EDF ENERGY HOLDINGS LIMITED

Registered Number 06930266

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2019

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Directors

Jean-Bernard Lévy
Simone Rossi
Colin Matthews
Robert Guyler
Christophe Carval
Pierre Todorov
Xavier Girre
Veronique Lacour
Xavier Ursat
Cedric Lewandowski
Sylvie Jehanno

Company Secretary

Guido Santi (to 31st March 2019), Joe Souto (from 1st April 2019)

Auditor

Deloitte LLP
Hill House
1 Little New Street
London
United Kingdom
EC4A 3TR

Registered Office

90 Whitfield Street
London
England
W1T 4EZ

STRATEGIC REPORT

Principal activities

The principal activities of EDF Energy Holdings Limited (the "Company") and subsidiaries (together the "Group" or "EDF Energy")[1] during the year continued to be the provision and supply of electricity and gas to commercial, residential and industrial customers, and the generation of electricity through a portfolio of generation assets including nuclear, coal, gas and renewable generation. The Group is also involved in the construction of nuclear new build assets.

Long-term strategy

EDF Energy's vision, is to lead the transition to a low-carbon energy system and the fight against climate change in five areas: serving customers; generating electricity; building new nuclear; providing energy and technical services; and renewables – in the latter two areas through joint ventures (JVs) with Dalkia and EDF Renouvelables, respectively. EDF Energy and the JVs aim to be the best in each area, while exploring its advantage from being the only company working in all five, and from being part of the EDF Group. This strategy is entirely consistent with EDF Group's CAP 2030 (defined in the introduction below) and underpinned by a focus on safety performance, cost efficiency across the business and R&D activity across the business areas.

Customers

In its energy supply business, EDF Energy is shifting focus from service efficiency to delivering an outstanding customer experience, and has reached a 4.4 / 5 score on Trust pilot as at Q4 2019. Following successful supply business transformation to its strongest profit level in 2018, the default tariff cap in force on the residential GB market since the start of 2019, combined with unprecedented levels of competition, now requires EDF Energy to deliver a new profit recovery plan.

At the same time, EDF Energy is delivering on its regulatory obligations through a cost-efficient roll-out of smart meters to customers' homes and small business premises, as part of the national programme. It is also developing new services and revenue streams by moving beyond supply, in response to market opportunities in flexibility, smart energy products and electrification of the economy, including through its innovation accelerator BlueLab and products such as electric vehicle, smart charging and related electricity supply propositions, supported by EDF Energy's Generation Electric brand position.

EDF Energy aims to help businesses explore and develop solutions that deliver energy, carbon and cost savings, including through new capabilities such as the flexibility platform Powershift, and through Imtech - one of the largest technical and engineering service providers in the UK and Ireland that is co-owned with Dalkia and that recently also acquired Breathe, a UK energy performance contractor operating mainly in the public sector.

Generation

In electricity generation, EDF Energy seeks to create value from both existing and new activities.

EDF Energy aims to secure value from its existing nuclear, coal and gas assets through continued operational excellence and safe, reliable generation. Since 2009, EDF Energy has extended the lifetime of its nuclear Advanced Gas-cooled Reactors (AGRs) by an average of 8 years. However due to large non-replaceable components, there is a technical limit to AGR lifetimes. During a planned 2018 outage of Hunterston B Reactor 3 for graphite inspections, new keyway root cracks were discovered in the reactor core, resulting in a decision to take both Hunterston reactors (3&4) offline, and begin the most extensive graphite investigation programme ever undertaken. The graphite was always expected to change over time, and how it ages is one factor that will determine how long Britain's AGRs will operate. In August 2019, the UK's independent nuclear safety regulator, Office for Nuclear Regulation (ONR), gave permission for EDF Energy to re-start Reactor 4 for approximately four months of operation. The unit was run continuously until December 2019 when it was shut down again for further inspections and safety case work. The safety case for the return to service of Reactor 3 has been submitted to the ONR for consideration. As the stations approach their technical lifetime limit, EDF Energy is aiming to optimise their end of life value and to develop new activities in nuclear decommissioning, building on its expertise in operating the UK's existing nuclear stations.

(1) Although the brand name is EDF for the activities in UK, EDF energy is used for simplicity and consistency across the report.

STRATEGIC REPORT (continued)

The UK government's Department for Business, Energy and Industrial Strategy (BEIS) is working with EDF Energy and the Nuclear Decommissioning Authority to consider how efficient and cost-effective decommissioning of the stations can be planned for and delivered, including how the stations will be owned and managed in the future.
The Sizewell B pressurized-water reactor (PWR) has a longer expected remaining life, and although work is yet to be carried out to support a life extension, EDF Energy expects that it should be possible to extend it by c.20 years from currently estimated decommissioning date of 2035.
EDF Energy is also decommissioning the Cottam coal power station that closed in 2019 after over 50 years of operation. A key element of these plans is a people plan to preserve and develop our capabilities as the business evolves from generation to decommissioning. Other important strategic actions concerning the generation fleet include optimising the operations of the West Burton B Combined Cycle Gas Turbine power station and the remaining lifetime value of West Burton A coal power station within the UK capacity market.

Nuclear New Building
In partnership with China General Nuclear Corporation (CGN), EDF is building two new nuclear units (3.2GW capacity in total) at Hinkley Point in Somerset (Hinkley Point C (HPC)), based on the European Pressurised Reactor (EPR) technology. EDF Energy is also working with CGN to progress a similar 3.2GW EPR project at Sizewell in Suffolk (Sizewell C). A further new nuclear power station proposal is being developed at Bradwell in Essex based on CGN's "UK HPR1000" Chinese technology. Key milestones have included, in summer 2019, the Hinkley Point project achieving its first major construction milestone, J0, on schedule; and the UK government publishing a consultation on a new regulated asset base financing model for further new nuclear.

Renewables
EDF Renewables UK, a joint venture between EDF Renouvelables and EDF Energy continues to operate and develop new renewable generation and storage projects. In 2019, EDF Renewables UK acquired the British start up Pivot Power, a specialist in infrastructure for storage and electric vehicle charging, further strengthening the Group's position in the UK storage and electric vehicle market.

Section 172 (1) Statement

Introduction

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

For the financial year ending 2019, 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 (the Group). The Company also continued to support its ultimate parent company, EDF SA, a listed company on the Euronext Paris, complying with its obligations under the French Afep-Medef Code.

Notwithstanding the ongoing support to EDF SA, the Group takes its own approach to corporate governance very seriously; something which is demonstrated through the company culture and behaviours adopted across the Group. To ensure strong corporate governance practices are maintained, the Group acts in accordance with 14 overarching internal policies which are underpinned by the "Better Plan", a framework enabling the Group to be a sustainable and responsible energy business. The Better Plan is also published on the EDF Energy website. Application of the 14 policies is tested by the Group on an annual basis as part of its company-wide 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.

STRATEGIC REPORT (continued)

The Better Plan sets out six core “Better Energy Ambitions” (the **Ambitions**) for improving the Group’s social, economic and environmental performance, being:

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

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

The Company is not required to comply with the UK Corporate Governance Code but seeks to apply best practices from the Code as appropriate to the Company and aligned with the corporate governance practices of the EDF SA group. Going forward it will use the 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.

The Company is the holding company and main governance Board for the Group and therefore engages with a large variety of stakeholders, either directly and indirectly through its various subsidiary companies.

1. Our stakeholders – who are they and how do we engage with them?

The Group’s key stakeholders, and the ways in which the respective companies engage with them, are set out in the Strategic Report of each set of Annual Accounts. The diagram below summarises the key relationships:

STRATEGIC REPORT (continued)

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

The Board is committed to social responsibility, community engagement and environmental sustainability which is demonstrated through the Ambitions, in particular, the ambition to have a culture of zero harm (ensuing the safety, health and wellbeing of everyone who works with the Group), creating a positive environmental and social impact; and being an employer of choice. This ensured the Board takes decisions that are in line with the Company purpose.

Employees and Trade Unions

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. Employee engagement is carried out in a number of ways which give employees a voice and in which our senior leaders actively participate. Some of the mechanisms include:

1. Formal and informal briefings, departmental meetings and regular reports in staff newsletters and on the Group intranet.
2. Through our existing Trade Union & Personal Contract holder structures - Company Council, European Works Council, Corporate Social Responsibility Forum, Strategy meetings, and Business Unit specific forums.
3. Our employee networks which are sponsored by senior management and provide diverse and inclusive environments for employee feedback and comment.
4. Our annual EDF Group Employee Engagement Survey, 'My EDF', 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 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. The results are used to support the setting of company strategy, realign company purposes / values (where identified as being required) and define individual team objectives to help deliver the 2030 Vision.

External Stakeholders

The Company and wider Group proactively engages with relevant external stakeholders where we have various trade association memberships (such as the Confederation of British Industry, Energy UK, Nuclear Industry Association and RenewableUK, etc). The Group's active participation in these forums is a useful way to enhance relationships with stakeholders. Through our affiliations the Company can gain the knowledge and skills necessary to stay ahead 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.

Our 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). We engage with political and regulatory stakeholders to help them understand our business better, and so shape the policy and the environment where we operate. We have a role to play in sustainability, enabling the transition to a low-carbon future.

STRATEGIC REPORT (continued)

Other Reporting

In recent years, the Company, in addition to other companies within the Group that meet the applicable threshold, has begun publishing its Modern Slavery Act Statement, Gender Pay Gap Report, Payment Practices and Report and Tax Strategy Statement in accordance with recent updates to UK law and regulation. Each of these is published externally and gives a view as to the business relationships the Company has with its suppliers, particularly the Modern Slavery and Payment Practice and Reporting Statements. The Board welcomes the transparency and uses these reports to help the Company continue to improve its performance in these areas.

2. How does the board set strategy and take decisions?

Setting Strategy

Purpose and Objective

EDF Energy is proud to be the UK's largest producer of low-carbon electricity. In 2019, EDF Energy launched the ‘Generation Electric’ strategy which supports the wider EDF Group 2030 Vision through innovation and a dedication to electric and renewable sources of energy. The Company’s principalactivity as holding company of the Group is the i) provision of electricity and gas to commercial, residential and industrial customers, ii) generation of electricity through a portfolio of generation assets including nuclear, coal, gas and renewable generation and iii) construction of new nuclear assets. Together, this activity helps deliver the 2030 Vision.

The overriding objective of the Board is to provide a management framework in which the Group operates to the highest ethical and health and safety standards and its investments are preserved and enhanced through establishing a culture of zero harm and zero tolerance to bribery and fraud. The purpose of the Board is to provide proper stewardship of the Group, providing vision and leadership to supervise the management of the Group’s business, to grow value responsibly in a sustainable manner, ensuring that the Group’s fiscal and statutory obligations are met and that shareholder value is preserved and enhanced.

The Communications Team

To ensure the overriding strategy, objective and purpose of the Company is articulated and implemented throughout the organisation, the Group has a communications team to support the Company issuing tailored communications 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 work carried out by the communications team enables a platform for Directors to engage with stakeholders, e.g. by attending external seminars to present on topical matters aligned to the Group’s strategy or by filming a short video clip to upload on the Group’s intranet or website giving an insight into its priorities. This type of activity helps Directors identify any key stakeholders to engage with further as part of reaching targets before presenting back to the Board in the future.
In support of the Generation Electric strategy, the Group’s Customers business launched a new ambition 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. The Board was engaged with discussions on setting this strategy, amongst others across the Group, which was enabled through the high quality information presented to it in relation to stakeholder engagement which had an effect on the support the Board was able to give for these initiatives.

STRATEGIC REPORT (continued)

Taking Decisions

Meet the Board

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 and ensure there is a suitable level of knowledge and expertise of the Company and Group in order to discharge any decision making responsibilities appropriately and satisfy the needs of this particular Board. In doing so, the composition of the Board is most likely to factor into promoting the success of the Company.

The composition includes an Independent Chairman (bringing a wealth of experience from the engineering industry and UK infrastructure), two Executive Directors (being the Chief Executive Officer and Chief Financial Officer, EDF Energy) and seven (7) Non-Executive Directors bringing oversight from all aspects of the EDF SA Group including Finance, Legal, HR and Operations. The balance of skills and experience of the Board composition facilitates constructive challenge and effective decision-making.

Members of the EDF Energy Executive Team (ET), comprising the Senior Leaders of each business unit / corporate steering function across the Group, are responsible for presenting matters to the Board for information / approval to ensure an appropriate degree of knowledge of the topics being presented, challenge and analysis. Any matter presented to the Board takes into account any relevant stakeholder(s) considered or having engaged with as part of the topic or those potentially impacted as result of a decision being sought.

The Board is scheduled to meet five (5) times a year (sitting at least once in each quarter) with an 18 month rolling pipeline of strategic, financial and statutory agenda items agreed by the Chief Executive Officer, EDF Energy in conjunction with the Independent Chairman and Company Secretary.

Sub-Committees of the Board

In addition to scheduled meetings, the Board may meet on an ad hoc basis as and when required to meet the needs of the business. To assist with these responsibilities, the Board utilises standing sub-committees it has established to consider particular matters in detail. These current committees include:

1. CECEG Sub-Committee – *for investments that have received prior approval by the 'Commitments Committee' that reports to the EDF SA Executive Committee (known as the Comité des Engagements du Comité Exécutif du Groupe being "CECEG");*
2. EDF Energy Company Health and Safety Committee – *responsible for demonstrating a strong and active health and safety leadership from the top of the organisation and achieving the Group's zero harm ambition*;
3. EDF Energy Audit Committee - *assists the Board in fulfilling its responsibilities by reviewing the 14 main policies and practices of the Company and its controlled subsidiaries, i.e. the wider Group, in respect of accounting and financial control matters, the internal control environment, risk assessment, risk management and corporate governance*; and
4. EDF Energy Remuneration Committee - *provides a forum for considering the level and composition of remuneration for the Company's Executive Directors and the ET.*

Each sub-committee has adopted a Terms of Reference setting out the parameters within which authority by the Board is delegated to it with any material changes to these documents requiring approval by the Board.

There are also other internal governance bodies established within EDF Energy that the Board engages on certain matters with, including but not limited to the ET (as referred to above) and EDF Energy Energy Risk Management Committee which reports back to the Board annually on operational energy market risk management and defines the scope and risk limits within which each of the Business Units across the Group are authorised to operate.

STRATEGIC REPORT (continued)

Scope of the Board & Delegations of Authority

The Company's constitutional documents set out the authority, role and conduct of directors. Day-to-day management and the implementation of strategies agreed by the Board are delegated to the relevant director(s) or ET member in attendance. The reporting structure below Board level is designed so that decisions are made by the most appropriate people in a timely manner.
Management teams report to members of the ET. The directors receive regular, timely information on all aspects of the business endorsed by the relevant ET member 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.

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

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 of the Chief Executive Officer, EDF Energy are agreed with EDF SA and approved by the Board. The Chief Executive Officer, EDF Energy then has the authority to delegate his FALs to the ET (where appropriate / required to discharge the needs of each respective business unit) to enable the ET to further cascade their FALs down to Leaders within their teams. The ET FALs are formally adopted by the Company annually as part of good governance procedures.

Stakeholder concerns identified

Each business unit and the respective teams therein, are responsible for engagement with relevant stakeholders, evaluating any feedback and escalating information (where relevant) to the Board for consideration in order to aide its principle decision making.

As highlighted above, an example of this would be the My EDF survey, the results of which are disseminated by each team within the business before being presented to the Board to support the setting of company strategy etc. Another could be ongoing engagement with the Group's various Pensions Trustees and Advisors to ensure the three schemes in place are run properly and that members' benefits are secure. This information is used to inform and support the Board taking decisions impacting the schemes, considering triennial valuations every three years and setting future pensions strategy.

3. Directors training & induction

Board Composition and Training

There has been a considered effort to establish an appropriate balance of expertise, diversity and objectivity within the Board. Diverse characteristics considered are gender, social and ethnic backgrounds, and cognitive and personal strengths. All directors appointed have a strong background in the relevant sector(s). 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, including those in s.172 Companies Act 2006, how to comply with them, and how to operate within EDF Energy's corporate governance framework.

STRATEGIC REPORT (continued)

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 and engaging with a wide variety of stakeholders across the business and externally with government and communities.

