# EDF Trading Limited

## Annual report and financial statements
## for the year ended 31 December 2018

Registered number: 3750288

## Contents

## Company information

**Directors**
Marc Benayoun
Bruno Bensasson (appointed 23/4/2018)
Antoine Cahuzac (resigned 23/4/2018)
Marianne Laigneau
Sabine Le Gac
Xavier Girre
Robert Guyler
Stanislas Martin
Laurent Reber (appointed 29/3/2018)
John Rittenhouse
Stephanie Roger-Selwan
Magali Viandier
Emmanuelle Verger (resigned 20/3/2018)

**Secretary**
Robert Quick (resigned 1/4/2019)
Guido Santi (appointed 1/4/2019)

**Company number**
3750288

**Registered Office**
Third floor, Cardinal Place
80 Victoria Street
London
SW1E 5JL

**Auditor**
KPMG LLP
Chartered Accountants
London, United Kingdom
E14 5GL

## Strategic report

The directors present their Strategic Report for EDF Trading Limited ("the Company" or "EDFT") for the year ended 31 December 2018.

**Principal activity**

EDF Trading Limited and its direct and indirect wholly-owned subsidiaries, joint ventures and associates (together the "Group") is a leader in global wholesale energy products (power, gas, coal, freight, LNG and carbon emissions credits) and is active in the wholesale markets, and related activities including the management of transportation and logistics.

**Review and analysis of business during the year**

**Business review**

The Group's year on year traded volumes were:

| Traded volumes per commodity (physical and derivatives) | Unit | 2018 | 2017 |
|---|---|---|---|
| Power | TWh | 2,203 | 2,247 |
| Oil | Thousand barrels * | 774 | 883 |
| $CO_2$ | Million tonnes | 355 | 296 |
| Gas | Billion therms | 214 | 274 |
| Coal | Million tonnes | 113 | 296 |
| Freight | Million tonnes | 12 | 126 |
| LNG | Billion therms | 5 | 7 |

| Key performance indicators | 2018 | 2017 |
|---|---|---|
| Profit before interest and tax *[ Operating profit + Other gains (losses) ]* | €546m | €432m |
| Capital employed *[ Net assets - Borrowings ]* | €2,429m | €3,001m |
| Return on capital employed *[ PBIT / Capital employed ]* | 22% | 14% |

**Financial performance**
EDFT has continued to optimise positions and create value within the EDF Group. In 2018 EDFT generated €700.5m net trading margin (2017: €494.8m). The Group's operating profit for 2018 is €548.6m (2017: €373.2m).

**Governance and Risks and uncertainties**
EDFT continues to maintain an effective system of internal controls, market risk management and credit risk management, for details please refer to the Risk Management section of the Directors' Report. The Directors took steps to mitigate risks related to the United Kingdom's exit from the European Union, for details please refer to the Going Concern Statement section of the Directors' Report.

**Future developments**
EDFT's management, with the full support of the Board of Directors, will strive to continue to achieve strong trading performance across both mature and evolving energy markets alongside the development of new products such as LNG and LPG trading. The EDFT Group aims to continue serving as a pioneer and platform for EDF Group development into new energy services and geographies.

EDFT has combined resources and expertise with JERA Trading to develop its LNG activities. EDFT's joint arrangement with JERA includes trading and exclusive optimisation of both participants LNG portfolios.
Approved by the Board of Directors and signed on behalf of the board

G Santi

Secretary
10th June 2019
Third floor, Cardinal Place
80 Victoria Street
London
SW1E 5JL

* Note: After the approval of these accounts, a clerical error was identified. The unit of measure for traded oil volume should be million barrels, not thousand barrels.

# Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2018. The directors which served the Company during the year and since year end were as follows:

Marc Benayoun
Bruno Bensasson (appointed 23/4/2018)
Antoine Cahuzac (resigned 23/4/2018)
Marianne Laigneau
Sabine Le Gac
Xavier Girre
Robert Guyler
Stanislas Martin
Laurent Reber (appointed 29/3/2018)
John Rittenhouse
Stephanie Roger-Selwan
Magali Viandier
Emmanuelle Verger (resigned 20/3/2018)

**Results and dividends**
The Group recognised profit for the year of €485.1m (2017: €257.8m). The accounts for the year ended 31 December 2018 are set out on pages 15 to 51. The Company declared and paid out a dividend of €622m during the reporting year (2017: no dividend declared or paid).

**Risk Management**
EDFT is highly disciplined in its application of business controls. We work within a comprehensive framework encompassing strong processes, good governance, systematic risk & control reviews and a continuous improvement approach to ensure every activity is properly managed and controlled with a view to achieve "best in class" performance. Similarly, the global control framework itself is regularly assessed and revised when necessary to reflect changes affecting the markets in which we operate.

We have enhanced our control mechanisms in line with the stronger trading and banking regulations introduced since the 2008 financial crisis (EMIR and REMIT in particular). All of these changes are set against a marketplace in which traditional supply and demand pricing continues to be influenced by regional and national policies aimed at reducing energy consumption and building a lower carbon economy and regulatory policies strive for greater market transparency and reduction in systemic risk.

**Risk Governance**
The Board of Directors are responsible for approving risk management principles and policies, and ensuring that EDFT's management maintains an effective system of internal controls.

The Chief Executive is responsible for the management of risks through the roll-out and constant control of an effective framework of risk management principles and policies. The Chief Executive has established three global committees to oversee risk management:

*Global Risk Committee ("GRC"):*
The GRC oversees all aspects of market risk controls for EDFT's existing trading activities. The Committee sets the trading risk limits and approves all changes to existing risk limits ensuring that they remain appropriate in relation to EDFT's Risk Mandate and company capital utilisation. The Committee manages breaches of limits and proposes the course of action to the CEO and/or the Board, where appropriate. The Committee regularly reviews the trading strategies and market risks across the entire portfolio and approves any changes in EDFT's market risk measurements and management framework.

*New Business Committee ("NBC"):*
The NBC oversees all aspects of market risk and operational risk management of proposals for new/exotic transaction types and business ventures. The Committee assesses the strategic fit with EDFT's existing business, any embedded risks, economics and risk/return profile of the new transaction or business venture and if the Company is adequately capitalised. The Committee determines whether EDFT is prepared to accept the risk associated with new/exotic transaction types and activities and, if appropriate, new risk parameters.

## Directors' report (continued)

**Risk Governance (continued)**

*Global Credit Committee ("GCC"):*

The GCC oversees all aspects of credit risk management. The Credit Committee establishes credit policies and approves appropriate credit limits for each counterpart. Credit limits, which define our credit risk parameters with each counterpart, are approved by the Credit Committee once it has reviewed a counterpart credit assessment. The GCC is also in charge of embedding the Know Your Customer ("KYC") policy for the Group.

**Risk management organisation**

Compliance with all limits and control procedures is monitored by the risk management department, which is independent of the trading business and reports independently of the commercial functions into the Executive management. The risk management department is responsible for reviewing and approving pricing and risk management models, and for reporting market and credit risk exposures.

**Market risks**

The primary market risks within the business are the exposures to energy prices, foreign exchange and interest rates; value-at-risk is our primary mechanism for market risk measurement but is also complimented by a number of other measurements/limits such as stress tests, volumetric limits and peak to current limits depending on the product. All positions are recorded and monitored in either trading books or structured transaction accounts, as appropriate.

**Value-at-Risk ("VaR")**

The Group uses daily VaR measures as the primary mechanism for market risk control. The daily VaR measure is the maximum potential loss that might arise if current positions were unchanged over one business day at a 97.5% confidence level. The Risk Committee has allocated VaR limits to all trading desks and daily risk reports are produced for all major risk categories - power, gas, oil, LNG and carbon emissions - to monitor VaR exposure. At 31 December 2018, the VaR for the Group trading books was €9,450,000 (2017: €2,547,000). The average VaR utilisation during 2018 was €7,750,000 (2017: €9,750,978). As VaR does not always provide a direct indication of the potential size of losses, additional techniques are employed to monitor market risk, including various types of stress testing.

**Trading books**

The Risk Committee has established a trading book structure. Trading books define the reporting structure for all activity in forward contracts, swaps, options and futures, and are categorised by global business unit (e.g. European Power) and trading desk (e.g. UK Power).

**Structured transaction accounts**

Structured transaction accounts are used to account for longer-term risks or illiquid basis risks, which arise from long-term over-the-counter transactions. All new structured transactions require the approval of the New Business Committee.

The New Business Committee also considers and quantifies the capital requirements of new structured transactions. On the execution of a structured transaction, the liquid, hedgeable risks are transferred to the relevant trading books.

Reviews of market liquidity are conducted regularly to ensure that hedgeable risks are transferred to trading books and that quantum of non hedgeable exposure is fully understood and controlled. The structured transaction accounts are subject to regular stress testing by the Market Risk department. The capital requirements for structured transactions are reviewed and updated on a regular basis by the Market Risk department.

**Credit risk**

EDFT's credit risk management is a global discipline supported by consistent systems, processes and controls across Europe and Asia.

The Global Credit Committee, whose members include Executive Management, review and approve credit risk methodologies, frameworks and controls. Counterparty exposure and term limits based on a qualitative and quantitative assessment of the counterpart are evaluated by a Global or Local Credit Committee. The assessment includes a review of a sector, business model, corporate structure and management. A detailed quantitative assessment includes an analysis of financial ratios, cash flow and liquidity assessment as well as an estimation of the potential future financial exposure to the specific counterparty. The analysis is used to determine an internal rating to calculate default probabilities and recovery rates and credit pricing.

## Directors' report (continued)

**Credit risk (continued)**
The following table summarises the internal rating of counterparts and splits our counterparty exposure accordingly.

| | >AA | A | BBB | BB | B | C> |
|---|---|---|---|---|---|---|
| **2018** | <1% | 43% | 48% | 8% | 1% | <1% |
| **2017** | <1% | 48% | 39% | 10% | 2% | <1% |

This approach allows EDFT to agree maximum limits per counterpart in terms of both financial exposure and tenor.

A strong credit risk culture established across all business functions provides the foundation of EDFT's credit risk management processes. Exposures are reviewed daily and limit utilisation reports together with directives to manage exposures are sent to all commercial teams on a daily basis. The credit team works in partnership with the legal team to ensure effective contractual mitigation for example; close-out netting, third party guarantees, liens, collateral (including cash and letters of credit) or contractual covenants. The financial effect of the above is to offset any potential settlement exposure and then mark-to-market exposure.

EDFT has designed and implemented a credit event identification programme to ensure that in the event of deterioration in market conditions, sector or counterparties, action is taken to minimise loss. The plan includes continuous assessment and intensive credit monitoring of counterparties, sectors and sovereigns.

EDFT works to support the development of credit risk management and mitigation techniques across the global energy sector. There is active participation in industry working groups involved in the development of contractual arrangements and clearing initiatives.

**Interest rate risk**
The Group also monitors its interest rate risk, considering any material exposures. Interest rate swaps and futures are used to manage the interest rate risk arising from medium-term trading positions and long-term structured transactions.

**Operational and other risks**
Operational risk is the exposure to losses that may occur as a consequence of carrying out physical operations, and from errors resulting from failures in internal processes or systems.

We assess the level of operational risk across all business lines and physical assets and implement measures to mitigate areas of exposure including health and safety, environmental and operational performance. We employ a Top-Down approach to risk mapping and perform a Bottom-Up review of our key risks across all main desks in order to further increase the robustness of our risk matrix.

Our business transaction policies, which govern the activities of all employees, are regularly updated to address operational risk. Central to this is that procedures for gaining authorisation for new business or trading instruments must undergo a rigorous operational authorisation process.

For each physical functional area of our business we have documented and implemented operating procedures designed to prevent the occurrence of operational errors. However, should an error occur, we have early detection mechanisms in place to allow prompt implementation of corrective actions to minimise the impact.

In the critical area of system outage risk, we have back-up systems and procedures to manage every material degree of incident ranging from short-term disruptions to full-scale disaster recovery.

Performance indicators are used to monitor the effectiveness of key operational processes and provide assurance that the processes are functioning effectively. The indicators are reviewed by individual business managers and reported to the Chief Executive, Chief Commercial Officer, Chief Risk and Operations Officer and Chief Financial Officer on a regular basis.

## Directors' report (continued)

**Legal risks**
The legal team is involved in every significant transaction. No agreements can be concluded without their sign off. The legal team provides essential advice and guidance to senior management on all business issues and ensures that business is conducted in a manner that complies with all legal and regulatory requirements.

**Accounting and valuation**
The Group uses mark-to-market accounting for positions in accordance with international accounting principles. Where market information is unavailable, such as cross-commodity correlations, time-spread correlations and forward volatilities, etc., then internal models used are on a deal by deal basis. The overall valuation of the trading portfolio includes an allowance for credit and operational risks. The market prices used to value the Group's positions take account of the cost of closing out the Group's net trading position in the market.

