incurred.

Tangible fixed assets are stated at cost, net of depreciation and provision for impairment. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation

Depreciation is charged so as to write-off the cost of assets over their estimated useful lives, as follows:

| Asset class | Depreciation rate |
|---------------------|--------------------------|
| Plant and equipment | 5 years |

Investments

Fixed asset investments are carried at cost less any provision for impairment.

Trade and other receivables

Trade receivables are interest free and are stated at their nominal value.

BRITISH ENERGY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Amounts owed to other Group companies are interest free and are stated at their nominal value.

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 the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Long-term employee benefits

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

Capital Redemption Reserve

The capital redemption reserve was created following a return of value and purchase and cancellation of own shares by the Company in the year ended 31 March 2000.

Merger Reserve

The merger reserve reflects a capital contribution from the parent company to the Company following restructuring in 2005.

Share capital

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Financial assets

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

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

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

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

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

Financial assets at FVTPL are stated at fair value with any gains or losses on remeasurement recognised in profit or loss.

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

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

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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.

Fair value measurement

In estimating the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the balance sheet date.

Critical judgements in applying accounting policies

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

4 Revenue

Revenue, which is stated net of value added tax, arises entirely in the United Kingdom and is attributable to the continuing activity of recharging management charges to EDF Energy Nuclear Generation Limited and its subsidiaries and other miscellaneous income and is recognised on an accruals basis.

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

| | 2018 £m | 2017 £m |
|-----------------------------|------------|------------|
| Sales of goods and services | <u>56</u> | <u>62</u> |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 Personnel expenses

The aggregate payroll costs were as follows:

| | 2018 £m | 2017 £m |
|-----------------------|------------|------------|
| Wages and salaries | 5 | 7 |
| Social security costs | 1 | 1 |
| Pension costs | 2 | 2 |
| | <u>8</u> | <u>10</u> |

The average number of persons employed by the company (including directors) during the year was as follows:

| | 2018 No. | 2017 No. |
|--|-------------|-------------|
| Engineering, technical and corporate support | <u>79</u> | <u>101</u> |

6 Profit before taxation and finance costs for the year

Profit for the year has been arrived at after charging the following gains and losses:

| | 2018 £m | 2017 £m |
|--------------------------------|------------|------------|
| Depreciation expense (note 11) | <u>7</u> | <u>9</u> |

In 2018 an amount of £19,950 (2017: £6,150) was paid to Deloitte LLP for audit services. This charge was borne by another group company in both the current and prior year. In 2018 no non-audit services were provided to the Company (2017: £nil).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 Other gains and losses

The analysis of the company's other gains and losses for the year is as follows:

| | 2018 | 2017 |
|---------------------------|-------------|-------------|
| | £m | £m |
| Write-off of subsidiaries | <u>391</u> | <u>-</u> |

During 2018, British Energy Finance Limited, British Energy Technical Services Limited, British Energy Treasury Finance Limited, British Energy Group Limited, British Energy Generation Limited and Eggborough Power (Holdings) Limited were placed in voluntary liquidation and subsequently dissolved. An impairment of £391m was recognised to write-off the investment in these subsidiaries.

Prior to dissolution of the above subsidiaries, British Energy Limited received distributions in specie as detailed in note 8.

8 Investment income

| | 2018 | 2017 |
|---|-------------|-------------|
| | £m | £m |
| Dividends from shares in Group undertakings | <u>831</u> | <u>-</u> |

British Energy Limited received distributions in specie from the following subsidiaries which have subsequently been placed in voluntary liquidation and dissolved; £6m from British Energy Renewables Limited, £794m from British Energy Trading and Sales Limited, £5m from British Energy Finance Limited and £21m from Eggborough Power (Holdings) Limited.

The Company also received a cash dividend of £5m from British Energy Trading and Sales Limited.

9 Directors' remuneration

None of the Directors had a service contract with the Company in the current or prior year. They are all employed by associated companies within the EDF Energy Holdings Limited Group and no portion of their remuneration can be specifically attributed to their services to the Company.