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 Company recognises the importance of board evaluation and development. This constitutes good governance and is a valuable process in improving board performance, even where the Board is composed of Directors who are experienced in fulfilling the role of Director on a number of senior boards. The continuous improvement of the Board and how it operates is critical to both the success of the Company and overall success of the Group; which in turn, highlights the paramount importance of ensuring the Directors fulfil their responsibilities to the Board and maintain relationships with key stakeholders to ensure all decisions taken are supported by the highest level of information to enable strong decision making. Board Self Assessments are carried out on an ad hoc basis with a summary of the key strengths and areas for improvement presented back to the Board to discuss and agree actions to implement any proposed changes.

In 2019, there were a number of new appointments to the Board with each new Director having been offered training in addition to provision of the EDF Energy Directors Training and Induction Manual.

4. Policies and Processes

Ensuring Best Practice

As mentioned above, 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 including the application of the 14 policies which are tested by Group on an annual basis as part of its companywide internal controls self-assessment.

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 Financial Authority Limit (FALs) framework;
4. the Policy Operating Framework;
5. the requirement for Business Units to have local governance arrangements;
6. the requirement to have processes and procedures in place to facilitate the discharge of board duties as well as to provide evidence of decision-making and stakeholders considered as part of that decision-making;
7. the annual self-assessment of the effectiveness of corporate governance processes and controls; and
8. the requirement for board members to receive training.

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

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 assesses itself against these standards, and the Group is audited against them to provide assurance that group companies have an appropriate risk culture.

STRATEGIC REPORT (continued)

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.

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

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

In practice, control testing against each Group policy is carried out at least annually through the Internal Control Self-Assessment process. Improvement actions are identified following completion of the results (where required) to facilitate continuous improvement across teams. These results are then reported to the EDF Group Risk department to support EDF SA's compliance with the French Afep-Medef Code. These results are shared with the ET for managing actions at a local Business Unit level, but also presented back to the Board as part of the Annual Risk and Internal Controls Report.

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 Company and presented to the Board for discussion.

Approved by the Board of Directors on 28 April 2020 and signed on its behalf by:

Rob Guyler
Director

STRATEGIC REPORT (continued)

Key performance indicators

In 2019, we continued to measure progress against our key ambitions. Our key Group ambitions and related measures for 2019 were:

Group Wide KPIs:

- **Zero Harm** - Measured through the Total Recordable Incident Rate "TRIR" (the number of fatalities, lost time incidents, medical treatments and restricted work injuries per 1,000,000 hours worked) – covers both employees and contractors. Each incident is equally weighted – thus the total result is the sum of all TRIR incidents in the year (per 1,000,000 hours worked in the year).
- For HPC, it is measured through an Accident Frequency Rate. Each incident is equally weighted – thus the total result is the sum of all recordable accident in the year (per 100,000 hours worked in the year).

- **People as a Force for Good -** Measured through results of our annual employee engagement survey which is based on a set of 10 questions called the "Leadership Index". The employee engagement index relate to topics which addresses the three dimensions of employee engagement, comprise of alignment, loyalty and involvement. The responses against each of the 10 questions are then averaged to produce a total % result.

- **Strong Financial and Ethical Performance** - Measured through (a) Earnings before interest, tax, depreciation and amortisation (b) Operating cash flow.

Business unit specific KPIs:

- **Safe, Secure and Responsible Nuclear Electricity –** Measured though Nuclear Generation Target Achievements – Nuclear Output and performance levels of the Plants. Note both the TRIR and Leadership Index measures cover our nuclear, coal and gas business areas. Both of the measures are given a minimum, a target and a maximum performance level and the final index score is a weighted average of the performances of the two measures.

- **Safe, Secure and Responsible New Nuclear Electricity** – Measured through Nuclear New Build target achievements - this includes Hinkley Point C Budget and Milestone Achievements - actions relating to progress on procurement, engineering, construction, project control and consultations for our new build project. Both of the measures are given a minimum, a target, a maximum performance level, and the final index score is a weighted average of the performances of the two measures.

- **Best and Most Trusted for Customers** – Measured through our Trust Index – a combination of two measures covering customer survey and complaints monitoring across our Residential, SME and I&C businesses. Each measure is given a minimum, a target and a maximum performance level and the final trust index score is an average of the performances of each measure.

The results for 2019 and 2018 for the Group wide KPIs presented to the Remuneration Committee were:

Ambition	Measure	2019	2018
Zero Harm	TRIR[1] (per 1,000,000hrs)	1.03	1.12
People as a Force for Good	Leadership Index (%)[4]	75	75
Strong Financial and Ethical Performance[3]	Earnings before interest, tax, depreciation and amortisation (£m)	691	691
	Operating cash flow[2] (£m)	(159)	340

(1) Excludes HPC site performance

(2) Operating cash flow includes Imtech but excludes Nuclear New Build results.

(3) Figures are based on the Group's management accounts

(4) Employee engagement index was previously used as a measure, this has been changed in the 2019 financial year to the leadership index

STRATEGIC REPORT (continued)

Results

The loss for the year before taxation amounted to £384m (2018: loss of £459m). The loss for the year after taxation was £134m (2018: loss of £382m). No dividend was paid to the parent company, EDF Energy (UK) Limited during the year (2018: £Nil).

Group sales for the year in 2019 amounted to £8,172m, an organic increase of 5.6%. Group net asset has also increased from £20,666m to 23,393m, an increase of 13.2%.EBITDA has remained stable in comparison to 2018. Although not an IFRS financial performance indicator, we have used EBITDA as a measure of financial performance as it forms part of the Group's KPI as shown above.
The Group's EBITDA was impacted by the downturn in nuclear power generation (see the Review of the business below) and the introduction at
1 January 2019 of a cap on residential tariffs for electricity and gas (the Standard Variable Tariff). These unfavourable factors were counterbalanced by an increase in capacity revenue following reinstatement of the capacity market in October 2019, and the higher realised prices for nuclear power (circa +£4/MWh).

The consolidated segmental statement which is required by Ofgem provides more detail around profitability of the generation and supply businesses and will be available on the Group's website.

Review of the business

Generation

Nuclear Generation

EDF Energy owns and operates eight nuclear power stations in the UK (15 reactors) with a total capacity of 8.9GW. Seven of the eight nuclear power stations are Advanced Gas-Cooled Reactor (AGR) power stations (Dungeness B, Hartlepool, Heysham 1, Heysham 2, Hinkley Point B, Hunterston B and Torness) and the eighth, Sizewell B, is a Pressurised Water Reactor (PWR) power station.

The nuclear generation fleet produced 51.0TWh during 2019, 8.1TWh less than 2018 (59.1TWh). The reduction in output is largely due to the extended outages at Hunterston B for graphite inspections and safety case work, and the extended outages at Dungeness B to address the discovery of steam pipework cracking and corrosion on cooling water pipework .

Planned statutory outages were completed on Hartlepool Reactor 2, Hinkley Point B Reactor 3, Hunterston B Reactor 3 and Sizewell B.

A statutory outage was started on Dungeness B Reactor 22 in August 2018 with an associated outage on Reactor 21 starting in September 2018 for work on common systems. These outages have been extended to address the discovery of steam pipework cracking, corrosion on cooling water pipework and boiler tube modifications to support revisions to its safety case. The units are expected to return to service in the second half of 2020. See Post balance sheet event paragraph (Note 42) for further update on outages and return to service dates.

Hunterston B Reactor 3 was shut down for a scheduled graphite core inspection in March 2018. Following the discovery of new keyway root cracks in the reactor core at a slightly higher rate than modelled in the current safety case, EDF Energy took the decision to keep the reactor offline for further inspections and safety case work. A safety case for the return to service of Reactor 3 was submitted to the ONR during 2019 and is being assessed. In parallel, Hunterston B Reactor 4 was shut down for a scheduled graphite core inspection in October 2018. In August 2019, the UK's independent nuclear safety regulator, ONR, gave permission for EDF Energy to re-start Reactor 4 for approximately four months operation. The unit was run continuously until December 2019 when it was shut down again for further inspections and safety case work. Both units are expected to return to service in Q2 2020. The AGRs were designed with a nominal 25 year lifetime, and Sizewell B with a 40 year lifetime. However, with the aggregation of technical information, and operational and safety experience, it has been possible to revise the expected AGR lifetimes. Prior to EDF Energy ownership, the AGRs had been extended by an average of 10 years, and it has been EDF Energy's intention, where possible and economic, to seek further lifetime extensions. This may require additional investment in each plant, and requires technical, safety, and economic justifications to be made; and since it may result in increasing the nuclear liabilities, the consent of the Nuclear Decommissioning Authority (NDA) is required.

STRATEGIC REPORT (continued)

Since British Energy was acquired by EDF, the AGRs have been further extended by an average of eight years. The last extensions were declared in February 2016. Hartlepool and Heysham 1 were extended by a further five years, and Heysham 2 and Torness were extended by seven years.

Although the work has not yet been carried out to support the extension of Sizewell B, EDF Energy expects that it should be possible to extend it by c.20 years.

The power generated by the generation fleet is sold via the Wholesale Markets Optimisation (WMO) division within EDF Energy's customers business. Since April 2010, 20% of the output from nuclear generation is separately sold to Centrica, the minority shareholder of the current nuclear fleet, under the agreements made at the time of the Centrica transactions. The remaining 80% is sold to WMO under the same transfer price as used for the transaction with Centrica, based on published market prices, smoothed over forward electricity prices where liquidity allows.

Provisions for decommissioning of nuclear plants result from management's best estimates. They cover the full cost of decommissioning and are measured on the basis of existing techniques and methods that are most likely to be used for application of current regulations see notes 27 and 28 for more details.

EDF Energy has issued an update to the strategy, plan and cost estimates for AGR Decommissioning through the Decommissioning Plan Submission (DPS) 20. The submission to Government/Non-NDA Liabilities Assurance (NLA) will be in two phases, with Phase 1 submitted in January 2020 in the form of a range of scenarios. Phase 1 includes an update to the AGR defuelling preparation and execution phase of decommissioning. An updated cost estimate has been included in the provision as at 31 December 2019 which includes an update to a number of assumptions including an alternative and enhanced approach to risk and uncertainty. Following submission there is an expectation that the NLA will review and agree the DPS20 submission by the end of Q2. All costs within the DPS 20 submission are considered to be qualifying in line with the NLFA and therefore the corresponding receivable has been updated.

The second phase of the DPS 20 submission is expected 2021 and will cover an update to all other AGR decommissioning activities, Sizewell decommissioning and an update to the Uncontracted Liabilities Discharge Plan. The updated estimate will be included in the provision at the appropriate time.

Coal and Gas

In 2019, Cottam and West Burton A coal-fired power plants generated 2.4TWh of electricity. This is 2.1TWh less than last year due to the favourable impact of cold weather "Beast from the East" in 2018 and uneconomic market spreads in 2019 along with the closure of Cottam.

The decision to close the Cottam coal-fired power plant after more than 50 years of being in service was made on 7 February 2019. This decision reflected market changes and a drive to actively decarbonise from the power generation process.

West Burton B CCGT generated 6.2TWh of electricity in 2019, a decrease of 0.6TWh from 2018. This represented a good performance considering the market volatilities, plant challenges and associated extended outage periods during the year.

EDF operates also two mid cycle gas storage facilities in Cheshire. Hill Top Farm became commercially operational in mid-January 2015 with three cavities. A fourth cavity became commercially operational in 2018 with the remaining cavity coming on-line in December 2019. During 2018 the decision was made not to return the Hole House Facility to commercial operation for the foreseeable future due to challenging market conditions coupled with imminent requirements for some significant investment to the plant.

STRATEGIC REPORT (continued)

Optimisation and hedging

The policies surrounding EDF Energy's energy purchasing and risk management activities are carried out in accordance with EDF group's policies and ensure that EDF Energy's activities are optimised and its services delivered at a competitive price while limiting its gross margin volatility.

The Wholesale Markets Optimisation division's purpose is to manage the wholesale market risk of EDF Energy in one place within pre-defined risk limits and control framework. It provides an interface with the wholesale markets, via EDF Trading. WMO also provides modelling services to the whole of EDF Energy, as well as negotiating and managing asset backed commercial structures with third parties e.g. Nuclear Decommisioning Authority and Centrica.

Over and above its own generation, EDF Energy also sources electricity through export power supplied from power purchase agreements which are mainly with renewable and combined heat and power (CHP) generators. In 2019, EDF Energy acquired approximately 6.4TWh through this channel.

For delivery in 2019, EDF Energy's net position on the wholesale market was a sale of approximately 7.6TWh (including structured trades). In 2019, EDF Energy sold approximately 38.2TWh and bought 30.7TWh.

Coal and gas contracts (physical and financial) and CO2 emissions rights are entered by EDF Energy to hedge the requirements of its power plants, gas storage and gas consumers.

Purchases are based on coal and gas asset generation forecasts and target coal stock levels. In 2019 50% of EDF Energy's coal deliveries were from domestic suppliers and 50% were from international sources.

Customers

The Customers business is responsible for the supply of gas and electricity to residential and business customers across the United Kingdom and the wholesale market optimisation of EDF Energy's generation and customer assets.

EDF Energy sells energy to two major customer segments: domestic and business customers. The size of business customers ranges from large public sector contracts to small privately-owned businesses. EDF Energy adopts different risk management strategies for domestic and business customers.

In the context of the Net Zero ambition, EDF Energy is developing innovative Low Carbon products and services to better answer our customer needs grow the business beyond supply, as an opportunity for EDF Energy to have longer customer relationships and create new revenue streams.

The company deployed a first of a kind Electric Vehicle offer for B2C and B2B customers including tariff, charging point installation and car leasing. Early market take-up from both residential and business customers is promising, including major B2B contracts such as Royal Mail Group.

EDF Energy has launched a smart home store offering connected devices and a battery offer for customers who generate the own power and apps for energy efficiency using smart meter data. Products and services successfully deployed for B2B customers include batteries, photovoltaics, energy audits and a solution to aggregate distributed energy resources for clients to access the flexibility markets.

Domestic customers

During 2019, EDF Energy supplied 11.05 TWh of electricity and 28.07 TWh of gas for the domestic segment. As of 31 December 2019, EDF Energy had 3.025 million electricity accounts and 2.019 million gas accounts.

The latest market share data to the end of Q3 2019 showed that the combined market share of small and medium suppliers is now around 31%, compared to 27% at the end of Q3 2018. There were 49 small and medium suppliers (compared to 60 small and medium suppliers at the end of Q3 2018) at the end of Q3 2019 (excluding white labels and licence lites).

EDF Energy had 5.043 million product accounts at 31 December 2019, an increase of 98k since the beginning of the year. EDF Energy's market share based on total accounts declined from 9.52% in Q4 2018 to 9.45% in Q4 2019, this compares to an average market share loss of 2% for the other large suppliers.

STRATEGIC REPORT (continued)

Mergers and acquisitions are also driving change in the market. The asset swap between E.On and RWE has resulted in E. On acquiring the npower business and Ovo Energy sought approval to purchase SSE's domestic customer business in 2019, this was approved by the competitor regulator and the sale was subsequently confirmed in early 2020.

Competition is also causing supplier failure and on 26 October 2019, it was announced that EDF Energy had been appointed Supplier of Last Resort for Toto Energy's c134,000 domestic customers (c.240,000 accounts) and Solarplicity Supply Limited (c. 7,500 domestic and 500 business customers).

On the 1st of January 2019 Ofgem introduced a cap on default tariffs for domestic customers with the following key features:

- The cap level is updated to reflect revised costs every 6 months, alongside the separate cap on tariffs for domestic customers with prepayment meters.
- During 2020, Ofgem will make a recommendation to the Government about whether the default tariff cap should remain in place for the following year.

Non-domestic customers

In 2019, the non-domestic segment supplied a total of 33.47TWh of electricity, 2.16TWh to 176k small business customers (SME) and 31.31TWh to medium and large business customers Industrial & Commercial (I&C) accounts. The business customer electricity market in the UK is c.182.5TWh in total, making EDF Energy the largest supplier to business customers. Almost half of the business electricity market is serviced by just four main players (EDF Energy, npower, SSE and E.On UK).

Medium business has grown throughout 2019; volume has grown by 1TWh since the start of the year driven by improved performance with channel partners. A gas product in this market has also been launched.

In I&C, Crown Commercial Service (CCS) has chosen EDF Energy to supply the UK's single largest annual energy supply agreement, for the third consecutive time. The four-year deal will run from April 2020 to March 2024. We will be supplying >10TWh of electricity per year – equivalent of 3.2 million homes – and helping public buildings to become more energy efficient. This contract will also see our MPAN supply increase by 37k MPANs.

