DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

EDF ENERGY LIMITED

REGISTERED NUMBER: 02366852

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

FRIDAY
ABCNQ9K9
A14 16/09/2022 #110
COMPANIES HOUSE

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

EDF ENERGY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2021

CONTENTS

Strategic Report	1 to 8
Directors' Report	9 to 18
Directors' Responsibilities Statement	19
Independent Auditor's Report to the members of EDF Energy Limited	20 to 28
Income Statement	29
Statement of Comprehensive Income	30
Balance Sheet	31 to 32
Statement of Changes in Equity	33
Notes to the Financial Statements	34 to 76

Directors	Robert Guyler Simone Rossi
Company secretary	Joe Souto
Auditor	Deloitte LLP Hill House 1 Little New Street London United Kingdom EC4A 3TR
Registered office	90 Whitfield Street London United Kingdom W1T 4EZ

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 December 2021.

Principal activities

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

Section 172 (1) Statement

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

Stakeholder Engagement Statement

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

STAKEHOLDER GROUPS

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

We are committed to recruiting and retaining great people - so listening to our employees is a priority. We communicate with them regularly through employee surveys, team meetings, learning sessions, briefings and our intranet, "eNZO". We also frequently engage with Company Councils and Trade Unions about matters affecting employees. A more detailed breakdown can be found in our Workforce Engagement Statement.

Customers
Our vision for our customers is to be simply better - better than anyone else at solving customer's energy needs. Our ambition is to be the best and most trusted for customers.

We maintain constructive dialogue with our customers, including vulnerable customers. Providing appropriate products and services for our customers is a priority for us. We work closely with organisations such as Citizens Advice and Income Max to make sure we can identify and assist customers who need extra help.

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

STRATEGIC REPORT (CONTINUED)

We hold a Standards of Conduct Advisory Panel with respected third parties such as Which? and Citizens Advice to help us understand what we need to do next to best meet customer needs and deliver high standards for every customer. Digital tools have radically transformed how we engage with our customers through support via live WebChat or MyAccount App.

Communities

We want to make a positive contribution to the communities we operate in. We work in partnership with local organisations, schools and colleges to support our projects and goals.

As a company we have outlined our commitment to be open and transparent in our business dealings.

For the most vulnerable in society, the Company's aim is to develop its internal processes and develop more collaborative third party partnerships, including those in the community. The Company provides funding to projects that offer expert advice and assistance at a local level, like the Seasonal Health Interventions Network - London (SHINE London) and the Group's "Improving Energy Efficiency in Communities" project, that's delivered by National Energy Action (NEA).

Suppliers

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

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

The Company complied with its various statutory reporting obligations in 2020 including Modern Slavery, Gender Pay Gap and Payment Practices and Reporting. The Company actively engages with all material suppliers and takes part in regular oversight, monitoring and feedback with them. The Company aims to ensure all suppliers are paid promptly.

Industry and Business Associations

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

The Company proactively engages with trade association memberships, including the Confederation of British Industry, Energy UK, Nuclear Industry Association and Renewable UK. Active participation in these forums is a useful way to enhance relationships with stakeholders and provides a useful channel for communication with government and regulators on matters of common interest.

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

STRATEGIC REPORT (CONTINUED)

Government and Regulators

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

We have a role to play in sustainability, enabling Britain to achieve Net Zero by championing the transition to a low-carbon future.

The Company and wider Group engages directly with central Government, such as the Department for Business Energy and Industrial Strategy and the Department for Environment, Food and Rural Affairs and industry & environmental regulators, such as Ofgem, the Office of Nuclear Regulation, the Environment Agency and the Scottish Environment Policy Agency.

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

Media

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

The speed and accuracy of our engagement with the media are crucial to protecting our reputation.

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

Our press office operates 24 hours a day, 365 days a year, and so can deal with media queries at any time.

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

Impact on Principal Decisions

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

The Board did not hold active Board meetings during 2021 but to allow for flexible and agile decision making, the Directors opted instead to take decisions by way of written resolution. Such decisions included:

- Approval of the annual financial statements for the financial year ended 31 December 2021;
- Consolidation of EDF's three pension schemes into a single scheme; and

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

STRATEGIC REPORT (CONTINUED)

- Intra-group financing arrangements with its subsidiary, EDF Energy (Thermal Generation) Limited as part of a process which is ongoing to simply intercompany funding.

The main governance and oversight board of the Group is EDF Energy Holdings (**EDFEH**), the Company's sole shareholder, which frequently meet to discuss matters which are of strategic importance for the Group. For more information on these matters please consider the comprehensive s.172 Directors Duties Statement as detailed in the Consolidated Annual Report & Financial Statements (2021) EDFEH.

Workforce Engagement Statement

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

ENGAGEMENT OPPORTUNITIES

We Communicate...

With our people.

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

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

eNZO is an e-platform for sharing company newsletters, announcements and accessing a wide variety of materials, i.e. company policies, company contacts and information on well-being and company benefits etc. In addition, the Intranet also hosts a number of discussion forums for employees to take part in; this is in addition to EDF Energy's Yammer page where employees can connect on a business or personal level on a variety of topics.

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

We Listen...

Through various channels including conducting annual employee engagement surveys.

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

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

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

STRATEGIC REPORT (CONTINUED)

We Engage...

With Company Councils and Trade Unions.

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

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

We Support...

Diversity & Inclusion.

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

The Group promotes diversity through a number of diversity and inclusion networks for its workforce which are sponsored by senior management and provide environments for employee feedback and comment, including LGBTQ+ Supporters; Women's; RACE; Disability and Carers; Working Parents; Forces Support; Young Professionals; Cancer Support; and Mental Health Supporters. They help us build cultural awareness and understanding of identity, and how different demographic groups face different challenges.

Review of the business

The loss for the year before taxation amounted to £502m (2020: loss of £345m) and the loss after taxation amounted to £429m (2020: loss of £383m). The increase in loss for the year before taxation was as a result of impairment of investment in subsidiary undertakings recognised in the year of £177m (2020: £305m) and past service cost recognised due to the de-recognition on defined benefit scheme. The net assets at the end of the year amounted to £1,255m (2020: net assets of £2,020m).

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

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

STRATEGIC REPORT (CONTINUED)

Principal risks and uncertainties

The following is a discussion of the key risks facing the Company together with a summary of the Company's approach to managing those risks.

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

Interest rate risk
The Company's exposure to interest rate fluctuations on its borrowings and deposits is managed principally through the use of fixed rate debt instruments and swap agreements. The Company's policy is to use derivatives to reduce exposure to short-term interest rates and not for speculative purposes.

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

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

Health and safety risk
The health and safety of all our employees, contractors, agency staff and the public is a key risk given the nature of the Company's business. To minimise this risk, the Company is committed to creating a culture that views safe working as the only way of working and to reviewing all our processes and procedures to ensure they deliver this. Training is provided to managers to ensure they understand their responsibility for the safety of the employees that they set to work. In addition, a confidential helpline has been set up for the use of anyone within the organisation to help eradicate unsafe practices and safeguard our employees.

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

STRATEGIC REPORT (CONTINUED)

Principal risks and uncertainties (continued)

Cyber risk

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

Retirement benefit obligations risk

The Company operated two defined benefit (DB) pension schemes, the EDF Energy Generation and Supply Group of the Electricity Supply Pension Scheme and the EDF Energy Pension Scheme, during the year. In February 2021, the Company concluded a statutory consultation around its provision of pension benefits and confirmed its intention to close the DB schemes for future accrual with effect from 1 July 2021, except for those employees with protected rights. Impacted employees will have the option to extend DB pension accrual until 31 December 2021 but receive a lower transition payment. On cessation to DB accrual employees will have the option to join a defined contribution scheme with various tiers of contribution rates. On 31 December 2021, the assets and liabilities of the two defined benefit schemes were transferred to the EDF Group of the Electricity Supply Pension Scheme. See note 21 for more details of pension risks.

Taxation risk

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

Market risk

Market risk is the risk that changes in energy prices will adversely affect the profitability of the Company from normal business operations. The risk is managed on a Group-wide basis by EDF Energy Limited which uses commodity forward contracts to mitigate the price risk and through the deployment of appropriate tariff management.

Investment risk

The future prospects of the Company are dependent on the performance of its investment in subsidiaries. The investments in subsidiaries have been reviewed and the carrying value as at 31 December 2020, following an impairment being recognised in the year, is considered to be recoverable based on their forecast performance.

Liquidity risk

Liquidity risk is the risk that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The Company's exposure to liquidity risk is reduced by its borrowing facilities in place provided by its shareholders.

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

STRATEGIC REPORT (CONTINUED)

Brexit

The United Kingdom (UK) left the European Union (EU) on 31 January 2020, entering into a Transition Period that ended on 31 December 2020. The EU-UK Trade and Cooperation Agreement (TCA), agreed on 24 December 2020, sets the basis for the EU-UK relationship from 1st January 2021.

Although there has been progress in some areas during 2021 (e.g. the EU-UK Data Adequacy Agreement), there remain some important outstanding issues.

EDF had identified the business risks arising from the UK's exit from the EU and was well prepared, enabling the business to manage most of the adverse impacts.

EDF believes that the risks are relatively low and are manageable in respect of issues specific to the electricity sector, including the longer-term relationship in the areas of energy trading, new interconnector trading arrangements and North Seas Co-operation.

The civil nuclear agreement, the EU-UK Nuclear Cooperation Agreement (NCA), is similar to other NCAs that the EU has signed with third countries. It will operate for an initial period of 30 years, providing a commitment to cooperation on civil nuclear, including safeguards, safety and security. It also provides a framework for trade in nuclear materials and technology, facilitates research and development, and enables exchange of information.

EDF will continue to work closely with UK Government and Trade Associations to monitor and adapt to the evolving EU-UK trade relationship as the new arrangements are fully implemented.

