

# EDF ENERGY CUSTOMERS LIMITED

REGISTERED NUMBER: 02228297

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

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**EDF ENERGY CUSTOMERS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2018**

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**Directors**            Beatrice Bigois  
                             James Poole  
                             Richard Hughes  
                             Katherine Jacob  
                             Dawn Fortune

**Company secretary** Joe Souto

**Auditor**             Deloitte LLP  
                             1 New Street Square  
                             London  
                             United Kingdom  
                             EC4A 3HQ

**Registered office**   90 Whitfield Street  
                             London  
                             England  
                             W1T 4EZ

**EDF ENERGY CUSTOMERS LIMITED**  
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## **STRATEGIC REPORT**

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

On 11 January 2018, the Company re-registered from a public company to a private company.

### **Principal activity**

The principal activity of the company is the supply of electricity and gas to commercial, residential and industrial customers and meter reading and related services. It will continue with these activities for the foreseeable future.

### **Review of the business**

The loss for the year before taxation amounted to £64.3m (2017 profit: £57.3m) and the loss after taxation amounted to £68.8m (2017: profit of £66.8m). The net liabilities at the end of the year amounted to £(20.0m) (2017: net assets £18.8m).

EDF Energy Customers Limited is a wholly-owned subsidiary of EDF Energy Holdings Limited (the "Group") which 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 Customers Business Unit, which includes the Company, and future likely developments of the business is discussed in the Group's Annual Report which does not form part of this report.

### **Regulatory environment**

#### **Price cap**

The Domestic Gas and Electricity (Tariff Cap) Act 2018 came into force on 19 July 2018. The act requires the introduction of a temporary tariff cap for customers on Standard Variable (SVT) and default tariffs (known at the "Default Tariff Cap"). From March 2018 Ofgem ran a consultation process which culminated in its decision to introduce the cap with effect from 1st January 2019. Ofgem will update the level of the cap two times per year with updates taking effect from April and October. At the time of its introduction, Ofgem expected the cap to provide price protection for around 11 million customers. The cap will remain in place at least until the end of 2020, but could be extended for up to another three years. The default tariff cap sits alongside a temporary cap on prices charged to domestic customers supplied through a pre-payment meter, which was implemented in April 2017 following the conclusion of the Competition and Markets Authority's (CMA's) Energy Market Investigation in 2016.

### **Principal risks and uncertainties**

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 risk is managed on a Group-wide basis by EDF Energy Limited which uses commodity hedge contracts to mitigate the price risk and through the deployment of appropriate tariff management.

**STRATEGIC REPORT (CONTINUED)**

**Principal risks and uncertainties continued**

**Margin risk**

Margin price risk arises due to the uncertainty of future customer numbers and demand for gas and electricity, the inability to perfectly hedge customer demand and the impact of wholesale markets on competitor prices. Electricity and gas to service our customers is purchased either from our Generation assets or from the wholesale market, via EDF Trading. Market risk exposure is managed in accordance with the Group's risk mandate, and is monitored through a well-defined governance process.

**Interest rate risk**

The Company's exposure to interest rate fluctuations on its borrowings and deposits 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.

**Investment risk**

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

**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 by its borrowing facilities in place provided by its shareholders.

**Credit risk**

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of any expected credit losses estimated by the Group's management based on forward looking collection information and their assessment of the current economic environment. The Company has no significant concentration of credit risk with exposure spread over a large number of customers. Management have put in place a credit control function to monitor and chase the aged receivables or take appropriate actions in case of failure to receive the amounts due.

**Health and 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 Group's business. To minimise this risk, the Group is committed to creating a culture that views safe working as the only way of working and to reviewing all our processes and procedures to ensure 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.

**Cyber risk**

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

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**STRATEGIC REPORT (CONTINUED)**

**Principal risks and uncertainties continued**

Political and regulatory risk

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. Changes to interest rate would affect the discount rate assumptions applied to the Company's pension schemes. The sensitivity of the Company's pension schemes to changes in key assumptions are disclosed in note 22.

Macroeconomic impacts on existing trade receivable recoverability are expected to be immaterial but could have a greater impact on future trade receivable recoverability.

**Going concern**

After making enquiries and reviewing cash flow forecasts and available facilities for at least the next 12 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 in more detail elsewhere in this Strategic Report. EDF Energy limited, the intermediate parent company, has also agreed to support the Company financially and not to recall amounts advanced to the Company if it would impact on the ability of the Company to continue trading and meet other liabilities as they fall due. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

Approved by the Board on 25 September 2019 and signed on its behalf by:



.....  
Katherine Jacob  
Director

**EDF ENERGY CUSTOMERS LIMITED  
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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, principal activities, uncertainties and going concern 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:

Beatrice Bigois

James Poole

Richard Hughes

Katherine Jacob

Dawn Fortune (appointed 7 March 2018)

Dimitri Hovine (resigned 20 June 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 Électricité de France ("EDF SA") group, and have contracts with those companies.

No Director 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).

**Financial instruments**

The use of financial instruments in the Company is outlined in the statement of accounting policies and note 15 and 19.

**Political donations**

The Company made no political donations in the current year.

**Future developments**

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

**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.

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**DIRECTORS' REPORT (CONTINUED)**

**Employee involvement**

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting their employment and on the various factors affecting the performance of the Company and Group. This is carried out in a number of ways, including formal and informal briefings, departmental meetings and regular reports in staff newsletters and on the Group intranet.

**Directors' liabilities**

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

**Disclosure of information to the auditor**

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

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

**Reappointment of auditor**

It is noted that Deloitte LLP as appointed by the members are deemed to be re-appointed as the 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 25 September 2019 and signed on its behalf by:



.....  
Katherine Jacob  
Director

**EDF ENERGY CUSTOMERS LIMITED**  
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**DIRECTORS' RESPONSIBILITY STATEMENT**

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards has 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 CUSTOMERS LIMITED  
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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDF ENERGY CUSTOMERS LIMITED**

**Report on the audit of the financial statements**

**Opinion**

In our opinion the financial statements of EDF Energy Customers 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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 26.

