

# EDF ENERGY LIMITED

REGISTERED NUMBER: 02366852

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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**EDF ENERGY LIMITED**  
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**Directors** Robert Guyler  
Simone Rossi

**Company secretary** Joe Souto

**Auditor** Deloitte LLP  
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**EDF ENERGY LIMITED**  
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## **STRATEGIC REPORT**

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

### **Principal activities**

The Company's principal activities during the year continued to be procurement of energy and commodities on behalf of the Company's subsidiaries and the provision of head office services. It will continue these activities for the foreseeable future.

### **Section 172 (1) Statement**

The Directors are fully aware of their responsibilities to promote the success of the company in accordance with s.172 of the Companies Act 2006. Further details on how the Directors' duties are discharged and the oversight of these duties are included in the Directors Report and Corporate Governance Statement.

### ***Stakeholder Engagement Statement***

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

## **STAKEHOLDER GROUPS**

### **Employees and Trade Unions**

Having people who bring a diverse range of talents and perspectives, and who feel engaged in their roles, is fundamental to the long-term success of our business. It is crucial that we understand their values and what motivates them - and reflect this in the way we operate.

We are committed to recruiting and retaining great people - so listening to our employees is a priority. We communicate with them regularly through team meetings, learning sessions, briefings and our intranet, "Pulse". We also frequently engage with Company Councils and Trade Unions about matters affecting employees.

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

### **Suppliers**

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

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

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**STRATEGIC REPORT (CONTINUED)**

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

**Industry and Business Associations**

Through our affiliations we can gain the knowledge and skills necessary to stay ahead in a highly competitive marketplace. We have different types of memberships and affiliations relating to the different activities undertaken throughout the Company and Group.

The Company proactively engages with trade association memberships, including the Confederation of British Industry, Energy UK, Nuclear Industry Association and Renewable UK. Active participation in these forums is a useful way to enhance relationships with stakeholders.

**Government and Regulators**

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

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

Our industry associations are the channels the Company and wider Group use to engage with central Government, such as the Department for Business Energy and Industrial Strategy and the Department for Environment, Food and Rural Affairs and industry & environmental regulators, such as Ofgem, the Office of Nuclear Regulation, the Environment Agency and the Scottish Environment Policy Agency.

The communications team supports the Company to manage reputational issues and stakeholder engagement. Public and political opinion with regard to the EDF Energy Group is monitored and the team frequently engages with political parties and other stakeholders to ensure engagement continues.

**Media**

The media plays a vital role in bringing high profile issues affecting our business to the public's attention.

The speed and accuracy of our engagement with the media are crucial to protecting our reputation. Our press office operates 24 hours a day, 365 days a year, and so can deal with media queries at any time.

Engaging with the media is crucial to disseminating important messages about the Company to our customers and other stakeholders. Examples include providing updates on price changes.

As above, the communications team supports the Company to manage its stakeholder engagement. The social media team has an active listening, response and monitoring strategy to gauge market perception of delivery of the strategy of the Company.

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**STRATEGIC REPORT (CONTINUED)**

**Impact on Principal Decisions**

Throughout the year, the Directors were presented with timely information ahead of each Board meeting and were confident in the integrity of the information used to enable effective decision-making. The Board's priority in making decisions is about what it considers to be in the long-term success of the Company, from both a financial and safety perspective as safety remains the Company's overriding priority. The Company uses information from stakeholder engagement, including employees, regulators, suppliers, together with community and environment factors to make these decisions.

**Workforce Engagement Statement**

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

**ENGAGEMENT OPPORTUNITIES**

**We Communicate...**

**With our people.**

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

Management engages with employees through formal and informal channels, including emails from the Chief Executive Officer, team meetings, face-to-face gatherings, breakfast briefings, interviews and via Pulse.

Pulse is an e-platform for sharing company newsletters, announcements and accessing a wide variety of materials, i.e. company policies, company contacts and information on well-being and company benefits etc.

In addition, the Intranet also hosts a number of discussion forums for employees to take part in; this is in addition to EDF Energy's Yammer page where employees can connect on a business or personal level on a variety of topics.

We encourage development of our people through Talent Development and Leadership Programmes.

**We Listen...**

**Through various channels including conducting annual employee engagement surveys.**

Strong employee engagement is especially important in maintaining strong business delivery in times of change.

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

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**STRATEGIC REPORT (CONTINUED)**

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

**We Engage...**

**With Company Councils and Trade Unions.**

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

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

**We Support...**

**Diversity & Inclusion.**

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

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

**Review of the business**

The loss for the year before taxation amounted to £70m (2018: £506.3m) and the loss after taxation amounted to £37.6m (2018: £468m). The net assets at the end of the year amounted to £1,548.2m (2018: £1,307.9m).

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

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**STRATEGIC REPORT (CONTINUED)**

**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.

**Margin risk**

The Company purchases gas and electricity from the Group's generation assets or from the wholesale market, via EDF Trading on behalf of other companies within the Group. The purchasing costs are recharged to EDF Energy Customers Limited who pay a fixed monthly fee to the Company for this service. Margin risk arises due to fluctuations in the price of gas and electricity. Risk management is monitored for the whole of EDF Energy, through sensitivity analysis; both per commodity and across commodities, in line with the Group's risk mandate. Generation margins can also be affected by the carbon price floor.

**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.

**Foreign currency risk**

The Company's exposure to foreign currency risk mainly relates to the currency exposure on the service of interest and capital on euro-denominated debt, payment of management and brand charges to the ultimate parent company and other foreign currency-denominated purchases. The Company's policy is to hedge known currency exposures as they arise. The euro currency swap agreements fix the sterling equivalent that will be required to service the interest and capital repayments of foreign currency debt instruments. The Company enters into forward currency purchase contracts to fix the sterling price for future foreign currency-denominated transactions.

**Credit risk**

The Company's credit risk is primarily attributable to its trade receivables. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Risk of loss is monitored through establishment of approved counterparties, maximum counterparty limits and minimum credit ratings.

**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 Company's business. To minimise this risk, the Company is committed to creating a culture that views safe working as the only way of working and to reviewing all our processes and procedures to ensure 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, a confidential helpline has been set up for the use of anyone within the organisation to help eradicate unsafe practices and safeguard our employees.

**Cyber risk**

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

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**STRATEGIC REPORT (CONTINUED)**

**Principal risks and uncertainties (continued)**

**Retirement benefit obligations risk**

The Company has two defined benefit pension schemes. Low interest rates and changes in demographic factors have led scheme liabilities to grow at a faster rate than assets, resulting in actuarial deficits that have led to increased pension expense and cash contributions. The Company and the pension scheme trustees keep investment risk under review, concentrating on prudent asset allocation and liability hedging. A pension benefit reform has been implemented effective from 1 January 2016 to reduce the actuarial deficit and the required cash costs. See note 27 for more details of pension risks.

**Taxation risk**

Taxation risk is the risk that the Company only suffers losses arising from additional tax charges, financial penalties or reputational damage. These risks could arise from failure to comply with procedures required by tax authorities, the interpretation of tax law, or changes in tax law. The Company only has mitigated this risk by the implementation of effective, well documented and controlled processes to ensure compliance with tax disclosure and filing obligations. This is further supported by the use of appropriate advice from reputable professional firms. As required by Schedule 19, Finance Act 2016, EDF Energy's Group tax strategy is published on its website.

**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.

**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.

**Political and regulatory risk**

**EU Referendum**

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

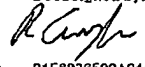
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**STRATEGIC REPORT (CONTINUED)**

**Going concern**

The Directors have made enquiries and reviewed cash flow forecasts and available facilities for at least the next 12 months (including subsequent events and the impact of COVID-19 (note 30)). Taking these in to account the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. This judgement has been formed taking into account the principal risks and uncertainties that the Company faces and which have been outlined in more detail elsewhere in the Strategic Report. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

Approved by the Board and signed on its behalf by:

DocuSigned by:  
  
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Robert Guyler  
Director

01 October 2020

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**DIRECTORS' REPORT**

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

**Directors**

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

Robert Guyler

Simone Rossi

Simone Rossi and Robert Guyler are employed by and have service contracts with the Company.

There are no contracts during or at the end of the financial year in which a Director of the Company has a material interest. Neither of the Directors who held office at the end of the financial year had any interests in the shares of the Company or any Group company that are required to be disclosed in accordance with the Companies Act 2006.

**Corporate Governance Statement**

**PART 1**

**Introduction**

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

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

The Company is not required to comply with the UK Corporate Governance Code but seeks to apply best practices from the Code as appropriate to the Company and aligned with the corporate governance practices of the EDF SA group. In part, this is demonstrated by the approach the Group takes to drive independent challenge at its Board meetings by appointment of an Independent Chairman on the Group's main governance Board, and whenever appropriate to the needs of the Group Company, by appointment of Independent Non-Executive Directors, or provision of independent oversight at meetings by Observers or Assurance Advisors, otherwise known as being Suitably Qualified and Experienced Persons (SQEP).

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

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**DIRECTORS' REPORT (CONTINUED)**

Following this review, the Company was reassured that the corporate governance practices already being adopted across the Company and the Group are well aligned to formal codes such as the Wates Principles for Large Private Companies, and in many areas go beyond this.

As a result, the conclusion was that adopting a corporate governance code in 2019, such as the Wates Principles for Large Private Companies, could lead to confusion and inconsistency of approach and in certain cases could even result in a dilution of Corporate Governance Standards.

The Company has decided not to adopt the Wates Principles for Large Private Companies but to use these principles as a benchmark for its corporate governance practices. This approach ensures the Board can demonstrate how it makes decisions for the long term success of the company and its stakeholders and also how the Board ensures the Company and wider Group complies with the requirements of Section 172 of the Companies Act 2006. This should drive the best of all governance options, whilst at the same time enabling a consistent approach to corporate governance practices across the Group and wider EDF SA group.