Going concern

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

Approved by the Board and signed on its behalf by:

DocuSigned by:
81F6836592A941E...

Robert Guyler
Director

05 September 2022

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 2021.

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

Robert Guyler
Simone Rossi

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

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

Corporate Governance Statement

PART 1
INTRODUCTION

For financial year ending 2021, the Company continued to act in accordance with the robust corporate governance arrangements, outlined further in this Statement, which are embedded across the EDF Energy group in the UK (the **Group**). The Company also continued to support its ultimate parent company, EDF SA, a listed company on the Euronext Paris, complying with its obligations under the French Afep-Medef Code.

Notwithstanding the ongoing support to EDF SA, the Group takes its own approach to corporate governance very seriously; something which is demonstrated through the company culture and behaviours adopted across the Group. To ensure strong corporate governance practices are maintained, the Group acts in accordance with multiple overarching internal policies which support our sustainable business roadmap that sets out how we are delivering our Company purpose: Helping Britain Achieve Net Zero (the **Purpose**) sustainably and responsibly by:

1. Accelerating the UK's shift to low-carbon nuclear and renewable energy storage;
2. Helping households switch to low-carbon lifestyles through smarter innovative solutions;
3. Empowering our business customers to switch to low-carbon growth; and
4. To transform our business in a way that is fair for people and positive for the environment.

Our Purpose and sustainable business roadmap are also published on our EDF Energy (**EDF**) website. Application of the internal policies is tested by Group on an annual basis as part of its companywide internal controls self-assessment. This is also linked to EDF SA's requirement to satisfy the French Securities Markets Authority (**Autorité des Marchés**) Listing Requirements.

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

DIRECTORS' REPORT (CONTINUED)

The Company is not required to comply with the UK Corporate Governance Code but seeks to apply best practices from the Code as appropriate to the Company and aligned with the with the corporate governance practices of the EDF SA group. Going forward it will use Wates Principles for Large Private Companies as a benchmark for its corporate governance practices. This approach ensures the Board can demonstrate how it makes decisions for the long-term success of the company and its stakeholders and also how the Board ensures the Company and wider Group complies with the requirements of Section 172 of the Companies Act 2006.

A summary of the Group
As outlined above, the corporate governance arrangements of the Group stem from our Purpose and sustainable business roadmap. The sustainable business roadmap sets our three commitments towards being a responsible business in support of helping accelerate the UK's shift to low-carbon nuclear and renewable energy, storage and supply:

1. To demonstrate real progress towards a Net Zero environmental impact by reducing out carbon emissions, waste, water use and effect on biodiversity;
2. To create a great workplace for our people by supporting their health and safety, diversity and inclusion and skills development in a just way; and
3. To make a positive social contribution by supporting vulnerable customers, local economies and the STEM skills of tomorrow's energy innovators.

The Purpose, together with the sustainable business roadmap and its accompanying commitments, underpins all policy and forms the basis of all company decision making and all communication and engagement with both internal and external stakeholders.

The reason for creating the Purpose, as well as the sustainable business roadmap, was to firmly align the Group with the values and goals of its parent, being to build a net zero energy future with electricity and innovative solutions and services to help save the planet and drive wellbeing and economic development (the **Raison d'être**). The Purpose is a UK articulation of the Raison d'être with which it is entirely consistent and underpins all strategy setting and decision making within the Company, ensuring business activity is compatible with achieving these objectives.

Further, our sustainable business roadmap closely links to the Corporate Social Responsibility Goals of the EDF SA Group, and in turn, the United Nations' long term vision for sustainable development - the UN Sustainable Development Goals.

In addition, the Group promotes diversity and inclusion through a number of employee networks for its workforce: LGBTQ+ Supporters; Women's; RACE; Disability and Carers; Working Parents; Forces Support; Young Professionals; Cancer Support; and Mental Health Supporters.

Part 2 of this statement will explain what arrangements the Company had in place during 2021 to maintain its strong corporate governance culture and support delivery of the Purpose, which, for ease of review, have been aligned with the Wates Principles for Large Private Companies to ensure consistency with the principles of formal codes of governance.

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

DIRECTORS' REPORT (CONTINUED)

PART 2
The Company operates an effective board that has developed and promoted the purpose of a company, and ensured the Company values, strategy and culture align with that purpose.

EDF is proud to be Britain's biggest generator of zero carbon electricity[1] the UK's largest producer of low-carbon electricity and in order to help Britain achieve Net Zero EDF intends to lead the transition to a decarbonised energy system across its seven business areas. To help effect this change, in 2020, EDF Energy acquired Pod Point, one of the largest electric vehicle (**EV**) charging providers in the UK, following the launch of its low-carbon EV tariff "**Go Electric**". In 2021, EDF secured further investment by floating Pod Point on the London Stock Exchange. By the end of 2021, Pod Point had installed 160,000 charge points, up 70% on the year before which further supports EDF in delivering its Company Purpose Moreover, in 2021 EDF also chose to partner with DriveElectric, one of the UK's leading electric car lease providers, to provide customers with handpicked EV leasing deals, opening up the EV market to more individuals. With the UK Government vowing to phase-out the sale of new petrol and diesel cars by 2030, taking these decisions was an important step forward for EDF in its support of Britain in achieving its Net Zero goals. This followed the acquisition by the renewables arm of the business of UK battery storage developer Pivot Power in late 2019 which is helping the Group to develop battery storage and is creating business opportunities and economic activity. These acquisitions are not only in themselves a significant step towards helping Britain achieve Net Zero but are also illustrative of EDF's sustainable business roadmap underpinning activity within the Company with the acquisition of Pod Point offering an innovative EV solution that empowers households to switch to low-carbon lifestyles and that of Pivot Power supporting a shift to low-carbon and renewable energy storage.

Following the launch of a new ambition for the Customers Business in 2019, 'Simply Better for Customers', which strives to provide the best service for its customers and puts customers at the heart of everything it does is in line with the Company's values, EDF was awarded the Uswitch 'Large Supplier of the Year' award in 2021, receiving a customer satisfaction score of 74% - the highest score of all the 'big six' suppliers. The Customers Business also acquired Utility Point, Green Network and Zog Energy after the suppliers failed in 2021 after being appointed Supplier of Last Resort during the ongoing Energy Market Crisis (the **Crisis**), which was a key activity for the Customers Retail strategy which the Board oversees implementation of.

The Company's principal activity is the procurement of energy and commodities on behalf of other companies within the Group together with provision of head office services. The Company is an intermediate holding company of Group.

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

[1]UK Fuel mix disclosure information, published by Government Department BEIS, recognises from wind, solar and nuclear fuel produces zero carbon dioxide emissions at the point of generation.

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

DIRECTORS' REPORT (CONTINUED)

To ensure the overriding strategy, objective and purpose of the Company is articulated and implemented throughout the organisation, the Group has a communications team which issues tailored communicates to employees that support the Company's strategy, sustainable business plan and brand vision. The Company also has an open and ongoing dialogue with trade unions and other employee representatives, regulators and policy organisations and other stakeholders. The social media team has an active listening, response and monitoring strategy to gauge market perception of delivery of the strategy of the Company.

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

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

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

The Directors of the Company have given careful consideration to the size and structure of the Board, in order to meet the strategic needs and challenges of the organisation. Structurally, the business of the Group is transacted at either operational Board level or at a holding group Board level. As the Company is an intermediary holding company and not embedded within a particular business unit, the Board does not meet regularly. Instead, the Board meets / considers matters via written resolution on an ad hoc basis. The majority of topics referred to this Board are those that require statutory approval, i.e. approval of the annual accounts, share subscriptions etc. or matters of a material financial value.

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

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

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

1. EDF Energy Company Health and Safety Committee;
2. EDF Energy Audit Committee; and
3. EDF Energy Remuneration Committee.

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

DIRECTORS' REPORT (CONTINUED)

In addition, the Group has adopted and acts in accordance with a Financial Authority Limit (**FALs**) framework which means contracts and transactions up to a certain financial threshold are not required to be presented to a board for approval (unless otherwise required).

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

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

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

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

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

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

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

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

DIRECTORS' REPORT (CONTINUED)

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

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

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

Key financial information is collated from SAP, the Group's accounting system. The Group's finance function is appropriately qualified to ensure the integrity of this information is provided with the necessary training to keep up to date with regulatory changes.

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

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

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

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

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

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

DIRECTORS' REPORT (CONTINUED)

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

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

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

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

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

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

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

The Company is clear that good governance and effective communication are essential on a day-to-day basis to deliver the Purpose, the Raison d'être of EDF SA and to protect the Company's reputation and relationships with all our stakeholder community including shareholders, customers, employees, suppliers, regulators and the local communities in which we work.

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

DIRECTORS' REPORT (CONTINUED)

The Board is committed to social responsibility, community engagement and environmental sustainability which is demonstrated, in particular, through the sustainable business roadmap which showcases our commitment to being a responsible business and our engagement with internal and external stakeholders.

The Company (through relevant teams within the Group) engages, informs and consults with its employees on matters affecting them. Having people who bring a diverse range of talents and perspectives, and who feel engaged in their roles, is fundamental to the long-term success of the Company. In the summer of 2020, EDF Energy launched its Everyone's Welcome vison for being a great place to work, where everyone is welcome. Following this launch and engagement with our employee networks, EDF Energy issued a Standards of Behaviour statement in September 2021. This statement applies to everyone, makes it explicitly clear that our people deserve a respectful working environment and that we will not tolerate any behaviour that is not in line with our Everyone's Welcome vision. Employee engagement is carried out in a number of ways which give employees a voice and in which our senior leaders actively participate. This has been demonstrated through some large change programmes where leaders have worked closely with employees and key stakeholders. Some of the mechanisms include:

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

EDF also partners with a wide range of organisations to ensure safe, secure and responsible energy generation and to deliver fair value, better service and simplicity for our customers. The Board recognises the key role these suppliers play in ensuring the longevity of the business and the wellbeing of our suppliers is a key priority for EDF.