In the Export market, Tesco are entering into a number of long-term Corporate PPAs with renewable generators to support their climate change commitments and EDF Energy is entering into off-take arrangements with Tesco for each of the sites (total c322GWh per year) and will provide balancing, route to market and settlement services for Tesco. The sites will commence operation between 2020 and 2021.

Smart Metering

EDF Energy remains committed to delivering smart meters to all domestic and small business customers who want to benefit from this new technology. In 2019, EDF Energy has installed a further 550,422 smart meters and by the end of 2019, c.33% of EDF Energy customers in scope for the rollout have smart meters. In total we have installed 1.5m smart meters to date. By Q1 2019 EDF Energy was able to complete the transition to the second generation smart meters and later in the year started the mass roll out SMETS2 prepayment meters with EDF Energy having installed c.33,500 of them. In addition to delivering a similar number of installations in 2020, EDF Energy is in consultation with Ofgem regarding future targets and continues to have the full support and commitment to ensure it fully delivers on its regulatory commitments.

Domestic Customer Services

In the Q4 2019 Citizens Advice Energy Supplier Rating league table EDF Energy scored 4.45 stars (out of 5), finishing in 2nd place of all suppliers behind SSE, improving from 6th overall to 2nd out of the 40 suppliers measured.

In 2019 customers have shown that they are very happy with the service they have received across all channels. The Trustpilot score has increased from 0.9 at the end of 2018 to 4.4 (score out of 5), securing a rating of 'Excellent'. The Advisor Recommendation Score has steadily improved through the year to average +53 consistently, with Digital Net Ease score scoring 4.4 out of 5.

STRATEGIC REPORT (continued)

EDF Energy continues to work on reducing unnecessary customer contact with 67.5% of transactions completed by customers using inbound self-serve channels.

Nuclear New Build

On 29 September 2016, EDF SA and China General Nuclear Power Corporation (CGN) signed final contracts for the construction of two EPR reactors on Hinkley Point site in Somerset (Hinkley Point C or HPC project). The agreement also included a partnership for the development in the UK of two nuclear power plants at Sizewell in Suffolk (Sizewell C project) and Bradwell in Essex (Bradwell B project).

The EPR technology is already being deployed at the power stations at Flamanville in France and at Taishan in China. Using the same technology, although adapted for UK regulatory requirements and Hinkley Point C site specifics, will benefit from a series effect on standardisation of design, on construction and on operation.

Hinkley Point C (HPC)

Progress of the project

At the end of 2019, the project confirmed the “J-0” target for Unit 2 set for mid-2020 (corresponding to completion of pouring of the first safety concrete) and has achieved the four goals set for 2019:

- 1st project goal (Q1 2019): Tunnel boring machine ready to launch;
- 2nd project goal (Q2 2019): J-0, completion of the nuclear island common raft of Unit 1;
- 3rd project goal (Q3 2019): Completion of engineering for Inner Containment Lift 1;
- 4th project goal (Q4 2019): Start of manufacturing of Unit 1 Pressurizer.

In addition, other major works have been delivered, in particular the signature of a commercial alliance on electro-mechanical work, manufacturing of steam generator parts and legs by Framatome, handover of the electrical substation platform to National Grid, first boats docked at the jetty and opening of a welding school. Additionally, the Liner cup, which is part of the reactor’s steel containment liner and weighs 170 tonnes, was lifted and successfully placed into the reactor building.

Progress on the Unit 2 Nuclear Island, Conventional Island and Pumping Station are exactly 12 months after Unit 1, as planned. At end 2019, the expenditure to date for the project as a whole stood at £9.4 billion (at current values), excluding interim interest, or £8.8 billion at nominal 2015 values.

Project Costs and Timeline

The Hinkley Point C project successfully delivered J-0 milestone in June 2019, the completion of the nuclear island “common raft” for its first unit, in line with the schedule announced in September 2016.
Following this major milestone, a detailed review of the project’s costs, schedule and organisation was performed.

The review has concluded that:

- The next milestone of completing the common raft for Unit 2 in June 2020, which was announced earlier in 2019, is confirmed;
- The previously communicated risk of COD delay of units 1 and 2 (of 15 months and 9 months respectively) has increased;
- The project completion cost is now estimated between £21.5bn and £22.5bn, an increase of £1.9bn to £2.9bn compared to the previous estimate.

The range depends on the effectiveness of action plans to be delivered in partnership with contractors.

Cost increases reflect challenging ground conditions which made earthworks more expensive than anticipated, revised action plan targets and extra costs needed to implement the completed functional design, which has been adapted for a first-of-a-kind application in the UK context.

STRATEGIC REPORT (continued)

EDF's project rate of return for Hinkley Point C (IRR) is now estimated between 7.6% and 7.8%.
The management of the project remains mobilised to begin generating power from Unit 1 at the end of 2025. To achieve this, operational action plans overseen by the management team of the project are being put in place. These involve the EDF Group's engineering teams in the UK and France, buildings and ancillary works contractors, and suppliers of equipment and systems throughout the supply chain.
The agreements between EDF and CGN include a capped compensation mechanism between both shareholders in case of cost overruns or delays. The additional costs announced in October 2019 will trigger the activation of this clause when the time comes. These agreements are part of a Shareholders' Bilateral agreement signed between EDF and CGN in September 2016 and are subject to a confidentiality clause.

Interactions with Office of Nuclear Regulations (ONR)

Discussions with the ONR are ongoing.

Next ONR Hold Point (project milestones) will be the start of bulk MEH erection (Mechanical, Electrical and Heating, Ventilation and Air Conditioning). In addition, agreement from ONR will be needed for the dispatch of the first components coming from Framatome and for the delivery of fuel on site.

Contract for Difference (CfD)

The CfD was signed on 29 September 2016 alongside all the other contracts with the UK Government and it is a contract to provide security in respect of revenues generated from electricity produced and sold by HPC through compensation based on the difference between the Strike Price and the market price, for a period of 35 years from commissioning.

From the plant's start date, if the reference price at which the generator sells electricity on the market is lower than the strike price set under the terms of the contract, the generator will receive an additional payment. If the reference price is higher than the strike price, the generator will be liable for the difference.

The key elements of the CfD are:

- The strike price for HPC is set at £92.50/MWh or £89.50/MWh if the SZC project is launched (i.e. if a final investment decision is taken), in order to reflect the fact that the first of a kind costs of EPR reactors are shared across the HPC and SZC sites;
- The strike price is fully indexed to UK inflation through the Consumer Price Index (CPI);
- the payment period of the contract is 35 years; any delay in the commercial commissioning of unit 1 of more than 4 years after the unit 2 deadline (i.e. beyond 31 October 2033, unless this date is extended in accordance with the terms of the contract) may potentially result in a termination of the contract. In addition, in case of a delay in the start date of unit 1 or unit 2 beyond the deadline for commercial entry into service, the corresponding 35 year payment period will be reduced by the delay period.
- The project is protected against certain unfavourable regulatory and legislative changes; provision has also been made to review the costs (up or down depending on the assumptions used) in the fifteenth and twenty fifth years, and to review certain conditions for the costs corresponding to decommissioning and waste management operations (Funding Decommissioning Programme); and
- Should there be savings from the construction of the HPC project, these will be shared with consumers through a lower electricity price.

Contracts for the Funded Decommissioning Programme (FDP) were signed on 29 September 2016. There is a statutory requirement for nuclear operators to have a FDP under which an independent Fund Company will collect contributions and manage the money built up to pay for decommissioning of the nuclear reactor at the end of the generation.

The Nuclear Decommissioning Fund Company ltd (FundCo) was set up in compliance with the Energy Act 2008 as its purpose is to provide costs of decommissioning by implementing the FDP.

STRATEGIC REPORT (continued)

The overall objective of the FDP is to ensure that operators make provision for:

- The full costs of decommissioning their installations;
- Their full share of the costs of safely and securely managing and disposing of their waste; and that in doing so the risk of recourse to public funds is remote.

Sizewell C

EDF and CGN signed the Sizewell C Project equity documents on 29 September 2016 alongside the HPC contracts, agreeing in principle to develop Sizewell C project in Suffolk, until a final investment decision is made in order to build and operate two EPR reactors (3.2GW). Final investment decision (FID) will be taken assuming appropriate third party funding has been secured.

During the development phase prior to the final investment decision, EDF's share of the project is 80% and CGN is 20%. After the final investment decision, the project is not aimed to be controlled at an EDF level. The objective is for other investors and lenders to step in in due course and for EDF to become a minority shareholder with pari passu rights. Final investment decision is targeted around 2021.

Project development is based on a replication strategy from HPC which should enable costs to be driven down thanks to a decrease in construction costs combined with lower risks. The Sizewell C project will also be based on EPR technology, and will benefit from feedback and experience from HPC as well as a fully developed UK supply chain.

The government launched a consultation process from July to October 2019 to seek views from stakeholders on the considered Regulated Asset Base (RAB) model for New Nuclear projects. Feedback is expected first half of 2020.

EDF is supportive of financing the project by a RAB mechanism, which is capping risk exposure to cost overruns and thus providing a reduced cost of capital linked to a lower risk level for investors, with income commencing during the construction. This financing model has never been implemented for projects of that scale before and therefore would be one of the largest ever equity issuance and project financing on the European scene. Securing the appropriate risk-sharing mechanism and ultimately the corresponding financing structure ahead of the Final Investment decision is therefore key for the project, the UK Government and the current shareholders.

Bradwell B

The cooperation between EDF and CGN encompasses the process to obtain the design certification of the Chinese-based design HPR1000 in the UK (UK HPR1000) by the ONR and by the Environment Agency through the Generic Design Assessment (GDA) process. For that purpose, EDF and CGN have established a joint venture, General Nuclear Systems Limited (GNS) (33.5% EDF – 66.5% CGN), to perform such certification work in the UK. The GNS joint venture Shareholders' Agreement was signed on 29 September 2016.

The HPR1000 technology has been developed by CGN with a reference project under construction in China (FangChengGang 3-4).

The GDA is a process in 4 steps, which started in January 2017, the first two steps have already been successfully achieved with the entry into step 3 in November 2018. The target date for completing the Step 4 and obtaining the certification is February 2022.

In parallel, EDF and CGN signed the Bradwell B Project Shareholders' Agreement on 29 September 2016 which consists in the development of a nuclear generation facility at Bradwell-on-Sea using the UK HPR1000 technology. During the development phase and until a final investment decision is made, CGN has a 66.5% interest and EDF of 33.5% interest.

STRATEGIC REPORT (continued)

Regulatory environment

Price Cap

The Domestic Gas and Electricity (Tariff Cap) Act 2018 came into force on 19 July 2018. The act requires the introduction of a temporary tariff cap for customers on a prepayment meter tariff or a default energy tariff, including standard variable tariffs (SVTs). From March 2018 Ofgem ran a consultation process which culminated in its decision to introduce the cap with effect from 1st January 2019. Ofgem updates the level of the cap two times per year with updates taking effect from April and October. At the time of its introduction, Ofgem expected the cap to provide price protection for around 4 million prepayment customers and 11 million default customers. The prepayment cap is expected by Ofgem to remain in place until 2020, and the default and SVT cap to 2023.

Supplier failure

Eight energy suppliers failed and ceased trading in 2019, including two (Toto Energy and Solarplicity) that resulted in EDF Energy being selected as the Supplier of Last Resort (SoLR) for these suppliers' customers. Together these have increased our domestic customer portfolio by around 5%. Supplier failure typically results in other suppliers bearing mutualised policy and other costs. Ofgem is undertaking a review of supplier licensing arrangements to ensure appropriate criteria are met by applicant and holders of supply licenses, including to minimise risks and impacts of future supplier failures. The proposed reforms include increased regulatory monitoring of all suppliers to ensure effective risk management processes, and measures to secure customers' credit balances in the event of supplier failure. Ofgem will publish their final decision during the first half of 2020 with implementation later in the year.

Electricity Market Reform (EMR)

The three most significant elements of EMR are Carbon Price Support (CPS), introduced under the Finance Act 2011, the Capacity Market (CM) and CfDs introduced under the Energy Act 2013. The Government is required by the 2013 Energy Act to carry out a Five Year Review of these schemes and to report to Parliament; in July 2019, it published on the CM scheme, which concluded "the scheme has been working well and performance against objectives has been good." The Five Year Review of the CfD scheme has not yet been published.

CPS, together with the EU Emissions Trading Scheme (EU ETS), sets the price that fossil-fired generators pay for their carbon emissions and is an important driver of the profitability of low carbon generation such as EDF Energy's nuclear and renewable plants. The CPS tax rate is capped at £18/tonne of CO2 for the four years from April 2016 to March 2020 and will remain at £18/tonne for April 2020 to March 2021, with the tax rate for 2021/22 expected to be set in the March 2020 Budget.

The CM is intended to ensure security of electricity supply. Annual auctions are held to procure capacity four years ahead of delivery with a subsequent auction one year ahead of delivery; delivery years run from 1 October - 30 September. In November 2018, a judgment by the General Court of the Court of Justice of the EU had the effect of annulling the European Commission's State aid approval for the CM scheme, leading to a standstill period for which no capacity payments could be made. In October 2019, following a further State aid investigation; the European Commission reapproved the CM scheme, enabling the resumption of capacity payments. Deferred capacity payments in respect of the standstill period were made to capacity providers, including EDF Energy's nuclear, coal and gas-fired generation, in January 2020.

CfDs are expected to support investment in new low carbon generation including the Hinkley Point C nuclear project. The Government held a third CfD auction in 2019, with further auctions expected every two years. The Government is also considering alternative means of supporting further new nuclear investment, and in July 2019, it published a consultation paper on the possible use of a Regulatory Asset Base model to support the development of new nuclear projects such as the Sizewell C nuclear project.

Network Charging

In August 2017 Ofgem launched reviews of all network charging (covering both transmission and distribution) to ensure that these arrangements are fair, create a level playing field and are sufficiently reflective of network costs. In late 2018 Ofgem confirmed their view that benefits that generators seated behind the meter could gain from reducing customers' use of the network. Ofgem are also proposing to further reduce benefits for distribution connected generators.

STRATEGIC REPORT (continued)

The findings of their review were published in a decision on 21 November 2019 where Ofgem decided to make changes to the way in which some of the costs of the electricity networks are recovered, so that the 'residual charges' are recovered more fairly now and in the future. Ofgem also decided to remove some remaining distortions called 'non-locational Embedded Benefits' which can increase costs for some consumers and affect competition.

Principal risks and uncertainties

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

Financial risks

The Group is exposed to a variety of financial risks including commodity price risk, interest rate risk, credit risk, foreign currency risk and liquidity risk. The Group's policy is to use financial instruments to reduce exposure to fluctuations in commodity prices, exchange rates and interest rates. The Group does not enter into or trade financial instruments, including derivatives, for speculative purposes. See note 40 for further details about the financial risks to which the Group is exposed.

Margin risk

Margin price risk arises from the necessity to forecast customer demand for gas and electricity effectively and to procure the various commodities at a price competitive enough to allow a favourable tariff proposition for our customers. EDF Energy has designed hedging strategies to manage this risk effectively. Exposure to movements in the price of electricity, gas and coal is partially mitigated by entering into contracts on the forward markets, and the exposure to fluctuations in the price of uranium is mitigated by entering into fixed price contracts. 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.

Competition risk

The Group is exposed to significant competition when supplying gas and electricity to residential customers and electricity to businesses, including intermediation, which can impact customer recruitment, retention, supply volume and earnings. The Group manages this risk by offering a mix of fixed price and standard variable tariff products, underpinned by strong customer service and distribution channels that meet customer needs.

Plant operating risk

Failure of an essential component in any of our generation assets may result in loss of generation through plant outage or restriction to operations. EDF Energy's generating assets have been in service for a significant period and ageing is a significant factor in many areas. Significant plant component failure or failure of a critical non-replaceable plant item may affect the operating lifetime of the station. This risk is mitigated through planned maintenance activities, equipment reliability and plant life extension programmes. There is a potential that the nuclear fleet plant inspection programme findings could lead to significant unknown or unplanned risk which may bring forward early closure.

During planned core inspections at Hunterston B Reactor 3 in 2018, a higher than expected number of cracked graphite bricks were observed. As a result, both Hunterston B reactors are currently shut down, awaiting ONR's approval of a revised safety case.

Hinkley Point B Reactor 4 is shutdown following a planned graphite inspection in early 2020 and will return to service following approval of a modified safety case. Hinkley Point B Reactor 3 is due to be shutdown for its planned graphite inspection in Summer 2020, and will return to service under the modified safety case for Hinkley point B.