**Capital management**
EDFT has established procedures to ensure it has adequate and sufficient capital allocated to its business activities. The methodology is broadly based on the Basel Accord, which includes the assessment of market, credit and operational risk capital. Risk capital is allocated to trading activities based on a multiple of 15 times the VaR approved by the Risk Committee. Further capital is allocated to structured transactions based on a stress testing analysis.

Capital requirements for operational risk have been calculated based on estimated losses over a three-year period. The estimated losses are based on historical operational performance and an analysis of loss experiences. Estimated losses are reviewed periodically to ensure consistency with internal operational risk factors such as transaction turnover and error rates.

EDFT has also developed a Return on Capital Employed metric to measure and assess the performance of each desk based on the level of economic capital necessary to produce net income. While the range of ROCE varies significantly desk by desk, EDFT's overall Return On Capital Employed ("ROCE") stands at 22% for 2018 (2017: 14%) compared to a WACC of 5.5% (2017: 5.8%) representing a significant level of value creation.

**Liquidity risk management**
Liquidity management within EDFT has two principal purposes. Firstly, to ensure that sufficient cash is available to meet all contractual commitments as they fall due and, secondly, to ensure that we have sufficient funding to withstand stressed market conditions or an extreme event.

The Group's liquid resources include amounts placed under cash pooling arrangements with EDF. The Group pools euro, sterling and US dollar cash balances on a daily basis. The cash pooled balances are classified as cash and cash equivalents, are interest bearing and are callable by EDFT on demand.

**Foreign exchange risk**
The euro is the functional currency of the Company and the presentation currency of the Group. The functional currency of subsidiary undertakings is that which is most appropriate for the principal trading activity. The Group also transacts in other currencies, principally pounds sterling (UK power and gas) and US dollars (coal, freight and LNG). When currency exposure arises as a result of purchase and sale commitments in foreign currency, forward foreign exchange transactions are used to hedge the exposure.

**Integrated IT**
Robust, fit-for-purpose IT is at the heart of EDFT's business operations and supports our ability to price accurately, develop new products and structures, deliver embedded transaction monitoring and controls and comply with new rules and regulations. It provides us with a consistent risk management framework incorporating standardised systems, processes and controls throughout all our offices. The functionality of our systems is such that it enables our risk teams to spend more time analysing data rather than compiling it, which improves the speed and accuracy of decision-making.

**Company secretary**
Robert Quick, who served as company secretary during the year, resigned on 1 April 2019. Guido Santi was appointed as company secretary on the same date.

**Directors**
The directors, who served during the year, are noted on page 3 and, except as disclosed, served throughout the year and to the date of this report.

**Disabled employees**
Applications for employment by people with disabilities are always fully considered, bearing in mind the aptitude, skills and relevant experience of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged (including re-training if practical and reasonable adjustments to their existing role if possible). It is the policy of the Group and Company that the recruitment, training, career development and promotion of employees with disabilities should, as far as possible, be identical to that of other employees.

## Directors' report (continued)

**Employee consultation**
The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on factors affecting the performance of the Group and Company.

This is achieved in particular through the EDFT intranet site, which includes updates by management, formal and informal meetings as appropriate, regular email updates to all staff in the form of a staff bulletin, an EDFT newsletter issued every two months, team meetings as required, and the EDF magazine.

**Statement of going concern**
The Company's business activities, together with the factors likely to affect its future development, performance and position are set out above. The financial position of the Company is set out in the financial statements. The liquidity position and borrowing facilities of the Company are set out in "Liquidity risk management" and in "Related party transactions" in note 30. The Company has adequate financial resources. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully.

The directors have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

Following the referendum held in the UK on 23 June 2016 regarding leaving the EU and the consequential uncertainty surrounding the UK economy, the Group has been considering and planning for the impact of changes to the Group's legal and regulatory environment in the longer term.

The Directors have measured the nature and extent of the immediate potential risks and uncertainties arising from the result of the referendum and the impact on the future performance and position of the business. The main area of immediate concern relates to possible restrictions on access to specific European energy commodity markets particularly in the event of a 'no-deal Brexit'. The Group has taken steps to initiate a plan, if required, which will enable continued access to affected markets, involving the set-up of a European entity which will act as the interface to the markets concerned. The design of the integrated UK-EU energy markets will only be impacted in a minor way in the event of a no-deal Brexit and does not represent any enhanced risks to the performance of the company. In the longer term, while there is a possibility legal and regulatory frameworks may diverge it is not possible to assess the nature and potential impact of any divergence. However, given the close physical interaction of UK-EU energy markets the extent to any negative divergence should be minimal.

Other risks, including Fraud, Foreign exchange, and Liquidity risks have been assessed, but are not considered significantly enhanced in the context of Brexit. With contingency planning having addressed the impact of a withdrawal without agreement, the longer-term viability of the business is not judged to be specifically impaired because of Brexit including if the UK leaves the EU without any deal.

**Auditor**
Each of the persons who is a director at the date of approval of this report confirms that:
1. so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
2. the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

These confirmations are given pursuant to section 418 of the Companies Act 2006 and should be interpreted in accordance with and subject to those provisions.

KPMG LLP have been reappointed as the company's auditor.

G Santi

Secretary
10th June 2019
Third floor, Cardinal Place
80 Victoria Street
London
SW1E 5JL

## Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements on the same basis.

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 Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently:
- make judgements and estimates that are reasonable, relevant and reliable:
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

J Rittenhouse
Chief Executive
10th June 2019

# Independent auditor's report to the member of EDF Trading Limited

**1 Our opinion is unmodified**

We have audited the financial statements of EDF Trading Limited ("the Company") for the year ended 31 December 2018 which comprise the Consolidated statement of comprehensive income, Consolidated and Company statements of financial position, Consolidated and Company statements of changes in equity, Consolidated cash flow statement, Company cash flow statement and the related notes, including the accounting policies in note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**2 Key audit matters: our assessment of risks of material misstatement**

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including 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. We summarise the key audit matters (relating to both the Group and parent Company), in arriving at our audit opinion above, together with our key audit procedures to address these matters and our results from those procedures. 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.

## Independent auditor's report to the member of EDF Trading Limited

| | The risk | Our response |
|---|---|---|
| **The impact of uncertainties due to the UK exiting the European Union on our audit**<br><br>Refer to page 9 of the Statement of going concern in the Directors' report | **Unprecedented levels of uncertainty**<br>All audits assess and challenge the reasonableness of estimates, related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.<br><br>Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. | We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits.<br><br>**Our procedures included:**<br><br>• Our Brexit knowledge – We considered the directors' assessment of Brexit-related sources of risk for the group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks.<br><br>• Sensitivity analysis – Sensitivity analysis – When addressing areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty.<br><br>• Assessing transparency – As well as assessing individual disclosures as part of our audit procedures we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks.<br><br>However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit. |
| **Valuation of level 3 financial instruments**<br><br>As at 31 December 2018, both the Group and Parent Company had €938 million (2017: €566 million) of financial assets and €276million (2017: €36million) of financial liabilities classified as level 3 financial instruments.<br><br>Refer to note 2 on page 20 (accounting policy) and note 24 on pages 38 to 45 (financial disclosures). | Financial assets and financial liabilities categorised as level 3 financial instruments are those that use unobservable inputs to measure fair value.<br><br>There is a significant risk associated with material level 3 financial instruments due to the level of judgement applied in the use of unobservable inputs to calculate fair value.<br><br>A subjective estimate exists for instruments where an objective external price does not exist, or where such a price is not readily observable, which is principally the case for level 3 financial instruments. | **Controls operation:** We tested the design and operating effectiveness of the controls over independent price verification and controls over validation models that were used to calculate the level 3 fair values.<br><br>**Methodology choice:** In the context of observed industry practice, our own valuation specialists assisted us in our challenge of the appropriateness of a sample of models and methodologies used to calculate the fair values used.<br><br>**Benchmarking assumptions:** For a selection of level 3 financial instruments, we challenged the assumptions by reference to external market data and our knowledge and experience of the industry in which the entity operates. |

**3 Our application of materiality and an overview of the scope of our audit**

Materiality for the Group financial statements as a whole was set at €50m (2017: €50m) determined with reference to a benchmark of net assets (deemed to be the appropriate benchmark considering the users of the financial statements) as disclosed in Consolidated statement of financial position of €2,883m (2017: €3,034m) of which it represents 1.73% (2017: 1.65%).

Materiality for the parent Company financial statements was set at €45m (2017: €45m), determined with reference to a benchmark of net assets of €2,762m (2017: €2,968m), deemed to be the appropriate benchmark considering the users of the financial statements, of which it represents 1.63% (2017: 1.52%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding €2.5m, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's nine reporting components, we subjected one to full scope audit for group purposes. The one component within our scope (the parent Company) accounts for 95% (2017: 96%) of Group total assets, 89% (2017: 94%) of Group profit before tax and 97% (2017: 96%) of the Group net trading income. The work on the parent Company was performed by the Group audit team.

For the residual eight components, we performed analysis at an aggregated Group level to re-examine our assessment

**4 We have nothing to report on going concern**

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

Based on this work, we are required to report to you if we have anything material to add or draw attention to in relation to the directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

**5 We have nothing to report on the other information in the Annual Report**

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

# Independent auditor's report to the member of EDF Trading Limited

***Strategic report and directors' report***
Based solely on our work on the other information:
• we have not identified material misstatements in the strategic report and the directors' report;
• in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
• in our opinion those reports have been prepared in accordance with the Companies Act 2006.

**6 We have nothing to report on the other matters on which we are required to report by exception**

Under the Companies Act 2006, we are required to report to you if, in our opinion:
• adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
• the parent Company financial statements are not in agreement with the accounting records and returns; or
• certain disclosures of directors' remuneration specified by law are not made; or
• we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

**7 Respective responsibilities**

***Directors' responsibilities***
As explained more fully in their statement set out on page 10, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent 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 they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

***Auditor's responsibilities***
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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

**8 The purpose of our audit work and to whom we owe our responsibilities**

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.

**Zaffarali Khakoo**
**(Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**
*Chartered Accountants*
15 Canada Square
London
E14 5GL
10th June 2019

# EDF Trading Limited
# Consolidated statement of comprehensive income
# For the year ended 31 December 2018

| | Note | Year ended 2018 €'000 | Year ended 2017 €'000 |
|---|---|---|---|
| **Net trading income** | | 700,548 | 494,847 |
| Other operating income | | 3,748 | 2,157 |
| Administrative expenses | | (132,026) | (108,263) |
| Other operating expenses | | (23,701) | (15,535) |
| **Operating profit** | | 548,569 | 373,206 |
| Other gains and losses | 9 | (2,445) | 59,261 |
| Investment revenue | 8 | 14,092 | 12,851 |
| Finance costs | 10 | (29,185) | (32,288) |
| **Profit before tax** | | 531,031 | 413,030 |
| Taxation | 12 | (121,888) | (106,400) |
| Share of profit/(loss) of associates | 17 | 75,988 | (48,831) |
| **Profit for the year** | 5 | 485,131 | 257,799 |
| **Other Comprehensive Income** | | | |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Gains/(losses) on cash flow hedges arising during the year | | (829) | 2,594 |
| Deferred income tax relating to cash flow hedges | 12 | (2,565) | (2,287) |
| Gains/(losses) on hedges of a net investment in foreign operation | 28 | (55,321) | 82,299 |
| Movement in associates other comprehensive income | 17 | (8,832) | 12,652 |
| Foreign currency translation differences - foreign operations | | 35,241 | (109,197) |
| **Items reclassified to profit or loss during the year:** | | | |
| Gains/(losses) on cash flow hedges reclassified to profit or loss | | 16,304 | 5,780 |
| Gains/(losses) on hedges of a net investment reclassified to profit or loss | | 1,239 | (1,238) |
| **Other comprehensive expense for the year net of income tax** | | (14,763) | (9,397) |
| **Total comprehensive income for the year** | | 470,368 | 248,402 |

The accompanying notes from pages 20 to 51 form an integral part of these financial statements.

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 from presenting the parent Company profit and loss.