Throughout the Covid-19 pandemic the Company has also ensured that there have been clear and regular communications with employees to ensure awareness of the actions the Company was taking and why these were necessary.

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

DIRECTORS' REPORT (CONTINUED)

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

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

For example, during 2021, after meaningful engagement with the Trade Union and Pensions Trustees, EDF took the decision to consolidate its three pension schemes into one pension scheme (the **Scheme**). After considering the impact of the consolidation proposal on the relevant stakeholders, the proposal was approved by the Company on the basis that it would materially improve the long-term benefit to its members.

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

Streamlined Energy and Carbon Reporting

Information on the streamlined energy and carbon reporting is discussed in the Group's Annual Report which does not form part of this report and are available to the public as set out in note 31.

Future developments

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

Dividends

No dividend was declared and satisfied in specie in the year (2020: £72m).

Political contributions

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

Financial instruments

The use of financial instruments in the Company is outlined in the statement of accounting policies and notes 16, 20 and 25.

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

DIRECTORS' REPORT (CONTINUED)

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

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

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

Events since the balance sheet date
Subsequent events are disclosed in note 31 of the financial statements.

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

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

Reappointment of auditor
It is noted that Deloitte LLP as appointed by the members are deemed to be re-appointed as the auditors to the Company for the financial year ending 31 December 2022 in accordance with the provisions of Section 487 (2) of the Companies Act 2006 and that the Directors have been authorised to fix the remuneration of the auditors.

Approved by the Board and signed on its behalf by:

DocuSigned by:
.....B1F683B592A941E.....
Robert Guyler
Director
05 September 2022
.....

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

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

Report on the audit of the financial statements

1. Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 31.

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

2. Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

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

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

	Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used in the current year was £37.6 million which was based on 3.0% of net assets.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	There were no significant changes in our approach in the current year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- assessing the company's financing facilities including the nature of facilities, repayment terms and covenants;
- assessing the ability and intention of EDF SA to continue to fund EDF UK operations with input from the Deloitte Paris EDF SA group audit team; and
- assessing the going concern position of the underlying subsidiaries by evaluating the cashflow forecasts and model prepared by management and conducting sensitivity analysis.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

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

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

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

5.1. Valuation of investment in subsidiary and associate undertakings

Key audit matter description	The company has investments in subsidiary and associate undertakings of £1,283 million as at 31 December 2021 (2020: £1,260 million), valued at cost less provision for impairment. This investment relates to direct investments in the EDF Energy Customers Limited business and the EDF Energy Thermal Generation Limited business, both of which are wholly owned subsidiaries which in turn have investments in a number of other EDF Energy entities in the group. The investment in subsidiary and associate undertakings balance also includes an investment in the Renewables group of entities, of which EDF Energy Limited is a non-controlling interest. There is a risk in relation to the valuation of these investments and whether any impairment is required as a result of the current economic climate. No impairment indicator related to the holdings in EDF Energy Thermal Generation or the Renewables group of entities was identified in the year, however impairment indicators were identified related to the investment in EDF Energy Customers Limited. Management has undertaken an impairment test of the underlying investment in EDF Energy Customers Limited by preparing an enterprise value calculation. This included subsidiary valuations derived from the year-end impairment review conducted at a subsidiary cash-generating unit level, and a net debt calculation. The year-end impairment review involved preparation of a long-term model (incorporating the valuation of the Customers CGU). This model included several significant assumptions, such as forward power prices, discount rates, EBITDA, market share and gross margin. To review these assumptions, management performed sensitivity analysis on key assumptions underpinning the valuation. As a result of this exercise, a £177m impairment was recognised against EDF Energy Customers Limited, due to challenging market conditions arising from the COVID-19 pandemic. No impairment to the holdings in EDF Energy Thermal Generation or the Renewables group of entities was recognised in the year. Further details are included within note 3: critical accounting estimates and judgements and note 17: investment in subsidiary and associate undertakings.
How the scope of our audit responded to the key audit matter	We performed the following audit procedures: • Obtaining an understanding of relevant controls related to the impairment exercise; • Assessing the enterprise value of the investment held in EDF Energy Customers Limited for compliance with IAS 36; • Testing the mathematical accuracy of the group long-term impairment model, which includes the value in use of EDF Energy Customers Limited; • Challenged the forecast used in the long-term model with retrospective review of previous forecasts versus actual results as well as checking

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

	consistency with the forecast that has been approved by management and those charged with governance; • Challenging significant assumptions within management's forecasts generating the EDF Energy Customers Limited enterprise value, including consideration of current economic circumstances; • Performing sensitivity analyses to ascertain whether a reasonably possible change in any of the significant underlying assumptions would result in a potential impairment; and • Assessed the impairment disclosures for compliance with IAS 36.
Key observations	Based on the procedures above, we concurred that the assumptions used in the impairment model were reasonable. Therefore, we concluded that the carrying amount of the investment in subsidiary undertakings is appropriate.

6. Our application of materiality

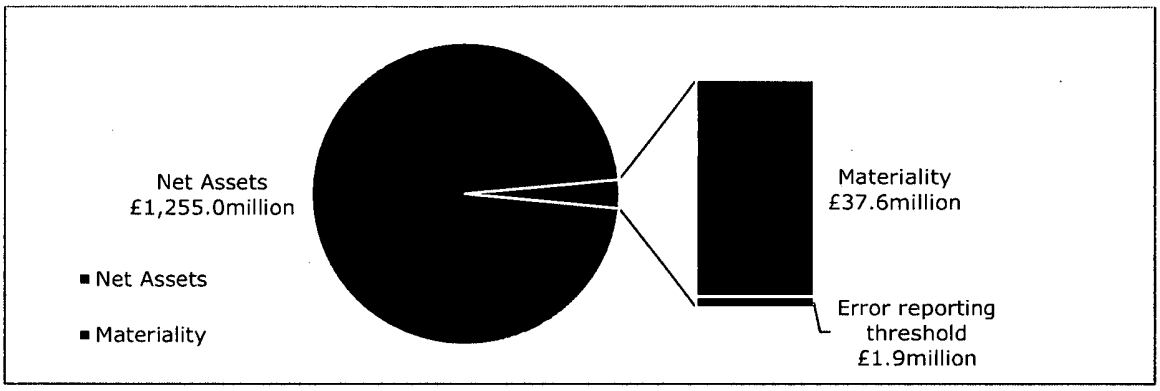
6.1. Materiality

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

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

Materiality	£37.6 million (2020: £24 million)
Basis for determining materiality	3.0% of net assets (2020: 1% of net assets).
Rationale for the benchmark applied	We determined materiality based on net assets due to the nature and purpose of the entity. Given that EDF Energy Limited is an intermediate holding company of the wider EDF Energy Holdings Limited group, net assets is considered to be the relevant benchmark and indicator to stakeholders of the . entity. The determined materaility and basis used are consistent with the 2019 audit. We set a lower benchmark in 2020 due to the uncertainty and impact caused by the Covid-19 pandemic.

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 60% of materiality for the 2021 audit (2020: 60%). In determining performance materiality, we considered factors including our assessment of risk, the overall control environment, and our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

6.3. Error reporting threshold

We agreed with the directors that we would report all audit differences in excess of £1.9 million (2020: £1.2 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

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

7.2. Our consideration of climate-related risks

Management did not identify any climate risks that materially impact the financial statements.

We held a climate change meeting with management to gain an understanding of the process they follow for considering climate change risks, what analysis they have performed, what steps they have taken to date and how they intend to mitigate these risks in the future as the situation evolves.

As part of our risk assessment procedures, we considered whether there are additional risks based on industry knowledge and our understanding of the entity across the EDF UK Group.

We agree with management's climate risk assessment that there is no material impact to the financial statements.

We read the climate related disclosures in the strategic report on page 1 to consider whether they are materiality consistent with the financial statements and the knowledge obtained in our audit.

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

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

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

10. Auditor's responsibilities for the audit of the financial statements

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

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

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance;
- results of our enquiries of management internal audit and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including tax, pensions and financial instruments specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's operating licence and regulatory requirements.

11.1. Audit response to risks identified

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, and reviewing internal audit reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

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

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

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

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

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

We have nothing to report in respect of this matter.

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

14. Use of our report

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

Anthony Matthews

Anthony Matthews FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
05 September 2022

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £ m	2020 £m
Revenue	4	6,151	5,750
Fuel, energy and related purchases	5	(6,118)	(5,740)
Gross margin		**33**	**10**
Materials and contracting costs		(15)	(18)
Personnel expenses	7	(78)	(66)
Other operating expenses		(150)	(156)
Other operating income		143	177
Operating loss before depreciation, amortisation and impairment		**(67)**	**(53)**
Exceptional costs	8	(197)	6
Impairment	9	(177)	(305)
Depreciation and amortisation	10	(32)	(36)
Gain on derivative commodity contracts	10	1	16
Other gains and losses		-	(1)
Loss before taxation and finance costs		**(472)**	**(373)**
Investment income	11	7	60
Finance costs	12	(37)	(32)
Loss before taxation		**(502)**	**(345)**
Taxation	13	73	(38)
Loss for the year		**(429)**	**(383)**

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

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £ m	2020 £ m
Loss for the year	(429)	(383)
Remeasurements of retirement benefit (note 21)	270	(127)
Income tax effect (note 13)	(64)	20
Items that may be reclassified subsequently to profit or loss		
(Loss)/gain on cash flow hedges (note 29)	(542)	4
Total comprehensive loss attributable to the owners of the Company for the year	(765)	(486)

The income tax effect on defined benefit pensions includes a deferred tax charge of £71m (2020: credit of £14m) and a current tax credit of £7m (2020: credit of £6m).