Dungeness B reactor 22 was shut down during 2018 for a planned statutory outage and reactor 21 was shut down in 2018 for common statutory outage work. These outages were extended to address a number of issues discovered during the outages and the station is currently expected to return to service during 2020.

STRATEGIC REPORT (continued)

Project delivery risk
The Group has a significant investment portfolio including large capital projects such as Hinkley Point C and Smart Metering. Poor project performance may result in deferral of delivery. The management of the projects is mobilised on their delivery objectives and on the identification and implementation of action plans to reduce costs and risks. Each project of this nature follows specific project management practices including local governance procedures. All significant projects are also subject to central monitoring reviews.

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

Political and regulatory risk
Political risk arises in relation to public acceptance of building new nuclear power stations, and specifically around obtaining and maintaining the relevant licences and consents to build, operate and decommission our current and planned generating assets. Management is engaged with local residents, regulators and politicians in addressing the safety needs but also the need to meet the current and future national energy demand. The industry has been subject to significant changes to the Energy and Retail Market regulation and through the strong political and media attention on the cost of living debate including focus on the affordability of energy. The Domestic Gas and Electricity (Tariff Cap) Bill was implemented in 2018 and any significant change in the tariff cap could have further impact on the profitability of our Customers business. A dedicated programme is in place to manage the delivery of Smart Meters and we continue to liaise with Business, Energy & Industrial Strategy (BEIS) to ensure the full implications of this initiative are understood.

EU Referendum

Brexit and Euratom Treaty

The United Kingdom (UK) voted to leave the membership of the European Union (EU) on 23 June 2016. Following the vote to leave, a Withdrawal Agreement (WA) and Political Declaration (PD), setting out the framework for the future relationship between the European Union and UK after the UK's exit from the European Union and Euratom, were agreed in November 2018 but were subsequently revised in October 2019. The revised Agreements (WA and PD) were subsequently approved by both the UK Parliament and the EU institutions in January 2020 and the UK officially left the EU on 31 January 2020. As part of the WA, the EU and UK have now entered into a Transition Period that is currently due to end on 31 December 2020. During the Transition Period, the UK has no representation in the EU institutions (European Commission, Parliament nor Council) but for UK (and EU) companies such as EDF Energy, most things will remain pretty much the same as they were before 31 January 2020. This is particularly the case with regard to UK trade with the EU and the Rest of the World and UK access to EU labour (people/worker mobility arrangements). In addition, the provisions of the Euratom Treaty will continue to apply to the UK.

The elements of the WA and PD documents that relate specifically to "Energy" and "civil nuclear" were largely unchanged between the November 2018 and October 2019 versions. The civil nuclear section of the PD includes a commitment to a wide-ranging Nuclear Cooperation Agreement (NCA) between Euratom and the UK. The PD also states that both sides will keep the same high standards on state aid, competition, social and employment standards, the environment, climate change, and relevant tax matters. Subsequently in February 2020, EU and UK negotiating mandates were issued, that clarified respective objectives and ambition. Energy (incl. electricity & gas), civil nuclear and carbon pricing remain explicit priorities for both sides and will be included as part of the initial 5 rounds of EU-UK negotiation planned to end mid-May.

STRATEGIC REPORT (continued)

The UK Government and the UK nuclear regulator (the ONR) have made good progress in addressing the key issues for the civil nuclear sector that were required to be addressed at a national level, when the UK finally leaves the EU (currently assumed to be 31 December 2020). For example

- all Euratom Withdrawal issues were agreed between UK and EU;
- the UK nuclear regulator has put in place a UK nuclear safeguards regime (to replace the Euratom Safeguards regime), this has been reviewed and accredited by the International Atomic Energy Agency (IAEA) and is ready to deploy;
- there has been confirmation from the Euratom Supply Agency that existing fuel contracts will remain valid; and
- new bilateral NCAs have been agreed and ratified between the UK and the key civil nuclear third countries that require them.

Ahead of 31 December 2020, and working closely with our supply chain partners, EDF Energy and EDF SA will deploy additional mitigations to protect, as far as reasonably practicable, our business activities in the event of a “no-deal” or “limited deal” Brexit scenario. These include addressing identified risks to supply chain, more restricted access to EU labour and transfer of personal data which is a General Data Protection Regulation (GDPR) risk.

The Group’s overall Brexit mitigation strategy, actions taken to date and those still to be implemented have been informed and guided by regular conversation with UK Government officials and the Brexit Guidance that has been issued by UK Government to UK companies. In addition, we have continued to work closely with our key trade associations, particularly the Confederation of British Industry (CBI), Energy UK, Renewables UK and Nuclear Industry Association (NIA), to ensure that we benefit from their insight, concerns and ideas.

However, in spite of the UK Government, EDF Energy and Group mitigation action that has been/will be deployed, risks to our business remain, particularly from a “no-deal” or “limited deal” Brexit scenario. Potential impacts include

- tariffs and non-tariff barriers
- the risk of delays at ports/airports creating disruption to supply chains (and potentially impacting plant performance and the Hinkley Point C construction schedule) and
- more limited access to the skilled labour, that we require, including for the construction of Hinkley Point C. With respect to access to labour in a “no-deal” situation, the UK Government’s recently announced “EU Settlement Scheme (settled and pre-settled status)” policy is welcomed and will certainly help in the short term after the end of 2020. Working with other stakeholders, we are continuing to engage with UK Government on its outline proposals for its future (post Brexit/2020) immigration system. We will continue to monitor external events going forward and update our mitigation plans as appropriate.

Carbon Pricing

Carbon pricing is the driver of a significant portion of the wholesale market revenue earned from the Group’s existing nuclear fleet. Currently the total carbon price is derived from the EU’s Emissions Trading Scheme (ETS) plus the UK’s Carbon Price Support tax. Under the terms of the Withdrawal Agreement, the UK will remain in the EU ETS until the end of the transition period in December 2020. In 2019, the government consulted on options to replace the UK’s membership of the EU ETS after Brexit; the government’s preferred option is the establishment of a UK ETS linked to the EU ETS, to come into effect in January 2021, which would require agreement between the UK and the EU to link the schemes. The Political Declaration recognises that the UK and EU should consider such a linkage. However, if this cannot be achieved, possible alternatives would be the introduction of a new carbon tax or of a stand-alone UK ETS.

Energy trading across interconnectors

The UK electricity market will remain part of the EU Single Market and Internal Energy Market (IEM) until the end of December 2020. Great Britain is connected to Europe and the island of Ireland via a number of interconnectors that allow energy to flow and be traded across borders.

STRATEGIC REPORT (continued)

The terms on which such trade take place after the end of 2020 will depend on the outcome of negotiations over the UK's future relationship with the EU. The Political Declaration recognises that the UK and EU should establish a framework to facilitate technical cooperation between electricity and gas network operators and to ensure as far as possible security of supply and efficient trade over interconnectors.

Suspension of UK Capacity Market
On 15th November 2018, the UK's Capacity Market was suspended. This followed a judgment by the European Court of Justice (ECJ) thatfound that the European Commission should have consulted more fully before granting state aid approval in 2014. It was not a challenge to the nature of the capacity market mechanism itself.
As a consequence, the UK Government suspended the operation of the Capacity Market.
Capacity providers did not receive capacity payments while the Capacity Market was suspended. Although the payments under the 2018/2019 capacity market scheme were suspended, the obligation to provide the committed capacity under the 2018/2019 capacity agreements still remained and therefore the Group continued to operate under these capacity agreements.
On 25th October 2019, the Capacity Market was reinstated, allowing the Customers and Generation functions that were suspended during the standstill period to resume, including the invoicing and collection of the monthly supplier charges and payment of the monthly capacity payments.

Nuclear liabilities risk
The Group's nuclear liabilities are in respect of costs for the management of spent fuel, nuclear decommissioning and other uncontracted nuclear liabilities. The Government has provided an indemnity to cover liabilities for spent AGR fuel loaded prior to the British Energy restructuring effective date of 14 January 2005 and in relation to qualifying uncontracted nuclear and decommissioning liabilities. The Government will also indemnify any future funding shortfall of the NLF (Nuclear Liabilities Fund). The Group continues to be responsible for funding certain excluded or non-qualifying nuclear liabilities (if any) and will not be compensated or indemnified by the NLF and the Secretary of State in relation to such liabilities. At 31 December 2019, the Group did not have any excluded or non-qualifying nuclear liabilities; however, there is the possibility of excluded or non-qualifying liabilities arising in the future.

Retirement benefit obligations risk
EDF Energy has three defined benefit pension schemes. Strong investment growth, deficit repair contributions and high levels of interest and inflation hedging have resulted in pension schemes assets growing faster than liabilities which have also increased due to lower interest rates, resulting in reduced actuarial deficits. Low interest rates have led to increased pension cash expense for future accrual. EDF Energy and the pension scheme trustees keep investment risk under review, concentrating on prudent asset allocation and liability hedging. A pension benefit reform has been implemented effective from 1 January 2016 to reduce the actuarial deficit and the required cash costs. See note 39 for more details of pension risks.

Reputation risk
EDF Energy has based its brand on its customer commitments, its reputation and building trust. Inappropriate communication made to the public and/or to stakeholders, or failure to maintain and demonstrate appropriate standards may result in degradation of the brand and could potentially damage its reputation. Management has introduced key standards of conduct to provide guidance to all staff when making decisions. A trust index is monitored along with continuous review of compliance programmes.

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 do not rely on software. Information and cyber security is an important issue and EDF Energy is continually reviewing its defences in this area.

STRATEGIC REPORT (continued)

Supplier risk
EDF Energy is reliant on a number of specialist suppliers, especially in the area of nuclear fuel fabrication and storage, nuclear plant maintenance and in the construction of HPC. The loss of one or more of these key suppliers could result in increased costs or a disruption to EDF Energy's operations. EDF Energy works closely with its supply chain to effectively manage the relationships with critical suppliers.

Taxation risk
Taxation risk is the risk that the Group 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 Group 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 the Group's tax strategy is published on its website.

Sustainability Risk
The UK Energy market is evolving with the growth of renewable and intermittent generation, distributed generation and development of new grid technologies and operating regimes at a time when number of the Group's generating assets are approaching end of life. Failure to respond and adapt effectively to these changes could adversely affect the profitability and competitiveness of EDF Energy.
Therefore, the Group has established a strategy to address these risks and to benefit from the opportunities that they present.

Climate Risk
Climate risks are very significant for EDF Energy, both strategically and operationally.

As the UK's largest generator and supplier of electricity, EDF Energy has a responsibility to help the UK to achieve its international carbon emission reduction commitments and to be a champion of low-carbon growth.

To mitigate the strategic and reputational risk of failing to do so, we have developed a Better Energy plan, as part of our sustainable business strategy, seek to extend the life of our existing nuclear power stations and to build new ones, to reduce thermal generation, to increase renewable energy generation, to invest in new low-carbon technologies like battery storage and to help customers use their energy more efficiently.

In order to mitigate supply chain climate risk we are signatories to the United Nations Global Compact and require our suppliers to support a precautionary approach to environmental challenges, to undertake initiatives to promote greater environmental responsibility and to encourage the development and diffusion of environmentally friendly technologies.

Our approach to Human Rights
EDF Energy respects human rights. It is committed to identifying, preventing, and mitigating adverse human rights impacts resulting from or caused by our business activities before or if they occur through human rights due diligence and mitigation processes.

Respect for human rights is fundamental to the sustainability of EDF Energy and the communities in which we operate. In our Group and across our supply chain, we are committed to ensuring that people are treated with dignity and respect and we abide and require our suppliers to comply with the principles of the UN Global Compact. Our commitment to ethical business practice is outlined in our Ethics & Business Conduct Policy. Our commitment to sustainable and responsible business, including steps we plan to take to further address social issues, including modern slavery, are outlined in more detail in "The Better Plan". Controls to mitigate human rights risks are reviewed annually as part of our annual internal control self-assessment process and are reviewed periodically by internal audit.

STRATEGIC REPORT (continued)

Our approach to Anti-fraud and Anti-bribery

EDF Energy has a zero tolerance of fraud and bribery and controls risks relating to bribery and corruption as set out in its Anti-Fraud and Anti-Bribery Framework, Practice and Guidance document. This provides both a high level overview of the approach used by EDF Energy to manage the risks associated with fraud and bribery and detailed guidance for business units and corporate functions regarding the design of their anti-fraud and anti-bribery arrangements. This document sets the minimum standards that business units and corporate functions must achieve.

Internal controls to prevent fraud and bribery are reviewed annually as part of the Group's annual internal control self-assessment process.

Going concern

The Group manages its capital through focusing on its net debt which comprises borrowings (note 25), including lease obligations, accrued interest and derivative liabilities relating to debt instruments, less cash and cash equivalents. Given that the Group is a wholly-owned subsidiary, any change in capital structure is often achieved via additional borrowings from its ultimate parent company or other companies within the EDF S.A. group, and available standing credit facilities with EDF S.A.

After making enquiries and reviewing cash flow forecasts and available facilities (note 40) for at least the next 12 months (including subsequent events and the impact of COVID-19 (note 42)), the Directors have formed a judgement, at the time of approving the consolidated financial statements, that there is a reasonable expectation that the Group 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 Group 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 consolidated financial statements.

On behalf of the Board

Robert Guyler
Director

30 April 2020

DIRECTORS' REPORT

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

Directors and their interests

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

Jean-Bernard Lévy
Robert Guyler
Pierre Todorov
Xavier Girre
Veronique Lacour
Simone Rossi
Colin Matthews
Christophe Carval
Xavier Ursat
Cedric Lewandowski (appointed 1 July 2019)
Sylvie Jehanno (appointed 23 October 2019)
Guido Santi (resigned 31 March 2019)
Henri Lafontaine (resigned 22 October 2019)
Dominique Miniere (resigned 24 April 2019)
Philippe Sasseigne (resigned 1 July 2019)

The persons listed above, are all non-executive Directors, with the exception of Robert Guyler and Simone Rossi who are executive Directors.

Robert Guyler and Simone Rossi are employed by and have a service contract with EDF Energy Limited. The remaining Directors are employed by the ultimate parent company, Électricité de France SA ("EDF S.A.").

There are no contracts during or at the end of the financial year in which a Director of the Company has a material interest. None of the Directors who held office during or 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.

There were qualifying third-party indemnity provisions in place for the benefit of one or more Directors of the Company during the financial year and at the date of approval of the consolidated financial statements.

Dividends

Dividends of £nil were paid to the parent company during the year (2018: £nil).

Political contributions

During the year, the Group made no political contributions (2018: £nil).

Future developments

Future developments of the Group are outlined in the Strategic Report.

Use of financial instruments

The use of financial instruments in the Group is outlined in the Strategic Report and in note 40.

Taxation policy

The Group will continue to demonstrate a responsible and honest approach to its tax management. It has adopted a tax policy which is aligned with its stated ambitions and values. The Director of Tax is responsible for implementing the tax policy and reports frequently to the Chief Financial Officer.

DIRECTORS' REPORT (continued)

Specifically the Group's tax policy includes:

- acting with integrity;
- only undertaking tax planning to ensure legitimate business activities are implemented efficiently, and not to undertake artificial schemes or arrangements;
- maintaining an open, honest and positive working relationship with HMRC; and
- where differences of view arise with regard to the interpretation and application of tax law, the Group is committed to addressing the matter in real-time and resolving the matter with HMRC in a constructive manner.

As required by Schedule 19, Finance Act 2017 the Group's tax strategy is published on its website.

Employee engagement and business relationship

Please see "Our Stakeholders – who are they and how do we interact with them" section on page 4.

Equal opportunities

The Group is fully committed to ensuring that all current and potential future employees and customers are treated fairly and equally, regardless of their gender, sexuality, marital status, disability, race, colour, nationality or ethnic origin. The Group 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.

Events since the balance date

Subsequent events, including the impact of Covid-19, are disclosed in note 42 of the financial statements.

Auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

1. so far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
2. the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

It is noted that Deloitte LLP, as appointed by the members, are deemed to be re-appointed as the auditor to the Company for the financial year ending 31 December 2020 in accordance with the provisions of Section 487(2) of the Companies Act 2006 and that the Directors have been authorised to fix the remuneration of the auditor.

On behalf of the Board

Robert Guyler
Director

30 April 2020

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report and the Directors' Report, Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU. Under company law the directors must not approve the accounts 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;

- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and

- make an assessment of the company's ability to continue as a going concern.