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 EDF ENERGY CUSTOMERS 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](http://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 EDF ENERGY CUSTOMERS 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 the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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

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

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

We have nothing to report in respect of these matters.

**Use of our report**

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

*Nigel Thomas*

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

London, United Kingdom

Date: 25/09/2019

**EDF ENERGY CUSTOMERS LIMITED**  
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**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>Note</b>	<b>2018 £ m</b>	<b>2017 £ m</b>
Revenue	4	6,602.5	6,041.8
Energy and related purchases	5	<u>(5,795.1)</u>	<u>(5,357.0)</u>
<b>Gross margin</b>		<b>807.4</b>	684.8
Materials and contractor costs		(81.8)	(78.5)
Personnel expenses	6	(191.5)	(207.4)
Other operating expenses		(429.7)	(354.7)
Other operating income		<u>3.7</u>	<u>4.3</u>
<b>Operating profit before depreciation and amortisation</b>	7	<b>108.1</b>	48.5
Depreciation and amortisation		<u>(88.1)</u>	<u>(82.5)</u>
<b>Operating profit after depreciation and amortisation</b>		<b>20.0</b>	(34.0)
Impairment of non-current assets	12, 13	<u>(81.5)</u>	<u>-</u>
<b>Loss before taxation and finance costs</b>		<b>(61.5)</b>	(34.0)
Investment income	8	3.1	94.9
Finance costs	9	<u>(5.9)</u>	<u>(3.6)</u>
<b>(Loss)/profit before taxation</b>		<b>(64.3)</b>	57.3
Taxation	11	<u>(4.5)</u>	<u>9.5</u>
<b>(Loss)/profit for the year</b>		<b><u>(68.8)</u></b>	<b><u>66.8</u></b>

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

**EDF ENERGY CUSTOMERS LIMITED**  
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**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>2018</b>	<b>2017</b>
	<b>£ m</b>	<b>£ m</b>
(Loss)/profit for the year	(68.8)	66.8
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Remeasurement of retirement benefit obligations	35.8	27.1
Income tax effect	<u>(5.8)</u>	<u>(4.4)</u>
Total comprehensive income	<u><u>(38.8)</u></u>	<u><u>89.5</u></u>

The income tax effect on defined benefit pensions includes a deferred tax charge of £8.9m (2017: charge of £8.0m) and a current tax credit of £3.1m (2017: credit of £3.6m).

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**BALANCE SHEET**  
**AT 31 DECEMBER 2018**

	Note	2018 £ m	2017 £ m
<b>Non-current assets</b>			
Goodwill	13	-	81.5
Intangible assets	13	314.5	367.2
Property, plant and equipment	14	43.6	48.6
Investment in subsidiary and associate undertakings	16	54.1	52.0
Retirement benefit asset	22	-	44.4
Financial assets	15	11.7	15.5
		<u>423.9</u>	<u>609.2</u>
<b>Current assets</b>			
Financial assets	15	4.0	-
Trade and other receivables	17	2,317.6	1,978.0
Current tax asset		15.7	86.4
		<u>2,337.3</u>	<u>2,064.4</u>
<b>Total assets</b>		<u>2,761.2</u>	<u>2,673.6</u>
<b>Current liabilities</b>			
Other liabilities	18	(2,572.9)	(2,362.5)
Borrowings	19	(105.6)	-
Short-term provisions	20	(46.8)	(9.6)
		<u>(2,725.3)</u>	<u>(2,372.1)</u>
<b>Net current liabilities</b>		<u>(388.0)</u>	<u>(307.7)</u>
<b>Total assets less current liabilities</b>		<u>35.9</u>	<u>301.5</u>
<b>Non-current liabilities</b>			
Borrowings	19	(51.8)	(170.3)
Deferred tax liability	21	(4.1)	(5.7)
Retirement benefit provision	22	-	(106.7)
		<u>(55.9)</u>	<u>(282.7)</u>
<b>Total liabilities</b>		<u>(2,781.2)</u>	<u>(2,654.8)</u>
<b>Net (liabilities)/assets</b>		<u>(20.0)</u>	<u>18.8</u>
<b>Capital and reserves</b>			
Called up share capital	23	10.0	1,000.0
Capital redemption reserve		(0.4)	(0.4)
Retained earnings		<u>(29.6)</u>	<u>(980.8)</u>
<b>Shareholders' funds</b>		<u>(20.0)</u>	<u>18.8</u>

**EDF ENERGY CUSTOMERS LIMITED  
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**BALANCE SHEET  
AT 31 DECEMBER 2018**

The financial statements of EDF Energy Customers Limited (registered number 02228297) on pages 10 to 44 were approved by the Board and authorised for issue on 25 September 2019 and signed on its behalf by:



.....  
Katherine Jacob  
Director

**EDF ENERGY CUSTOMERS LIMITED**  
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**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	Share capital £ m	Capital redemption reserve £ m	Retained earnings £ m	Total £ m
At 1 January 2017	10.0	(0.4)	(1,070.3)	(1,060.7)
Profit for the year	-	-	66.8	66.8
Other comprehensive income	-	-	22.7	22.7
Shares issued (note 23)	990.0	-	-	990.0
At 31 December 2017	<u>1,000.0</u>	<u>(0.4)</u>	<u>(980.8)</u>	<u>18.8</u>
Loss for the year	-	-	(68.8)	(68.8)
Other comprehensive income	-	-	30.0	30.0
Shares reduction (note 23)	(990.0)	-	990.0	-
At 31 December 2018	<u><u>10.0</u></u>	<u><u>(0.4)</u></u>	<u><u>(29.6)</u></u>	<u><u>(20.0)</u></u>



**EDF ENERGY CUSTOMERS LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**1 General information**

On 11 January 2018, the Company re-registered from a public company to a private company.

The Company 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.

**Basis of preparation**

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

**Changes in accounting policy**

**Adoption of new and revised International Financial Reporting Standards**

The following have been applied for the first time from 1 January 2018:

***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 increase assets and liabilities by £8.2m with no effect on net assets.

**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 all the years presented, unless otherwise stated.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the asset. The financial statements are presented in pounds sterling as that is the currency for the primary economic environment in which the Company operates.