The net gain on cash flow hedges includes a deferred tax credit of £175m (2020: charge of £2m).

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

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

BALANCE SHEET
AT 31 DECEMBER 2021

	Note	2021 £ m	Restated 2020 £m
Non-current assets			
Intangible assets	14	254	270
Property, plant and equipment	15	55	60
Financial assets	16	121	33
Investment in subsidiary and associate undertakings	17	1,283	1,260
Right of use assets	18	28	32
Deferred tax assets	19	190	34
Derivative financial instruments	20	305	52
Post-employment benefit asset	21	-	219
		2,236	1,960
Current assets			
Financial assets	16	-	238
Trade and other receivables	22	1,616	3,536
Cash and cash equivalents	23	1,364	902
Derivative financial instruments	20	1,530	264
		4,510	4,940
Total assets		6,746	6,900
Current liabilities			
Other liabilities	24	(1,075)	(2,473)
Borrowings	25	(4)	(10)
Short-term provisions	26	(831)	(695)
Lease liabilities	18	(6)	(6)
Current tax liability		(266)	(301)
Derivative financial instruments	20	(1,805)	(179)
		(3,987)	(3,664)
Net current assets		523	1,276
Total assets less current liabilities		2,759	3,236

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

BALANCE SHEET
AT 31 DECEMBER 2021 (CONTINUED)

	Note	2021 £ m	Restated 2020 £m
Non-current liabilities			
Borrowings	25	(738)	(738)
Long-term provisions	26	(22)	(13)
Lease liabilities	18	(27)	(30)
Derivative financial instruments	20	(717)	(58)
Post-employment benefits provision	21	-	(377)
		(1,504)	(1,216)
Total liabilities		(5,491)	(4,880)
Net assets		**1,255**	**2,020**
Capital and reserves			
Called up share capital	27	1,423	1,423
Cash flow hedge reserve	29	(509)	33
Retained earnings		341	564
Total equity		**1,255**	**2,020**

The financial statements of EDF Energy Limited (registered number: 02366852) on pages 29 to 76 were approved by the Board, authorised for issue and signed on its behalf by:

DocuSigned by:
81F6836592A941E...
Robert Guyler
Director
05 September 2022
.....

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital £ m	Cash flow hedge reserve £ m	Retained earnings £ m	Total £ m
At 1 January 2020	523	29	1,118	1,670
Loss for the year	-	-	(383)	(383)
Other comprehensive income	-	4	(107)	(103)
Dividends (note 28)	-	-	(72)	(72)
New share capital subscribed (note 27)	900	-	-	900
Capital contribution	-	-	8	8
At 31 December 2020	1,423	33	564	2,020
Loss for the year	-	-	(429)	(429)
Other comprehensive income	-	(542)	206	(336)
At 31 December 2021	1,423	(509)	341	1,255

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS

1 General information

EDF Energy Limited is a private Company limited by shares. It is incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on the contents page. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 1 to 8.

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

2 Accounting policies

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

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

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

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

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Summary of disclosure exemptions (continued)
k) the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases; and
l) the requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

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

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

Exemption from preparing group accounts
The financial statements contain information about EDF Energy Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of EDF Energy Holdings Limited, a company incorporated in United Kingdom.

Revenue recognition
Revenue is recognised to depict the transfer of promised services to the customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those services. Revenue is recognised either when the performance obligation in the contract has been performed or as control of the performance obligation is passed to the customer.

Transfer pricing revenue: Transfer pricing revenue is earned from the procurement of energy and commodities on behalf of the Company's subsidiaries. The company acts as a principal in the arrangement therefore revenue is recognised in the income statement on a gross basis.

Interest income
Interest income is recognised as the interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividend income
Dividend income is recognised when the right to receive payment is established.

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

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

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

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

Taxation
Current tax
Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax
Deferred tax is provided or recognised in full using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax arising from (1) the initial recognition of goodwill, (2) the initial recognition of assets or liabilities in a transaction (other than in a business combination) that affects neither the taxable profit nor the accounting profit, or (3) differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future, is not provided for.

Deferred tax assets are recognised to the extent it is more likely than not that future taxable profits will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply for the period when the asset is realised or the liability is settled based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Current tax and deferred tax for the year
Current tax and deferred tax are recognised in the income statement, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Intangible assets

IT software
IT software is initially recognised at cost and is amortised on a straight-line basis over a useful economic life of 3-8 years. The amortisation expense on intangible assets is recognised in the income statement. An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

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

Property, plant and equipment
Property, plant and equipment are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

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

Asset class	Depreciation method and rate
Information technology hardware	Three to ten years
Tools and equipment	Five years
Fixtures and equipment	Four to five years
Motor vehicles	Five years

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

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

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

Impairment of non-financial assets
At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of the fair value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

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

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

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

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

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

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

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

Investments in associates are accounted for at cost less, where appropriate, allowances for impairment. If there is an indication of impairment the Company calculates the amount of impairment and the difference between the recoverable amount of the associate and its carrying value is then recognised in the income statement.

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

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Leases

Company as a lessee

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

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

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

Right of use assets

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

Lease Liabilities

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

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instruments.

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

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

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

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

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

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

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

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

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

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

Recognition of expected credit losses
The Company recognises a loss allowance for expected credit losses (ECLs) on a financial asset that is measured at amortised cost. The Company applies IFRS 9's simplified approach to measure expected credit losses on trade receivables, using provision matrices established on the basis of credit loss histories. The expected credit losses are assessed considering all reasonable and supportable information, including that which is forward-looking.

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

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

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

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

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

Gains or losses on financial liabilities held through profit and loss are recognised in the statement of profit or loss.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

De-recognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Derivative financial instruments
The Company enters into financial instruments to manage its exposure to fluctuations in foreign exchange rates, interest rates and commodity prices (including gas, coals, carbon certificates and electricity). Financial instruments include FX forwards, interest rate swaps and forward sales and purchases of energy or commodities. Further details of derivative financial instruments are disclosed in note 19.

Forward sales and purchase of commodities and energy are considered to fall outside the scope of IFRS 9 when the contract concerned qualifies as "own use". This is demonstrated to be the case when the following conditions have been met:
• a physical delivery takes place under all such contracts;
• the volume purchased or sold under the contracts correspond to the Company's operating requirements; and
• the contracts are not considered as written options as defined by the standard.

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

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

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

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

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

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Hedge accounting

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

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

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

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

Cash flow hedges

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

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

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

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Defined benefit pension obligation
The Company operated two defined benefit (DB) pension schemes, the EDF Energy Generation and Supply Group of the Electricity Supply Pension Scheme and the EDF Energy Pension Scheme, during the year.

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

Settlement of the Company's defined benefit pension obligations on 31 December 2021 is recognised as a past service cost.

Cash and cash equivalents
Cash and cash equivalents include cash pooling with group companies, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. On the balance sheet, bank overdrafts are shown within borrowings.

Borrowings
All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

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

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

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

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, described in note 2, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

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

The Company is responsible for monitoring the level of power produced and delivered and is actively involved in setting up the prices. As a result the Directors have concluded that the Company controlled the goods before transferring them to the customer and is therefore the principal in this relationship.

Key sources of estimation Uncertainty
The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of investment in subsidiary and associates
The Company performs impairment testing of investment in subsidiaries and associates where there is an indication of potential impairment. The impairment review involves a number of assumptions including long term EBIT and market share. These assumptions are reviewed annually to ensure they are reliable. Further details on impairment is disclosed in note 9.

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Revenue

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

	2021 £ m	2020 £ m
Sales of services	6,151	5,750
	6,151	5,750

5 Fuel, energy and related purchases

	2021 £ m	2020 £ m
Purchase of energy	4,308	4,116
Distribution and transmission	728	696
Renewable obligation certificates	1,082	928
	6,118	5,740

6 Directors' remuneration

The Directors' remuneration for the year was as follows:

	2021 £ m	2020 £ m
Aggregate remuneration	1	1

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

	2021 No.	2020 No.
Accruing benefits under defined benefit pension scheme	-	1

In respect of the highest paid director:

	2021 £ m	2020 £ m
Aggregate remuneration	1	1

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

No Director (2020: none) held any interest in shares or debentures of the Company or the Group that are required to be disclosed under the Companies Act 2006.

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

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 Directors' remuneration (continued)

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

7 Personnel expenses

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

	2021 £ m	2020 £ m
Wages and salaries	43	43
Social security costs	6	6
Pension costs	38	22
Severance	(9)	(5)
	78	66

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

	2021 No.	2020 No.
Corporate and Steering Functions	658	676
Generation	260	337
	918	1,013

8 Exceptional costs

	2021 £ m	2020 £ m
Impact of change of DB scheme	197	-
Restructuring costs	-	(6)
	197	(6)

Impact of change of DB scheme includes past service cost arising from the transfer of EEPS and EEGS.

9 Impairment

	2021 £ m	2020 £ m
Impairment of subsidiary undertakings	177	302
Impairment of right of use asset	-	3
	177	305

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 Impairment (continued)

During the year, an impairment was recognised in the Company's investment in the Customers business due to difficult market conditions, due to the Energy Crisis which was considered to be a crucial impairment trigger. As a result, long-term margin assumptions were revised downwards, for both segments. The margins defined for the B2C segment already reflect the competitive and regulatory situation in the UK market, particularly the end of the cap on the Standard Variable Tariff in 2023.

The recoverable amount which was based on an enterprise value calculation was lower than the carrying value which resulted in an impairment of £177m. The main assumptions used for the calculation were the long-term EBIT and market share of B2B and B2C. A reduction in the long-term EBIT margin to 0.5% across B2B and B2C would increase impairment by c.£374m. A long-term EBIT margin of 1.5% in B2C 0.9% in B2B would lead to the recoverable amount being higher than the carrying amount. Volume in TWh was reduced by 10% versus base case for both segments.