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

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

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and

- the management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

Chief Financial Officer

Robert Guyler

30 April 2020

Independent auditor's report to the members of EDF Energy Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of EDF Energy Holdings Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 43 of the consolidated financial statements and notes 1 to 16 of the parent company financial statements..

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

Independent auditor's report to the members of EDF Energy Holdings Limited (Continued)

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

We have nothing to report in respect of these matters.

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

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

Auditor's responsibilities 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.

Report on other legal and regulatory requirements

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 group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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

We have nothing to report in respect of these matters.

Independent auditor's report to the members of EDF Energy Holdings Limited (Continued)

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

Nigel Thomas.

Nigel Thomas (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

30 April 2020

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	**2019 £m**	2018 £m
Revenue	4	**8,172**	7,737
Fuel, energy and related purchases	6	**(5,544)**	(5,128)
Gross margin		**2,628**	2,609
Materials and contracting costs		**(398)**	(412)
Personnel expenses	8	**(813)**	(811)
Other operating expenses		**(740)**	(718)
Other operating income		**3**	16
Operating profit before depreciation, amortisation and impairment		**680**	684
Gain on derivative commodity contracts	5	**26**	6
Depreciation and amortisation	5	**(881)**	(867)
Impairment of non-current assets	5, 15	**(111)**	(144)
Operating loss after depreciation, amortisation and impairment		**(286)**	(321)
Pensions equalisation costs	39	**-**	(11)
Restructuring costs	11	**(12)**	(24)
Loss before tax and finance costs		**(298)**	(356)
Investment income	9	**369**	436
Finance costs	10	**(455)**	(543)
Loss on ordinary activities before taxation		**(384)**	(463)
Taxation on loss/(profit) on ordinary activities	12	**63**	77
Share of profit of associates	19	**187**	4
Loss for the year		**(134)**	(382)
Loss attributable to:			
Equity holders of the parent	36	**(124)**	(361)
Non-controlling interest	30	**(10)**	(21)
		(134)	(382)

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

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

	Note	**2019 £m**	2018 £m
Loss for the year		**(134)**	(382)
Items that will not be reclassified subsequently to profit or loss:			
Net actuarial gains on defined benefit pensions	39	**56**	108
Income tax effect		**(8)**	(20)
Items that may be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedges	37	**371**	(123)
Income tax effect		**(64)**	21
Net gains/(losses) on cash flow hedges			
Cost of hedging	37	**10**	(4)
Income tax effect		**-**	-
Net cost of hedging			
Net Gains/(losses) on available for sale assets		**-**	(2)
Income tax effect		**-**	-
Net gains/(losses) on available for sale assets			
Total comprehensive income		**231**	(402)
Total comprehensive income attributable to:			
Equity holders of the Company		**212**	(382)
Non-controlling interest	30	**19**	(20)
		231	(402)

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2019

	Note	**2019**	2018
		£m	£m
Non-current assets			
Goodwill	14	**6,722**	6,722
Intangible assets	16	**562**	574
Property, plant and equipment	17	**15,422**	13,277
Right-of-use assets(1)	31	**202**	-
Other financial assets	18	**507**	500
Interest in associates	19	**502**	382
NLF and Nuclear Liabilities receivable	20	**11,072**	8,019
Post-employment benefits asset	39	**1,061**	885
Derivative financial instruments	26	**64**	60
		36,114	30,419
Current assets			
Cash and cash equivalents	21	**978**	1,253
Inventories	22	**2,396**	2,392
Trade and other receivables	23	**2,171**	1,768
Derivative financial instruments	26	**128**	37
NLF and Nuclear Liabilities receivable	20	**246**	229
Current tax asset		**28**	25
		5,947	5,704
Total assets		**42,061**	36,123
Current liabilities			
Other liabilities	24	**(2,492)**	(2,414)
Derivative financial instruments	26	**(168)**	(363)
Short-term provisions	27	**(870)**	(838)
Obligations under leases	31	**(16)**	(16)
		(3,546)	(3,631)
Net current assets		**2,402**	2,073
Total assets less current liabilities		**38,515**	32,492
Non-current liabilities			
Other liabilities	24	**(663)**	(821)
Borrowings	25	**(703)**	(738)
Derivative financial instruments	26	**(12)**	(78)
Long-term provisions	27	**(12,325)**	(8,962)
Deferred tax liability	29	**(1,058)**	(998)
Obligations under leases	31	**(186)**	(122)
Post-employment benefits provision	39	**(176)**	(107)
		(15,123)	(11,826)
Total liabilities		**(18,669)**	(15,457)
Net assets		**23,393**	20,666

CONSOLIDATED BALANCE SHEET (continued)
AT 31 DECEMBER 2019

	Note	**2019 £m**	2018 £m
Equity			
Share capital	33	**6,824**	10,174
Capital reserve	34	**9**	9
Hedging reserve	37	**33**	(284)
Merger reserve	35	**(2)**	(2)
Retained earnings	36	**10,505**	5,609
Equity attributable to equity holders of the Company		**17,369**	15,506
Non-controlling interest	30	**6,024**	5,160
Total equity		**23,393**	20,666

(1) The financial statements at 31 December 2019 apply IFRS 16 from 1 January 2019 (using the modified retrospective approach). In accordance with the new standard's transition provisions, the comparative figures have not been restated.

The accounts of EDF Energy Holdings Limited (registered number: 06930266) on pages 32 to 108 were approved by the Board of Directors on 28 April 2020 and were signed on its behalf by:

Robert Guyler
Director

30 April 2020

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	**2019 £m**	2018 £m
Net cash from operating activities	38	**1,122**	1,560
Investing activities			
Purchase of property, plant and equipment		**(3,037)**	(2,742)
Purchase of carbon and renewable obligation certificates		**(837)**	(685)
Purchase of other intangible assets		**(44)**	(57)
Disposal of property, plant and equipment		**6**	42
Proceeds from divestment of subsidiaries and joint arrangements		**-**	119
Deferred consideration on disposal		**76**	-
Loans to parent company		**(81)**	(80)
Capital contribution to associates		**(31)**	(20)
Interest received		**14**	17
Dividends received	19	**98**	117
Net cash used in investing activities		**(3,836)**	(3,289)
Financing activities			
Dividends paid to non-controlling interests	13	**-**	(20)
Repayment of obligations under leases	31	**(40)**	(2)
Interest element of lease rental payments	31	**-**	(9)
Proceeds on share issue to parent undertakings	33	**1,650**	1,300
Capital contribution from non-controlling interest	30	**845**	657
Interest paid		**(19)**	(16)
NLF receipts/(payments)		**-**	4
Net cash generated from financing activities		**2,436**	1,914
Net (decrease)/increase in cash and cash equivalents		**(278)**	185
Cash and cash equivalents at 1 January		**1,253**	1,065
Effect of foreign exchange rates		**3**	3
Cash and cash equivalents at 31 December	21	**978**	1,253

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

	Share capital	Capital reserve	Hedging reserve	Merger reserve	Retained earnings	Total	Non-controlling interest	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
At 31 December 2017	**8,382**	**9**	**(178)**	**(2)**	**5,711**	**13,922**	**4,543**	**18,465**
Loss for the year	-	-	-	-	(361)	**(361)**	(21)	**(382)**
Other comprehensive income for the year	-	-	(106)	-	85	**(21)**	1	**(20)**
Total comprehensive income for the year	**-**	**-**	**(106)**	**-**	**(276)**	**(382)**	**(20)**	**(402)**
Equity dividends paid	-	-	-	-	-	**-**	(20)	**(20)**
Issue of capital	1,792	-	-	-	-	**1,792**	-	**1,792**
Capital injection	-	-	-	-	45	**45**	657	**702**
Disposal of joint operation	-	-	-	-	162	**162**	-	**162**
Unwind Deed of Settlement	-	-	-	-	(35)	**(35)**	-	**(35)**
Pensions transfer	-	-	-	-	2	**2**	-	**2**
At 31 December 2018	**10,174**	**9**	**(284)**	**(2)**	**5,609**	**15,506**	**5,160**	**20,666**
Loss for the year	-	-	-	-	(123)	**(123)**	(10)	**(133)**
Other comprehensive income for the year	-	-	317	-	19	**336**	29	**365**
Total comprehensive (loss) / income for the year	**-**	**-**	**317**	**-**	**(104)**	**213**	**19**	**232**
Issue of capital	1,650	-	-	-	-	**1,650**	**845**	**2,495**
Capital reduction	(5,000)	-	-	-	5,000	**-**		**-**
At 31 December 2019	**6,824**	**9**	**33**	**(2)**	**10,505**	**17,369**	**6,024**	**23,393**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

EDF Energy Holdings Limited (the “Company” or the “parent company”) 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 page 1. The nature of the operations of EDF Energy Holdings Limited and its subsidiaries (the “Group”) and their principal activities are set out in the Strategic and Directors’ Reports on pages 2 to 27. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value at the end of each reporting period as explained in the accounting policies in note 2. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the balance sheet date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for, leasing transactions in scope of IFRS 16 and measurements which are similar to fair value but are not fair value such as value in use under IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Adoption of new and revised International Financial Reporting Standards

From 1 January 2019, the following new standards and amendments are effective in the Group’s consolidated Financial Statements:

- IFRS 16Leases

The impact of adoption of these standards and the key changes to the accounting policies are disclosed in note 31 leases.

The following standards and amendments to IFRSs became effective for the period beginning on 1 January 2019 and did not have a material impact on the consolidated financial statements:

- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Prepayment Features with Negative Compensation – Amendments to IFRS 9

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are "solely payments of principal and interest on the principal amount outstanding" ("The SPPI criterion") and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstances that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

- Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests).

- Plan Amendment, Curtailment or Settlement - Amendments to IAS 19

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period.

Annual IFRS Improvement Process

- IFRS 3 Business Combinations - Previously held Interests in a joint operation

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value.

- IFRS 11 Joint Arrangements - Previously held Interests in a joint operation

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3.
The amendments clarify that the previously held interests in that joint operation are not remeasured.

- IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

- IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all the activities necessary to prepare that asset for its intended use or sale are complete.

Standards and amendments published by the IASB but not yet adopted by the European Union

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet adopted by the European Union:

- IFRS 17 Insurance Contracts

The Group does not expect adoption of this standard to have a significant impact on the financial statements.

- Amendments to IFRS 3 "Business Combinations: Definition of a Business"

The Group does not currently anticipate that application of these amendments will have any impact.

2. Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company made up to 31 December each year. A list of main subsidiaries, associates and Joint ventures (JVs) is presented in note 9 of the company accounts.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company and using consistent accounting policies as the Company. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control. Control is achieved where the Group is exposed or has rights to variable return from its involvement with the investee and has the ability to affect those returns through its power over the investee. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, are eliminated on consolidation. The carrying value of subsidiaries includes the equity investments and long-term loans to subsidiaries.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement at acquisition is made on an acquisition-by-acquisition basis.

Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group ceases to control a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including an apportionment of goodwill), less liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities are disposed of.

Parent company financial statements

The Company Balance Sheet, Company Statement of Changes in Equity and related notes are presented in the Annual Report on pages 109 to 122 under FRS 101. No income statement is presented for EDF Energy Holdings Limited in accordance with the exemptions allowed by the Companies Act 2006.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Going concern

The Group manages its capital through focusing on its net debt which comprises borrowings (note 25) including lease obligations and accrued interest, cash and cash equivalents and derivative liabilities relating to debt instruments. Given that the Group is a wholly-owned subsidiary, any changes in capital structure are often achieved via additional borrowings from its ultimate parent company or other companies within the EDF S.A. Group, although the Group has facilities available for third party bond issues.

After making enquiries and reviewing cash flow forecasts and available facilities (note 40) for at least the next 12 months, the Directors have formed a judgement, at the time of approving the consolidated financial statements, that there is a reasonable expectation that the Group 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 Group faces and which have been outlined in more detail in the Strategic Report. For this reason the Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

Business combinations

Acquisitions of subsidiaries and businesses, other than those occurring under common control, are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are recognised in profit or loss as incurred.

When the Group acquires a business, it classifies the identifiable assets acquired and the liabilities assumed as necessary to apply other IFRSs subsequently. This is based on contractual terms, economic conditions and other pertinent conditions as they exist as at acquisition date.

Goodwill arising on acquisition is recognised as an asset and ismeasured as the excess of the consideration transferred over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. If, after reassessment, the Group’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement. As part of the acquisition accounting exercise, contracts are identified which represent an asset to the Group (i.e. contract is in the money on acquisition date) or a liability to the group (i.e. contract is out of the money at acquisition date). A contract asset or liability is calculated as the fair value of the contract on the acquisition date and these are credited/charged to the income statement as the contract matures. Contract assets are recognised within intangible assets on the balance sheet and liabilities are included within provisions.

Revenue recognition

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Taxation

The income tax expense included in the consolidated income statement consists of current and deferred tax.

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.

Unrecognised deferred tax assets are also re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

Foreign currency translation

The functional and presentational currency of the Group 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 Group enters into forward contracts to mitigate the risks. (See below for details of the Group's accounting policies in respect of such derivative financial instruments).

Intangible assets

Brand

The brand is considered to have an indefinite useful economic life on the basis that the brand has no foreseeable limit to the life of the asset. In 2018, an impairment was recognised to reduce the carrying value of the brand to £nil. Refer to note 16 for further information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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. It 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.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Borrowing costs incurred relating to the construction or purchase of fixed assets are capitalised as below. Depreciation is calculated on a straight-line basis, less any residual value, over the estimated total useful life of the asset and charged to income as follows:

Non-nuclear generation assets	– Up to 40 years
Advanced Gas-cooled Reactors (AGR) power stations	– 41 to 47 years
Pressurised Water Reactor (“PWR”)power station	– 40 years
Overhaul of generation assets	– 4 years
Freehold land	– Not depreciated
Other buildings	
-freehold	– Up to 40 years
-leasehold	– Lower of lease period or 40 years
Vehicles and mobile plant	– 5 to 10 years
Fixtures and equipment	– 3 to 8 years
Other plant and equipment	– 18 months to 5 years

Leased assets except for low value and short term leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

Assets in the course of construction are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Expenditure on major inspection and overhauls of production plant is capitalised, within other plant and equipment, when it meets the asset recognition criteria and is depreciated over the period until the next outage. For AGR power stations, this depreciation period is two to three years, for the PWR power station it is 18 months.

Disposal

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 tangible and intangible assets including goodwill

At each balance sheet date, the Group 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 Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 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 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 income statement except for impairment on goodwill where any previously recognised impairment is irreversible.

Non-current assets and disposal groups classified as held for sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Cost to sell are incremental costs directly attributable to the disposal of an asset excluding finance cost and tax expense.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. The Group must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated balance sheet.

A disposal group qualifies as a discontinued operation if it is a component of an entity that has been disposed of, or is classified as held for sale and

- Represents a separate major line of business or geographical are of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or;
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Leases

The Group's accounting rules and methods were changed as follows at 1 January 2019. These accounting rules for leases only apply in 2019, and the comparative period of 2018 is still presented in accordance with IAS 17.

Group as Lessee

At contract inception, the Group assesses whether a contract is or contains a lease. A contract is treated as a lease if it conveys the rights to control the use of an identified asset for a period of time in exchange for consideration.
Identified arrangements that do not have the legal form of a lease contract but nonetheless convey the right to control the use of an asset or group of specific assets to the purchaser are treated by the Group as leases, and analysed by reference to IFRS 16.

The Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Right-of-use asset

IFRS 16 requires leases to be recognised in the lessee's balance sheet when the leased asset is made available, in the form of a "right-of-use" asset. This is presented on the face of the balance sheet. Right-of-use asset is measured at cost less any accumulated depreciation and impairment 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 Group 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.

Group as a Lessor

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

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

Investments in associates

An associate is an entity over which the Group 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 or joint control over those policies.

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

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

Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

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

Upon loss of significant influence over the associate the Group 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

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. The cost of raw materials, consumables and goods for resale is calculated using the weighted average cost basis. Work-in-progress and finished goods are valued using the cost of direct materials and labour plus attributable overheads based on a normal level of activity. Net realisable value represents the estimated selling price less any further costs expected to be incurred in completion and disposal.

Provisions are made for obsolete, slow-moving or defective items where appropriate.

Fuel costs – nuclear front-end

Advanced Gas-cooled Reactors (“AGR”)

Front-end fuel costs consist of the costs of procurement of uranium, conversion and enrichment services and fuel element fabrication. Fabrication costs comprise fixed and variable elements. All costs are capitalised into inventory and charged to the consolidated income statement in proportion to the amount of fuel burnt.