**A summary of the Group**

As outlined above, the corporate governance arrangements of the Group stem from the Better Plan. The Better Plan sets out six core "Better Energy Ambitions" (the Ambitions) for improving the Group's social, economic and environmental performance, being:

- To achieve Zero Harm to people;
- To be better than anyone else at solving our customers' energy needs;
- To lead the decarbonisation of the electricity sector and achieve a net zero environmental impact;
- To achieve strong financial and ethical performance;
- To achieve world-leading excellence in nuclear construction, operation and decommissioning; and to shape a diverse, low-carbon electricity system; and
- To empower our people to be a force for good.

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

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

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

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**DIRECTORS' REPORT (CONTINUED)**

**PART 2**

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

EDF is proud to be the UK's largest producer of low-carbon electricity. In 2019, EDF launched 'Generation Electric' which supports the wider EDF Group 2030 Vision through innovation and a dedication to electric and renewable sources of energy. The Company's principle activity is the procurement of energy and commodities on behalf of other companies within the Group together with provision of head office services. The Company is an intermediate holding company of Group.

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

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

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

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

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

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**DIRECTORS' REPORT (CONTINUED)**

The directors of the Company have given careful consideration to the size and structure of the Board, in order to meet the strategic needs and challenges of the organisation. Structurally, the business of the Group is transacted at either operational Board level or at a holding group Board level. In addition, the Group has adopted and acts in accordance with a Financial Authority Limit (FALs) framework which means contracts and transactions up to a certain financial threshold are not required to be presented to a board for approval (unless otherwise required). As the Company is an intermediary holding company and not embedded within a particular business unit, the Board does not meet regularly. Instead, the Board meets / considers matters via written resolution on an ad hoc basis. The majority of topics referred to this Board are those that require statutory approval, i.e. approval of the annual accounts, share subscriptions etc. or matters of a material financial value.

To assist with these responsibilities the Board utilises committees and internal governance bodies established within the Group to consider matters in detail. These current committees include:

1. EDF Energy Executive Team; and
2. EDF Energy Energy Risk Management Committee.

In addition, the Board utilises the following standing sub-committees adopted by the main governance board of the Group, being EDF Energy Holdings Limited, and which are governed by supporting Terms of Reference:

3. EDF Energy Company Health and Safety Committee;
4. EDF Energy Audit Committee; and
5. EDF Energy Remuneration Committee.

The composition includes two Executive Directors, being the Chief Executive Officer and Chief Financial Officer of EDF Energy, both having strong knowledge and expertise of the Company and Group in order to discharge any decision making responsibilities appropriately. The balance of skills and experience of the Board composition facilitates constructive challenge and effective decision-making in order to sufficiently satisfy the needs of this particular Board.

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

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

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

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

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**DIRECTORS' REPORT (CONTINUED)**

The Company's constitutional documents set out the authority, role and conduct of directors. As Executive Directors, the Board and individual directors understand their fiduciary accountabilities and responsibilities to the Company in addition to those of the wider Group.

Where the Board does meet, the directors receive timely information ahead of each Board meeting and are confident in the integrity of the information used for decision-making. This is due to its internal procedures in relation to financial reporting, key performance indicators (**KPIs**), workforce data, environmental data, stakeholder engagement feedback and consumer data.

The Group Corporate Governance Policy underpins the company policy framework and sets out:

1. the requirement for there to be governance bodies;
2. their composition;
3. the FALs framework;
4. the Policy Operating Framework;
5. the requirement for BUs to have local governance arrangements;
6. the requirement to have processes and procedures in place to facilitate the discharge of board duties as well as to provide evidence of decision-making;
7. the annual self-assessment of the effectiveness of corporate governance processes and controls;
- and
8. the requirement for board members to receive training.

The above-mentioned policies and procedures enable the Board to make informed decisions on key issues including strategy and risk management (where required).

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

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

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

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

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

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**DIRECTORS' REPORT (CONTINUED)**

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

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

In practice, control testing against each Group policy is carried out at least annually through the Internal Control Self-Assessment process. Improvement actions are identified following completion of the results (where required) to facilitate continuous improvement across teams. These results are then reported to the EDF Group Risk department to support EDF SA's compliance with the French Afep-Medef Code.

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

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

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

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

**EDF ENERGY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2019**

**DIRECTORS' REPORT (CONTINUED)**

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

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

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

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

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

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

1. Formal and informal briefings, departmental meetings and regular reports in staff newsletters and on the Group intranet.
2. Through our existing Trade Union & Personal Contract holder structures - Company Council, European Works Council, Corporate Social Responsibility Forum, Strategy meetings, and Business Unit specific forums.
3. Our employee networks which are sponsored by senior management and provide diverse and inclusive environments for employee feedback and comment.
4. Our 'My EDF' employee engagement survey which enables employees to provide direct feedback to executives. The Board considers the results of all employee engagement surveys as a good barometer of the workforce's confidence in the Group's strategic direction, optimism in the future and career opportunities.

**EDF ENERGY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2019**

**DIRECTORS' REPORT (CONTINUED)**

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

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

In recent years, the Company, in addition to other companies within the Group that meet the applicable threshold, have begun publishing its Modern Slavery Act Statement, Gender Pay Gap Report, Payment Practices and Report and Tax Strategy Statement in accordance with recent updates to UK law and regulation. Each of these is published externally. These reports are used to help the Company continue to improve its performance in these areas.

**Future developments**

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

**Dividends**

The Directors do not recommend payment of a dividend (2018: £nil).

**Political contributions**

The company made no political contributions in either the current or prior year.

**Financial instruments**

The use of financial instruments in the Company is outlined in the statement of accounting policies and note 14, 20 and 23.

**Equal opportunities**

The Company is fully committed to ensuring that all current and potential future employees and customers are treated fairly and equally, regardless of their gender, sexual orientation, marital status, disability, race, colour, nationality or ethnic origin. The Company provides equal opportunities for employment, training and development, having regard to particular aptitudes and abilities. In the event of employees becoming disabled during employment, where possible, assistance and retraining is given so that they may attain positions compatible with their ability. Please see 'Stakeholder Engagement Statement' section on page 1.

**Employee involvement and business relationship**

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 during the year and these remain in force at the date of this report.

**EDF ENERGY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2019**

**DIRECTORS' REPORT (CONTINUED)**

**Events since the balance date**

Subsequent events Including the impact of COVID-19 are disclosed in note 30 of the financial statements.

**Disclosure of information to the auditor**

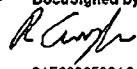
Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of 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 2020 in accordance with the provisions of Section 487 (2) of the Companies Act 2006 and that the Directors have been authorised to fix the remuneration of the auditors.

Approved by the Board and signed on its behalf by:

DocuSigned by:  
  
81F8838592A941E...

Robert Guyler  
Director

01 October 2020

**EDF ENERGY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2019**

**DIRECTORS' RESPONSIBILITIES 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 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDF ENERGY LIMITED

## Report on the audit of the financial statements

### 1. Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its 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 31.

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

### 2. 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 as applied to listed entities, 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.

### 3. Summary of our audit approach

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**Key audit matters**

The key audit matter that we identified in the current year was the valuation of investment in subsidiary undertakings.

Within this report, key audit matters are identified as follows:

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- ⚠ Newly identified
- ⬆ Increased level of risk
- ↔ Similar level of risk
- ⬇ Decreased level of risk

<b>Materiality</b>	The materiality that we used in the current year was £46.4 million, which was determined on the basis of 3% of net assets.
<b>Scoping</b>	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
<b>Significant changes in our approach</b>	No significant changes in our approach in the current year.

## 4. 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.

## 5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### 5.1. Valuation of investment in subsidiary undertakings ↔

<b>Key audit matter description</b>	<p>The company has investments in subsidiary undertakings of £1,372.6 million (2018: £1,470.6 million) as at 31 December 2019, valued at cost less provision for impairment.</p> <p>There is therefore, a risk in relation to the valuation of these investments and whether any impairment or impairment reversal is required as a result of impairment indicators identified in EDF Energy Customers Limited in particular.</p> <p>Management has undertaken an impairment review of the underlying investment. The impairment review, conducted at a subsidiary cash-generating unit level, involved preparation of a long-term model. This model included a</p>
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number of significant assumptions, such as forward power prices, discount rates and forecast power output. To review these assumptions, management performed sensitivity analysis on key assumptions contained within this model. As a result of this exercise, no impairments or impairment reversals were recognised.

Further details are included within the critical accounting estimates and judgements note in note 3 of the financial statements.

<b>How the scope of our audit responded to the key audit matter</b>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the relevant controls relating to valuation of the investment;</li> <li>• Tested the mathematical accuracy of the model used in the impairment valuation and assessed the appropriateness of management's valuation methodology;</li> <li>• Challenged the forecast used in the long term model with retrospective review of previous forecasts versus actual results as well as checking consistency with the forecast that has been approved by management and those charged with governance;</li> <li>• Assessed the significant assumptions supporting the model; and</li> <li>• Challenged sensitivity analyses performed by management to ascertain whether a reasonable change in any of the key assumptions would result in a potential impairment.</li> </ul>
<b>Key observations</b>	<p>We are satisfied that the valuation of investment in subsidiary undertakings is appropriate and we concurred that no impairment or impairment reversal was required.</p>

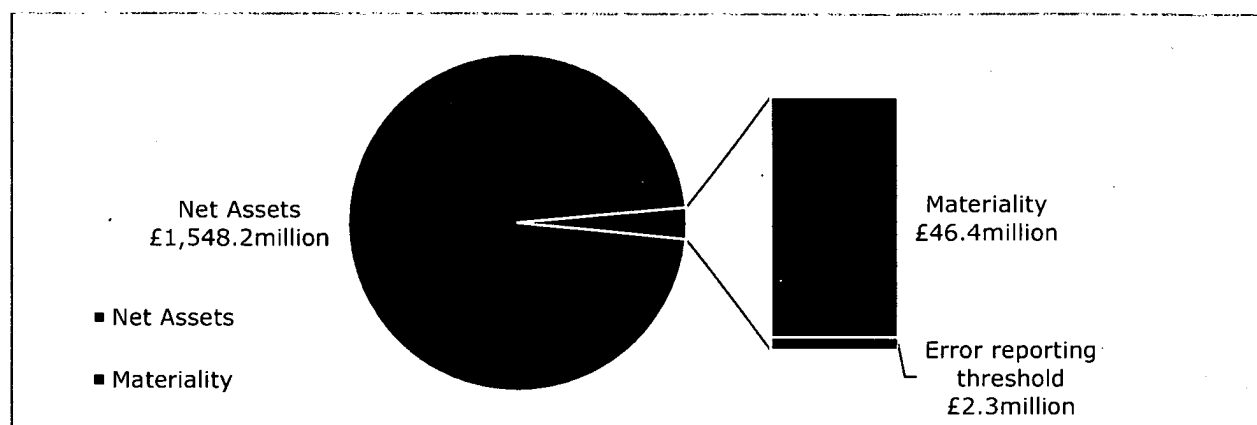
## 6. Our application of materiality

### 6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<b>Materiality</b>	£46.4 million (2018: £38.5 million)
<b>Basis for determining materiality</b>	3% of net assets (2018: 3% of net assets)
<b>Rationale for the benchmark applied</b>	We determined materiality based on net assets due to the nature and purpose of the entity. Given that EDF Energy Limited is an intermediate holding company within the greater group with significant investments in the Coal & Gas and Customers business units, net assets is considered to be the relevant benchmark and indicator to stakeholders of the entity.