10 Loss for the year

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

	2021 £ m	2020 £ m
Depreciation expense - property, plant & equipment (note 15)	17	20
Amortisation expense (note 14)	9	9
Depreciation expense - right of use asset (note 18)	6	7
Foreign exchange (gain)/losses (note 11, 12)	4	(1)
Gain on derivative commodity contracts	(1)	(16)
Impairment of investment in subsidiary (note 9)	177	302
Impairment on right of use asset (note 9)	-	3
(Gain)/loss on derivative foreign exchange contracts (note 11, 12)	-	(6)

In 2021, an amount of £113,000 (2020: £110,000) was paid to Deloitte LLP for audit services. In 2021, amounts payable to Deloitte LLP by the Company in respect of other assurance services were £nil (2020: £nil).

11 Investment income

	2021 £ m	2020 £ m
Interest on bank deposits	3	2
Dividend income	-	43
Fair value gains on foreign currency derivative	-	6
Interest receivable from other Group companies	4	8
Foreign exchange gains	-	1
	7	60

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 Investment income (continued)

During the year dividend income of £nil (2020: £33m) was received from EDF Energy (Energy Branch) Limited and dividend income of £nil (2020: £10m) was received from the EDF Energy Renewables Group.

12 Finance costs

	2021 £ m	2020 £ m
Interest on bank overdrafts and borrowings	5	4
Interest payable on loans from other Group companies	-	1
Interest on leases	1	1
Foreign exchange losses	4	-
Fair value losses of foreign currency derivatives	1	-
Pension scheme interest	1	1
Interest on bonds	25	25
	37	32

13 Tax

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

	2021 £ m	2020 £ m
Current taxation		
UK corporation tax (credit) on loss made in the year	(18)	(1)
Adjustments in respect of previous years' reported tax charge/(credit)	(4)	51
Total current tax charge/(credit) in the year	(22)	50
Deferred taxation		
Current year (credit)	(45)	(6)
Adjustments in respect of previous years' reported tax (credit)/charge	1	(1)
Effect of increased tax rate on opening balance	(7)	(5)
Total deferred tax (credit) for the year	(51)	(12)
Income tax (credit)/charge reported in the income statement	(73)	38

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 Tax (continued)

(b) The tax on loss before tax for the year is higher than (2020: higher than) the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%).

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

	2021 £ m	2020 £ m
Loss before tax	(502)	(345)
Tax at the UK corporation tax rate of 19.00% (2020: 19.00%)	(95)	(66)
Effect of:		
Non-taxable dividends receivable	-	(8)
Non-deductible impairment	34	57
Other non-deductible expenses and non-taxable income	9	10
Current year effect of deferred tax rate change	(11)	-
Adjustment to prior-year corporation tax charge/(credit)	(4)	51
Adjustment to prior-year deferred tax (credit)/charge	1	(1)
Impact of increased tax rate on opening deferred tax balance	(7)	(5)
Income tax (credit)/charge reported in the income statement	(73)	38

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

The accounting for deferred tax follows the accounting treatment of the underlying item on which deferred tax is being provided and hence is booked within equity if the underlying item is booked within equity.

In the current year a deferred tax credit of £105m (2020: credit of £12m) has been recognised in equity. This consists of a charge of £71m (2020: credit of £14m) in respect of pension movements and a credit of £175m (2020: charge of £2m) which relates to fair value movements arising on derivative instruments.

A current tax credit of £7m (2020: credit of £6m) has also been recognised in equity in respect of pension movements.

The closing deferred tax balance at 31 December 2021 has been calculated at 24.85% (31 December 2020: 19.00%). This is the average tax rate at which the reversal of the net deferred tax liability is expected to occur.

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 Intangible assets

	IT Software	Renewable obligations certificates	Total
	£m	£m	£m
Cost or valuation			
At 1 January 2021 (As previously reported)	117	195	312
Prior year restatement*	-	44	44
At 1 January 2021 Restated	117	239	356
Additions	-	891	891
Disposals	(3)	(898)	(901)
At 31 December 2021	114	232	346
Amortisation			
At 1 January 2021	86	-	86
Amortisation charge	9	-	9
Disposals	(3)	-	(3)
At 31 December 2021	92	-	92
Carrying amount			
At 31 December 2021	22	232	254
At 31 December 2020	31	239	270

*The prior period restatement of £44m relates to the renewable obligation certificates, which were not accrued for in 2020 and thus resulted in a restatement of the opening balance in 2021.

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 Property, plant and equipment

	Land and buildings £ m	Other property, plant and equipment £ m	Assets under construction £ m	Total £ m
Cost				
At 1 January 2021	31	111	9	151
Additions	-	-	13	13
Disposals	-	(7)	-	(7)
Transfers	-	11	(11)	-
At 31 December 2021	31	115	11	157
Depreciation				
At 1 January 2021	(7)	(84)	-	(91)
Charge for the year	-	(17)	-	(17)
Eliminated on disposal	-	6	-	6
At 31 December 2021	(7)	(95)	-	(102)
Carrying amount				
At 31 December 2021	24	20	11	55
At 31 December 2020	24	27	9	60

16 Financial assets

	2021 £ m	2020 £ m
Current financial assets		
Loans to subsidiaries	-	213
Loans to associates	-	25
	-	238

	2021 £ m	2020 £ m
Non-current financial assets		
Loans to subsidiaries	13	13
Loans to associates	108	20
	121	33

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 Financial assets (continued)

£13m (2020: £26m) of loans to subsidiaries has interest calculated at 6.275%, is unsecured and is repayable in instalments until final repayment by 30 June 2022.

Loan to associates of £25m (2020: £25m) has interest calculated at 0.98463% (2020: 1.41738%), is unsecured and matures on 22 June 2022.

In 2021, a £51m loan was advanced to EDF Energy Renewables Limited at 1.8% plus 3-month LIBOR in relation to working capital funding.

In 2021, an amount of £12m (2020: £20m) was advanced to EDF Renewables Ireland at 3-month EURIBOR plus 1.5% in relation to any matters related to the advancement of future development in Ireland.

17 Investment in subsidiary and associate undertakings

	Subsidiaries £ m	Restated Associates £ m	Total £ m
Cost			
At 1 January 2020	1,078	393	1,471
Additions	90	7	97
Impairment	(302)	-	(302)
Disposals	-	(6)	(6)
At 31 December 2020	866	394	1,260
Additions	200	-	200
Impairment (note 9)	(177)	-	(177)
At 31 December 2021	889	394	1,283
Carrying amount			
At 31 December 2021	889	394	1,283
At 31 December 2020	866	394	1,260

Addition to subsidiary undertakings relate to additional capital investment in the Thermal business due to waiver of the £200m million loan facility.

An impairment was recognised in the year on the company's investment in the Customers business, see note 9 for further information on the impairment recognised.

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 Investment in subsidiary and associate undertakings (continued)

Details of the subsidiaries as at 31 December 2021, which are incorporated in the United Kingdom and are registered and operate in England and Wales, or Scotland (unless otherwise stated), are as follows:

Name of subsidiary	Principal activity	Proportion of ownership interest and voting rights held 2021	2020
West Burton Property Limited	Dormant company	100%	100%
Cheshire Cavity Storage 1 Limited	Provision of gas storage facilities	100%	100%
EDF Energy (Gas Storage) Limited	Provision of gas storage facilities	100%	100%
EDF Energy Pension Scheme Trustee Limited*	Dormant company	100%	100%
EDF Energy (Thermal Generation) Limited*	Electricity retailing	100%	100%
EDF Energy Customers Limited*	Electricity retailing	100%	100%
Hoppy Limited	Digital innovation system	0%	51%
EDF Energy ESPS Trustee Limited*	Dormant company	100%	100%
Pod Point Group Holdings PLC (1)	Holding Company	54.05%	77.5%
Pod Point Holding Limited (1)	Holding company	54.05%	77.5%
Pod Point Limited (1)	Provision of charging infrastructure for electric vehicles	54.05%	77.5%
Open Charge Limited (1)	Financial activities	54.05%	77.5%
Pod Point Asset One Limited (1)	Provision of charging infrastructure assets for electric vehicles	54.05%	77.5%
Pod Point Norge AS (Norway) (2)	Dormant company	54.05%	77.5%

* indicates direct investment of EDF Energy Limited
Unless otherwise stated, the registered address of the subsidiary undertakings listed is 90 Whitfield Street, London, W1T 4EZ.
(1) Registered Address: 28-42 Banner Street Banner Street, London, England, EC1Y 8QE
(2) Registered Address: Engebrets vei 3 0275 Oslo
During the year, EDF Energy (Cottam Power) Limited, EDF Energy (Energy Branch) Limited, EDF Energy Fleet Services Limited and Cheshire Cavity Storage Group Limited were dissolved.