Pressurised Water Reactor (“PWR”)

All front-end fuel costs are variable and are capitalised into inventory and subsequently charged to the consolidated income statement in proportion to the amount of fuel burnt.

Fuel costs – nuclear back end

AGR

Spent fuel extracted from the reactors is sent for reprocessing and/or long-term storage and eventual disposal of resulting waste products. Back-end fuel costs comprise:

(a) a cost per tonne of uranium payable on loading of fuel into any one of the AGR reactors; and
(b) a rebate/surcharge against the cost mentioned in (a) above that is dependent on the out-turn market electricity price in the year and the amount of electricity generated from AGR stations in the year.

The loading related cost and the rebate/surcharge is capitalised into inventory and charged to the consolidated income statement in proportion to the amount of fuel burnt.

PWR

Back-end fuel costs are based on wet storage in station ponds followed by dry storage and subsequent direct disposal of fuel. Back-end fuel costs comprise a cost per tonne of uranium, payable on loading of fuel to the PWR reactor. Back-end fuel costs are capitalised into inventory on loading and charged to the consolidated income statement in proportion to the amount of fuel burnt.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Unburnt fuel at shutdown

Due to the nature of the nuclear fuel process, costs have been committed in relation to the unburnt fuel in the reactors at station closure. The costs of this unburnt fuel (final core) are fully provided at the balance sheet date. The provision is based on a projected value per tonne of fuel remaining at closure, discounted back to the balance sheet date and recorded as a long-term liability using a pre-tax discount rate. The unwinding of the discount each year is charged to finance costs in the income statement. Any adjustment to the provision is recorded through property, plant and equipment and depreciated over the remaining station life.

Nuclear Liabilities Fund (“NLF”) funding arrangements

Under the arrangements in place with the Secretary of State at the Restructuring Effective Date (“RED”), the NLF will fund, subject to certain exceptions, the Group’s qualifying uncontracted nuclear liabilities and qualifying decommissioning costs. To the extent there is any surplus remaining in the NLF after all obligations have been discharged, this amount will be paid to the Secretary of State. The Group is responsible for funding certain excluded or disqualified liabilities and will, in certain circumstances, be required to compensate or indemnify the NLF and the Secretary of State in relation to such liabilities.

The Group makes fixed decommissioning obligations payable to the NLF which have been recorded as a liability on the consolidated balance sheet at their discounted value and disclosed as the NLF liability. The NLF liability is reduced as payments are made to the NLF. Each year the financing charges in the consolidated income statement include the unwinding of the discount of NLF liabilities required to discharge one year’s discount from the liability.

PWR fuel loaded after RED will increase the qualifying nuclear liability recognised for back end PWR fuel costs and will increase the NLF receivable by a corresponding amount. The difference between the payment of £150,000 (indexed to RPI) per tonne made to the NLF on the loading of PWR fuel and the increase in the liability recognised upon loading of this fuel is recognised in back end fuel costs as the loaded tonnes are burned in the PWR reactor.

NLF and nuclear liabilities receivables

The Government indemnity is provided to indemnify any future shortfall on NLF funding of qualifying uncontracted nuclear liabilities (including PWR back end fuel services) and qualifying nuclear decommissioning costs.

In principle, the recognised NLF receivable represents the aggregate value of the Nuclear Liabilities Fund and the Government indemnity such that the receivable equals the present value of the associated qualifying nuclear liabilities. The nature of the process, whereby the Group claims back from the NLF for qualifying liabilities, can cause small timing differences between the receivable and the nuclear liabilities at the balance sheet date.
The Government indemnity is also provided to cover services for spent AGR fuel loaded pre RED. The nuclear liabilities receivable is recognised in respect of the indemnity such that the receivable equals the present value of the associated qualifying nuclear liabilities.
The NLF receivable and the nuclear liabilities receivable are stated in the balance sheet at current price levels, discounted to take account of the timing of payments. Each period the financing charges in the income statement include the revalorisation of these receivables required to match the revalorisation of the nuclear liabilities.

Nuclear liabilities

Nuclear liabilities represent provision for the Group’s liabilities in respect of the costs of waste management of spent fuel and nuclear decommissioning. The provisions represent the Directors’ best estimates of the costs expected to be incurred. They are calculated based on the latest technical evaluation of the processes and methods likely to be used in decommissioning, and reflect current engineering knowledge. The provisions are based on such commercial agreements as are currently in place, and reflect the Directors’ understanding of the current Government policy and regulatory framework. Given that Government policy and the regulatory framework on which the Group’s assumptions have been based is expected to develop and that the Directors’ plans will be influenced by improvements in technology and experience gained from decommissioning activities, liabilities and the resulting provisions are likely to be adjusted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

In recognising the costs of generating electricity, accruals are made in respect of the following:

Back end fuel costs

The treatment of back end fuel costs in the consolidated income statement has been dealt with under the accounting policies for fuel costs above. Back end nuclear liabilities cover reprocessing and storage of spent nuclear fuel and the long-term storage, treatment and eventual disposal of nuclear waste. They are based, as appropriate, on contractual arrangements or the latest technical assessments of the processes and methods likely to be used to deal with these obligations under the current regulatory regime. Where accruals are based on contractual arrangements they are included within creditors. Other accruals are based on long-term cost forecasts which are reviewed regularly and adjusted where necessary, and are included within provisions.

Decommissioning of nuclear power stations

The financial statements include provision for the full cost of decommissioning the Group's nuclear power stations. Provision is made on the basis of the latest technical assessments of the processes and methods likely to be used for decommissioning under the current regulatory regime.

Accruals and provisions for back end fuel costs and decommissioning are stated in the balance sheet at current price levels, discounted at a long-term real rate of interest which takes account of the timing of payments. The financing charges in the income statement include the revaluation of liabilities required to discharge one year's discount from provisions made in prior years and restate these provisions to current price levels.

Retirement benefit costs

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

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

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 Group's balance sheet when the Group becomes a party to the contractual provisions of the instruments.

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

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

Financial assets

The Group'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 groups business model for managing of financial assets and
(b) the contractual cash flow characteristics of financial asset

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the 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.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
• Financial assets at amortised cost (debt instruments)
• Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
• Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)
• Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through OCI (debt instruments)
For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon de-recognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Recognition of expected credit losses

The Group recognises a loss allowance for expected credit losses (ECLs) on a financial asset that is measured at amortised cost, measured at fair value through other comprehensive income, a lease receivable, a contract asset or a loan commitment and a financial guarantee contract to which impairment requirements apply. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

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

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

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

De-recognition of financial assets

The Group 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 are subsequently measured at amortised cost using the effective interest rate (EIR) method, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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
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.

Derivative financial instruments

The Group enters into financial instruments to manage its exposure to fluctuations in foreign exchange rates, interest rates and commodity prices (including gas, coal, carbon certificates and electricity), including FX forwards, interest rate swaps, cross currency swaps and forward sales and purchases of energy or commodities. Further details of derivative financial instruments are disclosed in note 40.

Forward sales and purchases 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 volumes purchased or sold under the contracts correspond to the Group'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 Group.

The use of derivatives and other financial instruments is governed by the Group's policies and approved by appropriate management. The Group 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.

Hedge accounting

The Group designates certain hedging instruments, which include 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 Group 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 Group 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 Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The Group classifies hedges in the following categories:

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement and is included within loss/gain on derivative commodity contracts 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 the income statement, 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 Group 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 the income statement. 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.

Cash and cash equivalents

Cash and cash equivalents comprises cash at bank and in hand, including short term deposits with a maturity date of three months or less from the date of acquisition and restricted cash. The Group operates a cash concentration arrangement which physically offsets cash balances and overdrafts between subsidiary companies.

EU Emissions trading scheme and Renewable Obligations Certificates

Purchased emissions allowances are initially recognised at cost (purchase price) within intangible assets. A liability is recognised when the level of emissions exceeds the level of allowances granted. The liability is measured at the cost of purchased allowances up to the level of purchased allowances held, and then at the market price of allowances ruling at the balance sheet date. Movements are recognised within operating profit.

Forward contracts for the purchase or sale of emissions allowances are measured at fair value with gains and losses arising from changes in fair value recognised in the income statement or hedging reserve depending on whether cash flow hedging is applied.

The Group is obliged to sell a specific fraction of electricity sales volume to its customers from renewable sources. This is achieved via generation from renewable sources or through 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 nil cost but reduce the Group's outstanding obligations to supply certificates. The Group 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.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, described in note 2, the Directors of the Group 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 the Group's 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.

HPC – accounting for uncertain tax benefit of capital allowances
Due to the nature of the HPC project, judgement has been applied in analysing which assets qualify for capital allowances and at what rate those allowances are available. Depending on the nature of the expenditure tax relief can be obtained in the year of spend, spread out over a number of years, or not be obtained at all. The methodology used is based on experience of capital allowance claims relating to construction projects for nuclear and non-nuclear power stations; however the HPC project is the first of a kind in the United Kingdom and hence there is no direct comparable against which the capital allowance claims can be benchmarked by EDF Energy or HMRC. The tax treatment of the capital expenditure is subject to an ongoing HMRC enquiry, which is looking at the technical issues of the project and the tax relief the capital expenditure qualifies for. As such we do not believe it is practicable to quantify the uncertainty at this point in time.

Generation – useful economic lives of the AGR fleet
The useful economic lives of the AGR fleet are reviewed on at least an annual basis. This review is based on the lifetime management process which assesses the station lifetime based on current technical advice, economic assessment and engagement with key stakeholders. The group aligns the useful economic lives with the station technical lifetime.
As explained in the strategic report, the AGRs were designed with a nominal 25 year lifetime, and Sizewell B with a 40 year lifetime. However, with the aggregation of technical information, and operational and safety experience, it has been possible to revise the expected AGR lifetimes. Prior to EDF Energy ownership, the AGRs had been extended by an average of 10 years. Since British Energy was acquired by EDF, the AGRs have been further extended by an average of eight years. The last extensions were declared in February 2016. Hartlepool and Heysham 1 were extended by a further five years, and Heysham 2 and Torness were extended by seven years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

SZC – capitalisation of costs pre FID
It is the strategy of EDF to construct low carbon nuclear new build power stations in the UK using the EPR technology. This technology is already being deployed at the power stations at Flamanville in France, at Taishan in China and at HPC. Using the same technology, although adapted for UK regulatory requirements and site specifics, SZC will benefit from a series effect on standardisation of design, on construction and on operation. As a result of this replication approach, continued Shareholder investment and the Project achievements the Company feel it is appropriate to capitalise the pre-development costs £183.4m as property, plant and equipment. This is consistent with the approach that adopted for HPC.

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.

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

Revenue is valued at average pence per unit, and any unbilled revenue is treated as an unbilled debtor. This figure is adjusted based on a judgement of the likelihood of collecting the outstanding debt based on historical data. Further detail on revenue is disclosed in note 4.

Nuclear decommissioning provisions
The consolidated financial statements include provision for the full cost of decommissioning the Group's nuclear power stations. Provision is made on the basis of the latest technical assessments of the processes and methods likely to be used for decommissioning under the current regulatory regime. Expected future costs of decommissioning are monitored to ensure that the provision remains at an adequate level. Further information about decommissioning and spent nuclear fuel provisions can be found in note 27. As the decommissioning provision is sensitive to a number of different assumptions including timing, cost and discount rate, it is reasonably possible that changes in assumptions relating to these factors within the next year could materially affect the carrying amount of the provision, any changes to the qualifying liabilities would result in an equal movement to the NLF receivable.

Pension
The pension surplus/(deficit) is calculated by independent qualified actuaries, based on certain actuarial assumptions. These actuarial assumptions are made to model potential future costs and benefits and include: life expectancy, rates of returns on plan assets, inflation, discount rate and expected retirement age. These assumptions are reviewed on an annual basis and may change based on current market data. Further information is available about pensions in note 39.

Goodwill and asset impairment
The Group performs impairment testing of goodwill on an annual basis and on other assets where there is an indication of potential impairment. The impairment review involves a number of assumptions including discount rates, output values, asset lives and forward power prices. The long term nature of the Group's assets and the unique and early stage nature of the Group's Nuclear New Build projects in particular, increase the level of uncertainty involved. Further detail on the assumptions used and sensitivity analysis in the calculation can be found in note 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Revenue

An analysis of the Group's revenue is as follows:

	Year ended 2019 £m	Year ended 2018 £m
Sales to external customers	**8,170**	**7,732**
Other revenue	**2**	**5**
	8,172	7,737
Investment revenue (note 9)	**37**	31
Total revenue	**8,209**	**7,768**

The disaggregation of revenue is as follows:

	Year ended 2019 £m	Year ended 2018 £m
Revenue from wholesale market power contracts	**1,624**	1,784
Revenue from other energy supply contracts and other revenue	**6,585**	5,984
	8,209	7,768

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Loss for the year

Loss for the year has been arrived at after (crediting)/charging the following gains and losses:	**2019 £m**	2018 £m
Research and development costs	**24**	**26**
Personnel expenses (note 8)	**924**	**811**
Auditor's remuneration for audit services (see below)	**2**	**1**
Net foreign exchange (gains)/losses (note 9,10)	**20**	**(6)**
Impairment of property, plant and equipment (note 15,17)	**111**	**114**
Impairment of intangible assets (note 15,16)	**-**	**30**
Amortisation of intangible assets (note 16)	**80**	**93**
Depreciation of property, plant and equipment (note 17)	**789**	**774**
Depreciation on right of use asset (note 31)	**12**	
Cost of inventories recognised as expense (note 22)	**444**	**539**
(Gain) on derivative commodity contracts	**(26)**	**(6)**
(Gains)/losses on derivative foreign exchange contracts (note 9)	**-**	**2**
Operating lease rentals	**1**	**11**
Movement in the expected credit loss (note 23)	**37**	**4**
Impairment losses recognised on trade receivables	**50**	**55**
Reversal of impairment losses recognised on trade receivables (note23)	**(2)**	**(3)**

The analysis of Auditor's remuneration is as follows:

	2019 £m	2018 £m
Fees payable to the Company's auditor for the audit of the Company's and the Group's accounts	**0.4**	0.4
For the audit of the Company's subsidiaries pursuant to legislation	**1.2**	1.0
Total audit fees	**1.6**	1.4
Other assurance services	**0.1**	0.2
Other non-audit services	**0.1**	-
Total non-audit fees	**0.2**	0.2
Total fees	**1.8**	1.6

6. Fuel, energy and related purchases

	2019 £m	2018 £m
Purchase of energy	**2,820**	2,611
Distribution and transmission	**1,597**	1,507
Carbon certificates	**89**	73
Renewable obligation certificates	**1,028**	919
Unwinding of nuclear fuel asset	**1**	4
Other energy related purchases	**9**	14
Total fuel, energy and related purchases	**5,544**	5,128

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Directors' remuneration

In 2019, two Directors and one non-executive director received remuneration for services to the Group and their remuneration is disclosed below. The remaining Directors are remunerated by the parent company and do not receive any emoluments for services to the Group.

	2019	2018
	£m	£m
Aggregate remuneration	**1.6**	1.4
Amounts receivable under long-term incentive schemes	**0.3**	0.1
Total remuneration	**1.9**	1.5

	2019	2018
	Number	Number
Members of defined benefit pension scheme	**1**	1

	2019	2018
	£m	£m
Remuneration payable to the highest paid Director was as follows:		
Aggregate remuneration	**0.9**	0.7
Amounts receivable under long-term incentive schemes	**0.3**	-
Total remuneration	**1.2**	0.7

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

The remuneration of all Directors disclosed above will also be included in the financial statements of EDF Energy Limited for the year ended 31 December 2019.

The highest paid director is a member of the Company's defined benefit pension scheme and had accrued entitlements of £9,415 under the scheme at the end of the year. There is no accrued lump sum..