## 6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered factors including our assessment of risk, the overall control environment and our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

## 6.3. Error reporting threshold

We agreed with the directors that we would report all audit differences in excess of £2.3 million (2018: £1.9 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

# 7. An overview of the scope of our audit

## 7.1. Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit team.

# 8. 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.

## 9. 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.

## 10. 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.

## Report on other legal and regulatory requirements

### 11. Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and 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.

### 12. Matters on which we are required to report by exception

#### 12.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

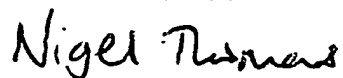
#### **12.2. Directors' remuneration**

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

### **13. 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 (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
1 October 2020

**EDF ENERGY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2019**

**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £ m	2018 £ m
Revenue	4	5,902.2	5,521.4
Fuel, energy and related purchases	5	<u>(5,902.3)</u>	<u>(5,497.0)</u>
<b>Gross margin</b>		<b>(0.1)</b>	<b>24.4</b>
Materials and contracting costs		(16.5)	(19.5)
Personnel expenses	7	(61.5)	(82.2)
Other operating expenses		(141.8)	(172.4)
Other operating income		<u>172.0</u>	<u>192.8</u>
<b>Operating loss before depreciation, amortisation and impairment</b>		<b>(47.9)</b>	<b>(56.9)</b>
Depreciation and amortisation		(38.1)	(34.0)
Impairment	28	-	(754.0)
Gain on derivative commodity contracts	8	26.4	6.5
Gain/ (Loss) on disposal of property, plant and equipment	8	<u>(0.2)</u>	<u>2.5</u>
<b>Loss before taxation and finance costs</b>		<b>(59.8)</b>	<b>(835.9)</b>
Investment income	9	20.2	374.5
Finance costs	10	(34.5)	(24.9)
Other gains and losses		<u>4.1</u>	<u>(20.0)</u>
<b>Loss before taxation</b>		<b>(70.0)</b>	<b>(506.3)</b>
Taxation credit	11	<u>32.4</u>	<u>38.3</u>
<b>Loss for the year</b>		<b><u>(37.6)</u></b>	<b><u>(468.0)</u></b>

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

**EDF ENERGY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2019**

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>2019</b>	<b>2018</b>
	<b>£ m</b>	<b>£ m</b>
Loss for the year	(37.6)	(468.0)
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Remeasurements of retirement benefit (note 27)	(73.0)	18.0
Income tax effect	13.0	(3.2)
<b>Items that may be reclassified subsequently to profit or loss</b>		
Gain/(loss) on cash flow hedges (note 26)	<u>313.7</u>	<u>(101.5)</u>
Total comprehensive gain/(loss) attributable to the owners of the Company for the year	<u><u>216.1</u></u>	<u><u>(554.7)</u></u>

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

**EDF ENERGY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2019**

**BALANCE SHEET**  
**AT 31 DECEMBER 2019**

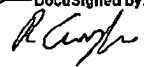
	Note	2019 £ m	2018 £ m
<b>Non-current assets</b>			
Intangible assets	12	182.6	164.0
Property, plant and equipment	13	71.0	84.3
Financial assets	14	238.9	162.3
Investment in subsidiary and associate undertakings	15	1,372.6	1,470.6
Deferred tax assets	22	10.4	65.3
Derivative financial instruments	23	64.0	59.2
Right of use assets	25	32.2	-
Retirement benefit asset	27	130.0	118.0
		<u>2,101.7</u>	<u>2,123.7</u>
<b>Current assets</b>			
Financial assets	14	5.5	-
Inventories	16	-	0.2
Trade and other receivables	17	2,110.9	771.1
Cash and cash equivalents	18	199.7	1,629.4
Derivative financial instruments	23	123.6	32.6
		<u>2,439.7</u>	<u>2,433.3</u>
<b>Total assets</b>		<u>4,541.4</u>	<u>4,557.0</u>
<b>Current liabilities</b>			
Other liabilities	19	(1,000.5)	(1,099.1)
Derivative financial instruments	23	(163.5)	(362.9)
Short-term provisions	21	(800.0)	(732.1)
Lease liability	25	(6.7)	(1.2)
Current tax liability		<u>(128.1)</u>	<u>(149.3)</u>
		<u>(2,098.8)</u>	<u>(2,344.6)</u>
<b>Non-current liabilities</b>			
Borrowings	20	(680.7)	(715.6)
Derivative financial instruments	23	(10.6)	(78.2)
Lease liability	25	(27.1)	(3.1)
Retirement benefits provision	27	<u>(176.0)</u>	<u>(107.6)</u>
		<u>(894.4)</u>	<u>(904.5)</u>
<b>Total liabilities</b>		<u>(2,993.2)</u>	<u>(3,249.1)</u>
<b>Net assets</b>		<u>1,548.2</u>	<u>1,307.9</u>

**EDF ENERGY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2019**

**BALANCE SHEET**  
**AT 31 DECEMBER 2019 (CONTINUED)**

	Note	2019 £ m	2018 £ m
<b>Capital and reserves</b>			
Called up share capital	24	523.4	523.4
Hedging reserve	26	29.1	(284.6)
Retained earnings		<u>995.7</u>	<u>1,069.1</u>
<b>Shareholders' funds</b>		<u><u>1,548.2</u></u>	<u><u>1,307.9</u></u>

The financial statements of EDF Energy Limited (registered number 02366852) on pages 24 to 73 were approved by the Board, authorised for issue and signed on its behalf by:

DocuSigned by:  
  
 .....81F8838592A941E.....

Robert Guyler  
 Director

01 October 2020

**EDF ENERGY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2019**

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

	Share capital £ m	Share premium £ m	Capital reserve £ m	Redemption reserve £ m	Hedge reserve £ m	Retained earnings £ m	Total £ m
At 1 January 2018	1,496.6	13.9	1.9	11.0	(183.1)	496.8	1,837.1
Loss for the year	-	-	-	-	-	(468.0)	(468.0)
Other comprehensive income/(loss)	-	-	-	-	(101.5)	14.8	(86.7)
Capital contribution	-	-	-	-	-	23.5	23.5
Capital reduction *	(973.2)	(13.9)	(1.9)	(11.0)	-	1,000.0	-
Transfer from other Group companies **	-	-	-	-	-	2.0	2.0
At 31 December 2018	<u>523.4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(284.6)</u>	<u>1,069.1</u>	<u>1,307.9</u>
Loss for the year	-	-	-	-	-	(37.6)	(37.6)
Other comprehensive income/(loss)	-	-	-	-	313.7	(60.0)	253.7
Capital contribution	-	-	-	-	-	24.2	24.2
At 31 December 2019	<u>523.4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29.1</u>	<u>995.7</u>	<u>1,548.2</u>

\* On 14 December 2018, the Company reduced 1,668,303,654 of its issued £0.58 ordinary shares, the resulting amount of share capital was transferred to the Company's distributable reserves.

\*\* £2m transfer of unfunded long-term unemployment benefits and is made up of £14.3m scheme assets from British Energy Limited and £12.3m scheme liabilities from EDF Energy Nuclear Generation Limited, both companies and members of the Group.

**EDF ENERGY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2019**

**NOTES TO THE FINANCIAL STATEMENTS**

**1 General information**

EDF 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 England and Wales. The address of the Company's registered office is shown on the contents page. The nature of the company's operations and its principal activities are set out in the strategic report on pages 1 to 7.

**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.

**IFRS 16 - Leases**

IFRS 16, "Leases" was adopted by the European Union on 31 October 2017 and became applicable on 1st January 2019. The Company has applied this standard without restating the figures for the comparative periods (modified retrospective approach) and opted to value the right-of-use asset at an amount equal to the lease payment liability. The recognition and measurement principles that now apply to lease contracts are described as part of note 2 Accounting policies. The company has also decided to apply the exemptions allowed by IFRS 16 and not re-assess lease contracts at date of first application. There has been an increase in assets of £32.2m and liabilities of £33.8m as a result of the adoption of IFRS16. Details of the transition impact to IFRS 16 are shown in note 25 Leases.

**2 Accounting policies**

**Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

**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.

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

**2 Accounting policies (continued)**

**Summary of disclosure exemptions**

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

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

Where relevant, equivalent disclosures have been given in the group accounts which are available to the public as set out in note 31.

**Going concern**

The Directors have made enquiries and reviewed cash flow forecasts and available facilities for at least the next 12 months (including subsequent events and the impact of COVID-19 (note 30)). Taking these in to account the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. This judgement has been formed taking into account the principal risks and uncertainties that the Company faces and which have been outlined in more detail elsewhere in the Strategic Report. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

**Exemption from preparing group accounts**

The financial statements contain information about EDF Energy 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.