**Summary of disclosure exemptions**

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

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

Where relevant, equivalent disclosures have been given in the Group accounts which are available to the public as set out in note 26.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 Accounting policies (continued)**

**Going concern**

After making enquiries and reviewing cash flow forecasts and available facilities for at least the next 12 months, 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 this Strategic Report. EDF Energy Limited, the intermediate parent company, has also agreed to support the Company financially and not to recall amounts advanced to the Company if it would impact on the ability of the Company to continue trading and meet other liabilities as they fall due. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

**Exemption from preparing group accounts**

The financial statements contain information about EDF Energy Customers 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 and 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.

Energy supply: Revenue is recognised on the basis of electricity and gas supplied during the year and is attributable to the supply of electricity and gas and meter reading and related services. This includes an estimate of the sales value of units and therms supplied to customers between the date of the last meter reading and the year end, and the invoice value of other goods sold and services provided. Any unbilled revenue is included in trade receivables, net of provision for expected credit losses, to the extent that it is considered recoverable.

Revenue comprises the value of work completed, goods supplied and services rendered during the year, net of value added tax.

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.

**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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 Accounting policies (continued)**

**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 is stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 Accounting policies (continued)**

**Borrowing costs**

Borrowing costs incurred relating to the construction or purchase of fixed assets are capitalised and depreciated as outlined below.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets until such time that the assets are substantially ready for their intended use. Qualifying assets are assets which take a substantial period of time to get ready for their intended use or sale.

In instances where the Company borrows funds specifically for the purpose of obtaining a qualifying asset, the borrowing costs incurred are the borrowing costs that are capitalised. In instances where the Company borrows funds generally and uses them for the purpose of obtaining a qualifying asset, a capitalisation rate is applied based on the weighted average cost of general borrowings during the period.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

**Depreciation**

Depreciation is calculated on a straight-line basis, less any residual value, over the estimated useful life of the asset and charged to the income statement as follows:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Information technology	Three to ten years
Tools and equipment	Five years
Meters	Four to twenty years
Fixtures and equipment	Four to five years
Motor vehicles	Five years

**Assets under construction**

Assets under construction are recognised as the total of cost of purchase, construction and installation of tangible assets to bring them into use. For the assets to be brought into use, they are transferred to relevant tangible asset classes where they are depreciated as per the policy of that tangibles asset class. No depreciation is recognised prior to these transfers.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 Accounting policies (continued)**

**Impairment of non-financial assets**

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible 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 recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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.

**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 3-8 years.

**Goodwill**

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Goodwill is not subject to amortisation but is tested for impairment. Negative goodwill arising on an acquisition is recognised directly in the income statement. On disposal of a subsidiary or a joint controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the income statement on disposal.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **2 Accounting policies (continued)**

#### **Brand**

The SWEB brand is considered to have an indefinite useful economic life on the basis that the brand has no foreseeable limit to the life of the asset. As the SWEB brand is deemed as having an indefinite useful economic life, it is not amortised. It is tested annually for impairment (or more frequently as required) with an impairment recognised in the income statement in the year it arises. During the year, an impairment has been recognised to reduce the carrying value of the brand to £nil. Refer to note 13 for further information.

#### **Other intangible assets under construction**

Other Intangible assets under construction are recognised as the total of cost of purchase, development and installation of intangible assets to bring them into use. For the assets to be brought into use, they are transferred to the relevant intangible asset classes where they are amortised per the policy of the intangible asset classes. No amortisation is recognised prior to these transfers.

#### **Investment**

Fixed asset investments are stated at historical cost less provision for any diminution in value.

#### **Trade receivables**

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for expected credit losses. Expected credit losses are estimated based on applying a percentage provision rate to the aged debt book at the end of each period. The provision rates are based on the comparison of historical rates of collection compared to billing data and forward looking information.

#### **Trade 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.

#### **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.

#### **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)

#### 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 group 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.

#### Retirement benefit costs

The Group operates three defined benefit pension schemes. The cost of providing benefits is determined using the Projected Unit Credit method with actuarial valuations being carried out at each balance sheet date. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs include current service, past service cost and gains or losses on curtailments and settlements which are included in personnel expenses. It also includes net interest expense which is included in finance costs.

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

#### Leases

Rentals payable under operating leases are charged in the income statement on a straight-line basis over the lease term, even if payments are not made on such basis.

#### Financial assets

Financial assets are classified as 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.

##### *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.



## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **2 Accounting policies (continued)**

#### **Recognition of expected credit losses**

The Company recognises a loss allowance for expected credit losses on a financial asset that is measured at amortised cost, measured at fair value through other comprehensive income, a receivable, a contract asset or a loan commitment and a financial guarantee contract to which impairment requirements apply.

At each reporting date, the Company measures the loss allowance for a financial instrument at an amount equal to lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. The expected credit losses are assessed considering all reasonable and supportable information, including that which is forward-looking.

If at the reporting date the credit risk on a financial instrument has not increased significantly since initial recognition, the Company will measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

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

#### **De-recognition of financial assets**

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

### **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.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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

**Revenue recognition**

Revenue includes an estimate of the sales value of units supplied to customers between the date of the last meter reading and the year end. This is calculated by reference to data received through the third party settlement systems, as described further below, together with estimates of consumption not yet processed through settlements and selling price estimates. These estimates are sensitive to the assumptions used in determining the portion of sales not billed and based on actual meter readings at the reporting date.

Revenue is valued at average pence per unit, and any unbilled revenue is treated as an unbilled debtor. This figure is adjusted based on a judgement of the likelihood of collecting the outstanding debt based on historical data.

**Industry reconciliation process - fuel and energy purchases**

The cost of electricity and gas purchases is reported in line with the latest settlement data provided by the industry system operators, which itself includes an inherent degree of estimation, depending on the maturity of that data. The industry reconciliation process allocates purchase volumes and associated settlement costs between suppliers based on a combination of estimated and metered customer consumption. Over time, as more actual reads become available and replace previous consumption estimates, the allocation of volumes and costs between suppliers is updated through the industry reconciliation process, and becomes continually more accurate as a result.