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Personnel expenses

Staff costs arising in the year, including Directors' emoluments were as follows:

	2019 £m	2018 £m
Wages and salaries	**649**	659
Social security costs	**76**	77
Pension costs	**208**	232
Severance	**(2)**	(2)
Less: Capitalised costs	**(118)**	(155)
	813	811

The monthly average number of employees during the year was as follows:

	2019 Number	2018 Number
Generation business unit	**5,988**	6,199
Customers business unit	**4,463**	4,792
Nuclear New Build business unit	**905**	775
Corporate and Steering functions	**695**	785
	12,051	12,551

9. Investment income

	2019 £m	2018 £m
Interest on bank deposit	**12**	14
Other finance income	**2**	3
Pension scheme interest	**18**	14
Other interest	**5**	-
Total investment revenue	**37**	31
Unwinding of discount on NLF receivable	**332**	407
Fair value gains on foreign currency derivatives	**-**	(2)
Total other investment income	**332**	405
Total investment income	**369**	436

10. Finance costs

	2019 **£m**	2018 £m
Interest on bank loans and overdrafts	**5**	49
Interest on bonds	**25**	25
Finance charges payable under finance leases	**12**	9
Unwinding of discount on provisions	**72**	72
Unwinding of discount on NLF payable	**332**	408
Fair value losses of foreign currency derivatives	**13**	-
Other interest	**-**	(1)
Foreign exchange losses	**7**	(6)
Total finance costs	**466**	556
Less: Amounts capitalised	**(11)**	(13)
Total borrowing costs	**455**	543

Finance costs included in the cost of qualifying assets are calculated with reference to the €800m Eurobond, see note 25.

11. Restructuring costs

	2019 **£m**	2018 £m
Customers business unit	**14**	4
Coal and gas business unit	**11**	-
Corporate and Steering function	**(13)**	20
Total restructuring costs	**12**	24

During 2018, the Group provided £24m as a result of identifying additional headcount expected to be impacted during 2019 and 2020.

During 2019, Coal and gas business unit provided £11m as a result of the closure of Cottam power station with headcount expected to be impacted during 2020 and beyond.

During 2019, Customers business unit provided an additional £14m as a result of identifying additional headcount expected to be impacted during 2020.

During 2019, £6m of the Corporate and Steering function provision was utilised and £7m was reversed without utilisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Tax on loss on continuing ordinary activities

(a) Tax (credit) in the consolidated income statement:

Current tax	**2019 £m**	2018 £m
UK corporation tax	**(34)**	(29)
Adjustments in respect of previous years' reported tax charges	**(4)**	6
Total current tax (credit)/charge for the year	**(38)**	(23)

Deferred tax	**2019 £m**	2018 £m
Current year credit	**(27)**	(38)
Adjustments in respect of previous years' reported tax charges	**2**	(1)
Effect of decreased tax rate on opening liability	**-**	(15)
Total deferred tax credit for the year (note 29)	**(25)**	(54)
Income tax (credit)/charge reported in consolidated income statement (note 12(b))	**(63)**	(77)

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

	2019 £m	2018 £m
Loss before tax	**(384)**	(459)
Tax at the UK corporation tax rate of 19% (2018: 19.00%)	**(73)**	(87)
Effect of:		
Non-deductible expenses and non-taxable income	**9**	15
Current year effect of deferred tax rate change	**3**	5
Decreased tax rate on opening deferred tax liability	**-**	(15)
Adjustment to prior-year corporation tax	**(4)**	6
Adjustment to prior-year deferred tax	**2**	(1)
Income tax credit reported in consolidated income statement	**(63)**	(77)

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

In the current year a deferred tax charge of £85m (2018: charge of £5m) has been recognised in equity. This consists of a charge of £21m (2018: charge of £27m) in respect of pension movements and a charge of £64m (2018: credit of £22m) which relates to fair value movements arising on derivative instruments.

A current tax credit of £13m (2018: credit of £12.4m) has also been recognised in equity in respect of pension movements.

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

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

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

Changes to the main rate of corporation tax were announced after the balance sheet date. The impact of the changes is disclosed as a post balance sheet event see note 42.

13. Dividends

	2019 £m	2018 £m
Amounts recognised as distributions to equity holders in the period:		
Interim dividends paid by subsidiary to non-controlling interests (note 30)	**-**	20
	-	20

Nil interim dividends paid to non-controlling interests or parent company (2018: £20m paid to non-controlling interest).

14. Goodwill

	£m
Carrying amount	
At 31 December 2017	6,675
Change in value of CVR instrument	47
At 31 December 2018	6,722
Change in value of CVR instrument	-
At 31 December 2019	**6,722**

The Contingent Value Rights notes ("CVR") were issued to Barclays Bank plc who in turn issued Nuclear Power Notes to subscribing shareholders of EDF Energy Nuclear Generation Group Ltd. The resultant liability is measured at fair value, with any resulting gain or loss recognised against the goodwill which arose on the Nuclear Generation acquisition.
The contingent consideration is valued based on the market price of the outstanding notes. On 29th January 2019, the Group settled the CVR contingent consideration liability for £50m.

15. Impairment of non-current assets

Breakdown of impairments recognised

	2019 **£m**	2018 £m
Coal - Cottam	**-**	4
- West Burton A	**6**	10
- West Burton B	**101**	95
Gas Storage - Hill Top	**1**	5
- Hole House	**3**	-
Brand	**-**	30
	111	144

In 2018, impairments of £4m were made to bring the carrying value of Cottam land to recoverable value of £16m in line with ongoing intentions to shut the site in 2019. Similarly for West Burton A, £10m impairment was recognised due to expected plan closure of the site in the foreseeable future together with the impact of the suspension of capacity market. West Burton B was impaired by £95m which was predominantly driven by the suspension of capacity market and the longer term view of low spark spreads due to lower power price and higher gas price. Additionally in 2018, the impairment on gas storage facilities at Hill Top Farm of £5m was due to challenging market conditions which was considered to be an impairment trigger.

British Energy Brand was fully impaired in 2018 with an impairment of £30m, therefore no further impairment is expected. The decision for a full write off was made after following the marketing of the brand through the year and an unsuccessful auction process.

In 2019, further impairments were recognised in West Burton A and Hill Top. The impairment recognised in West Burton A of £6m is due to expected plan closure of the site in 2021, reducing its carrying value to nil. The remaining impairment of £101m relating to West Burton B is predominantly driven by the longer term view of spark spreads being lower than last year due to lower power price and higher gas price, bringing its carrying value down to recoverable value of £299m. The value of this plant is sensitive to price variations, such that a 5% change in spark spreads would have an impact of approximately 6% on its recoverable value.

In 2019, challenging market conditions remain for gas storage facilities at Hill Top Farm and Hole House. This was considered to be an impairment trigger. A recoverable amount of £18m was calculated for Hill Top Farm based on the value in use, against a carrying value of £19m which results in an impairment of £1m. Additionally for Hole House, a negative value was calculated based on the value in use, resulting in an impairment of £3m, reducing its carrying value to nil. The main assumptions used for the calculation were the discount rate, forward gas prices and volatility of forward gas prices. The discount rate is derived from an after-tax rate of 5.4% (2018: 5.7%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Impairment testing of goodwill

Goodwill (with a carrying amount of £6,722m, as of the end of 2019) is tested for impairment based on a single group of cash generating units (CGU) comprising all of the Group's business. This is in line with the integrated generator/supplier model used by the Group.

During the year, impairment testing has been carried out on the goodwill balance with the recoverable amount based on the value in use, which is in excess of the CGU carrying amount. The value in use of the cash generating unit has been calculated using a discounted cash flow method based on the assumptions in the Group's four-year medium-term plans and then its long term plans. This fair value calculation is considered as a Level 3 calculation because it includes internal cash flow projections which are not either directly or indirectly observable.

The 2019 impairment test incorporates the latest estimates of the revised HPC project costs i.e. total project completion costs (excluding borrowing costs) of £21.5-22.5 billion (in 2015 sterling), £1.9-2.9 billion more than the previous estimate, still assuming delivery of Unit 1 by the end of 2025. The range will depend on the effectiveness of operational action plans to be undertaken in partnership with contractors. The additional costs essentially result from challenging ground conditions that made earthworks more expensive than anticipated, revised action plan targets, and extra costs needed to implement the completed functional design, which has been adapted for a first-of-a-kind application in the UK context. EDF's projected rate of return (IRR) is now estimated at 7.6-7.8% (compared to about 9% initially).

The principal assumptions used for the discounted cash flow are the discount rate, the growth rate, forward power prices, generation output as well as assumptions around the construction of a twin EPR at Hinkley Point C (in particular the total cost and estimate of the commencement of operations). The estimated value in use is based on post-tax discounted cash flows, using a discount rate derived from an after-tax rate of 6% for goodwill (2018: 6.3%). This discount rate is the Group weighted average cost of capital based on cost of capital for UK activities and the risk adjustment has been included in the relevant cash flow forecasts used in the discounted cashflow calculation.

In the Customers business, we have maintained residential market share and business volume in 2020; this is in line with the Group's four-year plans and long-term plans.
The assumptions regarding long term electricity prices in the United Kingdom take account of the need to develop new generation facilities to meet demand from 2020, especially due to the retirement of the coal-fired power stations, and an expected recovery in nuclear power by that time. The greenhouse gas emission quota prices used for the impairment tests reflect the impact of the energy market reforms such as the carbon price support.

The generation output included in the discounted cash flow assumes the extension of useful economic lives of existing nuclear reactors and the commissioning of a twin EPR at Hinkley Point C. The discounted cash flows associated with the new EPR is based on the contract for difference (CfD) between the Group and the British government. The CfD sets stable, predictable prices for EDF Energy for a period of 35 years from the date the two EPRs are first commissioned. If market prices fall below the CfD exercise price, EDF Energy will receive an additional payment and if market prices are above the CfD price, then EDF Energy would refund the difference. The expected contribution of the twin EPR has a significant impact on the recoverable amount of the goodwill because it is expected to generate cash flows over a sixty year period from commissioning.

The Group has conducted sensitivity analysis on the impairment test of goodwill based on its assessment of reasonably possible changes in the principal assumptions:

- A 0.5% increase in the discount rate to 6.5%.
- A reduction in the existing nuclear fleet output assumption from the medium term plan assumptions, of 58.7 TWh in 2019-20 to 55.2TWh.
- A 0.25% reduction of customers long term EBIT from 1% to 0.75% reduces the headroom by around 6%.
- A reduction in market share by 10% does not lead to the requirement of impairment.
- For HPC, an increased risk of deferral of the Commercial Operation Date (COD), estimated at 15 months for Unit 1 and 9 months for Unit 2, entailing an additional potential cost of around £0.7 billion (in 2015 sterling).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Individually none of the sensitivities above give rise to an impairment.

Sensitivity analysis was conducted for stress scenarios, using extremely pessimistic (although unlikely) assumptions, for example a 4-year deferral of the COD and an associated additional cost of £4 billion. The results suggest a risk of impairment, all other assumptions being equal.

Although the Brexit decision has no immediate impact on EDF Energy's impairment tests since most cash flows (receipts, costs, investments) and assets are stated in pounds sterling, it is still difficult at this stage to anticipate the long-term consequences, given the uncertainties over the terms of the UK's departure from the European Union. The Group will monitor movements in the rates of return demanded by investors and changes in fuel prices, CO2 prices and macro-economic data such as GDP growth, which could affect price curves.

16. Intangible assets

	EU Emissions trading certificates	Certified emission reduction certificates	Renewable obligations certificates	IT software	Licence	Brand	Total
	£m	£m	£m	£m	£m	£m	£m
Cost							
At 31 December 2017	**34**	**-**	**126**	**924**	**38**	**200**	**1,322**
Additions	71	-	613	57	-	-	**741**
Divestment	-	-	-	(40)	-	-	**(40)**
Disposals	(33)	-	(617)	-	-	-	**(650)**
At 31 December 2018	**72**	**-**	**122**	**941**	**38**	**200**	**1,373**
Additions	-	-	836	29	16	-	**881**
Disposals	(39)	-	(811)	(13)	-	-	**(863)**
Reclass	(33)	33	-	36	-	-	**36**
At 31 December 2019	**-**	**33**	**148**	**993**	**54**	**200**	**1,427**
Amortisation							
At 31 December 2017	**-**	**-**	**-**	**(469)**	**(37)**	**(170)**	**(676)**
Charge for the year	-	-	-	(93)	-	-	**(93)**
Impairment	-	-	-	-	-	(30)	**(30)**
At 31 December 2018	**-**	**-**	**-**	**(562)**	**(37)**	**(200)**	**(799)**
Charge for the year	-	-	-	(78)	(2)	-	**(80)**
Transfers	-	-	-	1	-	-	**1**
Disposals	-	-	-	13	-	-	**13**
At 31 December 2019	**-**	**-**	**-**	**(626)**	**(39)**	**(200)**	**(865)**
Carrying amount							
At 31 December 2018	72	-	122	379	1	-	**574**
At 31 December 2019	**-**	**33**	**148**	**367**	**15**	**-**	**562**

The disposal of the EU Emissions trading certificates and the renewable obligations certificates relates to the surrender of the certificates on the settlement date for the compliance period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Property, plant and equipment

	Land and buildings	Network assets	Generation assets	Nuclear power stations	Other plant and equipment	Equipment and fittings	Assets in the course of construction	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Cost								
At 31 December 2017	**655**	**20**	**3,069**	**9,425**	**1,214**	**189**	**4,917**	**19,489**
Additions	-	-	-	-	1	5	2,766	**2,772**
Transfers	(2)	18	15	182	251	19	(483)	**-**
Divestment	-	-	(346)	-	-	(1)	(50)	**(397)**
Revaluation of final core provision	-	-	-	16	-	-	-	**16**
Unwinding of discount	4	-	-	-	-	-	-	**4**
Revaluation of decommissioning provision	-	-	-	-	-	(2)	-	**(2)**
Disposals	(6)	(31)	(5)	(16)	(268)	(24)	-	**(350)**
At 31 December 2018	**651**	**7**	**2,733**	**9,607**	**1,198**	**186**	**7,150**	**21,532**
Additions	-	-	-	-	-	-	3,077	**3,077**
Transfers	1	7	9	197	277	29	(520)	**-**
Reclass	-	-	2	-	-	-	(33)	**(31)**
Revaluation of final core provision	-	-	-	136	-	-	-	**136**
Transfer of ROU asset	(125)	-	-	-	-	(5)	-	**(130)**
Disposals	(3)	(5)	-	(17)	(183)	(30)	-	**(238)**
At 31 December 2019	**524**	**9**	**2,744**	**9,923**	**1,292**	**180**	**9,674**	**24,346**
Accumulated depreciation								
At 31 December 2017	**(38)**	**(13)**	**(2,645)**	**(4,288)**	**(631)**	**(154)**	**(3)**	**(7,772)**
Charge for year	(6)	(4)	(41)	(480)	(220)	(23)	-	**(774)**
Reclass	-	-	-	-	-	1	-	**1**
Impairment	-	-	(114)	-	-	-	-	**(114)**
Divestment	-	1	88	-	-	1	-	**90**
Disposals	3	10	6	16	255	24	-	**314**
At 31 December 2018	**(41)**	**(6)**	**(2,706)**	**(4,752)**	**(596)**	**(151)**	**(3)**	**(8,255)**
Charge for year	(5)	(2)	(30)	(507)	(225)	(20)	-	**(789)**
Reclass	(169)	-	172	-	(3)	-	-	**-**
Impairment (note 15)	(16)	-	(93)	-	-	-	(2)	**(111)**
Transfers	-	-	-	-	-	(1)	-	**(1)**
Disposals	3	-	-	17	182	30	-	**232**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Property, plant and equipment (continued)

At 31 December 2019	**(228)**	**(8)**	**(2,657)**	**(5,242)**	**(642)**	**(142)**	**(5)**	**(8,924)**
Carrying amount								
At 31 December 2018	610	1	27	4,855	602	35	7,147	**13,277**
At 31 December 2019	**296**	**1**	**87**	**4,681**	**650**	**38**	**9,669**	**15,422**

In 2018, the carrying amount of the Group's land and buildings and equipment and fittings includes amounts in respect of assets held under finance leases of £145m and £5m, respectively. The carrying amount of right-of-use assets under leases on a class by class basis is disclosed in note 31 leases.

During 2019, the Group carried out an impairment review of its Gas Storage facilities at Hill Top Farm and Hole House in light of falls in weekday-weekend spreads, and on its coal station as a result of low dark spreads. This led to an impairment of £111m being recognised in 2019 to bring the carrying value in line with the recoverable amount. See note 15 for further details.

Assets in the course of construction mainly relate to nuclear new build activities, of which the amount capitalised in relation to Hinkley Point C is £9,396 at 31 December 2019 (2018: £6,732m). The recoverability of the balance of assets in the course of construction relating to HPC at 31 December 2019 is dependent upon the forecast profitability of HPC, as disclosed in note 15.

Details of the revaluation of final core provision can be found in note 27.