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

**2 Accounting policies (continued)**

**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.

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.

**Finance cost**

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

**Foreign currency transactions and balances**

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

In order to hedge its exposure to certain foreign exchange risks, the Company enters into forward contracts to mitigate the risks. (See below for details of the Company's accounting policies in respect of such derivative financial instruments).

**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.

**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.

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

**2 Accounting policies (continued)**

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.

**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. The amortisation expense on intangible assets is recognised in the income statement. An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

**EU Emissions trading scheme and Renewable Obligations Certificates**

The Company recognises its free emissions allowances received under the National Allocation Plan at zero cost. Purchased emissions allowances are initially recognised at cost (purchase price) within intangible assets. A liability is recognised when the level of emissions exceeds the level of allowances granted. The liability is measured at the cost of purchased allowances up to the level of purchased allowances held, and then at the market price of allowances ruling at the balance sheet date. Movements are recognised within operating profit. Forward contracts for the purchase or sale of emissions allowances are measured at fair value with gains and losses arising from changes in fair value recognised in the income statement or hedging reserve depending on whether cash flow hedging is applied.

The Company is obliged to sell a specific ratio of electricity sales volume to its customers from renewable sources. This is achieved via generation from renewable sources or through the purchase of Renewable Obligation Certificates ("ROCs"). Any purchased certificates are recognised at cost and included within intangible assets. Any ROCs obtained directly through renewable generation are carried at zero cost but reduces the Company's outstanding obligations to supply certificates. The Company recognises a provision for its obligation to supply certificates, based on the energy it supplies to customers. The intangible assets are surrendered, and the provision is released at the end of the compliance period reflecting the consumption of economic benefit. As a result, no amortisation is recorded during the period.

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**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.

**Property, plant and equipment**

Property, plant and equipment is stated 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.

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

When significant parts of plant and equipment are required to be replaced at intervals, the company depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in the income statement as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

**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

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

**2 Accounting policies (continued)**

Meters	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.

**De-recognition**

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is de-recognised.

**Leases**

**Company as Lessee**

At contract inception, the company assesses whether a contract is or contains a lease. A contract is treated as a lease if it conveys the rights to control the use of an identified asset for a period of time in exchange for consideration.

Identified arrangements that do not have the legal form of a lease contract but nonetheless convey the right to control the use of an asset or group of specific assets to the purchaser are treated by the company as leases, and analysed by reference to IFRS 16.

The company recognises a lease liability which represents the lease payments to be made and a right-of-use asset representing the right to use the underlying asset for all leases apart from short-term leases (12 months or less) and leases of low value assets. Payment on short-term leases and low value assets are recognised on a straight-line basis over the lease term in the income statement.

**Right-of-use asset**

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

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

**2 Accounting policies (continued)**

**Lease Liabilities**

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

**Company as a Lessor**

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in the income statement. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

For a finance lease which transfers substantially all risks and rewards inherent to ownership of the underlying asset to the lessee, the Company recognises a financial asset in its balance sheet instead of the initial fixed asset; in this case, the receivable is equal to the discounted value of future lease payments.

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

**2 Accounting policies (continued)**

**Investment in subsidiaries**

Subsidiary undertakings are those entities controlled by the company, and where the substance of the relationship between the company and the entity indicates that the entity is controlled by the company.

The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Considerations in the assessment of control include:

- the purpose and design of the entity;
- what the relevant activities are and how decisions about those activities are made;
- whether the rights of the company give it the current ability to direct the relevant activities;
- whether the company is exposed, or has rights, to variable returns from its involvement with the entity; and
- whether the entity has the ability to use its power over the investee to affect the amount of the investor's returns.

The company continues to assess whether it controls an entity if facts and circumstances indicate that there changes to the elements of control.

Investment in subsidiaries is recorded at cost and is subsequently assessed for indicators of impairment. If such factors exist, a detailed impairment test is carried out. Impairment is recognised in the income statement when the recoverable amount of the company's investment is lower than the carrying amount of the investment.

Upon disposal of the investment in the entity, the company measures the investment at its fair value. Any difference between the fair value of the company's investment and the proceeds of disposal is recognised in the income statement.

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

**2 Accounting policies (continued)**

**Investment in associates**

An associate is an entity over which the Company is in a position to exercise significant influence, but not control or jointly control, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are carried in the balance sheet at cost plus post-acquisition changes in the Company's share of net assets of the associate less any impairment in the value of the individual investments. Losses of the associates in excess of the Company's interest in those associates are not recognised, only to the extent that the Company has not incurred legal or constructive obligations, or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Company's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. Any deficiency of the cost of acquisition below the Company's share of the fair value of the net identifiable assets of the associate at the date of acquisition (i.e. discount on acquisition) is credited in the income statement in the period of acquisition.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate. If there is an indication of impairment the Company calculates the amount of impairment and the difference between the recoverable amount of the associate and its carrying value is then recognised in the income statement.

Upon loss of significant influence over the associate the company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the Associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the income statement.

**Defined benefit pension obligation**

The Company operates two 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. Remeasurements comprising actuarial gains and losses and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs include current service, past service cost and gains or losses on curtailments and settlements which are included in personnel expenses. It also includes net interest expense which is included in finance cost.

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

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

**2 Accounting policies (continued)**

**Financial instruments**

Financial assets and liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instruments.

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

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

**Financial assets**

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

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

Financial assets measured at amortised cost

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

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

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

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

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

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

**2 Accounting policies (continued)**

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

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

Recognition of expected credit losses

The Company recognises a loss allowance for expected credit losses on a financial asset that is measured at amortised cost, measured at fair value through other comprehensive income, a lease 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, and entity shall 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.

**Financial liabilities and equity**

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

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

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

**2 Accounting policies (continued)**

**Derivative financial instruments**

The Company enters into financial instruments to manage its exposure to fluctuations in foreign exchange rates, interest rates and commodity prices (including gas, coals, carbon certificates and electricity), including FX forwards, interest rate swaps and forward sales and purchases of energy or commodities. Further details of derivative financial instruments are disclosed in note 23.

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

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

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

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

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

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

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

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

**2 Accounting policies (continued)**

**Hedge accounting**

The Company designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as cash flow hedges.

At inception of the hedge relationship, the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge, and on an on-going basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

The Company classifies hedges in the following categories:

**Cash flow hedges**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included within cost of sales for commodity contracts, and investment revenue or finance costs for financing instruments.

Amounts previously recognised in other comprehensive income and accumulated in equity are recycled in the income statement in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the income statement.

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

**2 Accounting policies (continued)**

**Fair value hedges**

The change in the fair value of a hedging instrument is recognised in the income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the income statement. For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the Effective interest rate (EIR) method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss. When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

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

**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.

**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.

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

**2 Accounting policies (continued)**

**Borrowing costs**

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.

**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.

**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.

***Critical judgements in applying accounting policies***

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

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

**Agent versus principal**

As described in the principal activity section of the Strategic Report, the Company's principle activity is the procurement of energy and commodities on behalf of other companies within the Group. The assessment of whether the Company acts as a principal or agent in this arrangement represents a critical judgment. In making their judgment, the Directors considered the detailed criteria set out in IFRS 15 and, in particular, whether the Company controlled the goods before transferring them to the customer. The Directors have concluded that the Company is the principal in this relationship, as it controls the goods before transferring them to the customer.

***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.

**Impairment of investment in subsidiary and associates**

The Company performs impairment testing of investment in subsidiaries and associates where there is an indication of potential impairment. The impairment review involves a number of assumptions including discount rates and cashflow forecast. These assumptions are reviewed annually to ensure they are reliable. Further detail on impairment is disclosed in note 28.

**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, anticipated future salary levels 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 27.

**4 Revenue**

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

	<b>2019</b>	<b>2018</b>
	<b>£ m</b>	<b>£ m</b>
Sales of services	5,902.2	5,521.4
	<u>5,902.2</u>	<u>5,521.4</u>

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

**5 Fuel, energy and related purchases**

	<b>2019</b>	<b>2018</b>
	<b>£ m</b>	<b>£ m</b>
Purchase of energy	4,175.7	3,921.3
Distribution and transmission	698.9	654.6
Carbon certificates	(0.7)	2.1
Renewable obligation certificates	1,028.4	919.0
	<u>5,902.3</u>	<u>5,497.0</u>

**6 Directors' remuneration**

The Directors' remuneration for the year was as follows:

	<b>2019</b>	<b>2018</b>
	<b>£ m</b>	<b>£ m</b>
Aggregate remuneration	1.3	1.2
Amounts receivable under long-term incentive schemes	<u>0.3</u>	<u>0.1</u>
Total remuneration	<u>1.6</u>	<u>1.3</u>

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

	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
Accruing benefits under defined benefit pension scheme	<u>1</u>	<u>1</u>

In respect of the highest paid director:

	<b>2019</b>	<b>2018</b>
	<b>£ m</b>	<b>£ m</b>
Aggregate remuneration	0.9	0.7
Amounts receivable under long term incentive schemes	<u>0.3</u>	<u>-</u>
Total remuneration excluding expatriate related benefits	<u>1.2</u>	<u>0.7</u>
Total remuneration	<u>1.2</u>	<u>0.7</u>

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

**6 Directors' remuneration (continued)**

The Directors of the Company are paid by the Company for services provided to all companies within the Group and have been set out above.

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

The aggregate remuneration includes basic salary and amounts receivable under annual incentive schemes.

The remuneration of all Directors disclosed above is also included in the financial statements of EDF Energy Holdings Limited.