No Director (2017: none) held any interests in the shares or debentures of the Company or the Group required to be disclosed under the Companies Act 2006.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Tax

(a) Tax charged in the income statement

| | 2018 £m | 2017 £m |
|---|------------|------------|
| Current taxation | | |
| UK corporation tax charge on profits made in the year | 1 | 1 |
| Total current tax charge for the year | <u>1</u> | <u>1</u> |
| Deferred taxation | | |
| Current year credit | - | - |
| Effect of decreased tax rate on opening balance | - | - |
| Total deferred tax charge for the year | <u>-</u> | <u>-</u> |
| Income tax charge reported in the income statement | <u>1</u> | <u>1</u> |

(b) The tax on profit before tax for the year is lower than (2017: same as) the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%).

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

| | 2018 £m | 2017 £m |
|---|------------|------------|
| Profit before taxation | 443 | 3 |
| Tax at the UK corporation tax rate of 19.00% (2017: 19.25%) | 04 | 1 |
| Effect of: | | |
| Non-taxable dividends receivable | (158) | - |
| Non-deductible impairment | 74 | - |
| Other non-deductible expenses and non-taxable income | 1 | - |
| Tax charge reported in the income statement | <u>1</u> | <u>1</u> |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Tax (continued)

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

Changes to the main rate of corporation tax were announced in Finance (No. 2) Act 2015. These comprised a reduction in the main rate of corporation tax for the financial year beginning 1 April 2017 from 20% to 19% and a further reduction for the financial year beginning 1 April 2020 from 19% to 18%.

Finance Act 2016 announced a reduction in the main rate of corporation tax for the financial year beginning 1 April 2020 from 18% to 17%.

The closing deferred tax balance at 31 December 2018 has been calculated at 17.00% (31 December 2017: 17.25%). This is the average tax rate at which the reversal of the net deferred tax liability is expected to occur.

11 Property, plant and equipment

| | Property, plant and equipment £m | Total £m |
|------------------------|---|-------------|
| Cost | | |
| At 1 January 2018 | 105 | 105 |
| Additions | 7 | 7 |
| Disposals | (112) | (112) |
| At 31 December 2018 | <u>-</u> | <u>-</u> |
| Depreciation | | |
| At 1 January 2018 | 82 | 82 |
| Charge for the year | 7 | 7 |
| Disposals | (89) | (89) |
| At 31 December 2018 | <u>-</u> | <u>-</u> |
| Carrying amount | | |
| At 31 December 2017 | <u>23</u> | <u>23</u> |
| At 31 December 2018 | <u>-</u> | <u>-</u> |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 Financial assets

| | 2018 £m | 2017 £m |
|--|------------|------------|
| Available-for-sale financial assets | | |
| Interest in insurance fund | 10 | 12 |

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. The movement of £2m, which is the change in the fair value of the financial asset, is recognised as the net losses on available for sale assets in the statement of total comprehensive income.

13 Investment in subsidiary undertakings

| | £m |
|--|-------|
| Cost | |
| At 1 January 2017 and 31 December 2017 | 518 |
| Write-off of subsidiaries (note 7) | (391) |
| At 31 December 2018 | 127 |
| Carrying amount | |
| At 31 December 2018 | 127 |
| At 31 December 2017 | 518 |

Details of the subsidiaries as at 31 December 2018, which are incorporated in the United Kingdom and are registered and operate in England and Wales (unless otherwise stated), are as follows:

| Name of subsidiary | Principal activity | Proportion of ownership of ordinary shares and voting rights held | |
|--|--------------------|---|------|
| | | 2018 | 2017 |
| Lochside Insurance Limited (Guernsey) (1)* | Insurance company | 100% | 100% |
| British Energy Generation (UK) Limited* | Holding company | 100% | 100% |
| British Energy Renewables Limited* | Investment company | 100% | 100% |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 Investment in subsidiary undertakings (continued)

| | | | |
|---|------------------|------|------|
| British Energy Trading and Sales Limited* | Holding company | 100% | 100% |
| British Energy Trustees Limited* | Dormant company | 100% | 100% |
| British Energy International Holdings Limited | Holding company | 100% | 100% |
| EDF Energy Nuclear Generation Limited (2) | Power generation | 100% | 100% |

*indicates direct investment of British Energy Limited.

(1) Registered Address: PO Box 34, St Martin's House, Le Bordage, St Peter Port, Guernsey, Channel Islands, GY1 4AU.

(2) Registered Address: Barnett Way, Barnwood, Gloucester, GL4 3RS.