# EDF Trading Limited
## Consolidated and Company statements of financial position
## As at 31 December 2018

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 |
| | Note | €'000 | €'000 | €'000 | €'000 |
| **Non-current assets** | | | | | |
| Intangible assets | 14 | 8,342 | 13,342 | 8,342 | 13,342 |
| Property, plant and equipment | 15 | 115,110 | 106,919 | 12,717 | 9,842 |
| Investment in subsidiaries | 16 | - | - | 119,912 | 119,912 |
| Investment in associates | 17 | 832,052 | 694,476 | 715,855 | 681,172 |
| Other assets | | 34,645 | 41,914 | 79,777 | 84,175 |
| Deferred tax asset | 25 | 12,916 | 16,672 | 10,505 | 11,428 |
| | | 1,003,065 | 873,323 | 947,108 | 919,871 |
| **Current assets** | | | | | |
| Inventories | 18 | 70,592 | 123,996 | 68,302 | 122,700 |
| Prepaid expenses and other assets | | 12,556 | 11,777 | 11,252 | 10,572 |
| Cash and cash equivalents | 19 | 2,127,251 | 1,864,399 | 2,110,531 | 1,847,940 |
| Derivative financial assets | 24 | 10,109,758 | 6,826,393 | 9,920,418 | 6,661,802 |
| Current tax receivables | | 9,048 | - | 8,893 | - |
| Trade and other receivables | 20 | 3,856,868 | 4,276,431 | 3,644,405 | 4,075,960 |
| Loans and receivables | 22 | 16,752 | 30,164 | 158 | - |
| | | 16,202,825 | 13,133,160 | 15,763,959 | 12,718,974 |
| **Total assets** | | 17,205,890 | 14,006,483 | 16,711,067 | 13,638,845 |
| **Current liabilities** | | | | | |
| Current tax liabilities | | 13,924 | 38,792 | - | 32,978 |
| Borrowings | 23 | 453,741 | 2,314 | 451,867 | - |
| Derivative financial liabilities | 24 | 10,205,274 | 6,682,656 | 10,026,472 | 6,510,970 |
| Trade and other payables | 21 | 3,616,416 | 3,717,457 | 3,451,046 | 3,652,121 |
| | | 14,289,355 | 10,441,219 | 13,929,385 | 10,196,069 |
| **Net current assets** | | 1,913,470 | 2,691,941 | 1,834,574 | 2,522,905 |
| **Non-current liabilities** | | | | | |
| Deferred tax liabilities | 25 | 606 | 599 | 35 | 228 |
| Provisions | 26 | 485 | 785 | 21,257 | 434 |
| Borrowings | 23 | 6,891 | 459,836 | - | 451,709 |
| Trade and other payables | 21 | 5,640 | 47,458 | - | - |
| Other liabilities | | 20,145 | 22,186 | 20,145 | 22,186 |
| | | 33,767 | 530,864 | 41,437 | 474,557 |
| **Total liabilities** | | 14,323,122 | 10,972,083 | 13,970,822 | 10,670,626 |
| **Net assets** | | 2,882,768 | 3,034,400 | 2,740,245 | 2,968,219 |
| **Equity** | | | | | |
| Share capital | 27 | 81,000 | 81,000 | 81,000 | 81,000 |
| Capital redemption reserve | | 9,138 | 9,138 | 9,138 | 9,138 |
| Hedging and translation reserves | 28 | (68,539) | (62,608) | (410) | 226 |
| Other reserves | | 314,318 | 323,150 | 565,160 | 565,160 |
| Retained earnings | | 2,546,851 | 2,683,720 | 2,085,357 | 2,312,695 |
| **Total equity** | | 2,882,768 | 3,034,400 | 2,740,245 | 2,968,219 |

The financial statements were approved by the Board of Directors and authorised for issue on 10th June 2019. Signed on behalf of the Board of Directors

J Rittenhouse
Chief Executive
EDF Trading Limited
Registered number: 3750288

The accompanying notes from pages 20 to 51 form an integral part of these financial statements.

# EDF Trading Limited
## Consolidated and Company statements of changes in equity
## As at 31 December 2018

Equity attributable to equity holders of the Company

| Group | Note | Share Capital €'000 | Capital redemption €'000 | Hedging and translation reserves €'000 | Other reserves €'000 | Retained Earnings €'000 | Total €'000 |
|---|---|---|---|---|---|---|---|
| **At 1 January 2017** | | 81,000 | 9,138 | (40,559) | 310,498 | 2,425,921 | 2,785,998 |
| Profit for the period | | - | - | - | - | 257,799 | 257,799 |
| Other comprehensive (expense)/income for the period | | - | - | (22,049) | 12,652 | - | (9,397) |
| **Total comprehensive income /(expense) for the period** | | - | - | (22,049) | 12,652 | 257,799 | 248,402 |
| Dividends | 13 | - | - | - | - | - | - |
| **At 31 December 2017** | | 81,000 | 9,138 | (62,608) | 323,150 | 2,683,720 | 3,034,400 |
| Profit for the period | | - | - | - | - | 485,131 | 485,131 |
| Other comprehensive expense for the period | | - | - | (5,931) | (8,832) | - | (14,763) |
| **Total comprehensive income /(expense) for the period** | | - | - | (5,931) | (8,832) | 485,131 | 470,368 |
| Dividends | 13 | - | - | - | - | (622,000) | (622,000) |
| **At 31 December 2018** | | 81,000 | 9,138 | (68,539) | 314,318 | 2,546,851 | 2,882,768 |

Other reserves includes unrealised profits generated on the disposal of a subsidiary in 2012 and the Group's share of associate's other comprehensive income.

Equity attributable to equity holders of the Company

| Company | Note | Share capital €'000 | Capital redemption €'000 | Hedging and translation reserves €'000 | Other reserves €'000 | Retained Earnings €'000 | Total €'000 |
|---|---|---|---|---|---|---|---|
| **At 1 January 2017** | | 81,000 | 9,138 | (2,180) | 565,160 | 2,026,358 | 2,679,476 |
| Profit for the period | | - | - | - | - | 286,337 | 286,337 |
| Other comprehensive income for the period | | - | - | 2,406 | - | - | 2,406 |
| **Total comprehensive income for the period** | | - | - | 2,406 | - | 286,337 | 288,743 |
| Dividends | 13 | - | - | - | - | - | - |
| **At 31 December 2017** | | 81,000 | 9,138 | 226 | 565,160 | 2,312,695 | 2,968,219 |
| Profit for the period | | - | - | - | - | 394,662 | 394,662 |
| Other comprehensive expense for the period | | - | - | (636) | - | - | (636) |
| **Total comprehensive income /(expense) for the period** | | - | - | (636) | - | 394,662 | 394,026 |
| Dividends | 13 | - | - | - | - | (622,000) | (622,000) |
| **At 31 December 2018** | | 81,000 | 9,138 | (410) | 565,160 | 2,085,357 | 2,740,245 |

Other reserves includes unrealised profits generated on the disposal of a subsidiary in 2012.

The accompanying notes from pages 20 to 51 form an integral part of these financial statements.

# EDF Trading Limited
# Consolidated cash flow statement
# For the year ended 31 December 2018

| | Note | Year ended 2018 €'000 | Year ended 2017 €'000 |
|---|---|---|---|
| ***Operating activities*** | | | |
| Profit before tax | | 531,031 | 413,030 |
| Depreciation of tangible fixed assets | 15 | 10,307 | 8,078 |
| Impairment of tangible fixed assets | 15 | 3,845 | 2,035 |
| Amortisation of intangible assets | 14 | 5,000 | 1,658 |
| Provisions released in the year | 26 | (434) | (35,822) |
| Interest expense | | 29,185 | 32,288 |
| Losses on foreign currency exchange | | 2,426 | 2,924 |
| Gains on disposal of Group's entity | | - | (62,185) |
| **Operating cash flows before movements in working capital** | | 581,360 | 362,006 |
| | | | |
| Decrease in inventories | | 53,469 | 323,091 |
| Decrease in trade and other receivables | | 414,646 | 762,615 |
| Decrease in trade and other payables | | (138,592) | (1,361,989) |
| Decrease in net derivative financial asset | | 210,517 | 274,574 |
| Decrease in prepaid expenses | | 6,025 | 9,678 |
| Decrease in other assets | | 5,550 | 7,055 |
| Decrease in other liabilities | | (4,780) | (6,969) |
| **Cash generated from operations** | | 1,128,195 | 370,061 |
| | | | |
| Interest and bank charges paid | | (29,185) | (32,277) |
| Income taxes paid | | (154,535) | (109,703) |
| **Net cash inflow from operating activities** | | 944,475 | 228,081 |
| | | | |
| **Investing activities** | | | |
| Repayments of a loan from associate | | 15,406 | - |
| Purchases of property, plant and equipment and intangible assets | 14,15 | (17,158) | (25,178) |
| Proceeds on disposal of property, plant and equipment and intangible assets | | 290 | 114,318 |
| Acquisition of associates | | - | (170,189) |
| Capital injection in associate | | (34,683) | - |
| Realised (losses)/gains on Net Investments in foreign operations/cash flow hedges | | (17,745) | 69,632 |
| **Net cash outflow from investing activities** | | (53,890) | (11,417) |
| | | | |
| **Financing activities** | | | |
| Repayments of borrowings from third parties | | (1,031) | (3,583) |
| Effect of foreign exchange rate changes on borrowings | | (487) | (5,591) |
| Dividends paid | 13 | (622,000) | - |
| **Net cash outflow from financing activities** | | (623,518) | (9,174) |
| | | | |
| **Net increase in cash and cash equivalents** | | 267,067 | 207,490 |
| | | | |
| **Cash and cash equivalents at beginning of year** | | 1,864,399 | 1,656,830 |
| Effect of foreign exchange rate changes on cash and cash equivalents | | (4,215) | 79 |
| **Cash and cash equivalents at end of year** | 19 | 2,127,251 | 1,864,399 |

The accompanying notes from pages 20 to 51 form an integral part of these financial statements.

# EDF Trading Limited
# Company cash flow statement
# For the year ended 31 December 2018

| | Note | Year ended 2018 €'000 | Year ended 2017 €'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before tax | | 479,376 | 334,806 |
| Amortisation of intangible fixed assets | 14 | 5,000 | 1,658 |
| Depreciation of tangible fixed assets | 15 | 3,960 | 3,078 |
| Write-down of intercompany loan | | 21,257 | - |
| Impairment of investments | 17 | - | 133,043 |
| Provisions released in the year | 26 | (434) | (35,822) |
| Interest expense | | 28,466 | 32,943 |
| Losses on foreign currency exchange | | 2,182 | (43,570) |
| Income from subsidiaries | | (120,000) | (73,305) |
| **Operating cash flows before movements in working capital** | | 419,807 | 352,831 |
| Decrease in inventories | | 54,398 | 352,518 |
| Decrease in trade and other receivables | | 423,635 | 997,483 |
| Decrease in trade and other payables | | (198,080) | (1,629,584) |
| Decrease in net derivative financial asset | | 256,692 | 270,762 |
| Decrease in prepaid expenses | | 6,056 | 10,481 |
| Decrease in other assets | | 5,531 | 5,595 |
| Decrease in other liabilities | | (5,037) | 26,399 |
| **Cash generated from operations** | | 963,002 | 386,485 |
| Interest and bank charges paid | | (28,696) | (32,931) |
| Income taxes paid | | (125,662) | (88,789) |
| **Net cash inflow from operating activities** | | 808,644 | 264,765 |
| **Investing activities** | | | |
| Dividends received from subsidiaries | | 120,000 | 73,305 |
| Purchases of property, plant and equipment and intangible assets | 14,15 | (5,706) | (19,840) |
| Proceeds on disposal of property, plant and equipment and intangible assets | | - | 46,832 |
| Acquisition of associates | | - | (170,189) |
| Capital injection in associate | | (34,683) | - |
| Realised (losses)/gains on Net Investments in foreign operations/cash flow hedges | | (636) | 64,818 |
| **Net cash inflow/(outflow) from investing activities** | | 78,975 | (5,074) |
| **Financing activities** | | | |
| Dividends paid | 13 | (622,000) | - |
| **Net cash outflow from financing activities** | | (622,000) | - |
| **Net increase in cash and cash equivalents** | | 265,619 | 259,691 |
| **Cash and cash equivalents at beginning of year** | | 1,847,940 | 1,589,120 |
| Effect of foreign exchange rate changes on cash and cash equivalents | | (3,028) | (871) |
| **Cash and cash equivalents at end of year** | 19 | 2,110,531 | 1,847,940 |

The accompanying notes from pages 20 to 51 form an integral part of these financial statements.

### 1 Company information

EDF Trading Limited is a company incorporated and domiciled in the United Kingdom under the Companies Act. The address of the registered office is 80 Victoria Street, Cardinal Place, London, SW1E 5JL.

These financial statements are presented in euros because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the accounting policies set out in note 2.

### 2 Significant accounting policies

**Basis of accounting**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The principal accounting policies adopted are set out below and within relevant notes to the financial statements.

The financial statements have been prepared on the historical cost basis, except for financial instruments and inventories which are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS).

**Investments in subsidiaries**

Investments in subsidiary undertakings are initially measured at cost and subsequently carried at cost less provisions for impairment. Investments are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts of the investment may not be recoverable. An impairment loss is recognised if the carrying amount of the investment exceeds the higher of net realisable value and the discounted future earnings from the investment. Further details pertaining to the accounting of subsidiary undertakings is included above at Basis for consolidation.