**7 Personnel expenses**

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

	<b>2019</b>	<b>2018</b>
	<b>£ m</b>	<b>£ m</b>
Wages and salaries	49.9	53.8
Social security costs	5.6	6.9
Pension costs	9.7	13.5
Severance	(3.7)	(0.3)
One-off pension scheme charge (Note 27)	-	8.3
	<u>61.5</u>	<u>82.2</u>

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

	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
Corporate and Steering Functions	682	782
Customers	-	35
Generation	47	63
Nuclear	-	2
	<u>729</u>	<u>882</u>

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

**8 Loss for the year**

Loss for the year has been arrived at after charging/(crediting) the following gains and losses:

	<b>2019</b>	<b>2018</b>
	<b>£ m</b>	<b>£ m</b>
Depreciation expense property, plant & equipment (note 13)	17.8	18.6
Amortisation expense (note 12)	13.0	15.4
Depreciation right of use asset (note 25)	7.2	-
Foreign exchange (gain)/losses (note 9, 10)	(0.4)	2.3
Operating lease expense - property	-	7.9
(Gain)/loss on disposal of property, plant and equipment	0.2	(2.5)
Gain on derivative commodity contracts	(26.4)	(6.5)
Impairment (note 28)	-	754.0
Loss on derivative foreign exchange contracts (note 10)	<u>6.6</u>	<u>0.1</u>

In 2019 an amount of £89,605 (2018: £78,444) was paid to Deloitte LLP for audit services. In 2019, amounts payable to Deloitte LLP by the Company in respect of other assurance services were £0.0m (2018: £0.1m).

**9 Investment income**

	<b>2019</b>	<b>2018</b>
	<b>£ m</b>	<b>£ m</b>
Interest on bank deposits	2.2	3.9
Interest receivable from other Group companies	12.4	20.6
Dividend Income	5.2	350.0
Foreign exchange gains	<u>0.4</u>	<u>-</u>
Total investment income	<u>20.2</u>	<u>374.5</u>

In 2019, dividend income of £4.3m was received from EDF Energy Fleet Services Limited and £0.8m was from Cheshire Cavity Storage Limited.

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

**10 Finance costs**

	<b>2019</b>	<b>2018</b>
	<b>£ m</b>	<b>£ m</b>
Interest on bonds	24.9	24.9
Interest on bank overdrafts and borrowings	3.0	1.1
Interest payable on loans from other Group companies	1.3	1.2
Fair value losses of foreign currency derivatives	6.6	0.1
Pension scheme interest	0.7	0.3
Foreign exchange loss	-	2.2
Reversal of provision against recoverability of intercompany loan	(2.9)	(5.0)
Interest on leases	0.9	-
Total finance cost	<u>34.5</u>	<u>24.8</u>

**11 Tax**

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

	<b>2019</b>	<b>2018</b>
	<b>£ m</b>	<b>£ m</b>
<b>Current taxation</b>		
UK corporation tax (credit) on loss made in the year	(11.6)	(14.6)
Adjustments in respect of previous years' reported tax (credits)	<u>(18.5)</u>	<u>(16.3)</u>
Total current tax (credit) in the year	<u>(30.1)</u>	<u>(30.9)</u>
<b>Deferred taxation</b>		
Current year (credit)	(2.7)	(5.7)
Adjustments in respect of previous years' reported tax (credits)	<u>0.4</u>	<u>(1.7)</u>
Total deferred tax charge for the year	<u>(2.3)</u>	<u>(7.4)</u>
Income tax credit reported in the income statement	<u>(32.4)</u>	<u>(38.3)</u>

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

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

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

**11 Tax (continued)**

	<b>2019</b>	<b>2018</b>
	<b>£ m</b>	<b>£ m</b>
Loss before tax	<u>(70.0)</u>	<u>(506.3)</u>
Tax at the UK corporation tax rate of 19.00% (2018: 19.00%)	(13.3)	(96.2)
Effect of:		
Non-taxable dividends receivable	(1.0)	(66.5)
Non-deductible waiver of intercompany balances	-	143.3
Other non-deductible expenses and non-taxable income	(0.3)	(1.6)
Current year effect of deferred tax rate change	0.3	0.7
Adjustment to prior-year corporation tax (credit)	(18.5)	(16.3)
Adjustment to prior-year deferred tax (credit)	0.4	(1.7)
Income tax credit reported in the income statement	<u>(32.4)</u>	<u>(38.3)</u>

(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 £57.2m (2018: credit of £16m) has been recognised in equity. This consists of a credit of £7.1m (2018: charge of £4.3m) in respect of pension movements and a charge of £64.3m (2018: credit of £20.3m) which relates to fair value movements arising on derivative instruments.

A current tax credit of £5.9m (2018: credit of £1.1m) has also been recognised in equity in respect of pension movements.

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

Changes to the main rate of corporation tax were enacted after the balance sheet date. The impact of the changes is disclosed as a post balance sheet event in account note 30.

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

**12 Intangible assets**

	IT software £ m	Renewable obligations certificates £ m	Total £ m
<b>Cost or valuation</b>			
At 1 January 2019	126.1	125.5	251.6
Additions	9.2	799.3	808.5
Disposals	(0.6)	(774.9)	(775.5)
Transferred to other Group company	(8.1)	-	(8.1)
At 31 December 2019	<u>126.6</u>	<u>149.9</u>	<u>276.5</u>
<b>Amortisation</b>			
At 1 January 2019	(87.6)	-	(87.6)
Amortisation charge	(13.0)	-	(13.0)
Amortisation eliminated on disposals	0.5	-	0.5
Transfers	0.9	-	0.9
Transferred to other Group company	5.3	-	5.3
At 31 December 2019	<u>(93.9)</u>	<u>-</u>	<u>(93.9)</u>
<b>Carrying amount</b>			
At 31 December 2019	<u>32.7</u>	<u>149.9</u>	<u>182.6</u>
At 31 December 2018	<u>38.5</u>	<u>125.5</u>	<u>164.0</u>

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

**13 Property, plant and equipment**

	Land and buildings £ m	Other property, plant and equipment £ m	Assets under construction £ m	Total £ m
<b>Cost</b>				
At 1 January 2019	33.1	125.7	30.6	189.4
Additions	-	-	10.0	10.0
Disposals	(3.0)	(30.5)	-	(33.5)
Transfers	0.4	27.6	(28.0)	-
Transferred to other Group company	-	(0.1)	(0.3)	(0.4)
Transfer to ROU asset	-	(4.6)	-	(4.6)
At 31 December 2019	<u>30.5</u>	<u>118.1</u>	<u>12.3</u>	<u>160.9</u>
<b>Depreciation</b>				
At 1 January 2019	(8.6)	(96.5)	-	(105.1)
Charge for the year	(0.5)	(17.3)	-	(17.8)
Eliminated on disposal	3.0	30.2	-	33.2
Transfer	-	(0.9)	-	(0.9)
Transferred to other Group company	-	0.1	-	0.1
Transfer to ROU asset	-	0.6	-	0.6
At 31 December 2019	<u>(6.1)</u>	<u>(83.8)</u>	<u>-</u>	<u>(89.9)</u>
<b>Carrying amount</b>				
At 31 December 2019	<u>24.4</u>	<u>34.3</u>	<u>12.3</u>	<u>71.0</u>
At 31 December 2018	<u>24.5</u>	<u>29.2</u>	<u>30.6</u>	<u>84.3</u>

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

**14 Financial assets**

	2019 £ m	2018 £ m
<b>Current financial assets</b>		
Loans to associates	<u>5.5</u>	<u>-</u>
<b>Non-current financial assets</b>		
Loans to subsidiary companies	<u>238.9</u>	<u>162.4</u>

£38.9m (2018: £51.8m) of loans to subsidiaries has interest calculated at 6.275%, is unsecured and is repayable in instalments until final repayment by 30 June 2022. £200m (2018: £nil) has interest calculated at 6 month LIBOR plus 1.13%, is unsecured and repayable on 01 March 2021. £nil (2018: £110.6m) does not bear any interest, is unsecured and repayable on demand.

Loan to associates of £5.5m (2018: £nil) has interest calculated at 1.51875%, is unsecured and matures on 22 June 2020.

**15 Investment in subsidiary and associate undertakings**

	£ m
<b>Cost</b>	
At 1 January 2018	1,078.1
Additions - subsidiaries	754.0
Additions - associates	392.5
Impairment of loan	<u>(754.0)</u>
At 31 December 2018	<u>1,470.6</u>
Dividend from associates	<u>(98.0)</u>
At 31 December 2019	<u>1,372.6</u>
<b>Carrying amount</b>	
At 31 December 2019	<u>1,372.6</u>
At 31 December 2018	<u>1,470.6</u>

In 2019, Dividend of £98m was received from EDF Energy Renewables Ltd.

Additions in 2018 relate to capitalisation of three existing loans: £500m to EDF Energy (Thermal Generation Ltd), £240m to Cheshire Cavity Storage 1 Ltd and £14m to EDF Energy (Gas Storage Hole House) Limited, all three loans were fully impaired at the end of the year. Further details are disclosed in Note 28.

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

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

On 27 February 2018, Hoppy Limited, a 100% subsidiary of the Company, issued 98 ordinary £1 shares. This share issue changed the ownership structure of the Company from 100% to 51% shares and 49% shares held by EDF Nouveaux Business Holding SAS.

Details of the subsidiaries as at 31 December 2019, 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 interest and voting rights held	
		2019	2018
Cheshire Cavity Storage Group Limited*	Holding company	100%	100%
Cheshire Cavity Storage 1 Limited	Provision of gas storage facilities	100%	100%
EDF Energy (Gas Storage Hole House) Limited	Provision of gas storage facilities	100%	100%
EDF Energy (Cottam Power) Limited*	Provision and supply of electricity generation	100%	100%
EDF Energy (Energy Branch) Limited*	Investment in electricity generation	100%	100%
EDF Energy (Thermal Generation) Limited*	Power generation	100%	100%
West Burton Property Limited	Dormant company	100%	100%
EDF Energy Customers Limited*	Electricity retailing	100%	100%
Hoppy Limited	Digital innovation system	51%	51%
EDF Energy Fleet Services Limited*	Transport services	100%	100%
EDF Energy Pension Scheme Trustee Limited*	Dormant company	100%	100%
EDF Energy ESPS Trustee Limited*	Dormant company	100%	100%

\* indicates direct investment of EDF Energy Limited

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

In 2019 West Burton Power Limited was dissolved and in 2020 Cheshire Cavity Storage Group Limited was dissolved.