**Provisions for impairment of receivables**

Allowances are made against expected credit losses on trade receivables, unbilled revenue. Expected credit losses are estimated based on applying a percentage provision rate to the aged debt book at the end of each period. The provision rates are based on the comparison of historical rates of collection compared to billing data and forward looking information.

**Pension deficit**

The pension deficit is calculated by independent qualified actuaries, based on actual payroll data and certain actuarial assumptions. These actuarial assumptions are made to model potential future costs and benefits and include: life expectancy, rates of returns on plan assets, inflation, discount rate and expected retirement age. These assumptions are reviewed on an annual basis and may change based on current market data. Further information is available about pensions in note 23.

***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 activities of the supply of electricity and gas and meter reading and related services. This includes an estimate of the sales value of units supplied to customers between the date of the last meter reading and the year end.

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

	<b>2018</b>	<b>2017</b>
	<b>£ m</b>	<b>£ m</b>
Sales of goods and services	<u>6,602.5</u>	<u>6,041.8</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**4 Revenue (continued)**

The disaggregation of revenue is as follows:

	<b>2018</b>	<b>2017</b>
	<b>£ m</b>	<b>£ m</b>
<b>Electricity Supply</b>		
Domestic	1,906.6	1,834.3
Small Medium Enterprise	290.6	259.7
Industrial and Commercial	3,331.6	2,970.2
<b>Gas Supply</b>		
Domestic	1,068.9	972.9
Small Medium Enterprise	4.8	4.7
Industrial and Commercial	-	-
Total revenue	<u>6,602.5</u>	<u>6,041.8</u>

**5 Energy and related purchases**

	<b>2018</b>	<b>2017</b>
	<b>£ m</b>	<b>£ m</b>
Purchase of energy	4,996.5	4,584.3
Distribution and transmission	791.6	763.2
Other energy related purchases	7.0	9.5
Total energy and related purchases	<u>5,795.1</u>	<u>5,357.0</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6 Personnel expenses**

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

	<b>2018</b>	<b>2017</b>
	<b>£ m</b>	<b>£ m</b>
Wages and salaries	158.6	154.6
Social security costs	16.8	17.4
Other pension costs	37.3	43.2
Severance	2.6	(7.8)
One-off pension income* (Note 22)	(23.8)	-
	<u>191.5</u>	<u>207.4</u>

\* As a result of pension liability the Company transferred out to EDF Energy Limited.

Other pension costs mainly represent charges arising from the EEPS and EEGS schemes amounting to £44.0m (2017: £44.5m). It also include amounts paid into pension schemes other than the main EEPS and EEGS (such as the BEGG scheme) as well as costs allocated to the Company from senior staff whose primary remuneration sits within other Group companies.

The monthly average number of persons employed by the Company (including directors) during the year, analysed by category was as follows:

	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
Administration and support	543	534
Other departments	4,249	4,413
	<u>4,792</u>	<u>4,947</u>

**7 Operating Profit before depreciation and amortisation**

Operating profit for the year was arrived at after charging/(crediting) the following gains/losses:

	<b>2018</b>	<b>2017</b>
	<b>£ m</b>	<b>£ m</b>
(Gain)/loss on disposal of property, plant and equipment	(3.1)	1.0
Operating lease costs	0.1	0.1
	<u>          </u>	<u>          </u>

In 2018 an amount of £313,470 (2017: £322,431) 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, amounts payable to Deloitte LLP by the Company in respect of other assurance services were £nil (2017: £nil).

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**8 Investment income**

	<b>2018</b>	<b>2017</b>
	<b>£ m</b>	<b>£ m</b>
Interest on bank deposits	-	0.7
Interest receivable from other Group companies	0.8	0.5
Other interest receivable	0.7	-
Other finance income	1.6	1.4
Dividend income	-	92.3
	<u>3.1</u>	<u>94.9</u>

In 2017, dividend income was received from British Energy Direct Limited, a subsidiary of the Company which has been dissolved.

**9 Finance costs**

	<b>2018</b>	<b>2017</b>
	<b>£ m</b>	<b>£ m</b>
Interest payable on loans from other Group companies	5.2	3.0
Pension scheme interest	1.9	3.5
Total finance cost	<u>7.1</u>	<u>6.5</u>
Less: amounts included in the cost of qualifying assets	<u>(1.2)</u>	<u>(2.9)</u>
Total borrowing costs	<u>5.9</u>	<u>3.6</u>

Loans from other group companies are unsecured and repayable on demand.

**10 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 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 26.

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)**

**11 Tax on loss on continuing ordinary activities**

(a) Tax charged / (credited) in the income statement:

	<b>2018</b> <b>£ m</b>	<b>2017</b> <b>£ m</b>
<b>Current taxation</b>		
UK corporation tax credit on profits / (loss) made in the year	14.4	(4.0)
Adjustments in respect of previous years' reported tax credits	<u>0.6</u>	<u>0.2</u>
Total current tax charge/(credit) in the year	<u>15.0</u>	<u>(3.8)</u>
<b>Deferred taxation</b>		
Current year (credit)	(9.9)	(3.8)
Adjustments in respect of previous years' reported (credits)	(0.5)	(1.7)
Effect of decreased tax rate on opening balance	<u>(0.1)</u>	<u>(0.2)</u>
Total deferred tax charge / (credit) in the year	<u>(10.5)</u>	<u>(5.7)</u>
Income tax charge/(credit) reported in the income statement	<u><u>4.5</u></u>	<u><u>(9.5)</u></u>

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

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

	<b>2018</b> <b>£ m</b>	<b>2017</b> <b>£ m</b>
(Loss)/profit before tax	(64.3)	57.3
Tax at the UK corporation tax of 19.00% (2017: 19.25%)	(12.2)	11.0
Effect of:		
Non-taxable dividends receivable	-	(17.8)
Non-deductible impairment	15.5	-
Non-deductible expenses and non-taxable income	0.1	(1.4)
Current year deferred tax rate change	1.1	0.4
Adjustment to prior year corporation tax charge / (credit)	0.6	0.2
Adjustment to prior year deferred tax (credit)	(0.5)	(1.7)
Decreased tax rate on opening deferred tax balance	<u>(0.1)</u>	<u>(0.2)</u>
Income tax charge/(credit) reported in the income statement	<u><u>4.5</u></u>	<u><u>(9.5)</u></u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 11 Tax on loss on continuing ordinary activities (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 charge of £8.9m (2017: charge of £8m) in respect of pension movements has been recognised in equity.