## 2 Significant accounting policies (continued)

### Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting under which an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The company review the carrying amount of the group's investment in an associate for impairment at each end of the reporting period. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

### Transactions eliminated on consolidation

Intergroup balances and transactions and any unrealised income and expenses, arising from intragroup transactions, are eliminated. Unrealised gains arising from transactions with equity accounted associates are eliminated against the investment to the extent of the Group's interest in the associates. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### Translation of foreign operations

The assets and liabilities of foreign operations are translated from their respective functional currencies into the Group's presentation currency using the year-end exchange rates, and their income and expenses using the average exchange rates for the year. Cumulative unrealised gains or losses resulting from translation of functional currencies to the presentation currency are included as a separate component of shareholders' equity. To the extent that these gains and losses are effectively hedged, the cumulative effect of such gains and losses arising on the hedging instruments are also included in that component of shareholders' equity. Upon the disposal of subsidiaries the cumulative amount of exchange differences deferred in shareholders' equity, net of attributable amounts in relation to hedged net investments, is recognised in profit or loss.

### Cash and cash equivalents

Cash and cash equivalents comprise cash and short term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

The Company participates in a cash management program with Electricité de France, whereby the Company agrees to pool surplus liquidity with Electricité de France. The purpose of the cash pooling arrangement is to allow for the optimal management of credit and investment of cash surpluses between the Company and Electricité de France.

### Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Directors' Report on page 9.

### Net trading income

Net trading income represents the consolidated value of all transactions realised and unrealised as at period end attributable to the purchase and sale of energy products in the wholesale market and related activities. To define trading income, the Group uses the net gains and losses generated from financial instruments classified as held for trading per IFRS9 Financial Instruments ("IFRS 9") as the basis for this categorisation.

Net trading income is attributable to the Group's principal activity.

### Trade Receivables and Payables

Based on a review of business model, the accounts receivable are classified at fair value through profit and loss as the management of the Group's core activities is conducted on a fair value basis. Alongside the business model assessment of financial assets, the Group has reconsidered its classification of trade payables. The Group considers trade payables to meet the definition of "held for trading" as they form part of a portfolio of financial instruments that are managed on a fair value basis. The change in measurement category had an immaterial impact on retained earnings.

## 2 Significant accounting policies (continued)

**Foreign currencies**

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in euros, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into to hedge certain foreign currency risks.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss.

**Judgements and estimates**

The preparation of financial statements in accordance with IFRS requires management to make judgements and estimates that affect reported assets, liabilities, revenues, expenses, gains, losses and disclosure of contingencies. These judgements are subject to change based on experience and new information. The financial statement areas that require significant judgements are as follows:

*Fair value measurement*

Derivative financial instruments are recognised at fair value. Fair value of these financial instruments is calculated as an estimate which uses market observable inputs but in some cases uses non-market observable inputs. There is further judgement applied in calculating the dynamic reserve for Level 3 models. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedge relationship. For fair value hedge relationships, gains or losses on the derivatives (being the hedging instruments) continue to be recognised in the P&L in the period in which they occur. For cash flow and net investment hedges, the effective portion of gains or losses on the derivatives are initially posted to OCI and presented within equity, while the ineffective portion is immediately posted to the P&L. The change in the fair value of the derivatives that is recognised in OCI is subsequently reclassified to the P&L when the hedge item affects the P&L.

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. Further detail is contained in note 24.

*Asset Impairments and Reversals*

Management applies judgement in assessing the existence of impairment and impairment reversal indicators based on various internal and external factors. The recoverable amount of CGUs and individual assets is determined based on the higher of fair value less costs to sell or value-in-use calculations.

The key estimates the company applies in determining the recoverable amount normally include estimated future charter rates (for vessels), commercial reserves (for mining resources), commodity prices, interest rates, foreign currency rates, discount rates and tax rates. Changes to these estimates and judgements will affect the recoverable amount of individual assets and may then require a material adjustment to their related carrying value.

**2 Significant accounting policies (continued)**

**Judgements and estimates (continued)**

*Deferred Taxes*

Deferred tax assets are recognised when it is considered probable that deductible temporary differences will be recovered in the foreseeable future. To the extent that future taxable income and the application of existing tax laws in each jurisdiction differ significantly from the company's estimate, the ability of the company to realise the deferred tax assets could be impacted. The key estimate is the forecast of future taxable profits in each relevant jurisdiction.

**Operating leases**

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

**Segmental reporting**

The Company is a wholly-owned subsidiary undertaking of Electricité de France S.A. ("EDF"), which produces consolidated segmental financial information in accordance with IFRS 8.

**3 Standards, interpretations and amendments to published standards effective in the reporting period**

IFRS 15 *'Revenue from contracts with customers' - effective on 1 January 2018*

A significant portion of the Company's revenue is outside the scope of IFRS 15. The adoption of the standard has not had a material impact on the financial statements.

IFRS 9 *'Financial instruments' - effective on 1 January 2018*

As part of the IFRS9 implementation, the Company is required to classify its financial assets via an assessment of the business model within which the assets are held and an assessment of whether the contractual terms of the financial assets are SPPI on the principal amount outstanding.

Accordingly, the Company has reviewed underlying business models of the financial assets. The review did not cause any significant changes to the classification of assets as the majority of these have been already measured at fair value through the profit and loss under IAS39. Trade payables and receivables have been remeasured at fair value consistently with the business model assessment. The accounting policy has been amended accordingly (refer to page 21).

The schedule below explains the original measurement of components of the balance sheet, as classified under IAS39, and the newly adopted measurement categories under IFRS9 for each class of these assets and liabilities. Trade receivables have been reclassified from amortised cost to FVTPL because they form part of a portfolio of assets whose performance is measured on a fair value basis. Trade payables have been reclassified from amortised cost to FVTPL due to a change in accounting policy which classifies these instruments as held-for-trading. The balances in the schedule represent carrying values at 1 January 2018 under IAS39 and IFRS9.

| Class of assets/liabilities | Original classification under IAS39 | Adopted classification under IFRS9 | Original net carrying amount under IAS39 | New net carrying amount under IFRS9 |
|---|---|---|---|---|
| | | | €'000 | €'000 |
| Cash and cash equivalents | Loans and receivables | Amortised cost | 1,864,399 | 1,864,399 |
| Loans and receivables | Loans and receivables | Amortised cost | 30,164 | 30,164 |
| Trade and other receivables | Loans and receivables | Fair value through PL | (4,276,431) | (4,271,131) |
| Borrowings | Loans and receivables | Amortised cost | (462,150) | (462,150) |
| Trade and other payables | Other financial liabilities | Fair value through PL | 3,764,915 | 3,764,815 |
| Foreign exchange contracts used for hedging | Fair value - hedging instrument | Fair value through PL | (25,355) | (25,355) |
| Energy commodity contracts assets | Held-for-trading | Fair value through PL | 9,775,081 | 9,775,081 |
| Energy commodity contracts liabilities | Held-for-trading | Fair value through PL | (9,961,385) | (9,961,385) |
| Interest rate swaps - assets | Held-for-trading | Fair value through PL | 3,937 | 3,937 |
| Interest rate swaps - liabilities | Held-for-trading | Fair value through PL | (32,568) | (32,568) |
| Credit derivatives | Held-for-trading | Fair value through PL | (2,587) | (2,587) |

Due to the transition method chosen by the Group in applying IFRS9, comparative information throughout these financial statements has not generally been restated to reflect its requirements.

### 3 Standards, interpretations and amendments to published standards effective in the reporting period (continued)

Differences in the carrying amounts resulting from the adoption of IFRS9, had no impact on retained earnings.

### 4 Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations have been issued by the International Accounting Standards Board (IASB) that are not yet effective for these financial statements.

The Company has not early adopted any of these standards, amendments or interpretations. The adoption of the below standards, amendments or interpretations which are considered to be most relevant to the Company in future years are not expected to have a material impact on the Company's financial statements.

IFRS *16 'Leases' - effective on or after 1 January 2019*
This standard is not expected to have a material impact on the financial statements in future years. The implementation of the standard will be reflected in reclassification of office space leases and data centre contracts.

### 5 Profit for the year

| Profit for the year has been arrived at after charging / (crediting): | Group | |
|---|---|---|
| | **Year ended 2018 €'000** | **Year ended 2017 €'000** |
| Net foreign exchange losses | 2,426 | 2,928 |
| Depreciation of property, plant and equipment | 10,307 | 8,079 |
| Amortisation of intangible asset | 5,000 | 1,658 |
| Impairment of property, plant and equipment | 3,845 | 2,035 |
| Loss/(gain) on disposal of property, plant and equipment | 19 | (4) |
| Gain on disposal of group entity | - | (62,185) |
| Staff costs (see note 7) | 101,178 | 75,634 |
| | 122,775 | 28,145 |

### 6 Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

| | **Year ended 2018 €'000** | **Year ended 2017 €'000** |
|---|---|---|
| **Fees payable to the company's auditor and its associates for the audit of the company and consolidated annual accounts *** | 789 | 812 |
| **Fees payable to the company's auditor and their associates for other services to the group** | | |
| – The audit of the company's subsidiaries | 31 | 30 |
| ***Total audit fees*** | 820 | 842 |
| - Taxation compliance services | - | - |
| - Other services pursuant to legislation | - | - |
| ***Total non-audit fees*** | - | - |

* Included in share of associates' operating profit is €136,100 (2017: €134,000) of fees payable to the Company's auditor for the audit of associate undertakings and other services, which is not included in the amounts shown above.

## 7 Staff costs

The average monthly number of employees (including executive directors) was:

| | Group 2018 Number | 2017 Number |
|---|---|---|
| Group employees | 461 | 465 |

Their aggregate remuneration comprised:

| | Year ended 2018 €'000 | Year ended 2017 €'000 |
|---|---|---|
| Wages and salaries | 85,306 | 62,636 |
| Social security costs | 12,249 | 8,903 |
| Other pension costs | 3,623 | 4,095 |
| | 101,178 | 75,634 |

The Group operates a defined contribution group personal pension scheme available to its employees. Contributions are recognised as employee benefit expense when they become payable in accordance with the rules of the scheme. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet. The amount recognised as an expense for defined contribution plans in 2018 was €3,623k (2017: €4,095k).

**Remuneration of key management personnel**

The remuneration of the directors, who are the key management personnel of the company, is set out below in aggregate for each of the relevant categories specified in IAS 24 Related Party Disclosures. The amounts disclosed below represent those in relation to the sole director who received remuneration in respect of services to the company.

The other members of the board were not remunerated for their services to the Company either by the Company or EDF S.A.

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| Salaries, fees, bonuses and benefits in kind | 2,323 | 2,330 |
| | 2,323 | 2,330 |

## 8 Investment revenue

| | Group Year ended 2018 €'000 | Year ended 2017 €'000 |
|---|---|---|
| Bank deposits | 217 | 244 |
| Interest received on margin calls and collateral | 611 | 401 |
| Credit facility and similar fees paid by EDF Group companies | 11,610 | 12,206 |
| Interest accrued on unwinding of deferred consideration | 1,654 | - |
| Total investment revenue | 14,092 | 12,851 |

## 9 Other gains and losses

| | Group Year ended 2018 €'000 | Year ended 2017 €'000 |
|---|---|---|
| Gain on disposal of group entity | - | 62,185 |
| (Loss)/gain on disposal of assets | (19) | 4 |
| Foreign currency (losses)/gains | (2,426) | (2,928) |
| | (2,445) | 59,261 |

## 10 Finance costs

| | Group Year ended 2018 €'000 | Year ended 2017 €'000 |
|---|---|---|
| Interest on bank overdrafts and loans | 901 | 1,289 |
| Interest charged by EDF Group companies | 23,449 | 24,962 |
| Bank charges and other | 4,711 | 5,644 |
| Interest paid on margin calls and collateral | 124 | 393 |
| Total finance costs | 29,185 | 32,288 |

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

## 11 Parent company profit and loss

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year amounted to €394,662,000 (2017: €286,337,000).

# EDF Trading Limited
# Notes to the financial statements
# For the year ended 31 December 2018

### 12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

| | Group Year ended 2018 €'000 | Year ended 2017 €'000 |
|---|---|---|
| Corporation tax: | | |
| Current year charge | (119,356) | (74,316) |
| Adjustments in respect of prior years | (1,295) | (483) |
| | (120,651) | (74,799) |
| Deferred tax: | | |
| Current year charge | (2,269) | (9,597) |
| Adjustments in respect of prior years | 1,032 | (22,004) |
| | (1,237) | (31,601) |
| | (121,888) | (106,400) |

Corporation tax is calculated at 19% (2017: 19.25%) of the estimated taxable profit for the year.