During 2018, British Energy Direct Limited, EDF Energy Investments and EDF Energy (Dormant Holdings) Limited were placed in voluntary liquidation and subsequently dissolved.

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

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

**Associates and Joint operations**

In 2018, the renewables companies (EDF Energy Renewables Limited and EDF EN Services UK Limited), both joint operations, announced the completion of the reduction in ownership from 50% to 49% in all their subsidiary companies as a single transaction, which resulted in these entities becoming associates rather than joint operations. The total value of the associates amounted to £294.4m (2018: £392.5m).

During the year a dividend of £98.0m was received from the EDF Energy Renewables Group.

Details of the associates and joint operations as at 31 December 2019 are as follows:

Name of associate	Principal activity	Proportion of ownership interest and voting rights held	
		2019	2018
EDF Energy Services Limited	Development of generation and supply	49%	49%
EDF EN Services UK Limited (14)	Renewable energy generation	49%	49%
Braemore Wood Windfarm Limited (14)	Renewable energy generation	49%	49%
Burnfoot East Windfarm Limited (14)	Renewable energy generation	49%	49%
Clash Gour Windfarm Holdings Limited (6)	Renewable energy generation	49%	49%
Altyre II Windfarm Limited (6)	Renewable energy generation	49%	49%
Dallas Windfarm Limited (6)	Renewable energy generation	49%	49%
Dunphail II Windfarm Limited (6)	Renewable energy generation	49%	49%
Dunphail Windfarm Limited (6)	Renewable energy generation	49%	49%
Barmoor Wind Power Limited (14)	Renewable energy generation	25%	25%
Beck Burn Windfarm Limited (14)	Renewable energy generation	25%	25%
Boundary Lane Windfarm Limited (14)	Renewable energy generation	25%	25%
Burnfoot Windfarm Limited (14)	Renewable energy generation	25%	25%
Burnhead Moss Wind Farm Limited (14)	Renewable energy generation	25%	25%
Cemmaes Windfarm Limited (14)	Renewable energy generation	25%	25%

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

Corriemoillie Windfarm Limited (14)	Renewable energy generation	25%	25%
Dorenell Windfarm Limited (14)	Renewable energy generation	25%	25%
Fairfield Windfarm Limited (14)	Renewable energy generation	25%	25%
Great Orton Windfarm II Limited (14)	Renewable energy generation	25%	25%
High Hedley Hope Wind Limited (14)	Renewable energy generation	25%	25%
Kirkheaton Wind Limited (14)	Renewable energy generation	25%	25%
Llangwryfon Windfarm Limited (14)	Renewable energy generation	25%	25%
Longpark Windfarm Limited (14)	Renewable energy generation	25%	25%
Park Spring Wind Farm Limited (14)	Renewable energy generation	25%	25%
Pearie Law Windfarm Limited (14)	Renewable energy generation	25%	25%
Roade Windfarm Limited (14)	Renewable energy generation	25%	25%
Teesside Windfarm Limited (14)	Renewable energy generation	25%	25%
Walkway Windfarm Limited (14)	Renewable energy generation	25%	25%
EDF Energy Round 3 Isle of Wight Limited (14)	Renewable energy generation	25%	25%
Navitus Bay Development Limited (1)	Renewable energy generation	25%	25%
EDF ER Development Limited (14)	Renewable energy generation	49%	49%
Camilty Windfarm Limited (14)	Renewable energy generation	49%	49%
Cloich Windfarm Limited (14)	Renewable energy generation	49%	49%
EDF ER Nominee Limited (14)	Renewable energy generation	49%	49%
Heathland Windfarm Limited (14)	Renewable energy generation	49%	49%
Mosscastle Windfarm Limited (14)	Renewable energy generation	49%	49%
Newcastleton Windfarm Limited (14)	Renewable energy generation	49%	49%

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

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

South Clare Windfarm Limited (14)	Renewable energy generation	49%	49%
The Mosses Windfarm Limited (14)	Renewable energy generation	49%	49%
Tinnisburn Windfarm Limited (14)	Renewable energy generation	49%	49%
Wauchope Windfarm Limited (14)	Renewable energy generation	49%	49%
West Benhar Windfarm Limited (14)	Renewable energy generation	49%	49%
EDF Renewables Solar Limited (5)	Renewable energy generation	49%	49%
Fallago Rig II Windfarm Limited (14)	Renewable energy generation	49%	49%
First Windfarm Holdings Limited (14)	Renewable energy generation	49%	49%
Lewis Wind Power Holdings Limited (2)	Renewable energy generation	25%	25%
Stornoway Wind Farm Limited (2)	Renewable energy generation	25%	25%
Uisenis Power Limited (2)	Renewable energy generation	25%	25%
Nearr Na Gaoithe Offshore Wind Limited (6)	Renewable energy generation	49%	49%
Red Tile Wind Limited (14)	Renewable energy generation	49%	49%
Stranoch Windfarm Limited (14)	Renewable energy generation	49%	49%
NNG Windfarm Holdings Limited (6)	Holding company	49%	49%
Fallago Rig Windfarm Limited (6)	Renewable energy generation	10%	10%
Green Rigg Windfarm Limited (3)	Renewable energy generation	10%	10%
Rusholme Windfarm Limited (3)	Renewable energy generation	10%	10%
Glass Moor II Windfarm Limited (3)	Renewable energy generation	10%	10%
Fenland Windfarms Limited (4)	Renewable energy generation	10%	10%
Bicker Fen Windfarm Limited (4)	Renewable energy generation	10%	10%
EDF Energy Renewables Limited (14)	Renewable energy generation	49%	49%
Camilty Windfarm Partnership LLP (14)	Renewable energy generation	49%	49%

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

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

Cloich Windfarm Partneship LLP (14)	Renewable energy generation	49%	49%
Heathland Windfarm Partneship LLP (14)	Renewable energy generation	49%	49%
Newcastleton Windfarm Partneship LLP (14)	Renewable energy generation	49%	49%
The Mosses Windfarm Partneship LLP (14)	Renewable energy generation	49%	49%
Tinnisburn Windfarm Partnership LLP (14)	Renewable energy generation	49%	49%
Wauchope Windfarm Partneship LLP (14)	Renewable energy generation	49%	49%
West Benhar Windfarm Partnership LLP (14)	Renewable energy generation	49%	49%
The Barkantine Heat and Power Company Limited (7)	Generation and supply of heat and electricity	50%	50%
ESSCI Limited (7)	Development of generation and supply	50%	50%
ESSCI Engineering Services Limited (7)	Development of generation and supply	50%	50%
Imtech Engineering Services North Ltd (9)	Development of generation and supply	50%	50%
Imtech Engineering Services Central Ltd (8)	Development of generation and supply	50%	50%
Imtech Engineering Services London and South Ltd (7)	Development of generation and supply	50%	50%
Imtech Aqua Ltd (10)	Development of generation and supply	50%	50%
Imtech Aqua Building Services Ltd (10)	Development of generation and supply	50%	50%
Imtech Aqua Controls Ltd (10)	Development of generation and supply	50%	50%
Imtech Low Carbon Solutions Ltd (8)	Development of generation and supply	50%	50%
ESSCI Technical Facilities Management Limited (7)	Development of generation and supply	50%	50%
Inviron Holdings Limited (11)	Development of generation and supply	50%	50%
Imtech Inviron Limited (11)	Development of generation and supply	50%	50%
Inviron Property Limited (11)	Development of generation and supply	50%	50%
Imtech Aqua Maintenance Ltd (11)	Development of generation and supply	50%	50%

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

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

ESSCI Technical Services Limited (7)	Development of generation and supply	50%	50%
Capula Group Limited (12)	Development of generation and supply	50%	50%
Capula Limited (12)	Development of generation and supply	50%	50%
ESSCI Ireland Limited (7)	Development of generation and supply	50%	50%
Suir Engineering Limited (Ireland) (13)	Development of generation and supply	50%	50%
Suir Engineering Sweden AB (Sweden) (13)	Development of generation and supply	50%	50%
Imtech Suir Qatar LLC (Qatar) (13)	Development of generation and supply	50%	50%
Dunphail Windfarm Partnership LLP	Development of generation and supply	49%	49%
EDF Energy Renewables Holdings Limited	Development of generation and supply	25%	25%

(1) Registered address: The Exchange, 5 Bank Street, Bury, Lancashire, BL9 0DN

(2) Registered address: EDF Energy, GSO Business Park, East Kilbride, G74 5PG

(3) Registered address: Squire Patton Boggs (UK) LLP, Rutland House, 148 Edmund Street, Birmingham, West Midlands, B3 2JR

(4) Registered Address: 27-28 Eastcastle Street, London, England, W1W 8DH

(5) Registered Address: 5th Floor Rex House, 4-12 Lower Regent Street, London, United Kingdom, SW1Y 4PE

(6) Registered Address: Atria One, Level 7 144 Morrison Street, Edinburgh, Scotland, EH3 8EX

(7) Registered Address: Imtech House, Woodthorpe Road, Ashford, Middlesex, England, TW15 2RP

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

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

(10) Registered Address: Aqua House, Rose & Crown Road, Swavesey, Cambridge, CB24 4RB

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

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

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

(14) Registered Address: Alexander House 1 Mandarin Road, Rainton Bridge Business Park, Houghton LE Spring, Sunderland, England DH4 5RA

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

**16 Inventories**

	2019	2018
	£ m	£ m
Raw materials and consumables	-	0.2
	<hr/>	<hr/>
		58

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

**17 Trade and other receivables**

	<b>2019</b>	<b>2018</b>
	<b>£ m</b>	<b>£ m</b>
Trade receivables	91.4	100.1
Amounts owed by other Group companies (Note 29)	1,926.8	595.9
VAT	66.5	46.6
Other debtors	26.2	28.5
	<u>2,110.9</u>	<u>771.1</u>

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

**18 Cash and cash equivalents**

	<b>2019</b>	<b>2018</b>
	<b>£ m</b>	<b>£ m</b>
Short term deposit	200.0	300.0
Cash at bank	(0.3)	6.0
Cash pooling with Group companies	-	1,323.4
	<u>199.7</u>	<u>1,629.4</u>

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. EDF Energy Limited operates a cash concentration arrangement which physically offsets cash balances and overdrafts between subsidiary companies. Within cash pooling with Group companies, an overdraft of £210.8m is pooled with an intermediate parent company this is shown as part of other liabilities (Note 19). In 2018, the cash balance pooled with intermediate parent company was £217.2m.