A current tax credit of £3.1m (2017: credit of £3.6m) has also been recognised in equity in respect of pension movements.

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.

### 12 Impairment

In 2018, impairment of £81.5m (2017: £nil) was recorded in respect of the SWEB brand. The impairment indicator arose due to impairments recognised against other brand intangibles within the wider Group following an unsuccessful auction process. As a result of this, and the fact there is no intention to use the asset in future, the recoverable value of the brand is deemed to be nil.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**13 Intangible assets**

	IT software £ m	Licence £ m	Goodwill £ m	Brand £ m	Other intangible assets under construction £ m	Total £ m
<b>Cost or valuation</b>						
At 1 January 2018	536.7	561.9	277.1	-	103.7	1,479.4
Additions	-	-	-	-	26.8	26.8
Reclassification	-	-	(277.1)	277.1	-	-
Transfers	31.8	-	-	-	(31.8)	-
At 31 December 2018	<u>568.5</u>	<u>561.9</u>	<u>-</u>	<u>277.1</u>	<u>98.7</u>	<u>1,506.2</u>
<b>Amortisation and Impairment</b>						
At 1 January 2018	303.8	531.3	195.6	-	-	1,030.7
Amortisation charge	74.4	5.1	-	-	-	79.5
Reclassification	-	-	(195.6)	195.6	-	-
Impairment	-	-	-	81.5	-	81.5
At 31 December 2018	<u>378.2</u>	<u>536.4</u>	<u>-</u>	<u>277.1</u>	<u>-</u>	<u>1,191.7</u>
<b>Carrying amount</b>						
At 31 December 2018	<u>190.3</u>	<u>25.5</u>	<u>-</u>	<u>-</u>	<u>98.7</u>	<u>314.5</u>
At 31 December 2017	<u>232.9</u>	<u>30.6</u>	<u>81.5</u>	<u>-</u>	<u>103.7</u>	<u>448.7</u>

Other Intangible assets under construction are recognised as the total of cost of purchase, development and installation of intangible assets to bring them into use. These are predominantly SMART program related assets. For the assets to be brought into use, they are transferred to the relevant intangible asset classes where they are amortised per the policy of the intangible asset classes. No amortisation is recognised prior to these transfers.

On 1 September 2005, EDF Energy Customers Limited entered into a licence with SEEBOARD Energy Limited and SEEBOARD Energy Gas Limited which resulted in these companies licensing their electricity and gas business (primarily being the SEEBOARD brand together with the customer lists and the right to service the customer contracts) associated therewith for 10 years. This agreement was entered into to facilitate the unification of the business under a single brand within a single company.



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**13 Intangible assets (continued)**

In 2014, a variation to the above licences was made, resulting in a fee of £20m payable by EDF Energy Customers Limited to SEEBOARD Energy Limited and SEEBOARD Energy Gas Limited. The residual balance of the licence at the time of the termination, being £25.9m, along with the termination payment, being £20m, is now amortised over 9 years in line with the contractual terms of the licence agreement. Annual impairment reviews are undertaken and any impairment in value is recognised once identified.

In the year, management took the decision to reclassify as brand, what was then considered the bought forward cost and accumulated depreciation of goodwill which is comprised of the purchase of the SWEB brand by EDF Energy Customers Limited of £274.1m, £2.9m of goodwill on acquisition of the metering trade and assets from IMServe Europe Limited an unconnected company, and £0.1m of CFS Siemens Revenue Protection. As at 31 December 2018, the carrying amount of £81.5m represents the SWEB brand element only as other costs had been fully amortised in previous years. This was subject to impairment testing and fully impaired with an impairment value of £81.5m being recognised in the income statement in the current year.

**14 Property, plant and equipment**

	Other property, plant and equipment £ m	Meter assets £ m	Assets under construction £ m	Total £ m
<b>Cost</b>				
At 1 January 2018	64.6	19.8	18.5	102.9
Additions	-	-	24.3	24.3
Disposals	(2.0)	(30.7)	-	(32.7)
Transfers	2.0	17.9	(19.9)	-
At 31 December 2018	<u>64.6</u>	<u>7.0</u>	<u>22.9</u>	<u>94.5</u>
<b>Depreciation</b>				
At 1 January 2018	44.2	10.1	-	54.3
Charge for the year	5.0	3.6	-	8.6
Eliminated on disposal	(2.0)	(10.2)	-	(12.2)
At 31 December 2018	<u>47.2</u>	<u>3.5</u>	<u>-</u>	<u>50.7</u>
<b>Carrying amount</b>				
At 31 December 2018	<u>17.4</u>	<u>3.5</u>	<u>22.9</u>	<u>43.8</u>
At 31 December 2017	<u>20.4</u>	<u>9.7</u>	<u>18.5</u>	<u>48.6</u>

Assets under construction are recognised as the total of cost of purchase, construction and installation of tangible assets to bring them into use. For the assets to be brought into use, they are transferred to relevant tangible asset classes where they are depreciated as per the policy of that tangibles asset class. No depreciation is recognised prior to these transfers.

A gain on disposal of £3.1m was recognised on the disposal of meter assets.

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**15 Financial assets**

	<b>2018</b>	<b>2017</b>
	<b>£ m</b>	<b>£ m</b>
<b>Current financial assets</b>		
Loans to associates	4.0	-
	<u>4.0</u>	<u>-</u>
<b>Non-current financial assets</b>		
Loans to subsidiaries	1.0	-
Loans to associates	10.7	15.5
<b>Non-current total</b>	<u>11.7</u>	<u>15.5</u>

In 2017, the loan amount of £15.5m was granted to EDF Energy Services Ltd, during the year, an additional amount of £2.3m was granted and a repayment of £3.1m was made, the loans were unsecured, accruing interest at 6.275% and repayable in instalments until final payment by 30 June 2022.