The Finance Act 2015 enacted a 1% reduction in the UK corporation tax rate to 18% from April 2020. The Finance Act 2016 enacted a further 1% reduction from April 2020, to 17%. These reductions will impact the current tax charge in 2020.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

| | Group Year ended 2018 €'000 | Year ended 2017 €'000 |
|---|---|---|
| Profit for the year | 485,131 | 257,799 |
| Share of profit/loss of associates for the year | 75,988 | (48,831) |
| Taxation | (121,888) | (106,400) |
| Profit before taxation | 531,031 | 413,030 |
| Tax at the UK corporation tax rate of 19% (2017: 19.25 %) | (100,896) | (79,508) |
| Prior year adjustment | (263) | (22,487) |
| Write-off deferred tax asset | - | (5,664) |
| Tax effect of expenses/income that are not deductible/taxable in determining taxable profit | (1,299) | (250) |
| Gain on disposal of investment | - | 11,969 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | (16,174) | (10,396) |
| Effect of change in tax rate | 673 | (64) |
| Unrecognised deferred tax | (3,929) | - |
| Tax expense for the year | (121,888) | (106,400) |

**12 Taxation (continued)**

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised in other comprehensive income:

| | Group Year Ended 2018 €'000 | Year Ended 2017 €'000 |
|---|---|---|
| **Deferred tax:** | | |
| **Items that may be reclassified subsequently to profit or loss:** | | |
| Cash flow hedges: | | |
| Gains on cash flow hedges | (2,565) | (2,287) |
| Total income tax recognised in other comprehensive income | (2,565) | (2,287) |

**13 Dividends**

| | Company Year ended 2018 €'000 | Year ended 2017 €'000 |
|---|---|---|
| Amounts recognised as distributions to equity holders in the period: | | |
| Total dividend | 622,000 | - |
| Dividend per share (in €) | 7.68 | - |

### 14 Intangible assets

**Impairment of tangible and intangible assets excluding goodwill**

At each balance sheet date, the Group verifies whether its previous assumptions about useful economic life, residual value and amortisation methods of its tangible and intangible assets are still adequate. The Group reviews the carrying amounts of its tangible (see note 15) 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 group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and 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 profit or loss.

| Group and Company | **Market access rights €'000** |
|---|---|
| **Cost** | |
| At 1 January 2017 | - |
| Additions during the year | 15,000 |
| At 31 December 2017 | 15,000 |
| Additions during the year | - |
| At 31 December 2018 | 15,000 |
| **Accumulated amortisation** | |
| At 1 January 2017 | - |
| Charge for the year | (1,658) |
| At 31 December 2017 | (1,658) |
| Charge for the year | (5,000) |
| At 31 December 2018 | (6,658) |
| **Carrying amount** | |
| At 31 December 2018 | 8,342 |
| At 31 December 2017 | 13,342 |
| At 1 January 2017 | - |

The Company holds an intangible asset arising from its exclusive market access agreement with a fellow EDF group entity. The asset is amortised over the estimated useful life of 3 years.

### 15 Property, plant and equipment

**Property, plant and equipment**

Freehold land and assets under construction are not depreciated. Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and assets under construction) less their residual values over their useful lives, using the straight-line method, on the following basis:

| | |
|---|---|
| Computer equipment | 3 years |
| Furniture and fittings | 4 years |
| Communication equipment | 4 years |
| Leasehold improvements | 4 years |
| Plant and equipment | 20 years |
| Buildings | 40 years |
| Vessels | 10-15 years |

Vessels are stated at cost and depreciation is recognised so as to write off the cost or valuation of assets less their residual values, using the straight-line method.

Mining resources are included within tangible assets at cost and depreciated on a "unit of production" basis over the total estimated remaining commercially recoverable reserves of each property. Changes in the commercial reserves affecting unit of production calculations are dealt with prospectively over the revised remaining reserves. Provision is made for any impairment.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Impairment losses on property, plant and equipment are assessed as detailed in note 14 and included in the other operating expenses line in profit or loss.

No borrowing costs incurred in 2017 or 2018 were directly attributable to the acquisition, construction or production of tangible assets for either the Group or Company and hence all borrowing costs were expensed as incurred.

**15 Property, plant and equipment (continued)**

| Group | Computer and communi-cation equipment €'000 | Furniture and fittings €'000 | Land and buildings €'000 | Mining resources €'000 | Vessels €'000 | Total €'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January 2017 | 39,817 | 5,578 | 12,640 | - | 81,953 | 139,988 |
| Additions | 4,662 | 17 | 173 | 5,326 | - | 10,178 |
| Disposals | (282) | (289) | (356) | - | - | (927) |
| Exchange adjustments | (38) | (40) | (49) | (20,954) | (8,831) | (29,912) |
| Reclassified from held for sale | - | - | - | 188,219 | - | 188,219 |
| At 31 December 2017 | 44,159 | 5,266 | 12,408 | 172,591 | 73,122 | 307,546 |
| Additions | 7,030 | 141 | 67 | 9,542 | 711 | 17,491 |
| Disposals | - | - | - | - | (1,354) | (1,354) |
| Exchange adjustments | - | - | - | 8,704 | 5,061 | 13,765 |
| At 31 December 2018 | 51,189 | 5,407 | 12,475 | 190,837 | 77,540 | 337,448 |
| **Accumulated depreciation and impairment** | | | | | | |
| At 1 January 2017 | (33,368) | (5,142) | (11,137) | - | (54,537) | (104,184) |
| Reclassified from held for sale | - | - | - | (103,590) | - | (103,590) |
| Charge for the year | (2,589) | (60) | (459) | (2,312) | (2,659) | (8,079) |
| Impairment (loss)/recovery | - | - | - | (6,459) | 4,424 | (2,035) |
| Disposals | 216 | 155 | 312 | - | - | 683 |
| Exchange adjustments | 51 | 16 | 42 | 10,556 | 5,913 | 16,578 |
| At 31 December 2017 | (35,690) | (5,031) | (11,242) | (101,805) | (46,859) | (200,627) |
| Charge for the year | (3,444) | (139) | (453) | (3,279) | (2,992) | (10,307) |
| Impairment (loss)/recovery | - | - | - | (5,959) | 2,114 | (3,845) |
| Disposals | - | - | - | - | 1,354 | 1,354 |
| Exchange adjustments | - | - | - | (5,438) | (3,475) | (8,913) |
| At 31 December 2018 | (39,134) | (5,170) | (11,695) | (116,481) | (49,858) | (222,338) |
| **Carrying amount** | | | | | | |
| At 31 December 2018 | 12,055 | 237 | 780 | 74,356 | 27,682 | 115,110 |
| At 31 December 2017 | 8,469 | 235 | 1,166 | 70,786 | 26,263 | 106,919 |
| At 1 January 2017 | 6,449 | 436 | 1,503 | - | 27,416 | 35,804 |

**Impairment losses and reversals recognised in the year**

The impairment charge recognised in the year relates to the coal mine in Australia. The coal mine has been impaired to its fair value less cost to sell of €74m ($85m), the estimated sale valuation. The impairment recovery of €2.1m relates to the vessels Cape Amanda, and Cape Agnes. It is based on Cape Amanda's fair value less cost to sell and Cape Agnes's value in use. Valuations of the vessels and the coal mine are Level 3 in the IFRS13 fair value hierarchy.

**Sensitivity analysis**

If the discount rate increased by 1% or the Baltic 4TC index reduced by 10%, the recoverable value of the vessel Cape Agnes would become the fair value less costs to sell of €12.6m and result in an impairment charge of €0.4m. A decrease in the estimated terminal value of the Cape Agnes of 10% would result in an impairment charge of €0.5m.

# EDF Trading Limited
# Notes to the financial statements
# For the year ended 31 December 2018

**15 Property, plant and equipment (continued)**

| Company | Computer and communication equipment €'000 | Furniture and fittings €'000 | Leasehold improvements €'000 | Total €'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2017 | 37,961 | 4,767 | 11,745 | 54,473 |
| Additions | 4,650 | 17 | 173 | 4,840 |
| At 31 December 2017 | 42,611 | 4,784 | 11,918 | 59,313 |
| Additions | 6,699 | 89 | 47 | 6,835 |
| At 31 December 2018 | 49,310 | 4,873 | 11,965 | 66,148 |
| **Accumulated depreciation** | | | | |
| At 1 January 2017 | (31,632) | (4,427) | (10,334) | (46,393) |
| Charge for the year | (2,546) | (106) | (426) | (3,078) |
| At 31 December 2017 | (34,178) | (4,533) | (10,760) | (49,471) |
| Charge for the year | (3,405) | (108) | (447) | (3,960) |
| At 31 December 2018 | (37,583) | (4,641) | (11,207) | (53,431) |
| **Carrying amount** | | | | |
| At 31 December 2018 | 11,727 | 232 | 758 | 12,717 |
| At 31 December 2017 | 8,433 | 251 | 1,158 | 9,842 |
| At 1 January 2017 | 6,329 | 340 | 1,411 | 8,080 |

### 16 Investment in subsidiaries

The group consists of a parent company, EDF Trading Limited, incorporated in the UK and a number of subsidiaries and associates held directly and indirectly by EDF Trading Limited, which operate and are incorporated around the world.

Information about the composition of the Group at the end of the reporting period is as follows:

| Name of subsidiary | Principal activity | Place of incorporation and operation | Holding | |
|---|---|---|---|---|
| | | | At 31 December 2018 | At 31 December 2017 |
| Cardinal Shipping Limited | Vessel ownership | London, United Kingdom | 100% | 100% |
| EDF Trading (Switzerland) AG | Power trading | Aarau, Switzerland | 100% | 100% |
| EDF Trading Australia Pty Limited | Participant in coal mining project | Brisbane, QLD, Australia | 100% | 100% |
| EDF Trading Bioenergy Limited | Not trading | London, United Kingdom | 100% | 100% |
| EDF Trading Markets (Ireland) Limited | Arranger on behalf of the Company | Dublin, Ireland | 100% | N/A |
| EDF Trading Electricidad y Gas, S.L. | Not trading | Barcelona, Spain | 100% | 100% |
| EDF Trading Markets Limited | Arranger on behalf of the Company | London, United Kingdom | 100% | 100% |
| EDF Trading Singapore Pte. Limited | Coal marketing | Singapore | 100% | 100% |
| EDF Trading Japan KK | Not trading | Tokyo, Japan | 100% | 100% |

The nature of the activities of all EDF Trading Limited's associates' is trading in commodities and the associated logistical operations, which are seen as complementing the Group's operations and contributing to achieving the Group's overall strategy.

| Movements in investments in subsidiaries for the Company: | Company 2018 €'000 | Company 2017 €'000 |
|---|---|---|
| Balance at 1 January | 119,912 | 187,397 |
| Disposals during the year | - | (67,485) |
| Impairment | - | - |
| Additions | - | - |
| | 119,912 | 119,912 |

### 17 Investment in associates and joint operations

**Details of material joint operations**

| Name of joint operation | Principal activity | Place of incorporation and operation | Proportion of ownership interest / voting rights held by the Group | |
|---|---|---|---|---|
| | | | At 31 December 2018 | At 31 December 2017 |
| Westminster Shipping Limited | Vessel ownership | London, United Kingdom | 50% | 50% |

Westminster Shipping Ltd is jointly controlled by the Company and Mitsubishi Corporation, an entity incorporated in Japan. The Group's share of assets, liabilities, revenues and expenses is incorporated into these accounts on the line by line basis.

### 17 Investment in associates and joint operations (continued)

**Details of material associates**

Details of each of the Group's associates at the end of the reporting period are as follows:

| Name of associate | Principal activity | Place of incorporation and principal place of business | Proportion of ownership interest / voting rights held by the Group 2018 | 2017 |
|---|---|---|---|---|
| ENAG Energiefinanzierungs A.G. ** | Power trading | Schwyz, Switzerland | 16% | 16% |
| EDF Inc. ** | Holding company | Chevy Chase, MD, United States | 17.5% | 17.5% |
| Jera Trading Pte. Ltd. | Coal Trading | Singapore | 33.3% | 33.3% |

All of the above associates are accounted for using the equity method in these consolidated financial statements, as set out in the Group's accounting policies as per note 2. During the year ended 31 December 2017, the Company acquired a one-third share of Jera Trading Pte. Ltd, based in Singapore. On 1 April 2019 Jera Trading Pte changed the name to Jera Global Markets Pte.

** Significant influence is exercised over EDF Inc., through board representation, and EDF S.A. owns the remaining shareholdings, and over ENAG whereby all partners have board representations.