**19 Other liabilities**

	<b>2019</b>	<b>2018</b>
	<b>£ m</b>	<b>£ m</b>
Trade payables	297.2	352.8
Accruals	142.5	100.0
Amounts due to other Group companies (Note 30)	509.5	599.7
Other payables	51.3	46.4
Interest payable	-	0.2
	<u>1,000.5</u>	<u>1,099.1</u>

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

**19 Other liabilities (continued)**

Amounts due to other Group companies are unsecured, interest free and are repayable on demand. The carrying amount of other liabilities approximates to their fair value. An overdraft £210.8m is included in amounts due to other group companies.

**20 Borrowings**

	<b>2019</b>	<b>2018</b>
	<b>£ m</b>	<b>£ m</b>
<b>Non-current loans and borrowings</b>		
€800m Eurobond	<u>680.7</u>	<u>715.6</u>

All borrowings are denominated in sterling and valued at amortised cost unless otherwise stated. The borrowings are unsecured.

On 27 June 2013 a ten year Eurobond was entered into for €800m with fixed interest rate of 2.8% which was subsequently swapped into a sterling bond of £684m with fixed interest payable at 3.6%. The bond is carried at the sterling equivalent of €800m at the balance sheet date as shown above.

**21 Provisions for liabilities**

	<b>Renewable obligation certificates £ m</b>	<b>Restructuring Costs £ m</b>	<b>Insurance £ m</b>	<b>Total £ m</b>
At 1 January 2019	698.3	22.2	11.6	732.1
Provisions used	(961.1)	(5.5)	-	(966.6)
Arising during the year	1,040.8	-	-	1,040.8
Provisions released	<u>(0.8)</u>	<u>(5.5)</u>	<u>-</u>	<u>(6.3)</u>
At 31 December 2019	<u>777.2</u>	<u>11.2</u>	<u>11.6</u>	<u>800.0</u>

The provision for renewable obligations' certificates represents the additional certificates required to cover the Company's obligations to supply its customers with certain amounts of electricity which have been generated from renewable energy sources. This provision will be utilised in 2020.

The restructuring provision covers the costs of severance related to restructuring which has been announced to impacted employees. It is expected to be utilised in 2020.

Insurance provisions relate to various immaterial potential claims.

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

**22 Deferred tax**

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

	Accelerated capital allowances	Pensions	Financial instruments	Short term timing differences	Total
	£ m	£ m	£ m	£ m	£ m
At 31 December 2017	5.4	0.4	33.7	2.5	42.0
Credit / (charge) to income:					
- Current year	0.7	2.1	0.6	2.3	5.7
- Adjustments in respect of previous years' reported tax charges	0.1	-	-	1.6	1.7
- Effect of decreased tax rate on opening liability	(0.1)	-	-	-	(0.1)
Credit / (Charge) to equity:					
- Current year	-	(4.3)	20.8	-	16.5
- Adjustment in respect of previous years' reported tax charges	-	-	(0.5)	-	(0.5)
<b>At 31 December 2018</b>	<b>6.1</b>	<b>(1.8)</b>	<b>54.6</b>	<b>6.4</b>	<b>65.3</b>
Credit/(charge) to income:					
- Current year	1.2	2.5	0.6	(1.6)	2.7
- Adjustments in respect of previous years' reported tax charges	0.1	-	-	(0.5)	(0.4)
Credit / (Charge) to equity:					
- Current year	-	7.1	(64.3)	-	(57.2)
<b>At 31 December 2019</b>	<b>7.4</b>	<b>7.8</b>	<b>(9.1)</b>	<b>4.3</b>	<b>10.4</b>

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:

	2019 £ m	2018 £ m
Deferred tax liabilities	-	-
Deferred tax assets	10.4	65.3
	<u>10.4</u>	<u>65.3</u>

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

**23 Derivative financial instruments**

	<b>Carrying value</b>	
	<b>2019</b>	<b>2018</b>
	<b>£ m</b>	<b>£ m</b>
<b>Current</b>		
<i><b>Derivatives at fair value through profit and loss (FVTPL)</b></i>		
Foreign currency forward contracts	(3.3)	0.5
Commodity purchase contracts	-	(7.6)
<b>Total current derivative financial instruments</b>	<b>(3.3)</b>	<b>(7.1)</b>
Split by:		
Current assets	2.5	3.2
Current liabilities	(5.8)	(10.3)
	<b>(3.3)</b>	<b>(7.1)</b>
<b>Non-current</b>		
<i><b>Derivatives at fair value through profit and loss (FVTPL)</b></i>		
Foreign currency forward contracts	-	0.1
Commodity purchase contracts	(4.4)	(3.9)
<b>Total non-current derivative financial instruments</b>	<b>(4.4)</b>	<b>(3.7)</b>
Split by:		
Non-current assets	-	0.4
Non-current liabilities	(4.4)	(4.1)
	<b>(4.4)</b>	<b>(3.7)</b>

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

**23 Derivative financial instruments (continued)**

	<b>Carrying value</b>	
	<b>2019</b>	<b>2018</b>
	<b>£ m</b>	<b>£ m</b>
<b>Current</b>		
<i><b>Derivatives designated as hedging instruments in a cash flow hedge:</b></i>		
Foreign currency forward contracts	(4.3)	2.6
Commodity purchase contracts	(32.3)	(325.8)
Cross-currency interest rate swaps	-	-
<b>Total current derivative financial instruments</b>	<b>(36.6)</b>	<b>(323.2)</b>
Split by:		
Current assets	121.1	29.4
Current liabilities	(157.7)	(352.6)
	<b>(36.6)</b>	<b>(323.2)</b>
<b>Non-current</b>		
<i><b>Derivatives designated as hedging instruments in a cash flow hedge:</b></i>		
Foreign currency forward contracts	-	0.2
Commodity purchase contracts	48.3	(73.2)
Cross-currency interest rate swaps	9.5	57.7
<b>Total non-current derivative financial instruments</b>	<b>57.8</b>	<b>(15.3)</b>
Split by:		
Non-current assets	64.0	58.8
Non-current liabilities	(6.2)	(74.1)
	<b>57.8</b>	<b>(15.3)</b>

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

**23 Derivative financial instruments (continued)**

*Valuation methods and assumptions*

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

**24 Share capital**

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

	No. m	2019 £ m	No. m	2018 £ m
Ordinary shares of £0.58 each	<u>897</u>	<u>523</u>	<u>897</u>	<u>523</u>

The Company has one class of Ordinary shares which carry no right to fixed income.

A capital reduction was undertaken during 2018.

**25 Leases**

An analysis has been performed of the impact of the first time application of IFRS 16 under the modified retrospective approach. Contracts that previously had been classified as operating leases now qualify as leases as defined by IFRS 16. The entity elected not to re-assess whether a contract is, or contains a lease at date of initial application. In addition, the entity applies the recognition exemptions for short-term leases and leases for which the underlying asset is of low value. The weighted average incremental borrowing rate applied in discounting the lease liability is 2.41%.

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

**The table below presents the reconciliation of lease liabilities as at 1 January 2019:**

	£ m
Operating lease commitments as lessee as at 31/12/2018	61.1
Leases transferred to other Group companies	(18.7)
Difference in the duration applied for termination and extension options that are reasonably certain to be exercised	(2.0)
Discount effect	(4.7)
Discounted lease liability under IFRS 16 at 01/01/2019	<u>35.7</u>

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

**25 Leases (continued)**

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

	£ m
<b>As at 31 December 2018</b>	4.3
Transition impact	35.7
<b>As at 1 January 2019</b>	40.0
Additions	2.6
Early terminations	(2.3)
Interest	0.9
Payments	(7.4)
<b>As at 31 December 2019</b>	<u>33.8</u>

	2019 £ m
Current	6.7
Non-current	27.1
<b>Total</b>	<u>33.8</u>

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

	Other plant and equipment £ m
<b>Cost</b>	
At 31 December 2018	-
Transition impact	35.7
Transfer from Property, Plant and Equipment	4.6
<b>At 1 January 2019</b>	<u>40.3</u>
Additions	-
Disposals	(0.3)
<b>As at 31 December 2019</b>	<u>40.0</u>

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

**25 Leases (continued)**

**Accumulated Depreciation**

At 31 December 2018	-
Transfer from Property, Plant and Equipment	0.6
<b>At 1 January 2019</b>	<b>0.6</b>
Charge for the year	7.2
Disposals	(0.1)
<b>As at 31 December 2019</b>	<b>7.8</b>
<b>Carrying amount</b>	
At 31 December 2019	<b>32.2</b>

The transition impact of £35.7m represents the right of use assets brought on balance sheet as a result of the company's adoption of IFRS 16. In addition, the carrying amount of the Company's assets held under finance leases, totaling £4m have been transferred to Right of Use assets from Property, plant and equipment.