In 2018, the loan amount of £1m was granted to Hoppy Ltd, the loan was unsecured, accruing interest at 6.275% and with final maturity on 01 January 2023.

**16 Investment in subsidiary and associate undertakings**

**Reconciliation of investment in subsidiary and associate undertakings**

	<b>£ m</b>
Opening balance	52.0
Additions - subsidiaries	2.1
Additions - associates	-
Closing balance	<u>54.1</u>

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**16 Investment in subsidiary and associate undertakings (continued)**

**Investment in subsidiaries**

	£ m
Cost	
At 1 January 2017	0.1
Disposals	(0.1)
At 31 December 2017	-
Additions	2.1
At 31 December 2018	<u>2.1</u>
Carrying amount	
At 31 December 2018	2.1
At 31 December 2017	-

On 27 February 2018, Hoppy Limited (a 100% subsidiary of the Company) issued 98 ordinary £1 shares. This share issue changed the ownership structure from 100% shares being held by the Company to 51% shares and 49% shares held by EDF Nouveaux Business Holding SAS. There was no financial statement impact as a result of this shares issue. The £2.1m was additional spend in Hoppy Ltd.

The subsidiary undertakings at 31 December 2018, 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 in ordinary shares and voting rights held	
		2018	2017
Hoppy Limited	Platform for Services	51%	100%
Registered address: 90 Whitfield street, London, England W1T 4EZ			

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**16 Investment in subsidiary and associate undertakings (continued)**

**Investment in associates**

	£ m
Cost	
At 1 January 2017	2.8
Additions	49.2
At 31 December 2017	<u>52.0</u>
Carrying amount	
At 31 December 2018	52.0
At 31 December 2017	52.0

In 2017, additional investment was made in EDF Energy Services Ltd to fund the acquisition of a stake in Imtech while Seeboard Energy was dissolved.

The associates at 31 December 2018, 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 associate	Principal activity	Proportion of ownership interest in ordinary shares and voting rights held	
		2018	2017
EDF Energy Services Limited	Development of generation and supply of electricity	50%/49%	50%/49%
The Barkantine Heat and Power Company Limited* (1)	Generation and supply of heat and electricity	50%/49%	50%/49%
ESSCI Limited* (1)	Holding Company	50%/49%	50%/49%
ESSCI Engineering Services Limited* (1)	Holding Company	50%/49%	50%/49%
Imtech Engineering Services North Ltd* (2)	Provision of mechanical and electrical services	50%/49%	50%/49%
Imtech Engineering Services Central Ltd* (3)	Provision of mechanical and electrical services	50%/49%	50%/49%
Imtech Engineering Services London and South Ltd* (1)	Provision of mechanical and electrical services	50%/49%	50%/49%
Imtech Aqua Ltd* (3)	Holding Company	50%/49%	50%/49%
Imtech Aqua Building Services Ltd* (3)	Provision of mechanical and electrical services	50%/49%	50%/49%
Imtech Aqua Controls Ltd* (3)	Provision of building management systems	50%/49%	50%/49%

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**16 Investment in subsidiary and associate undertakings (continued)**

Imtech Low Carbon Solutions Ltd* (3)	Dormant Company	50%/49%	50%/49%
ESSCI Technical Facilities Holding Company Management Limited* (1)		50%/49%	50%/49%
Inviron Holdings Limited* (4)	Holding Company	50%/49%	50%/49%
Imtech Inviron Limited* (4)	Provision and management of building services and systems	50%/49%	50%/49%
Inviron Property Limited* (4)	Property Company	50%/49%	50%/49%
Imtech Aqua Maintenance Ltd* (4)	Provision of maintenance and building engineering services	50%/49%	50%/49%
ESSCI Technical Services Limited* (1)	Holding Company	50%/49%	50%/49%
Capula Group Limited* (5)	Holding Company	50%/49%	50%/49%
Capula Limited* (5)	Provision of IT services	50%/49%	50%/49%
ESSCI Ireland Limited* (1)	Holding Company	50%/49%	50%/49%
Suir Engineering Limited* (Ireland) (6)	Provision of building management systems	50%/49%	50%/49%
Suir Engineering Limited* (Sweden)	Provision of building management systems	50%/49%	50%/49%
Suir Engineering Limited* (Qatar)	Provision of building management systems	50%/49%	50%/49%

\*indirectly held

(1) Registered Address: Twenty 4th Floor, 20 Kingston Road, Staines Upon Thames, United Kingdom, TW18 4LG

(2) Registered Address: Calder House, St Georges Park Kirkham, Preston, Lancashire, PR4 2DZ

(3) Registered Address: G&H House, Hooton Street, Carlton Road, Nottingham, NG3 5GL

(4) Registered Address: 3100 Park Square, Solihull Parkway Birmingham, Business Park Birmingham, B37 7YN

(5) Registered Address: Orion House, Unit 10 Walton Industrial Estate, Stone, Staffordshire, ST15 0LT

(6) Registered Address: Hipley House, Woking, Hipley Street, GU22 9LQ

Unless stated otherwise, the registered address of the associates listed above is 90 Whitfield Street, London, W1T 4EZ.

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**17 Trade and other receivables**

	<b>2018</b>	<b>2017</b>
	<b>£ m</b>	<b>£ m</b>
Trade receivables	889.4	835.3
Allowance for expected credit losses	(106.2)	(102.0)
Unbilled revenue	573.4	457.2
Amounts owed by Group companies (Note 25)	955.9	779.7
Other debtors	<u>5.1</u>	<u>7.8</u>
Total trade and other receivables	<u><u>2,317.6</u></u>	<u><u>1,978.0</u></u>

Amounts owed by Group companies are unsecured and repayable on demand.

**18 Other liabilities**

	<b>2018</b>	<b>2017</b>
	<b>£ m</b>	<b>£ m</b>
Trade Creditors	438.8	501.4
Accruals and deferred income	178.0	118.3
Amounts owed to other Group companies (Note 25)	1,608.3	1,530.2
Other Payables	<u>347.8</u>	<u>212.6</u>
Total other liabilities	<u><u>2,572.9</u></u>	<u><u>2,362.5</u></u>

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

The Company is included in a cash concentration arrangement which physically offsets cash balances and overdrafts with other participating Group companies. In the current year, the element of the Company's overdraft of £655.9m (2017: £574.8m) which relates to the collective net bank balance is shown above within amounts owed to other Group.