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below is on a 100% basis and represents amounts in associates' financial statements prepared in accordance with IFRSs.

| | Jera Trading | | ENAG Energiefinanzierungs | | EDF Inc. | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| Ownership percentage | 33.3% | 33.3% | 16.0% | 16.0% | 17.5% | 17.5% |
| Current assets | 1,544,177 | 1,534,567 | 14,693 | 55,005 | 2,143,934 | 2,318,215 |
| Non-current assets | 178,756 | 172,797 | 465,956 | 461,918 | 5,146,802 | 4,252,431 |
| Current liabilities | (872,256) | (1,106,178) | (38,158) | (127,383) | (432,406) | (465,960) |
| Non-current liabilities | (72,711) | (67,398) | (326,305) | (301,232) | (4,233,856) | (3,185,555) |
| Equity attributable to owners of the Company | 777,966 | 533,788 | 116,186 | 88,308 | 2,624,474 | 2,919,131 |
| Revenue | 109,043 | 77,709 | 301,657 | 235,129 | 953,818 | 716,339 |
| Operating costs | (8,737) | (5,516) | (293,550) | (227,934) | (680,525) | (1,182,473) |
| Finance (costs)/income | 15,371 | 10,396 | (7,360) | (6,307) | (52,134) | 152,463 |
| Tax | (15,597) | (9,679) | (127) | (156) | 29,316 | (21,133) |
| Total comprehensive income/(expense) | 100,080 | 72,910 | 620 | 732 | 250,475 | (334,804) |

# EDF Trading Limited
# Notes to the financial statements
# For the year ended 31 December 2018

### 17 Investment in associates and joint operations (continued)

Reconciliation of the summarised financial information to the carrying amount of the interest in EDF Inc., ENAG and JERA Trading recognised in the consolidated financial statements:

| | Jera Trading | | EDF Inc. | | ENAG Energie-finanzierungs A.G. | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| Ownership percentage | 33.3% | 33.3% | 17.5% | 17.5% | 16.0% | 16.0% | | |
| Carrying amount of the Group's interest in the Associate: | | | | | | | | |
| At 1 January | 178,018 | - | 511,732 | 644,025 | 4,725 | 5,281 | 694,475 | 649,306 |
| Initial recognition | - | 170,188 | - | - | - | - | - | 170,188 |
| Capital injection | 34,683 | - | - | - | - | - | 34,683 | - |
| Share of retained (loss)/profit | 35,069 | 22,877 | 40,919 | (71,708) | - | - | 75,988 | (48,831) |
| Share of movements in reserves | 1,326 | - | (10,158) | 12,652 | - | - | (8,832) | 12,652 |
| Profit distribution | - | - | - | - | (107) | (113) | (107) | (113) |
| FX variances | 9,536 | (15,047) | 26,130 | (73,237) | 179 | (443) | 35,845 | (88,727) |
| At 31 December | 258,632 | 178,018 | 568,623 | 511,732 | 4,797 | 4,725 | 832,052 | 694,475 |

Carrying amount of the Company's interest in the Associate:

| | Jera Trading | | EDF Inc. | | Total | Total |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| At 1 January | 170,188 | - | 510,984 | 644,027 | 681,172 | 644,027 |
| Impairment | - | - | - | (133,043) | - | (133,043) |
| Additions | 34,683 | 170,188 | - | - | 34,683 | 170,188 |
| At 31 December | 204,871 | 170,188 | 510,984 | 510,984 | 715,855 | 681,172 |

### 18 Inventories

Inventory represents commodities held for trading purposes and are held at fair value (being Level 2 in the IFRS 13 fair value hierarchy). Movements in the fair value of inventory are recognised in profit or loss. The inventory is acquired for the purpose of trading, the valuation of inventory at fair value is appropriate. The cost of inventory held is €51,079,011 (2017: €97,531,941) for the Group and €51,076,722 (2017: €96,236,287) for the Company.

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | €'000 | €'000 | €'000 | €'000 |
| Coal Trading stock | 2,289 | 1,296 | - | - |
| Emissions trading allowances | 236 | 19,212 | 235 | 19,212 |
| Gas & other stock | 68,067 | 103,488 | 68,067 | 103,488 |
| | 70,592 | 123,996 | 68,302 | 122,700 |

### 19 Cash and cash equivalents

| | Group 2018 | Group 2017 | Company 2018 | Company 2017 |
|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 |
| Cash | 43,204 | 42,750 | 26,291 | 26,291 |
| Cash pool agreements | 2,084,047 | 1,821,649 | 2,084,240 | 1,821,649 |
| Cash and cash equivalents | 2,127,251 | 1,864,399 | 2,110,531 | 1,847,940 |

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated balance sheet position as shown above.

The Company participates in a cash management program with Electricité de France, whereby the Company agrees to pool surplus liquidity with Electricité de France. The purpose of the cash pooling arrangement is to allow for the optimal management of credit and investment of cash surpluses between the Company and Electricité de France. The terms of the agreement are similar to a typical bank account in that the Company retains control of the funds and the centralising company (Electricité de France) shall not interfere with the Company's payment instructions and is responsible for ensuring that the funds are available as and when required by the Company. The Company earns interest on funds held in the cash pool at market rates.

### 20 Trade and other receivables

| | Group 2018 | Group 2017 | Company 2018 | Company 2017 |
|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 |
| Third party trade receivables | 2,553,029 | 2,885,753 | 2,290,114 | 2,703,741 |
| CVA adjustment / Allowance for doubtful accounts | (620) | (1,942) | (620) | (1,942) |
| | 2,552,409 | 2,883,811 | 2,289,494 | 2,701,799 |
| Amounts receivable from EDF group companies | 807,292 | 966,957 | 807,263 | 966,957 |
| Amounts receivable from EDFT group companies | - | - | 85,939 | 36,007 |
| | 807,292 | 966,957 | 893,202 | 1,002,964 |
| Other third party receivables | 497,167 | 425,663 | 461,709 | 371,197 |
| | 3,856,868 | 4,276,431 | 3,644,405 | 4,075,960 |

The group utilises collateral and margining accounts to minimise counterparty credit risk. Within other third party receivables is €429 million (2017: €304 million) of collateral and bilateral margin.

All trade receivables are current, measured at fair value through profit and loss, classified at Level 2 in the IFRS13 fair value hierarchy.

The total third party trade receivables overdue at the end of the year, gross of the credit valuation adjustment (2017: not impaired), was as follows:

| | 2018 | 2017 |
|---|---|---|
| | €'000 | €'000 |
| less than 30 days | 6,489 | 30,058 |
| between 31 and 90 days | - | 2,336 |
| more than 90 days | 1,070 | 3,974 |
| Total | 7,559 | 36,368 |

## 21 Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | €'000 | €'000 | €'000 | €'000 |
| Third party trade payables | 2,186,295 | 2,552,327 | 1,924,867 | 2,410,935 |
| Amount owed to EDFT Group companies | - | - | 379,069 | 335,040 |
| Amount owed to EDF Group companies | 1,015,009 | 913,366 | 738,025 | 665,593 |
| Accruals and other payables | 327,511 | 177,272 | 325,442 | 169,547 |
| Employee liabilities | 87,601 | 74,492 | 83,643 | 71,006 |
| | 3,616,416 | 3,717,457 | 3,451,046 | 3,652,121 |
| Non-current trade payables | 5,640 | 47,458 | - | - |

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days. Trade payables are measured at fair value through profit and loss, and they are included in Level 2 in the fair value hierarchy. The majority of trade and other payables are all due to be settled within one month of the year end. The maturity of non-current third party trade and other payables is as follows:

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | €'000 | €'000 |
| 2-5 years | 5,640 | 33,939 |
| Over 5 years | - | 13,519 |
| Total | 5,640 | 47,458 |

## 22 Loans and receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | €'000 | €'000 | €'000 | €'000 |
| Loans to ENAG Energiefinanzierungs A.G. | 16,594 | 30,164 | - | - |
| Season ticket loans | 158 | - | 158 | - |
| | 16,752 | 30,164 | 158 | - |

Advances related to staff's season ticket loans were included in Trade and Other Receivables in the prior year. At the reporting date all these loans are current and interest free. The loan to ENAG is interest free and is repayable on demand. The 12 months expected credit loss on this loan is immaterial.

The company monitors each loan individually in the context of identifiable risks to the future performance of the loan. The analysis (at each reporting date) of the risk of default is "case by case", taking into account mainly counterparty, their credit rating, country, regulatory risk and any other relevant factors. The company would consider that credit risk increases when contractual payments are more than 60 days past due.

## 23 Borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | €'000 | €'000 | €'000 | €'000 |
| **Unsecured borrowing at amortised cost** | | | | |
| Bank and shareholder loans * | 8,765 | 10,441 | - | - |
| Debt instruments issued ** | 450,000 | 450,000 | 450,000 | 450,000 |
| Accrued interest | 1,867 | 1,709 | 1,867 | 1,709 |
| | 460,632 | 462,150 | 451,867 | 451,709 |

* The bank and shareholder loans are repayable by 2020 and 2027 respectively with interest payable at monthly TIBOR + 0.5%.

** Eurobond issued (€450m) bearing interest equal to 2.983% per annum until maturity on 12 December 2019. This bond is listed on the Luxembourg Euro MTF, with greater than 99% owing to the ultimate holding company EDF and its subsidiaries.

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | €'000 | €'000 | €'000 | €'000 |
| Within 1 year | 453,741 | 2,314 | 451,867 | - |
| 2-5 years | 3,669 | 455,275 | - | 450,000 |
| Over 5 years | 3,222 | 2,852 | - | - |
| Total | 460,632 | 460,441 | 451,867 | 450,000 |

## 24 Derivative Financial instruments

**Forward commodity contracts and derivative financial instruments**

The Group enters into derivative financial instruments for trading purposes, such as futures, swaps, options, and forward contracts which are physically settled instruments for delivery in the future. The Group does not classify any of these contracts as "own-use".

Derivative financial instruments are measured by reference to market prices at the year-end. Changes in the assets and liabilities from these activities arising in the current period (resulting primarily from newly originated transactions, settlements and the impact of price movements on existing transactions) are recognised in profit or loss account unless the derivative is designated and effective as a hedging instrument. If this is the case, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Refer to Directors' Report for detailed information on the Group's financial risk management, including Market Risk, Capital Risk and Credit Risk.

**Derivative financial assets**

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | €'000 | €'000 | €'000 | €'000 |
| Derivative financial assets carried at fair value with changes in fair value included in trading income except as disclosed later in the note. | | | | |
| Energy commodity contracts | 9,964,421 | 6,749,700 | 9,775,081 | 6,585,109 |
| Forward foreign exchange contracts | 141,400 | 73,723 | 141,400 | 73,723 |
| Interest rate swaps | 3,937 | 2,970 | 3,937 | 2,970 |
| | 10,109,758 | 6,826,393 | 9,920,418 | 6,661,802 |

**Derivative financial liabilities**

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | €'000 | €'000 | €'000 | €'000 |
| Derivative financial liabilities carried at fair value with changes in fair value included in trading income except as disclosed later in the note. | | | | |
| Energy commodity contracts | 10,031,675 | 6,542,565 | 9,961,385 | 6,416,623 |
| Forward foreign exchange contracts | 138,444 | 97,271 | 29,932 | 51,527 |
| Interest rate swaps | 32,568 | 40,493 | 32,568 | 40,493 |
| Credit derivatives | 2,587 | 2,326 | 2,587 | 2,326 |
| | 10,205,274 | 6,682,656 | 10,026,472 | 6,510,970 |

**Credit derivatives**

Credit derivatives include Company guarantees issued by the Company to trading counterparts of EDF Trading North America LLC, a wholly owned subsidiary of a 17.5% associate of the Group, in order to support its commercial development in the USA in the normal course of business. As the underlying contract to which the guarantees relates is not a debt instrument but a commodity contract, the guarantees do not meet the definition of a financial guarantee contract under IFRS, therefore the guarantees are accounted for as a credit derivative.

Credit derivatives are measured at fair value through profit or loss. At inception, 17.5% of the credit derivative was recognised as a capital contribution, with the remaining balance being taken to the Income Statement. In EDF Trading North America LLC's accounts the underlying trades that are supported by these Company guarantees are marked to market derivatives.

The fair value of the Company guarantees is calculated by applying the credit spread between the Company and EDF Trading North America LLC (0.6637%) to the capped liability, which is the lower of the fair value of the underlying trading positions guaranteed and the notional value of the Company guarantee. As at 31 December 2018 the capped liability was €368m (2017: €332m), resulting in the recognition of a credit derivative on the balance sheet of €2.6m (2017: €2.3m).

### 24 Derivative Financial instruments (continued)

**Fair value measurements**

The information below explains how the Group determines fair values of various financial assets and financial liabilities. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

· Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active exchange markets for identical assets or liabilities. Level 1 instruments are primarily exchange traded oil derivatives;

· Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). These inputs include quoted forward prices for commodities, time value, contractual prices and expected volumes of the underlying instruments. Level 2 instruments are primarily non-exchange traded derivatives such as forward commodity contracts;

· Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability, which are not based on observable market data (unobservable inputs). These inputs include assumptions based on historical data, including cross commodity and time spread correlations. These inputs are used with pricing models based on industry standards, tailored to EDFT products, which result in management's best estimate of fair value on a NPV basis. Level 3 instruments are typically structured or individually tailored derivatives.