For the year ending 31 December 2021 the following subsidiaries of the Company were entitled to exemption from audit under Section 479A of the Companies Act 2006 relating to subsidiary companies;

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 Investment in subsidiary and associate undertakings (continued)

Company	Registration Number
EDF Energy Lake Limited	09200461
NNB Top Company HPC (B) Ltd	09284753
NNB Top Company HPC (A) Ltd	09284749
EDF Energy Innovation Limited	06999483
Northern Power Limited	SC155131

Details of the Company's associates at 31 December 2021 are detailed below:

Name of associate	Principal activity	Proportion of ownership interest and voting rights held	
		2021	2020
EDF Energy Services Limited	Development of generation and supply	49%	49%
Braemore Wood Windfarm Limited (14)	generation	49%	49%
Burnfoot East Windfarm Limited (14)	Renewable energy generation	0%	49%
Clash Gour Windfarm Holdings Limited (7)	Holding company	49%	49%
Altyre II Windfarm Limited (7)	Renewable energy generation	49%	49%
Dallas Windfarm Limited (7)	Renewable energy generation	49%	49%
Dunphail II Windfarm Limited (7)	Renewable energy generation	49%	49%
Dunphail Windfarm Limited (7)	Renewable energy generation	49%	49%
Barmoor Wind Power Limited (14)	Renewable energy generation	49%	49%
Beck Burn Windfarm Limited (14)	Renewable energy generation	25%	25%
Boundary Lane Windfarm Limited (14)	Renewable energy generation	25%	25%
Burnfoot Windfarm Limited (14)	Renewable energy generation	25%	25%
Burnhead Moss Wind Farm Limited (14)	Renewable energy generation	25%	25%
Cemmaes Windfarm Limited (14)	Renewable energy generation	25%	25%
Corriemoillie windfarm Limited (14)	Renewable energy generation	25%	25%

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 Investment in subsidiary and associate undertakings (continued)

Dorenell Windfarm Limited (14)	Renewable energy generation	25%	25%
Fairfield Windfarm Limited (14)	Renewable energy generation	25%	25%
Great Orton Windfarm II Limited (14)	Renewable energy generation	25%	25%
High Hedley Hope Wind Limited (14)	Renewable energy generation	25%	25%
Kirkheaton Wind Limited (14)	Renewable energy generation	25%	25%
Llangwyryfon Windfarm Limited (14)	Renewable energy generation	25%	25%
Longpark Windfarm Limited (14)	Renewable energy generation	25%	25%
Park Spring Wind Farm Limited (14)	Renewable energy generation	25%	25%
Pearie Law Windfarm Limited (14)	Renewable energy generation	25%	25%
Roade Windfarm Limited (14)	Renewable energy generation	25%	25%
Teesside Windfarm Limited (14)	Renewable energy generation	25%	25%
Walkway Windfarm Limited (14)	Renewable energy generation	25%	25%
EDF Energy Round 3 Isle of Wight Limited (14)	Renewable energy generation	25%	25%
Navitus Bay Development limited (1)	Renewable energy generation	0%	25%
EDF ER Development Limited (14)	Renewable energy generation	49%	49%
Camilty Windfarm Limited (14)	Renewable energy generation	49%	49%
Cloich Windfarm Limited (14)	Renewable energy generation	49%	49%
EDF ER Nominee Limited (14)	Renewable energy generation	0%	49%
Heathland Windfarm Limited (14)	Renewable energy generation	49%	49%
Mosscastle Windfarm Limited (14)	Renewable energy generation	0%	49%

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 Investment in subsidiary and associate undertakings (continued)

Newcastleton Windfarm Limited (14)	Renewable energy generation	49%	49%
South Clare Windfarm Limited (14)	Renewable energy generation	0%	49%
The Mosses Windfarm Limited (14)	Renewable energy generation	0%	49%
Tinnisburn Windfarm Limited (14)	Renewable energy generation	49%	49%
Wauchope Windfarm Limited (14)	Renewable energy generation	49%	49%
West Benhar Windfarm Limited (14)	Renewable energy generation	49%	49%
EDF Renewables Solar Limited (14)	Renewable energy generation	49%	49%
First Windfarm Holdings Limited (14)	Renewable energy generation	49%	49%
Lewis Wind Power Holdings Limited (2)	Renewable energy generation	25%	25%
Stornoway Wind Farm Limited (2)	Renewable energy generation	25%	25%
Uisenis Power Limited (11)	Renewable energy generation	0%	25%
Neart Na Gaoithe Offshore Wind Limited (4)	Renewable energy generation	49%	49%
Red Tile Wind Limited (14)	Renewable energy generation	0%	49%
Stranoch Windfarm Limited (14)	Renewable energy generation	49%	49%
NNG Windfarm Holdings Limited (4)	Holding company	49%	49%
EDF Energy Renewables Limited (14)	Renewables energy generation	49%	49%
Camilty Windfarm Partneship LLP (14)	Renewable energy generation	49%	49%
Cloich Windfarm Partneship LLP (14)	Renewable energy generation	49%	49%
Heathland Windfarm Partneship LLP (14)	Renewable energy generation	49%	49%
Newcastleton Windfarm Partneship LLP (14)	Renewable energy generation	49%	49%
The Mosses Windfarm Partneship LLP (14)	Renewable energy generation	0%	49%

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 Investment in subsidiary and associate undertakings (continued)

Tinnisburn Windfarm Partnership LLP (14)	Renewable energy generation	49%	49%
Wauchope Windfarm Partneship LLP (14)	Renewable energy generation	49%	49%
West Benhar Windfarm Partnership LLP (14)	Renewable energy generation	49%	49%
The Barkantine Heat and Power Company Limited (6)	Generation and supply of heat and electricity	50%	50%
ESSCI Limited (5)	Development of generation and supply	50%	50%
ESSCI Enggineering Services Limited (5)	Development of generation and supply	50%	50%
Imtech Engineering Services North Ltd (8)	Development of generation and supply	50%	50%
Imtech Engineering Services Central Ltd (8)	Development of generation and supply	50%	50%
Imtech Engineering Services London and South Ltd (8)	Development of generation and supply	50%	50%
Imtech Aqua Ltd (8)	Development of generation and supply	50%	50%
Imtech Aqua Building Services Ltd (8)	Development of generation and supply	50%	50%
Imtech Aqua Controls Ltd (8)	Development of generation and supply	50%	50%
Imtech Low Carbon Solutions Ltd (8)	Development of generation and supply	50%	50%
ESSCI Technical Facilities Management Limited (7)	Development of generation and supply	50%	50%
Inviron Holdings Limited (9)	Development of generation and supply	50%	50%
Imtech Inviron Limited (10)	Development of generation and supply	50%	50%
Inviron Property Limited (9)	Development of generation and supply	50%	50%
Imtech Aqua Maintainence Ltd (9)	Development of generation and supply	50%	50%
ESSCI Technical Services Limited (7)	Development of generation and supply	50%	50%
Capula Group Limited (12)	Development of generation and supply	50%	50%

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 Investment in subsidiary and associate undertakings (continued)

Capula Limited (12)	Development of generation and supply	50%	50%
ESSCI Ireland Limited (7)	Development of generation and supply	50%	50%
Suir Engineering Limited (Ireland) (13)	Development of generation and supply	50%	50%
Suir Engineering Sweden AB (Sweden) (13)	Development of generation and supply	50%	50%
Imtech Suir Qatar LLC (Qatar) (13)	Development of generation and supply	50%	50%
Dunphail Windfarm Partnership LLP (4)	Renewable energy generation	49%	49%
EDF Energy Renewables Holdings Limited	Development of generation and supply	25%	25%
EDF Renewables Ireland Ltd (3)	Renewable energy generation	49%	49%
Breathe Energy Ltd (15)	Energy management services	50%	50%
Breathe Asset Management Services Ltd (15)	Management of energy assets	50%	50%
Pivot Power Limited (14)	Renewable energy generation	49%	49%
Pivot Power (Holding) Limited (14)	Renewable energy generation	49%	49%
Pivot Power Battery Co. Limited (14)	Renewable energy generation	49%	49%
Pivot Power Wire Co Limited (14)	Renewable energy generation	49%	49%
Pivoted Power LLP (14)	Renewable energy generation	49%	49%
EDF Renewables Community Investment Limited (14)	Renewable energy generation	25%	25%
Porth Wen Solar Limited (14)	Renewable energy generation	25%	25%
Longfield Solar Energy Farm Limited (14)	Renewable energy generation	25%	25%
Gwynt Glas Offshore Wind Farm Limited (14)	Renewable energy generation	44%	0%
Burwell Solar Limited (14)	Renewable energy generation	25%	25%

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 Investment in subsidiary and associate undertakings (continued)

Wexford Solar Limited (16)	Renewable energy generation	49%	49%
Curragh martin Solar Limited (16)	Renewable energy generation	25%	25%
Stamullen Solar Limited (16)	Renewable energy generation	25%	25%
TDC Community Solar Park Limited (16)	Renewable energy generation	25%	25%
Willville Solar Limited (16)	Renewable energy generation	25%	25%
Blusheens Solar Limited (16)	Renewable energy generation	25%	25%
Ballycarren Solar Limited (16)	Renewable energy generation	25%	25%
Coolroe Solar Limited (16)	Renewable energy generation	25%	25%

All associates are indirectly held.

(1) Registered address: Leonard Curtis House Elms Square Bury New Road, Whitefield, Greater Manchester, M45 7TA
(2) Registered address: EDF Energy, GSO Business Park, East Kilbride, G74 5PG
(3) Registered address: Floor 0, 1 Windmill Lane, Co. Dublin, Dublin, D02f206, Ireland
(4) Registered Address: Atria One, Level 7 144 Morrison Street, Edinburgh, Scotland, EH3 8EX
(5) Registered Address: Twenty, Kingston Road, Staines-Upon-Thames, United Kingdom, TW18 4LG
(6) Registered Address: Twenty 4th Floor, 20 Kingston Road, Staines Upon Thames, United Kingdom, TW18 4LG
(7) Registered Address: C/O Edf Energy Renewables Limited Atria One, 144 Morrison Street, Edinburgh, United Kingdom, EH3 8EX
(8) Registered Address: G&H House, Hooton Street, Carlton Road, Nottingham, NG3 5GL
(9) Registered Address: 3160 Solihull Parkway, Birmingham Business Park, Birmingham, England, B37 7YN
(10) Registered Address: 5th Floor, John Stow House, Bevis Marks, London, England, EC3A 7JB
(11) Registered Address: 1 Rutland Square, Edinburgh, 1 Rutland Square, Edinburgh, Scotland, EH3 8EY
(12) Registered Address: Orion House, Unit 10 Walton Industrial Estate, Stone, Staffordshire, ST15 0LT

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 Investment in subsidiary and associate undertakings (continued)

(13) Registered Address: Hipley House, Woking, Hipley Street, GU22 9LQ
(14) Registered Address: Alexander House 1 Mandarin Road, Rainton Bridge Business Park, Houghton Le Spring, Sunderland, England DH4 5RA
(15) Registered Address: 13a, Tottenham Mews, London, England, W1T 4AQ
(16) Registered Address: Floor 0, 1 Windmill Lane, Co. Dublin, Dublin, D02f206, Ireland
Unless otherwise stated, the registered address of the associates listed above is 90 Whitfield Street, London, W1T 4EZ.