**19 Borrowings**

	<b>2018</b>	<b>2017</b>
	<b>£ m</b>	<b>£ m</b>
Borrowings due within one year	105.6	-
Borrowings due after more than one year	<u>51.8</u>	<u>170.3</u>
Total borrowings	<u><u>157.4</u></u>	<u><u>170.3</u></u>

Borrowings of £105.6m are owed to EDF Energy Limited, bear interest based on the libor rate and are repayable on demand.

Borrowings of £51.8m are owed to EDF Energy Limited. These loans are unsecured, bear interest at a rate of 6.275% per annum and is repayable in instalments until final repayment by 30 June 2022.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**20 Provisions for liabilities**

	<b>Restructuring</b>	<b>Other</b>	<b>Total</b>
	<b>£ m</b>	<b>Provisions</b>	<b>£ m</b>
		<b>£ m</b>	
At 1 January 2018	6.8	2.8	9.6
Increase in provisions	4.2	39.1	43.3
Provisions utilised	(3.4)	(1.4)	(4.8)
Unused provisions reversed	(1.3)	-	(1.3)
At 31 December 2018	<u>6.3</u>	<u>40.5</u>	<u>46.8</u>

The provisions have been split as follows:

	<b>At 31</b>	<b>At 31</b>
	<b>December</b>	<b>December</b>
	<b>2018</b>	<b>2017</b>
	<b>Current</b>	<b>Current</b>
	<b>£ m</b>	<b>£ m</b>
Restructuring	6.3	6.8
Other provisions	40.5	2.8
	<u>46.8</u>	<u>9.6</u>

The restructuring provision covers the costs of severance related to restructuring which has been announced that employees will be impacted. All provisions are expected to be utilised within 12 months.

In November 2018, a ruling from the European Court of Justice (ECJ) led to the suspension of UK capacity mechanism. This suspension consequently created a constructive obligation for the Company to reimburse or repay capacity market costs collected through tariffs and charged to non-pass-through customers. These capacity market costs will be payable to the settlement body in the event that the Capacity Market is reinstated, or alternatively reimbursed to non-pass-through customers in the event that the scheme is disbanded. As a result the Company recognised a provision of £38m in Other provisions, for capacity market costs collected from non-pass-through customers.

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**21 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 tax depreciation	Short term timing differences	Pensions	Total
	£m	£m	£m	£m
At 1 January 2017	(23.8)	4.2	16.2	(3.4)
Credit/(charge) to income				
<i>Current year</i>	3.7	(2.5)	2.6	3.8
<i>Adjustments in respect of previous years' reported tax charges</i>	2.1	(0.4)	-	1.7
Effect of decreased tax rate on opening liability	0.2	-	-	0.2
(Charge) to equity				
<i>Current year</i>	-	-	(7.9)	(7.9)
<i>Effect of decreased tax rate on opening liability</i>	-	-	(0.1)	(0.1)
At 1 January 2018	(17.8)	1.3	10.8	(5.7)
Credit/(charge) to income				
<i>Current year</i>	5.2	6.4	(1.7)	9.9
<i>Adjustments in respect of previous years' reported tax charges</i>	0.1	0.4	-	0.5
<i>Effect of decreased tax rate on opening liability</i>	0.3	-	(0.2)	0.1
Credit/(charge) to equity				
<i>Current year</i>	-	-	(8.9)	(8.9)
At 31 December 2018	(12.2)	8.1	-	(4.1)

The Group has unrecognised tax losses of £7.1m (2017: £7.7m). The losses give rise to a deferred tax asset of £1.2m (2017: £1.3m) which has not been recognised as it is uncertain whether future taxable profits will be available against which these losses can be utilised. These losses can however be carried forward indefinitely for offset against future profits, should they arise.

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:



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**21 Deferred tax (continued)**

	2018	2017
	£ m	£ m
Deferred tax liabilities	(4.1)	(5.7)

**22 Pension and other schemes**

**Defined benefit pension schemes**

The Company participates in two defined benefit pension schemes for qualifying employees; the EDF Energy Pension Scheme ("EEPS") and the EDF Energy Generation & Supply Group of the Electricity Supply Pension Scheme ("EEGSG"). These schemes are administered by separate boards of trustees which are legally separate from the Group.

The Group operates a policy of allocating the pension deficit for EEPS and EEGSG among the wholly owned employing companies within the Group. The allocation of the deficit is performed through identifying an individual's share of their overall deficit for each scheme. Assets and liabilities are apportioned to legal entities based on their employee's share. For individuals who are no longer employed by the company, their deficit remains with their last employing company. Payroll contributions are attributed to the company which bears the cost of those employees, regardless of whether or not they are employing companies. Pension interest payable and receivable, actuarial gains and losses and benefits paid are all allocated to employing companies, based on that company's share of the assets and liabilities at the start of the year. A full review of the allocation is performed every three years based on updated triennial valuations.

**Re-estimation of allocation**

On 31 December 2018, the EDF Energy Limited group of companies re-assessed the way in which the two pension schemes; EEPS and EEGSG should be accounted. The costs, assets, liabilities and unrecognised actuarial gains and losses of the pension schemes are to be wholly reflected in the financial statements of the sponsoring employer, EDF Energy Limited. As such the assets and liabilities associated with these schemes have been transferred to EDF Energy Limited with no consideration payable. As a result of this transaction, EDF Energy Customers Limited has transferred out a pension liability and accounted for a one-off pension income of £23.8m (Note 6).