***Fair value measurements recognised in the statement of financial position***

| | | 2018 | | |
|---|---|---|---|---|
| **Group** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **€'000** | **€'000** | **€'000** | **€'000** |
| ***Financial assets at FVTPL*** | | | | |
| Energy commodity contracts | 392,598 | 8,633,908 | 937,915 | 9,964,421 |
| Forward foreign exchange contracts | - | 141,400 | - | 141,400 |
| Interest rate swaps | - | 3,937 | - | 3,937 |
| Total | 392,598 | 8,779,245 | 937,915 | 10,109,758 |
| ***Financial liabilities at FVTPL*** | | | | |
| Energy commodity contracts | 395,248 | 9,362,818 | 273,609 | 10,031,675 |
| Forward foreign exchange contracts | - | 138,444 | - | 138,444 |
| Interest rate swaps | - | 32,568 | - | 32,568 |
| Credit derivatives | - | - | 2,587 | 2,587 |
| Total | 395,248 | 9,533,830 | 276,196 | 10,205,274 |

| | | 2017 | | |
|---|---|---|---|---|
| **Group** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **€'000** | **€'000** | **€'000** | **€'000** |
| ***Financial assets at FVTPL*** | | | | |
| Energy commodity contracts | 337,485 | 5,845,836 | 566,379 | 6,749,700 |
| Forward foreign exchange contracts | - | 73,723 | - | 73,723 |
| Interest rate swaps | - | 2,970 | - | 2,970 |
| Total | 337,485 | 5,922,529 | 566,379 | 6,826,393 |
| ***Financial liabilities at FVTPL*** | | | | |
| Energy commodity contracts | 327,128 | 6,181,820 | 33,617 | 6,542,565 |
| Forward foreign exchange contracts | - | 97,271 | - | 97,271 |
| Interest rate swaps | - | 40,493 | - | 40,493 |
| Credit derivatives | - | - | 2,326 | 2,326 |
| Total | 327,128 | 6,319,584 | 35,943 | 6,682,655 |

**24 Derivative Financial instruments (continued)**

| Company | 2018 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **€'000** | **€'000** | **€'000** | **€'000** |
| ***Financial assets at FVTPL*** | | | | |
| Energy commodity contracts | 385,138 | 8,452,028 | 937,915 | 9,775,081 |
| Forward foreign exchange contracts | - | 141,400 | - | 141,400 |
| Interest rate swaps | - | 3,937 | - | 3,937 |
| Total | 385,138 | 8,597,365 | 937,915 | 9,920,418 |
| ***Financial liabilities at FVTPL*** | | | | |
| Energy commodity contracts | 498,069 | 9,189,707 | 273,609 | 9,961,385 |
| Forward foreign exchange contracts | - | 29,932 | - | 29,932 |
| Interest rate swaps | - | 32,568 | - | 32,568 |
| Credit derivatives | - | - | 2,587 | 2,587 |
| Total | 498,069 | 9,252,207 | 276,196 | 10,026,472 |

| Company | 2017 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **€'000** | **€'000** | **€'000** | **€'000** |
| ***Financial assets at FVTPL*** | | | | |
| Energy commodity contracts | 329,255 | 5,689,475 | 566,379 | 6,585,109 |
| Forward foreign exchange contracts | - | 73,723 | - | 73,723 |
| Interest rate swaps | - | 2,970 | - | 2,970 |
| Total | 329,255 | 5,766,168 | 566,379 | 6,661,802 |
| ***Financial liabilities at FVTPL*** | | | | |
| Energy commodity contracts | 128,332 | 6,254,674 | 33,617 | 6,416,623 |
| Forward foreign exchange contracts | - | 51,527 | - | 51,527 |
| Interest rate swaps | - | 40,493 | - | 40,493 |
| Credit derivatives | - | - | 2,326 | 2,326 |
| Total | 128,332 | 6,346,694 | 35,943 | 6,510,969 |

**Schedule of movements in the level 3 of the fair value hierarchy**

All derivatives are valued in accordance with the techniques outlined in the fair value hierarchy disclosure above. There were no significant transfers between levels of the hierarchy in the current or preceding year. The following table shows the reconciliation of changes in the fair value of financial instruments classified as level 3 in the fair value hierarchy.

| | **Group** | **Company** |
|---|---|---|
| | **€'000** | **€'000** |
| **At 1 January 2017** | 521,367 | 521,367 |
| New financial instruments | 268,105 | 268,105 |
| Matured financial instruments | (408,734) | (408,734) |
| Movements in fair value of existing financial instruments | 149,698 | 149,698 |
| **At 31 December 2017** | 530,436 | 530,436 |
| New financial instruments | 420,845 | 420,845 |
| Matured financial instruments | (11,542) | (11,542) |
| Movements in fair value of existing financial instruments | (278,020) | (278,020) |
| **At 31 December 2018** | 661,719 | 661,719 |

**24 Derivative Financial instruments (continued)**

The following table shows the valuation techniques used for level 2 and level 3 fair values, as well as the significant unobservable inputs used for level 3 financial instruments.

| Valuation instruments at FV | **Valuation technique** |
|---|---|
| Energy Commodity contracts | Derivatives are recorded at fair value, which is based on EDFT's commercial view of market levels. These may include reference to external sources or recent comparable transactions. |
| Forward foreign exchange contracts | Forward foreign exchange contracts are recorded at fair value, based on quoted prices and market data available from external sources. |
| Interest rate swaps | Interest rate swaps are recorded at fair value, based on quoted prices and market data available from external sources. |
| Credit derivatives | Not applicable |
| | **Significant unobservable inputs (level 3)** |
| Energy Commodity contracts | Unobservable inputs, such as cross-commodity correlations, time-spread correlations and forward volatilities are based on internal models taken on a deal by deal basis. |
| Forward foreign exchange contracts | Not applicable |
| Interest rate swaps | Not applicable |
| Credit derivatives | Credit Spread |

**Credit Risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

**Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

**Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

**Foreign exchange risk**

The euro is the functional currency of the Company and the presentation currency of the Group. The functional currency of subsidiary undertakings is that which is most appropriate for the principal trading activity. The Group also transacts in other currencies, principally pounds sterling (UK power and gas) and US dollars (coal, freight and LNG). When currency exposure arises as a result of purchase and sale commitments in foreign currency, forward foreign exchange transactions are used to hedge the exposure.

**Interest rate risk**

The Group also monitors its interest rate risk, considering any material exposures. Interest rate swaps and futures are used to manage the interest rate risk arising from medium-term trading positions and long-term structured transactions.

## 24 Derivative Financial instruments (continued)

**Movements in the deferred day one gains and losses reserve**

The impact on the fair value of instruments classified as level 3 of varying the unobservable parameters as at 31 December 2018 and 31 December 2017 is immaterial.

Where an instrument extends beyond the limit of observable data (the liquidity horizon), the difference between the transaction price and model value (known as "day one" gain or loss) is only recognised in comprehensive income when the inputs become observable, or the instrument is derecognised. The following table shows the reconciliation of changes in the deferred day one gains or losses.

| | Group €'000 | Company €'000 |
|---|---|---|
| At 1 January 2017 | 30,379 | 30,379 |
| New contracts | 19,515 | 19,515 |
| Contracts realised | (29,155) | (29,155) |
| At 31 December 2017 | 20,739 | 20,739 |
| New contracts | 30,404 | 30,404 |
| Contracts realised | (11,152) | (11,152) |
| Contracts released | (11) | (11) |
| At 31 December 2018 | 39,980 | 39,980 |

**Sensitivity Analysis**
The following table shows the sensitivity of fair values to reasonably possible alternative assumptions as at 31 December 2018:

| | Reflected in profit or loss | | | |
|---|---|---|---|---|
| | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| **Market prices** | **2018 €'000** | **2018 €'000** | **2017 €'000** | **2017 €'000** |
| Energy commodity contracts | 12,087 | 8,929 | 2,220 | 6,091 |

The following methods and assumptions were used in preparing the sensitivity analysis:

**Market prices**
EDFT performs stress testing on its portfolio. Stress testing analysis complements the Value at Risk reporting (see Directors' Report), which does not cover extreme market moves (due to the 97.5% confidence interval). The sensitivity shift price is obtained by multiplying the volatility, as calculated per the Value at Risk methodology, with the prevailing market price for each product in the portfolio. This is then multiplied by six to depict an extreme price move.

**Foreign Exchange rates**
EDFT's policy is to hedge currency risk arising from holding monetary assets or liabilities, forward commitments and net investments in foreign operations in currencies other than the euro. As such the Group's P&L would not be significantly impacted by a movement in foreign exchange rates.

**Interest rates**
EDFT's policy is to hedge interest rate risk from forward cash flows. As such the Group's profit or loss would not be significantly impacted by a movement in interest rates.

### 24 Derivative Financial instruments (continued)

**Offsetting financial assets and financial liabilities**

The Group enters into master netting agreements with its counterparties to give the Group the right to net a counterparty's rights and obligations under the agreement. In the statement of financial position, financial assets and financial liabilities are only offset and presented on a net basis where there is a legally enforceable right to offset and the intention to settle on a net basis. The following table presents the gross and net amounts for balances which are presented on a net basis in the statement of financial position.

| Group | Gross amounts €'000 | Amounts offset €'000 | Net amounts €'000 |
|---|---|---|---|
| **2018** | | | |
| Derivative financial assets | 13,538,440 | 3,428,682 | 10,109,758 |
| Derivative financial liabilities | 13,633,956 | 3,428,682 | 10,205,274 |
| Trade and other receivables | 11,303,308 | 7,446,440 | 3,856,868 |
| Trade and other payables | 11,068,496 | 7,446,440 | 3,622,056 |
| **2017** | | | |
| Derivative financial assets | 10,255,076 | 3,428,682 | 6,826,394 |
| Derivative financial liabilities | 10,111,337 | 3,428,682 | 6,682,655 |
| Trade and other receivables | 10,123,322 | 5,846,891 | 4,276,431 |
| Trade and other payables | 9,611,806 | 5,846,891 | 3,764,915 |

| Company | Gross amounts €'000 | Amounts offset €'000 | Net amounts €'000 |
|---|---|---|---|
| **2018** | | | |
| Derivative financial assets | 13,349,100 | 3,428,682 | 9,920,418 |
| Derivative financial liabilities | 13,455,153 | 3,428,682 | 10,026,471 |
| Trade and other receivables | 11,090,845 | 7,446,440 | 3,644,405 |
| Trade and other payables | 10,897,486 | 7,446,440 | 3,451,046 |
| **2017** | | | |
| Derivative financial assets | 10,090,483 | 3,428,682 | 6,661,801 |
| Derivative financial liabilities | 9,939,651 | 3,428,682 | 6,510,969 |
| Trade and other receivables | 9,922,851 | 5,846,891 | 4,075,960 |
| Trade and other payables | 9,499,012 | 5,846,891 | 3,652,121 |

**24 Derivative Financial instruments (continued)**

**Hedge accounting**

The Group has adopted the new hedge accounting model under IFRS9. The implementation of the new requirements does not indicate that the comparative balances in these financial statements have to be adjusted. The Group has updated the hedge documentation to comply with IFRS9.

The Group designates certain hedging instruments as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations.

At the inception of the hedge relationship the Group 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 ongoing basis, the Group documents whether the hedging instruments that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated 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, or the hedged foreign currency operation is disposed of, the gain or loss accumulated in equity is recognised immediately in profit or loss.

**Fair value hedges**

The Group designated forward freight contracts as fair value hedges for operating leases on dry bulk vessels.

Where a derivative financial instrument was designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative were recognised immediately in the income statement. The carrying value of the hedged item was adjusted by the change in fair value that was attributable to the risk being hedged (even if it was normally carried at cost or amortised cost) and any gains or losses on re-measurement were recognised immediately in the income statement (even if those gains would normally be recognised directly in reserves).

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

**Cash flow hedges**

The Group designates certain forward foreign exchange and commodity contracts as cash flow hedges of non euro expenditures and future coal production respectively. All hedges related to the coal production have now expired. All hedges unexpired at the end of the reporting period relate to non euro expenditures.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss 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.

**Hedges of net investments in foreign operations**

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income; the gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Gains and losses directly recognised in reserves are recognised immediately in profit or loss when the foreign operation is disposed of.

### 24 Derivative Financial instruments (continued)

The fair value of derivative financial instrument contracts in designated hedge accounting relationships is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | €'000 | €'000 | €'000 | €'000 |
| Fair value hedges | - | 25 | - | 25 |
| Cash flow hedges | 205 | 1,035 | 205 | 1,035 |
| Hedges of net investments in foreign operations | (25,560) | 10,778 | (25,560) | 10,778 |
| | (25,355) | 11,838 | (25,355) | 11,838 |

As at 31 December 2018, the aggregate amount of losses under forward foreign exchange contracts deferred in the cash flow hedging reserve relating to these anticipated future transactions is €3,981,018 (2017: losses of €12,419,000). It is anticipated that the transactions will take place during the next financial year at which time the amount deferred in equity will be included in the income statement.