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

During 2018, British Energy Finance Limited, British Energy Investment Limited, British Energy Trading Services Limited, British Energy Technical Services Limited, British Energy Treasury Finance Limited, Hunterston Properties Limited, British Energy Generation Limited, British Energy Group Limited, British Energy Holdings Limited, Stornoway Wind Power Limited and Eggborough Power (Holdings) Limited were placed in voluntary liquidation and subsequently dissolved. An impairment of £391m was recognised to write-off the investment in these subsidiaries.

Prior to dissolution British Energy Limited received distributions in specie from the subsidiaries as detailed in note 8.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 Deferred tax

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

| | Accelerated capital allowances | Short term timing differences | Total |
|----------------------------|--------------------------------------|-------------------------------------|-------|
| | £m | £m | £m |
| At 1 January 2017 | 2 | 2 | 4 |
| Credit/(charge) to income: | | | |
| Current year | - | - | - |
| At 1 January 2018 | 2 | 2 | 4 |
| Credit/(charge) to income: | | | |
| Current year | - | - | - |
| Business disposal | (2) | (2) | (4) |
| At 31 December 2018 | - | - | - |

| | 2018 | 2017 |
|---------------------|------|------|
| | £m | £m |
| Deferred tax assets | - | 4 |

15 Trade and other receivables

| | 2018 | 2017 |
|---------------------------------------|-------|-------|
| | £m | £m |
| Amounts owed by other Group companies | 2,254 | 1,427 |

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 Other liabilities

| | 2018 £m | 2017 £m |
|---------------------------------------|------------|------------|
| Trade payables | - | 5 |
| Accruals | - | 16 |
| Amounts owed to other Group companies | 3 | 5 |
| | <u>3</u> | <u>26</u> |

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

17 Provisions for liabilities

| | Long-term employee benefits £m |
|---------------------------------|---|
| At 31 December 2017 | 14 |
| Transfer to other Group company | (14) |
| At 31 December 2018 | <u>-</u> |

On 1 November 2018, all remaining employees of British Energy Limited, and their associated costs, were transferred to EDF Energy Nuclear Generation Limited.

18 Share capital and reserves

Allotted, called up and fully paid shares

| | No. | 2018 £ | No. | 2017 £ |
|-------------------------------|--------------|------------|--------------|------------|
| Ordinary Shares of £0.45 each | 1,000 | 447 | 1,000 | 447 |
| Special rights of £1 each | 1 | 1 | 1 | 1 |
| | <u>1,001</u> | <u>448</u> | <u>1,001</u> | <u>448</u> |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 Share capital and reserves (continued)

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 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 the 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 EDF Energy Nuclear Generation Limited or British Energy Generation (UK) Limited or a disposal by the Company of its shares in these companies. However the holder of the special share will only be entitled to withhold consent to such an amendment or disposal if, in the holder's opinion, the matter in question would be contrary to the interest of national security. The Articles of Association include full details of these restrictions.

Reserves

The share premium reserve relates to shares issued on restructuring in January 2005 for greater than their nominal value. The merger reserve reflects a capital contribution from the parent company to the Company following the restructuring in 2005. The capital redemption reserve was created following a return of value and purchase and cancellation of own shares by the Company in the year ended 31 March 2000.

19 Contingent liabilities

The Company has given certain indemnities and guarantees in respect of its subsidiary undertakings. No losses are anticipated to arise under these indemnities and guarantees, provided relevant subsidiary undertakings continue on a going concern basis.

The Company has given a guarantee and indemnity to the Secretary of State for Business, Energy and Industrial Strategy and Nuclear Liabilities Fund Limited along with a number of EDF Energy Nuclear Generation Group Limited and its subsidiary companies in respect to 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, Energy and Industrial Strategy and the Nuclear Liabilities Fund along with a number of other companies in EDF Energy Nuclear Generation Group Limited in respect of any decommissioning default payment.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 Post balance sheet events

On 09 May 2019, the Company received a dividend in specie of £2,850m. from British Energy Generation (UK) Limited and declared a dividend in specie of £3,350m to British Energy Bond Finance plc.

21 Related party transactions

The Company has taken advantage of the exemption in FRS 101 Reduced Disclosure Framework from disclosing transactions with other members of the group, which would otherwise be required for disclosure under IAS 24.

22 Parent undertaking and controlling party

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

At 31 December 2018, Électricité de France SA, a company incorporated in France, is regarded by the Directors as the Company's ultimate parent company and controlling party. This is the largest group for which consolidated financial statements are prepared. Copies of that company's consolidated financial statements may be obtained from the registered office at Électricité de France SA, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.