Further details of the Group defined benefit schemes are included in note 40 of the consolidated financial statements of the Group which are available as disclosed in note 27.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**22 Pension and other schemes (continued)**

***Financial impact of defined benefit pension schemes***

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

	<b>EEGSG</b>	<b>EEPS</b>	<b>Total</b>	<b>EEGSG</b>	<b>EEPS</b>	<b>Total</b>
	<b>2018</b>	<b>2018</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>
Fair value of scheme assets	-	-	-	453.2	453.2	906.4
Present value of scheme liabilities	-	-	-	(408.8)	(559.9)	(968.7)
Defined benefit pension scheme deficit	-	-	-	44.4	(106.7)	(62.3)

***Scheme assets***

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

	<b>EEGSG</b>	<b>EEPS</b>	<b>Total</b>	<b>Total</b>
	<b>2018</b>	<b>2018</b>	<b>2018</b>	<b>2017</b>
	<b>£ m</b>	<b>£ m</b>	<b>£ m</b>	<b>£ m</b>
Fair value at start of year	453.2	453.2	906.4	799.7
Expected return on scheme assets	11.4	12.8	24.2	23.1
Actuarial gains and losses arising from changes in demographic assumptions	(17.3)	(28.8)	(46.1)	50.6
Employer contributions	8.5	21.9	30.4	29.4
Deficit repair payments (made by the company)	8.0	8.3	16.3	18.6
Members contributions	-	5.2	5.2	4.9
Benefits paid	(15.1)	(5.2)	(20.3)	(19.9)
Re-estimation of allocation	(448.7)	(467.4)	(916.1)	-
Fair value at end of year	-	-	-	906.4

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**22 Pension and other schemes (continued)**

***Scheme liabilities***

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

	<b>EEGS</b>	<b>EEPS</b>	<b>Total</b>	<b>Total</b>
	<b>2018</b>	<b>2018</b>	<b>2018</b>	<b>2017</b>
	<b>£ m</b>	<b>£ m</b>	<b>£ m</b>	<b>£ m</b>
Present value at start of year	408.8	559.9	968.7	892.4
Current service cost	12.8	29.3	42.1	41.0
Actuarial gains and losses arising from changes in demographic assumptions	(24.8)	(63.9)	(88.7)	21.2
Actuarial gains and losses arising from prior experience	3.5	3.3	6.8	2.5
Interest cost	10.5	15.6	26.1	26.6
Members contributions	-	5.2	5.2	4.9
Benefits paid	(15.1)	(5.2)	(20.3)	(19.9)
Re-estimation of allocation	(395.7)	(544.2)	(939.9)	-
Present value at end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>968.7</u>

***Amounts recognised in the income statement***

	<b>2018</b>	<b>2017</b>
	<b>£ m</b>	<b>£ m</b>
<b>Amounts recognised in operating profit</b>		
Current service cost	<u>(42.1)</u>	<u>(41.0)</u>
Recognised in arriving at operating profit	<u>(42.1)</u>	<u>(41.0)</u>
<b>Amounts recognised in finance gains and losses</b>		
Interest cost	<u>(1.9)</u>	<u>(3.5)</u>
Total recognised in the income statement (Note 6)	<u>(44.0)</u>	<u>(44.5)</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**22 Pension and other schemes (continued)**

**Sensitivity of pension defined benefit obligations to changes in assumptions:**

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

At 31 December 2018:

Impact of a 25bp increase/decrease in discount rate -4.6% to +4.9%

Impact of a 25bp increase/decrease in salary increase assumption +0.5% to -0.5%

Impact of a 25bp increase/decrease in inflation rate +3.5% to -3.3%

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.

**23 Share capital**

**Allotted, called up and fully paid shares**

	No. m	2018 £ m	No. m	2017 £ m
Ordinary shares of £1.00 each	<u>10</u>	<u>10</u>	<u>1,000</u>	<u>1,000</u>

On 29 June 2018, the Company reduced 990,000,000 of its issued £1 ordinary shares, the resulting amount of share capital was transferred to the Company's distributable reserves.

The residual number of 10,000,000 of £1 ordinary shares carry no right to fixed income.

On 25 July 2017, the Company issued 499,914,007 new ordinary shares to existing shareholders. The amount paid per share was equal to the nominal value of the share.

On 26 September 2017, the Company issued 490,085,993 new ordinary shares to existing shareholders. The amount paid per share was equal to the nominal value of the share.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**24 Obligations under leases and hire purchase contracts**

**Operating leases**

During 2018 the Company entered into operating leases for vehicles with lease terms between one and four years. The leases contain break options whereby the Company could serve notice to early terminate the leases.

Future minimum rentals payable under non-cancellable operating leases relating to vehicles as at 31 December are as follows:

	31 December 2018 £m	31 December 2017 £m
Within one year	2.9	-
In two to five years	5.7	-
Over five years	-	-
	<u>8.6</u>	<u>-</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £0.3m (2017: £Nil).

**25 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 require disclosure under IAS 24.

Key management personnel for the Company are the Directors of the Company. Please refer to note 6 for details of their remuneration. There are no other transactions with key management personnel during the year (2017: none).

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**25 Related party transactions (continued)**

**Amounts owed by related parties**

	<b>Other related parties</b>	<b>Subsidiaries</b>	<b>Associate</b>	<b>Parent</b>
	<b>£ m</b>	<b>£ m</b>	<b>£ m</b>	<b>£ m</b>
<b>2018</b>				
Financial assets	-	1.0	14.7	-
Amounts owed by other Group companies	5.2	0.5	-	950.2
	<u>5.2</u>	<u>0.5</u>	<u>-</u>	<u>950.2</u>
<b>2017</b>				
Finance assets	-	-	15.5	-
Amounts receivable from related party	3.3	-	-	776.3
	<u>3.3</u>	<u>-</u>	<u>-</u>	<u>776.3</u>

**Amounts owed to related parties**

	<b>Other related parties</b>	<b>Subsidiaries</b>	<b>Associate</b>	<b>Parent</b>
	<b>£ m</b>	<b>£ m</b>	<b>£ m</b>	<b>£ m</b>
<b>2018</b>				
Amounts due to other Group companies	3.6	1.0	-	1,603.7
	<u>3.6</u>	<u>1.0</u>	<u>-</u>	<u>1,603.7</u>
<b>2017</b>				
Amounts payable to related party	1.4	1.0	-	1,527.8
	<u>1.4</u>	<u>1.0</u>	<u>-</u>	<u>1,527.8</u>

**26 Parent undertaking and controlling party**

EDF Energy 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, W1T 4EZ.

At 31 December 2018, Electricité 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 Electricité de France SA, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.