The associates listed above are incorporated in the United Kingdom, except for EDF Energy Renewables Ireland that is incorporated in Ireland.

18 Leases

Company as a lessee
The entity applies the recognition exemptions for short-term leases and leases for which the underlying asset is of low value. The weighted average incremental borrowing rate applied in discounting the lease liability is 2.39%.

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

	2021 £m	2020 £m
As at 1 January	36	34
Additions	2	9
Interest	1	1
Payments	(6)	(8)
As at 31 December	33	36

The lease liabilities have been split as follows:

	2021 £m	2020 £m
Current	6	6
Non-current	27	30
Total	33	36

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 Leases (continued)

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

	Land & Building	Other Plant and Equipment	Total
	£m	£m	£m
Cost			
At 1 January 2021	43	6	49
Additions	1	-	1
Disposals	(1)	(4)	(5)
At 31 December 2021	43	2	45
Accumulated depreciation			
At 1 January 2021	13	3	16
Charge for the year	4	2	6
Disposals	(1)	(4)	(5)
At 31 December 2021	16	1	17
Carrying amount			
At 31 December 2020	30	2	32
At 31 December 2021	27	1	28

The following are amounts recognised in profit or loss:

	2021	2020
	£m	£m
Interest expense on lease liabilities	1	1
Depreciation of right of use assets	6	7
Impairment of right of use assets	-	3
	7	11

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 Deferred tax

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

	Accelerated capital allowances	Losses	Pensions	Financial Instruments	Short term timing differences	Total
	£m	£m	£m	£m	£m	£m
At 31 December 2019	7	-	8	(9)	4	10
Credit/(charge) to income						
current year	1	-	3	1	1	6
adjustments in respect of previous years' reported tax charges	-	-	-	-	1	1
effect of increased tax rate on opening liability	1	-	4	-	-	5
(Charge) to equity						
current year	-	-	17	(1)	-	16
effect of increased tax rate on opening liability	-	-	(3)	(1)	-	(4)
At 31 December 2020	9	-	29	(10)	6	34
Credit/(charge) to income						
current year	1	7	37	1	(1)	45
adjustments in respect of previous years' reported tax charges	-	-	1	-	(2)	(1)
effect of increased tax rate on opening liability	3	-	3	(1)	2	7
(Charge) to equity						
current year	-	-	(76)	178	-	102
Adjustments in respect of previous years' reported tax charges	-	-	(1)	-	-	(1)
Effect of increased tax rate on opening liability	-	-	7	(3)	-	4
At 31 December 2021	13	7	-	165	5	190

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

	2021	2020
	£m	£m
Deferred tax assets	190	34
At 31 December	190	34

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 Derivative financial instruments

	Carrying value	
	2021	2020
	£ m	£ m
Current		
Derivatives that are designated as hedging instruments in a cash flow hedge:		
Commodity purchase contracts	(279)	80
Cross-Currency Interest rate Swaps	-	2
Derivatives at fair value through profit and loss (FVTPL)		
Commodity purchase contracts	4	3
Total current derivative financial instruments	**(275)**	**85**
Split by:		
Current assets	1,530	264
Current liabilities	(1,805)	(179)
	(275)	85

	Carrying value	
	2021	2020
	£ m	£ m
Non-current		
Derivatives that are designated as hedging instruments in a cash flow hedge:		
Commodity purchase contracts	(407)	(41)
Cross-currency interest rate swaps	(5)	35
Total Non-current derivative financial instruments	**(412)**	**(6)**
Split by:		
Non-current assets	305	52
Non-current liabilities	(717)	(58)
	(412)	(6)

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

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 Pension schemes

Defined benefit pension schemes
In the prior year, the Company sponsored two defined benefit (DB) pension schemes for qualifying employees; the EDF Energy Generation & Supply Group of the Electricity Supply Pension Scheme ("EEGS") and the EDF Energy Pension Scheme ("EEPS"). These schemes were administered by separate boards of trustees which are legally separate from the Group.

Pension scheme reform
EDF Energy made the decision to close its defined-benefit pension schemes EEGS and EEPS, and replace them by a new defined-contribution plan called "my Retirement Plan". Thus, from 30 June or 31 December 2021, depending on the option chosen, employees were transferred from the EEGSG and EEPS defined-benefit plans to their replacement, "my Retirement Plan" and the old plans were closed. This decision is applicable to all employees other than employees with protected pension rights, who will continue to benefit from future accruals in the existing defined-benefit pension schemes.

After consultation with the workforce, employees joined the new plan either on 1 July 2021 and on 1 January 2022. The current pension schemes will remain in force for rights vested up to that date; the corresponding obligations will be adjusted for changes in discount, inflation and mortality rates, but will no longer be affected by new members or wage increases.

On 31 December the assets and liabilities of EEGA and EEPS were transferred to another EDF sponsored defined benefit pension scheme plan called the "EDF Group of the ESPS" (EDFG). This plan will remain in force for rights vested up to the closing date of the previous plans. The corresponding obligations will be adjusted for changes in discount, inflation and mortality rates, but will no longer be affected by new members or wage increases. EDF Energy has also decided to grant its employees a transition bonus in connection with this change. The amount of the individual bonus depends on the date the employee joins the new plan. Pursuant to the above, the settlement of the EEGS and EEPS liabilities has resulted in the recognition of a past service cost of £197m at 31 December 2021 (refer to note 8).

In application of IAS 19, the plan closure led to a £18m decrease in obligations, recognised as a past service credit in the profit and loss.

Further details of the Group defined benefit schemes are included in note 41 of the consolidated financial statements of the Group which are available as disclosed in note 31.

a) Risks associated with the pension schemes
The defined benefit pension schemes typically expose the Company to actuarial risks as detailed below:

Risk of asset volatility
The pension scheme liabilities are calculated using a discount rate based on corporate bond yields. If return on assets underperforms corporate bonds, then this will lead to an increased deficit / reduced surplus. All schemes hold a significant proportion of growth assets which are expected to outperform corporate bond yields.

Risk of changes in bond yields
A decrease in corporate bond yields will increase the value of the scheme liabilities, although this will be partially offset by an increase in the value of the schemes' corporate bond holdings and an increase in the value of the schemes' matching portfolios (which are set to hedge changes in Gilt yields).

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 Pension schemes (continued)

Inflation risk
Most of the scheme's defined benefit obligations are linked to inflation hence an increase in inflation rates will lead to an increase in liabilities, although this will be partially offset by an increase in the value of the schemes' matching portfolios.

Life expectancy
The majority of the scheme's obligations are to provide benefits for the life of the member hence an increase in life expectancy will increase the liabilities.

b) Assumptions used in the valuation of the pension surplus
The principal financial assumptions used to calculate the pension liabilities under IAS 19 were:

	2021	**2020**
	% p.a.	% p.a.
Discount rate for service costs		
- EEGS	1.90	1.45
- EEPS	-	1.45
Discount rate for defined benefit obligation		
- EEGS	1.90	1.45
- EEPS	1.90	1.45
RPI inflation assumption		
- EEGS	2.95	2.55
- EEPS	2.95	2.40
Rate of increase in salaries		
- EEGS	2.70	2.35
- EEPS	-	2.45
Rate of increase of pensions in deferment		
- EEGS	2.95	2.55
- EEPS	2.20	1.95

The table below shows details of assumptions around mortality rates used to calculate the IAS 19 liabilities.

EEGS	**2021**	**2020**
Life expectancy for current male pensioner aged 60	27	27
Life expectancy for current female pensioner aged 60	29	29
Life expectancy at 60 for future male pensioner currently aged 40	28	28
Life expectancy at 60 for future female pensioner currently aged 40	30	30

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 Pension schemes (continued)

EEPS	2021	2020
Life expectancy for current male pensioner aged 65	23	23
Life expectancy for current female pensioner aged 65	25	25
Life expectancy at 65 for future male pensioner currently aged 45	24	24
Life expectancy at 65 for future female pensioner currently aged 45	26	26

Mortality assumptions have been determined based on standard mortality tables, specifically the SAPS S3 standard tables (2020: SAPS S3 standard tables). Future improvements in mortality rates are assumed to be in line with the CMI 2020 Core Projections Model subject to a 1.25% long-term rate of improvement and default core parameters.

c) Breakdown of scheme assets transferred:

	EEGS 2021 £ m	EEPS 2021 £ m	Total 2021 £ m	EEGS 2020 £ m	EEPS 2020 £ m	Total 2020 £ m
Equities by region:						
United Kingdom	19	2	**21**	6	2	8
Europe	18	**7**	**25**	19	9	28
North America	108	**5**	**113**	89	26	115
Asia Pacific	15	**2**	**17**	5	2	7
Japan	15	**1**	**16**	10	4	14
Emerging Markets	1	**42**	**43**	1	44	45
Total Equities:	176	**59**	**235**	130	87	217
Bonds by rating:						
AAA	**5**	**92**	**97**	26	1	27
AA	**873**	**480**	**1,353**	763	409	1,172
A	**1**	**13**	**14**	32	5	37
BBB	**4**	**24**	**28**	81	12	93
Non-investment grade	**112**	**133**	**245**	160	95	255
Other	**-**	**-**	**-**	14	84	98
Total Bonds:	**995**	**742**	**1,737**	1,076	606	1,682
Real Estate	**2**	**110**	**112**	-	103	103
Cash and derivatives	**259**	**172**	**431**	25	115	140
Other	**82**	**147**	**229**	194	200	394
	1,514	**1,230**	**2,744**	1,425	1,111	2,536

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 Pension schemes (continued)

Equity and bond classifications above represent those investments where the underlying exposure is exclusively within those asset classes. Investments in diversified funds and private equity and debt funds are included within the "other" category above. The assets of the pension scheme do not include any financial instruments which have been issued by the Company nor any property or other assets which are in use by the Company in either the current or prior year.

d) Profile of the pension scheme
EEGS
Circa 42% (2020: 43%) of the EEGS liabilities are attributable to current employees, 6% (2020: 6%) to former employees and 52% (2020: 51%) to current pensioners. For EEGS as a whole, the duration is approximately 18 years.