**The following are amounts recognised in profit or loss:**

	<b>2019</b>
	<b>£ m</b>
Depreciation expense for right-of-use assets	7.2
Interest expense of lease liabilities	0.9
<b>Total amount recognised in income statement</b>	<b>8.1</b>

**26 Hedging reserve**

	<b>2019</b>	<b>2018</b>
	<b>£ m</b>	<b>£ m</b>
Balance at start of year	(284.6)	(183.1)
Cost of hedging reserve adjustment	-	(8.0)
<i>Net gains/(losses) arising on changes in fair value of instruments in a cash flow hedge:</i>		
Commodity purchase contracts	(60.2)	(182.1)
Cross currency interest rate swaps	(22.7)	24.4
Foreign currency forward contracts	(9.1)	1.1
Cost of hedging reserve	9.4	(4.0)
<i>Net gains/(losses) arising on changes in fair value of hedging instruments transferred to profit or loss:</i>		
Commodity purchase contracts	456.1	47.4
Foreign currency forward contracts	4.5	(0.6)
Deferred tax on net gains in cash flow hedge	(64.3)	20.3
Total movement in year	313.7	101.5
<b>Balance at end of year</b>	<b>29.1</b>	<b>(284.6)</b>

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

**26 Hedging reserve (continued)**

The hedging reserve represents the cumulative effective portion of gains or losses arising on changes in the fair value of hedging instruments designated as cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve, will be re-classified to the income statement only when the hedged transaction affects the income statement, or included as a basis adjustment to the non-financial hedged item in accordance with the Company's accounting policy.

The maturity analysis of the amounts included within the hedging reserve is as follows:

	<b>2019</b>	<b>2018</b>
	<b>£ m</b>	<b>£ m</b>
Less than one year	(23.8)	(308.5)
Between one to five years	48.0	(58.6)
More than five years	11.1	24.3
Total fair value losses on derivatives designated as effective cash flow hedges	35.3	(342.8)
Deferred tax	(6.2)	58.2
<b>Total</b>	<b>29.1</b>	<b>(284.6)</b>

During the year a loss of £460.6m (2018: £46.8m) was recycled from the hedging reserve and included within fuel, energy and related purchases, in relation to contracts which had matured.

**27 Pension schemes**

**Defined benefit pension schemes**

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

The costs, assets, liabilities and unrecognised gains and losses of the pension schemes are wholly reflected in the Company's financial statements, as sponsor.

The latest full actuarial valuations of the EEGS and EEPS were carried out by qualified actuaries at 31 March 2019. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method. The valuations as at 31 March 2019 were completed during April 2020. The Company pays contributions to repair this deficit and contributions in respect of ongoing benefit accrual. The Scheme's statutory funding objective is to hold sufficient and appropriate assets to cover its technical provisions. The EEGS blended employer contribution rate in the year was 37.7% in respect of legacy EEGS benefits and 40.1% in respect of legacy BEGG benefits. From 1 April 2020 increased to a blended employer contribution rate of 46.6% for all benefits.

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

**27 Pension schemes (continued)**

The EEPS employer contribution rates in the year were 15.8% for Final Salary and 13.2% for CARE and from 1 April 2020, these will increase to 23.0% for Final Salary and 22.1% for CARE. The Company agreed to make deficit repair costs for EEGS of £10.5m pa until 1 April 2020. In addition, the Company has agreed to make ongoing additional contributions to EEGS of £11.75m pa until 31 March 2027 or, if earlier, EEGS attains full funding on a Gilts plus 0.5% basis. The Company has agreed to make deficit repair contributions to EEPS of £14.7m pa until 31 March 2030.

On 26 October 2018, the High Court handed down the main elements of a judgement relating to equalisation of member benefits for the gender effects of Guaranteed Minimum Pensions ("GMP"). The judgement confirmed that GMP equalisation was required and the impact of GMP equalisation on the pension schemes has been evaluated at 0.2% of the total liabilities for EEGS (impact for EEPS assumed to be immaterial), any additional reserve has been recognised as a past service cost. UK legislation requires that pension schemes are funded prudently.

Further details of the Group defined benefit schemes are included in note 39 of the consolidated financial statements of the Group which are available as disclosed in note 31.

**Financial impact of defined benefit pension schemes**

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

	<b>EEGS</b>	<b>EEPS</b>	<b>Total</b>	<b>Total</b>
	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2018</b>
	<b>£ m</b>	<b>£ m</b>	<b>£ m</b>	<b>£ m</b>
Fair value of scheme assets	1,270.0	915.0	2,185.0	1,867.3
Present value of scheme liabilities	(1,140)	(1,091.0)	(2,231.0)	(1,856.8)
Defined benefit pension scheme surplus/(deficit)	130.0	(176.0)	(46.0)	10.5

**Scheme assets**

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

	<b>EEGS</b>	<b>EEPS</b>	<b>Total</b>	<b>Total</b>
	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2018</b>
	<b>£ m</b>	<b>£ m</b>	<b>£ m</b>	<b>£ m</b>
At 1 January	1,133.8	733.5	1,867.3	713.6
Interest income on scheme assets	32.0	22.0	54.0	18.6
Actuarial (losses)/gains	112.0	112.0	224.0	(32.9)
Contributions by employer	34.2	49.5	83.7	20.7
Net benefits paid	(42.0)	(9.0)	(51.0)	(19.2)
Deficit repair payment	-	-	-	5.9
Contributions by employees	-	7.0	7.0	2.9
Re-estimation of allocation	-	-	-	1,157.7
At 31 December	1,270.0	915.0	2,185.0	1,867.3

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

**27 Pension 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>2019</b>	<b>2019</b>	<b>2019</b>	<b>2018</b>
	<b>£ m</b>	<b>£ m</b>	<b>£ m</b>	<b>£ m</b>
At 1 January	1,015.8	841.0	1,856.8	716.1
Current service cost	22.2	44.0	66.2	24.4
Actuarial gains from change in demographic assumptions	(13.0)	(15.0)	(28.0)	(57.5)
Actuarial gains arising from experience adjustments	(5.0)	(4.0)	(9.0)	5.3
Interest cost	29.0	26.0	55.0	18.9
Net benefits paid	(42.0)	(9.0)	(51.0)	(19.2)
Contributions by employees	-	7.0	7.0	2.9
Actuarial losses from change in financial assumptions	133.0	201.0	334.0	-
Re-estimation of allocation	-	-	-	1,165.9
At 31 December	<u>1,140.0</u>	<u>1,091.0</u>	<u>2,231.0</u>	<u>1,856.8</u>

**Amounts recognised in the income statement**

	<b>EEGSG</b>	<b>EEPS</b>	<b>Total</b>	<b>Total</b>
	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2018</b>
	<b>£ m</b>	<b>£ m</b>	<b>£ m</b>	<b>£ m</b>
<b>Amounts recognised in operating profit</b>				
Current service cost	<u>(22.2)</u>	<u>(44.0)</u>	<u>(66.2)</u>	<u>(24.4)</u>
<b>Amounts recognised in finance income</b>				
Interest Income/(cost)	<u>3.0</u>	<u>(4.0)</u>	<u>(1.0)</u>	<u>(0.3)</u>
	<u>(25.2)</u>	<u>(40.0)</u>	<u>(65.2)</u>	<u>(24.7)</u>

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

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

At 31 December 2019:

Impact of a 25bp increase/decrease in discount rate -4.61%% to +4.9%%

Impact of a 25bp increase/decrease in salary increase assumption +0.39% to -0.4%

Impact of a 25bp increase/decrease in inflation rate +3.56% to -3.38%

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

**27 Pension schemes (continued)**

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

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

**28 Impairment**

	2019 £ m	2018 £ m
Impairment	-	(754.0)

Impairment in 2019 is nil. In 2018 difficult market conditions were considered to be an impairment trigger and recoverable amount was lower than the carrying value of these investment in subsidiaries which resulted in an impairment of £754m. The main assumptions used for the calculation were the discount rate of forward power and gas prices and volatility of forward gas prices.

**29 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 be required for 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 (2018: none).

**Amounts owed by related parties**

	Other related parties	Subsidiaries	Associate	Parent
2019	£ m	£ m	£ m	£ m
Financial assets	-	238.9	5.5	-
Amounts owed by other Group companies	22.6	1,778.5	-	125.7

	Other related parties	Subsidiaries	Associate	Parent
2018	£ m	£ m	£ m	£ m
Financial assets	162.4	-	-	-
Amounts owed by other Group companies	16.3	453.1	0.8	125.7

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

**29 Related party transactions (continued)**

**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>2019</b>				
Amounts due to other Group companies	249.1	0.2	-	206

	<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	116.6	483.1	-	-

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

**30 Post balance sheet events**

Taxation

In March 2020, changes to the main rate of corporation tax were enacted in Finance Bill 2020. This maintained the main rate of corporation tax at 19.00%, rather than reducing to 17.00% on 1 April 2020 (as had been enacted by Finance Act 2016). If the main rate of corporation tax of 19.00% had been substantively enacted by the balance sheet date, the deferred tax balance at 31 December 2019 would be an asset of £11.6m. This is a movement of £1.2m compared to the deferred tax recognised on the balance sheet.

Covid 19

Since the year-end significant economic and social disruption has arisen from the Covid 19 pandemic. EDF's priorities are the safety and wellbeing of our people and customers, maintaining access to energy and gas for our customers, keeping our power stations running safely and supporting the most directly exposed businesses, vulnerable people and supply chain. Since the beginning of the pandemic, the Company has offered support to all its customers and specifically the most vulnerable ones by offering special measures. EDF is as well engaging with its suppliers to ensure that service levels can continue to be maintained throughout a prolonged pandemic. The Company is managing the impact of Covid 19, utilizing business continuity and resilience processes where appropriate.

The Company's critical functions have been adapted to ensure appropriate measures have been taken to allow a maximum of employees to work from home (including call centre employees) and redeploy the smart metering engineers to help in the local community. The Company IT system has been leveraged in order to support the transition in a most efficient way, time and to protect our systems against cyber threats. The Company is following the guidance and discussing on a regular basis with the Government on the pandemic evolution and deployment of appropriate policies and actions.

The expected financial impacts are: expected reduction in revenue on I&C and SME customers and an increased expected credit loss charges. Covid 19 has led to credit spreads widening out which has reduced IAS 19 pension liabilities. At the same time the reduction in pension scheme assets as a result of moves in financial markets has been protected by diversification.

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

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

**31 Parent undertaking and controlling party**

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