As at 31 December 2018, gain on ineffectiveness of €1,238,000 has been recognised in profit or loss arising from hedging the net investment in the Group's foreign subsidiaries (2017: loss of €1,238,000).

As at 31 December 2018, all balance sheet position reported as hedges of net investments in foreign operations were foreign exchange contracts linked predominantly to US Dollars, except a liability of €0.4m linked to Swiss Francs (2017: an asset of €0.1m).

### 25 Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

At the balance sheet date, the group has unused tax losses of €95 million (2017: €77 million) available for offset against future profits. A deferred tax asset has been recognised in respect of €8 million (2017: €4 million) of such losses.

No deferred tax liability is recognised on temporary differences of €17 million (2017: €18 million) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. Temporary differences arising in connection with interests in associates are insignificant.

The key area of sensitivity in relation to deferred tax is the judgement relating to the recognition of tax losses in the Group's Australian subsidiary. If these losses were to be recognised, the Group would show an additional deferred tax asset of €27m (2017: €22m). A change in the estimate regarding timing of deferred tax reversal is not expected to have a material impact on the accounts.

### 25 Deferred tax (continued)

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

| Group | Accelerated tax depreciation | Timing differences on accruals | Timing differences on income recognition | Hedges | Intangibles | Other | Tax losses | Total |
|---|---|---|---|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| At 1 January 2017 | (3,144) | (9,694) | (504) | (281) | - | (47) | (1,073) | (14,743) |
| Charge/(credit) to profit or loss | 2,820 | (1,158) | 262 | - | 5,663 | 5 | 24,101 | 31,693 |
| Charge direct to equity | - | - | - | - | - | - | - | - |
| Exchange differences | 273 | - | 35 | 628 | - | (2) | 1,797 | 2,731 |
| Effect of change in tax rate: | | | | | | | | |
| – income statement | (54) | (31) | - | - | - | - | (7) | (92) |
| – equity | - | - | - | 2,287 | - | - | - | 2,287 |
| Reclassified as held for sale | (778) | - | - | - | (10,046) | - | - | (10,824) |
| Reclassified from held for sale | (713) | - | - | (5,164) | 4,383 | - | (25,631) | (27,125) |
| At 31 December 2017 | (1,596) | (10,883) | (207) | (2,530) | - | (44) | (813) | (16,073) |
| Charge/(credit) to profit or loss | 523 | (217) | (149) | - | - | 192 | 153 | 502 |
| Charge/(credit) direct to equity | - | - | - | 2,565 | - | - | - | 2,565 |
| Exchange differences | 27 | - | (11) | - | - | 8 | (66) | (42) |
| Effect of change in tax rate: | | | | | | | | |
| – income statement | (62) | 802 | - | - | - | - | (2) | 738 |
| – equity | - | - | - | - | - | - | - | - |
| At 31 December 2018 | (1,108) | (10,298) | (367) | 35 | - | 156 | (728) | (12,310) |

| Company | Accelerated tax depreciation | Timing differences on accruals | Hedges | Total |
|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 |
| At 1 January 2017 | (1,574) | (8,990) | (280) | (10,844) |
| Charge/(credit) to profit or loss | 388 | (1,209) | - | (821) |
| Credit direct to equity | - | - | - | - |
| Effect of change in tax rate: | | | | |
| – income statement | (13) | (31) | - | (44) |
| – equity | - | - | 509 | 509 |
| At 31 December 2017 | (1,199) | (10,230) | 229 | (11,200) |
| Charge/(credit) to profit or loss | 53 | 73 | - | 126 |
| Credit direct to equity | - | - | (194) | (194) |
| Effect of change in tax rate: | | | | |
| – income statement | (4) | 802 | - | 798 |
| – equity | - | - | - | - |
| At 31 December 2018 | (1,150) | (9,355) | 35 | (10,470) |

### 25 Deferred tax (continued)

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | €'000 | €'000 | €'000 | €'000 |
| Deferred tax liabilities | 606 | 599 | 35 | 228 |
| Deferred tax assets | (12,916) | (16,672) | (10,505) | (11,428) |
| | (12,310) | (16,073) | (10,470) | (11,200) |

### 26 Provisions

| | Write-down of Intercompany receivable | Onerous contract | Decommi-ssioning | Total |
|---|---|---|---|---|
| **Group** | €'000 | €'000 | €'000 | €'000 |
| At 1 January 2017 | - | 36,256 | - | 36,256 |
| Utilisation of provision | - | (35,822) | 25 | (35,797) |
| Reclassified from held for sale | - | - | 371 | 371 |
| Exchange difference | - | - | (45) | (45) |
| At 31 December 2017 | - | 434 | 351 | 785 |
| Additional provision raised in the year | - | - | 116 | 116 |
| Utilisation of provision | - | (434) | - | (434) |
| Exchange difference | - | - | 18 | 18 |
| At 31 December 2018 | - | - | 485 | 485 |
| **Company** | | | | |
| At 1 January 2017 | - | 36,256 | - | 36,256 |
| Utilisation of provision | - | (35,822) | - | (35,822) |
| At 31 December 2017 | - | 434 | - | 434 |
| Charge in the year | 21,257 | - | - | 21,257 |
| Utilisation of provision in the year | - | (434) | - | (434) |
| At 31 December 2018 | 21,257 | - | - | 21,257 |

**Decommissioning**
A provision is recognised for the expected dismantling of equipment and rectification of land used for coal mining and coal storage. The provision assumes that most of these costs will be incurred in approximately 14 years for coal mining and 10 years for coal storage.

**Onerous contracts**
Provisions were recognised to the extent that the Group was exposed to contractual payments in chartering vessels in future periods where the contracted chartering rate was significantly above the forward market rate. An assessment of the forward market rate versus the contracted charter fee was made periodically to determine the extent of any reversal of this impairment.

**Write-down of an intercompany receivable**
The Company recognised a provision in relation to a debt owed by a subsidiary, due to impairment of the subsidiary's net asset value. The loss of value is already reflected in the Group accounts through the impairment of underlying assets.

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### 27 Share capital

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| Authorised, issued and fully paid: | | |
| 81 million ordinary shares of €1 each | 81,000 | 81,000 |

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

### 28 Hedging and translation reserves

| | Group NIFO and Cash Flow Hedging Reserve €'000 | Group Foreign Currency Translation Reserve €'000 | Total €'000 | Company NIFO and Cash Flow Hedging Reserve €'000 | Total €'000 |
|---|---|---|---|---|---|
| At 1 January 2017 | (176,785) | 136,226 | (40,559) | (2,180) | (2,180) |
| Exchange differences | - | (109,197) | (109,197) | - | - |
| Cash flow hedge: fair value losses in the year | 2,594 | - | 2,594 | 2,594 | 2,594 |
| Cash flow hedge: released from equity to profit or loss | 5,780 | - | 5,780 | 321 | 321 |
| Tax on fair value (gains)/losses in year | (2,287) | - | (2,287) | (509) | (509) |
| NIFO hedge: fair value losses in the year | 82,299 | - | 82,299 | - | - |
| NIFO hedge: released from equity to profit or loss | (1,238) | - | (1,238) | - | |
| At 31 December 2017 | (89,637) | 27,029 | (62,608) | 226 | 226 |
| Exchange differences | - | 35,241 | 35,241 | - | - |
| Cash flow hedge: fair value losses in the year | (829) | - | (829) | (1,923) | (1,923) |
| Cash flow hedge: released from equity to profit or loss | 16,304 | - | 16,304 | 1,094 | 1,094 |
| Tax on fair value (gains)/losses in year | (2,565) | - | (2,565) | 193 | 193 |
| NIFO hedge: fair value losses in the year | (55,321) | - | (55,321) | - | - |
| NIFO hedge: released from equity to profit or loss | 1,239 | - | 1,239 | - | - |
| At 31 December 2018 | (130,809) | 62,270 | (68,539) | (410) | (410) |

*Hedging reserve*
The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow and NIFO hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

*Translation reserve*
Exchange differences relating to the translation of the net assets of the Group's foreign operations, which relate to subsidiaries only, from their functional currency into the Group's presentational currency, being Euro, are recognised directly in the translation reserve until the disposal or liquidation of the investment. Gains and losses on hedging instruments that are designated as hedges of net investments in foreign operations are included in the hedging reserve until the disposal or liquidation of the hedged foreign operation.

*Cash flow hedging reserve*
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

## 29 Commitments and contingencies

| | Group | | Company | |
|---|---|---|---|---|
| **Lease commitments** | **2018** | **2017** | **2018** | **2017** |
| | **€'000** | **€'000** | **€'000** | **€'000** |
| Lease payments recognised as an expense in the year | 12,250 | 121,019 | 11,832 | 119,469 |

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | **2018** | **2017** | **2018** | **2017** |
|---|---|---|---|---|
| | **€'000** | **€'000** | **€'000** | **€'000** |
| Within one year | 11,351 | 14,300 | 11,591 | 14,075 |
| In the second to fifth years inclusive | 20,934 | 28,703 | 20,677 | 27,935 |
| In the sixth to tenth years inclusive | 10,739 | 14,701 | 10,739 | 14,508 |
| | 43,024 | 57,704 | 43,007 | 56,518 |

Operating lease payments represent rentals payable by the Group for some of its time charter vessels, office properties, buildings, land and plant and equipment.

**Bank guarantees and letters of credit**

The Group has given bank guarantees and letters of credit to various counterparties in relation to energy trading and transportation activities. No material losses are likely to arise from such commitments. The value of these commitments for the Group at the year end is €1.29bn (2017: €1.23bn).

## 30 Related party transactions

**Trading transactions**

During the year, group companies entered into the following transactions with related parties:

| | Sales | | Purchases | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| **Group** | **€'000** | **€'000** | **€'000** | **€'000** |
| EDF Group | 15,899,902 | 12,407,258 | 15,578,647 | 12,163,029 |
| Associates | 374,087 | 657,653 | 328,637 | 351,583 |
| | 16,273,989 | 13,064,911 | 15,907,284 | 12,514,612 |
| **Company** | | | | |
| EDF Group | 15,899,902 | 12,407,258 | 15,578,647 | 12,163,029 |
| Subsidiaries | 62,871 | 109,877 | 62,032 | 293,498 |
| Associates | 374,087 | 657,653 | 295,598 | 318,284 |
| | 16,336,860 | 13,174,788 | 15,936,277 | 12,774,811 |

**30 Related party transactions (continued)**

The following amounts were outstanding at the balance sheet date:

| | Amounts owed by related parties | | Amounts owed to related parties | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| **Group** | €'000 | €'000 | €'000 | €'000 |
| EDF Group | 807,292 | 966,957 | 1,015,009 | 913,366 |
| Associates | 195,946 | 392,131 | 8,116 | 83,669 |
| | 1,003,238 | 1,359,088 | 1,023,125 | 997,035 |
| **Company** | | | | |
| EDF Group | 807,263 | 966,957 | 738,025 | 665,593 |
| Subsidiaries | 85,939 | 36,007 | 379,069 | 335,040 |
| Associates | 190,911 | 386,089 | 8,116 | 83,669 |
| | 1,084,113 | 1,389,053 | 1,125,210 | 1,084,302 |

Sales and traded purchases were made at market price discounted to reflect the quantity of goods and the relationships between the parties. The amounts outstanding are unsecured and will be settled in cash. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

**Liquidity funding**

EDFT's funding facilities are wholly provided by EDF. EDFT also participate in EDF cash pooling, long term loan and Eurobond arrangements. The facilities are reviewed frequently and EDFT produces cash flow forecasts that are stress tested to ensure that EDFT has sufficient liquidity to withstand stressed market conditions or severe market events. As at 31 December 2018, the Group had total available liquidity of €4.92bn (2017: €4.54bn). EDFT also have a €60m uncommitted overdraft facility provided by EDF.

**Liquidity risk management**

Liquidity management within EDFT has two principal purposes. Firstly, to ensure that sufficient cash is available to meet all contractual commitments as they fall due and, secondly, to ensure that we have sufficient funding to withstand stressed market conditions or an extreme event.

The Group's liquid resources include amounts placed under cash pooling arrangements with EDF. The Group pools euro, sterling and US dollar cash balances on a daily basis. The cash pooled balances are classified as inter-company receivables, are interest bearing and are callable by EDFT on demand.

| **Loans to related parties** | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | €'000 | €'000 | €'000 | €'000 |
| Loans to associates | 16,594 | 22,253 | - | - |
| | 16,594 | 22,253 | - | - |

**31 Events after the balance sheet date**

There have been no significant events since the balance sheet date that require disclosure.

**32 Ultimate parent company**

Electricité de France S.A. ("EDF"), incorporated in France, is the ultimate parent undertaking of the largest and smallest Group for which group accounts are prepared, and is the controlling entity. Copies of the group accounts of EDF are publicly available and can be obtained from the registered office at 22-30 Avenue de Wagram, 75008 Paris, France.