EEPS
Circa 56% (2020: 57%) of the EEPS liabilities are attributable to current employees, 38% (2020: 38%) to former employees and 6% (2020: 5%) to current pensioners. For EEPS as a whole, the duration is approximately 31 years.

Financial impact of defined benefit pension schemes
The amounts recognised in the statement of financial position are as follows:

	EEGS 2021 £ m	EEPS 2021 £ m	Total 2021 £ m	EEGS 2020 £ m	EEPS 2020 £ m	Total 2020 £ m
Fair value of scheme assets	-	-	-	1,425	1,111	2,536
Present value of scheme liabilities	-	-	-	(1,206)	(1,488)	(2,694)
Defined benefit pension scheme surplus/(deficit)	-	-	-	219	(377)	(158)

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

	EEGS 2021 £ m	EEPS 2021 £ m	Total 2021 £ m	EEGS 2020 £ m	EEPS 2020 £ m	Total 2020 £ m
At 1 January	1,425	1,111	2,536	1,270	915	2,185
Interest income on scheme assets	23	19	42	27	20	47
Actuarial gains	76	62	138	138	114	252
Contributions by employer	31	49	80	32	70	102
Net benefits paid	(41)	(13)	(54)	(42)	(13)	(55)
Contributions by employees	-	2	2	-	5	5
Settlement of the scheme - exceptional impact	(1,514)	(1,230)	(2,744)	-	-	-
At 31 December	-	-	-	1,425	1,111	2,536

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 Pension schemes (continued)

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

	EEGS 2021 £ m	EEPS 2021 £ m	Total 2021 £ m	EEGS 2020 £ m	EEPS 2020 £ m	Total 2020 £ m
At 1 January	1,206	1,488	2,694	1,140	1,091	2,231
Current service cost	13	53	66	15	71	86
Actuarial (gains)/losses from change in demographic assumptions	(2)	(2)	(4)	3	3	6
Actuarial gains arising from experience adjustments	(19)	(13)	(32)	(3)	-	(3)
Actuarial losses from change in financial assumptions	(19)	(78)	(97)	69	307	376
Interest cost	19	24	43	24	24	48
Net benefits paid	(41)	(13)	(54)	(42)	(13)	(55)
Contributions by employees	-	2	2	-	5	5
Past service cost (including curtailment)	7	(25)	(18)	-	-	-
Settlement of the scheme - exceptional impact	(1,164)	(1,436)	(2,600)	-	-	-
At 31 December	-	-	-	1,206	1,488	2,694

Amounts recognised in the income statement

	EESG 2021 £ m	EEPS 2021 £ m	Total 2021 £ m	EESG 2020 £ m	EEPS 2020 £ m	Total 2020 £ m
Amounts recognised in operating profit						
Current service cost	13	53	66	15	71	86
Past service cost (including curtailments)	7	(25)	(18)	-	-	-
	20	28	48	15	71	86
Amounts recognised in finance income						
Interest cost/(income)	(4)	5	1	(3)	4	1
	(4)	5	1	(3)	4	1

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 Trade and other receivables

	2021 £ m	2020 £ m
Trade receivables	308	123
Amounts owed by other Group companies (note 30)	1,171	3,257
VAT	107	128
Other debtors	30	28
	1,616	3,536

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

23 Cash and cash equivalents

	2021 £ m	2020 £ m
Cash at bank	1	2
Short-term deposits	900	900
Cash pooling with Group companies	463	-
	1,364	902

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. EDF Energy Limited operates a cash concentration arrangement which physically offsets cash balances and overdrafts between subsidiary companies.

24 Other liabilities

	2021 £ m	*As restated 2020 £ m
Trade payables	742	395
Accruals	57	101
Amounts due to other Group companies (note 30)	231	1,922
Other payables	45	55
	1,075	2,473

*Refer to note 14 for basis of prior year restatement.

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

The carrying amount of other liabilities approximates to their fair value. An overdraft of £nil (2020: £1,700m) is included in amounts due to other group companies.

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25 Borrowings

	2021 £ m	2020 £ m
Current loans and borrowings		
Bank overdrafts	4	10

	2021 £ m	2020 £ m
Non-current loans and borrowings		
€800m Eurobond (i)	672	719
Loans from other Group companies (ii)	66	19
	738	738

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

(i) On 27 June 2013 a ten year Eurobond was entered into for €800m with fixed interest rate of 2.8% which was subsequently swapped into a sterling bond of £684m with fixed interest payable at 3.6%. The bond is carried at £672m (2020: £719m) which is the sterling equivalent of €800m at the balance sheet date.

(ii) EDF Energy Holdings Limited advanced £30.7m (€36.7m) (2020: £19.3m (€22.5m)) to the the company for the future development of EDF Renewables Ireland. This loan has annual interest at EURIBOR plus 1.50% and matures on 29 January 2022. EDF Energy Holdings Limited provided additional loan of £34.3m (2020: Nil) to the company. This loan has an annual interest of 1.12% and matures 16 December 2022.

26 Provisions for liabilities

	Renewable obligation certificates	Restructuring costs	Other contracts	Onerous contracts	Total
	£m	£m	£m	£m	£m
At 1 January 2021	680	4	19	5	708
Arising during the year	1,081	-	11	-	1,092
Utilised during the year	(940)	(4)	(1)	(1)	(946)
Released during the year	-	-	(1)	-	(1)
At 31 December 2021	821	-	28	4	853

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26 Provisions for liabilities (continued)

The provision for renewable obligations' certificates represents the additional certificates required to cover the Company's obligations to supply its customers with certain amounts of electricity which have been generated from renewable energy sources. This provision will be utilised in 2022.

Insurance provisions relate to various immaterial potential claims.

The provisions have been split as follows:

	At 31 December 2021			At 31 December 2020		
	Current	Non current	Total	Current	Non current	Total
	£m	£m	£m	£m	£m	£m
Renewable obligation certificates	821	-	821	680	-	680
Restructuring costs	-	-	-	2	2	4
Onerous contracts	2	2	4	1	4	5
Other contracts	8	20	28	12	7	19
Total	831	22	853	695	13	708

27 Share capital

Allotted, called up and fully paid shares

	2021		2020	
	No. m	£ m	No. m	£ m
Ordinary shares of £0.58 each	2,440	1,423	2,440	1,423

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

28 Dividends

	2021	2020
	£ m	£ m
Ordinary Dividends on Equity Shares	-	(72)

During the year, the Company declared dividends of £nil (2020: £72m) to EDF Energy Holdings Limited which was satisfied in specie by the waiver of the outstanding loan receivable owed to the company by EDF Energy Holdings Limited. Dividends per share for 2021 were £nil (2020: £3p).

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29 Hedging reserve

	2021 £m	2020 £m
Balance at start of year	33	29
Net gains/(losses) arising on changes in fair value of instruments in a cash flow hedge:		
Commodity purchase contracts	(1,204)	56
Cross currency interest rate swaps	5	(12)
Cost of hedging reserve	-	2
Net gains/(losses) arising on changes in fair value of hedging instruments transferred to profit or loss		
Commodity purchase contracts	478	(41)
Foreign currency forward contracts	3	1
Deferred tax on net gains/(losses) in cash flow hedge	176	(2)
Total movement in year	(542)	4
Balance at end of year	(509)	33

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

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

	2021 £m	2020 £m
Less than one year	(610)	81
Between one and five years	(67)	(40)
Deferred tax	168	(8)
Total	(509)	33

During the year a loss of £479m (2020: £40m) was recycled from the hedging reserve and included within fuel, energy and related purchases, in relation to contracts which had matured.

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 Related party transactions

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

Key management personnel for the Company are the Directors of the Company. Please refer to note 6 for details of their remuneration. There are no other transactions with key management personnel during the year (2020: none).

Amounts owed by related parties

2021	Other related parties £ m	Subsidiaries £ m	Associate £ m	Parent £ m
Financial assets	-	13	108	463
Amounts owed by other Group companies	24	1,146	-	-

2020	Other related parties £ m	Subsidiaries £ m	Associate £ m	Parent £ m
Financial assets	-	226	45	-
Amounts owed by other Group companies	25	3,232	-	-

Amounts owed to related parties

2021	Other related parties £ m	Subsidiaries £ m	Associate £ m	Parent £ m
Borrowings	672	-	-	66
Amounts due to other Group companies	151	68	-	12

2020	Other related parties £ m	Subsidiaries £ m	Associate £ m	Parent £ m
Borrowings	719	-	-	19
Amounts due to other Group companies	123	88	-	1,711

DocuSign Envelope ID: 30AF660A-E0DF-4E6C-843C-3A702D2C5CE9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 Parent undertaking and controlling party

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

At 31 December 2021, Électricité de France SA, a company incorporated in France, is regarded by the Directors as the Company's ultimate parent company and controlling party. This is the largest group for which consolidated financial statements are prepared. Copies of that company's consolidated financial statements may be obtained from the registered office at Électricité de France SA, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.