Capitalised borrowing costs
The amount of borrowing costs capitalised during the year ended 31 December 2019 was £11.1m (2018: £12.8m). The rate used to determine the amount of borrowing costs eligible for capitalisation is the EIR of each specific borrowing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. Financial assets

	Non-Current 2019 £m	Non-Current 2018 £m
Financial asset measured at fair value through other comprehensive income		
Interest in insurance fund	**10**	10
Loans receivable at amortised cost		
Loan to associates	**17**	16
Loan to parent company	**480**	400
Loan to third party	**1**	1
Provision against loan to third party	**(1)**	(1)
Deferred consideration	**-**	74
Total financial assets	**507**	500

In 2019, an additional £80m loan was granted to EDF S.A. at 1 year LIBOR less 0.05 bps in relation to the BEGG pension deficit.
Deferred consideration in 2018 arose on the disposal of 33.5% of EDF Energy Holdings Limited's investment in NNB Holding Company (HPC) Limited to Sagittarius International Limited in September 2016. In May 2018, a Deed of Settlement arrangement was agreed between EDF Energy Holdings Limited and CGN. As a result of this Deed of Settlement, some clauses in the original shareholder agreement signed in September 2016 have been amended and the value of the deferred consideration was reduced to £74m. The full amount of the deferred consideration was received in 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Interest in associates

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts in associates' financial statements prepared in accordance with IFRS.

	Energy Services Limited		Bradwell Power Holding Company Limited		EDF Energy Renewables group	
	2019	2018	**2019**	2018	**2019**	2018
	£m	£m	**£m**	£m	**£m**	£m
Non-current assets	**158**	130	**39**	34	**243**	**1,414**
Current assets	**122**	122	**248**	123	**1,106**	**246**
Non-current liabilities	**(118)**	(74)	**-**	-	**(74)**	**(115)**
Current liabilities	**(62)**	(76)	**(100)**	(11)	**(261)**	**(617)**
Net assets	**100**	102	**187**	146	**1,014**	**928**
Equity attributable to owners of the company	**50**	51	**124**	97	**295**	**473**
Non-controlling interest – Group share of equity	**50**	51	**63**	49	**351**	**261**
Non-controlling interest – Other	**-**	-	**-**	-	**368**	**194**
Sales	**421**	395	**4**	-	**165**	**127**
Profit for the year	**-**	-	**-**	-	**421**	**18**
Group's share of profit for the year	**-**	-	**-**	-	**188**	**4**
Dividend received from associate during the year	**-**	-	**-**	-	**98**	**117**

During 2018, the EDF Energy Renewables group became an associate to EDF Energy Holdings Limited Group. Fallago Rig Windfarm Limited results are included within the EDF Energy Renewables group disclosure in 2018.

Reconciliation of the above summarised financial information to the carrying amount of the interest in associates recognised in the consolidated financial statements:

	Energy Services Limited		Bradwell Power Holding Company Limited		EDF Energy Renewables group	
	2019 £m	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Net assets of associate	**100**	102	**187**	**146**	**1,014**	928
Group's ownership interest	**50**	51	**63**	**49**	**351**	261
Carrying amount of the Group's interest	**50**	51	**63**	**49**	**351**	261

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Interest in associates (continued)

Aggregate information of associates that are not individually material:

	2019 £m	2018 £m
The Group's share of profit/(loss) from operations	**(1)**	-
Aggregate carrying amount of the Group's interest in associates	**38**	21

Total of all associate balances:

	2019 £m	2018 £m
The Group's share of profit/(loss) from operations	**187**	4
Aggregate carrying amount of the Group's interest in associates	**502**	382

Details of the Group’s associates at 31 December 2019 are as follows:

Name of associate	**Place of incorporation and operation**	**Proportion of ownership of ordinary shares %**	**Proportion of voting power held %**
Navitus Bay Development Limited(1)	United Kingdom	24.5%	24.5%
Lewis Wind Power Holdings Limited(2)	United Kingdom	24.5%	24.5%
Stornoway Wind Farm Limited(2)	United Kingdom	24.5%	24.5%
Uisenis Power Limited(2)	United Kingdom	24.5%	24.5%
Fallago Rig Windfarm Limited(6)	United Kingdom	9.8%	9.8%
Clash Gour Holdings Limited(6)	United Kingdom	49.0%	49.0%
Dallas Windfarm Limited(6)	United Kingdom	49.0%	49.0%
Altyre II Windfarm Limited(6)	United Kingdom	49.0%	49.0%
Dunphail Windfarm Limited(6)	United Kingdom	49.0%	49.0%
Dunphail II Windfarm Limited(6)	United Kingdom	49.0%	49.0%
Dunphail Windfarm Partnership LLP(6)	United Kingdom	49.0%	49.0%
Green Rigg Windfarm Limited(3)	United Kingdom	9.8%	9.8%
Rusholme Windfarm Limited(3)	United Kingdom	9.8%	9.8%
Glass Moor II Windfarm Limited(3)	United Kingdom	9.8%	9.8%
Fenland Windfarms Limited(4)	United Kingdom	9.8%	9.8%
Bicker Fen Windfarm Limited(4)	United Kingdom	9.8%	9.8%
EDF Energy Renewables Limited(*)	United Kingdom	49.0%	49.0%
Fallago Rig II Windfarm Limited(*)	United Kingdom	49.0%	49.0%
Braemore Wood Windfarm Limited(*)	United Kingdom	49.0%	49.0%
Burnfoot East Windfarm Limited(*)	United Kingdom	49.0%	49.0%
NNG Windfarm Holdings Limited(6)	United Kingdom	49.0%	49.0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Interest in associates (continued)

Neart Na Gaoithe Offshore Wind Limited[(6)]	United Kingdom	49.0%	49.0%
Burnfoot Windfarm Limited[(*)]	United Kindgom	24.9%	24.9%
Fairfield Windfarm Limited[(*)]	United Kingdom	24.9%	24.9%
Boundary Lane Windfarm Limited[(*)]	United Kingdom	24.9%	24.9%
Walkway Windfarm Limited[(*)]	United Kingdom	24.9%	24.9%
Teesside Windfarm Limited[(*)]	United Kingdom	24.9%	24.9%
EDF renewables solar limited[(*)]	United Kingdom	49.0%	49.0%
NNG windfarm Holdings[(6)]	United Kingdom	24.5%	24.5%
Longpark Windfarm Limited[(*)]	United Kingdom	24.9%	24.9%
Roade Windfarm Limited[(*)]	United Kingdom	24.9%	24.9%
Burnhead Moss Wind Farm Limited[(*)]	United Kingdom	24.9%	24.9%
EDF Energy Renewables Holdings Limited[(*)]	United Kingdom	24.9%	24.9%
Barmoor Wind Power Limited[(*)]	United Kingdom	24.9%	24.9%
Park Spring Wind Farm Limited[(*)]	United Kingdom	24.9%	24.9%
Corriemoillie Windfarm Limited[(*)]	United Kingdom	24.9%	24.9%
Dorenell Windfarm Limited[(*)]	United Kingdom	24.9%	24.9%
Beck Burn Windfarm Limited[(*)]	United Kingdom	24.9%	24.9%
Pearie Law Windfarm Limited[(*)]	United Kingdom	24.9%	24.9%
EDF EN Services UK Limited[(*)]	United Kingdom	49.0%	49.0%
Cemmaes Windfarm Limited[(*)]	United Kingdom	24.9%	24.9%
Llangwyryfon Windfarm Limited[(*)]	United Kingdom	24.9%	24.9%
Great Orton Windfarm II Limited[(*)]	United Kingdom	24.9%	24.9%
High Hedley Hope Wind Limited[(*)]	United Kingdom	24.9%	24.9%
First Windfarm Holdings Limited[(*)]	United Kingdom	49.0%	49.0%
Stranoch Windfarm Limited[(*)]	United Kingdom	49.0%	49.0%
Red Tile Wind Limited[(*)]	United Kingdom	49.0%	49.0%
Round 3 Isle of Wight Limited[(*)]	United Kingdom	24.9%	24.9%
Kirkheaton Wind Limited[(*)]	United Kingdom	24.9%	24.9%
EDF ER Development Limited[(*)]	United Kingdom	49.0%	49.0%
South Clare Windfarm Limited[(*)]	United Kingdom	49.0%	49.0%
Mosscastle Windfarm Limited[(*)]	United Kingdom	49.0%	49.0%
EDF ER Nominee Limited[(*)]	United Kingdom	49.0%	49.0%
Camilty Windfarm Limited[(*)]	United Kingdom	49.0%	49.0%
Cloich Windfarm Limited[(*)]	United Kingdom	49.0%	49.0%
Heathland Windfarm Limited[(*)]	United Kingdom	49.0%	49.0%
Newcastleton Windfarm Limited[(*)]	United Kingdom	49.0%	49.0%
The Mosses Windfarm Limited[(*)]	United Kingdom	49.0%	49.0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Interest in associates (continued)

Tinnisburn Windfarm Limited(*)	United Kingdom	49.0%	49.0%
Wauchope Windfarm Limited(*)	United Kingdom	49.0%	49.0%
West Benhar Windfarm Limited(*)	United Kingdom	49.0%	49.0%
Camilty Windfarm Partnership LLP(*)	United Kingdom	49.0%	49.0%
Cloich Windfarm Partnership LLP(*)	United Kingdom	49.0%	49.0%
Heathland Windfarm Partnership LLP(*)	United Kingdom	49.0%	49.0%
Newcastleton Windfarm Partnership LLP(*)	United Kingdom	49.0%	49.0%
The Mosses Windfarm Partnership LLP(*)	United Kingdom	49.0%	49.0%
Tinnisburn Windfarm Partnership LLP(*)	United Kingdom	49.0%	49.0%
Wauchope Windfarm Partnership LLP(*)	United Kingdom	49.0%	49.0%
West Benhar Windfarm Partnership LLP(*)	United Kingdom	49.0%	49.0%
EDF Energy Services Limited	United Kingdom	50.0%	49.0%
The Barkantine Heat and Power Company Limited(7)	United Kingdom	50.0%	49.0%
ESSCI Limited(7)	United Kingdom	50.0%	49.0%
ESSCI Engineering Services Limited(7)	United Kingdom	50.0%	49.0%
Imtech Engineering Services North Ltd(9)	United Kingdom	50.0%	49.0%
Imtech Engineering Services Central Ltd(8)	United Kingdom	50.0%	49.0%
Imtech Engineering Services London and South Ltd(7)	United Kingdom	50.0%	49.0%
Imtech Aqua Ltd(10)	United Kingdom	50.0%	49.0%
Imtech Aqua Building Services Ltd(10)	United Kingdom	50.0%	49.0%
Imtech Aqua Controls Ltd(10)	United Kingdom	50.0%	49.0%
Imtech Low Carbon Solutions Ltd(8)	United Kingdom	50.0%	49.0%
ESSCI Technical Facilities Management Limited(7)	United Kingdom	50.0%	49.0%
Inviron Holdings Limited(11)	United Kingdom	50.0%	49.0%
Imtech Inviron Limited(11)	United Kingdom	50.0%	49.0%
Inviron Property Limited(11)	United Kingdom	50.0%	49.0%
Imtech Aqua Maintenance Ltd(11)	United Kingdom	50.0%	49.0%
ESSCI Technical Services Limited(7)	United Kingdom	50.0%	49.0%
Capula Group Limited(12)	United Kingdom	50.0%	49.0%
Capula Limited(12)	United Kingdom	50.0%	49.0%
ESSCI Ireland Limited(7)	United Kingdom	50.0%	49.0%
Suir Engineering Limited (Ireland)(13)	United Kingdom	50.0%	49.0%
Suir Engineering Sweden AB (Sweden)(13)	United Kingdom	50.0%	49.0%
Imtech Suir Qatar LLC (Qatar)(13)	United Kingdom	50.0%	49.0%
Bradwell Power Holding Company Limited(5)	United Kingdom	33.5%	33.5%
Bradwell Power Generation Company Limited(5)	United Kingdom	33.5%	33.5%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Interest in associates (continued)

General Nuclear System Limited(5)	United Kingdom	33.5%	33.5%

(1) Registered Address: The Exchange, 5 Bank Street, Bury, Lancashire, England, BL9 0DN
(2) Registered Address: EDF Energy, Gso Business Park, East Kilbride, Scotland, G74 5PG
(3) Registered Address: Squire Patton Boggs (UK) Llp (Ref:Csu) Rutland House, 148 Edmund Street, Birmingham, West Midlands, B3 2JR
(4) Registered Address: 27-28 Eastcastle Street, London, England, W1W 8DH
(5) Registered Address: 5th Floor Rex House, 4-12 Lower Regent Street, London, United Kingdom, SW1Y 4PE
(6) Registered Address: Atria One, Level 7 144 Morrison Street, Edinburgh, Scotland, EH3 8EX
(7) Registered Address: Twenty, Kingston Road, Staines-Upon-Thames, England, TW18 4LG
(8) Registered Address: G&H House, Hooton Street, Carlton Road, Nottingham, NG3 5GL
(9) Registered Address: Calder House, St Georges Park Kirkham, Preston, Lancashire, PR4 2DZ
(10) Registered Address: Aqua House, Rose & Crown Road, Swavesey, Cambridge, CB24 4RB
(11) Registered Address: 3100 Park Square, Solihull Parkway Birmingham, Business Park Birmingham, B37 7YN
(12) Registered Address: Orion House, Unit 10 Walton Industrial Estate, Stone, Staffordshire, ST15 0LT
(13) Registered Address: Hipley House, Woking, Hipley Street, GU22 9LQ
(*) Registered Address: Alexander House 1 Mandarin Road, Rainton Bridge Business Park, Houghton Le Spring, Sunderland, England DH4 5RA.
Unless stated otherwise, the registered address of the subsidiary undertakings listed above is 90 Whitfield Street, London, W1T 4EZ

The associates are all held indirectly and included within these consolidated accounts.

20. NLF and nuclear liabilities receivable

	2019 £m	2018 £m
Non-current assets		
Nuclear liabilities receivable	**563**	665
NLF receivable	**10,509**	7,354
Total non-current NLF and nuclear liabilities receivables	**11,072**	8,019
Current assets		
Nuclear liabilities receivable	**147**	163
NLF receivable	**99**	66
Total current NLF and nuclear liabilities receivables	**246**	229
Total NLF and nuclear liabilities receivables	**11,318**	8,248

The NLF receivable asset represents amounts that will be reimbursed by the NLF in respect of the qualifying nuclear liabilities recognised at the balance sheet date.

The nuclear liabilities receivable asset represents amounts due under the historical British Nuclear Fuels Limited contracts which will be reimbursed by the Government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. Cash and cash equivalents

	2019	2018
	£m	£m
Cash at bank and in hand	**336**	(341)
Short-term deposits	**282**	413
Short-term deposit with intermediate parent company	**-**	6
Cash pooling with intermediate parent company	**360**	1,175
	978	1,253

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods up to 12 months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is £978m (2018: £1,253m). EDF Energy Limited, a subsidiary of the Group operates a cash concentration arrangement which physically offsets cash balances and overdrafts between subsidiary companies.

The Group cash balance includes £21m (2018: £22m) of cash which must be maintained as a minimum cash balance in some entities, in accordance with contractual obligations with financial institutions.

22. Inventories

	2019	2018
	£m	£m
Raw materials and consumables	**201**	249
Unburnt nuclear fuel	**1,549**	1,459
Other nuclear fuel and uranium	**646**	677
Work in progress	**-**	7
	2,396	2,392

The cost of inventories recognised as an expense during the year in respect of continuing operations was £444m (2018: £539m). The cost of inventories recognised as an expense includes £14m (2018: £12m) in respect of write-downs of inventory to net realisable value and there has been no reversal of such write-downs.

Inventories of £1,694m (2018: £1,665m) are expected to be recovered after more than twelve months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. Trade and other receivables

	2019 £m	2018 £m
Trade receivables (i)	**1,329**	1,059
Expected credit loss (ii)	**(148)**	(111)
Unbilled revenue	**657**	573
Other debtors	**254**	165
Advance payments	**79**	82
	2,171	1,768

i. The majority of trade receivables are non-interest bearing and are generally on 14-day terms for residential customers. Interest is applied to major accounts when the accounts become overdue. For further information relating to related party receivables, refer to note 41. The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Trade receivables do not contain a financing component and are stated at their nominal value. At each reporting period an assessment is made to determine whether there has been a significant increase in the credit risk of the Trade receivables.

The carrying amount of residential receivables in 2019 was £530m (2018: £561m)

ii. Movement in the expected credit loss:

	2019 £m	2018 £m
At 1 January	**111**	107
Amounts recovered during the year	**(2)**	(3)
Increase in allowance recognised in the income statement	**39**	7
At 31 December	**148**	111

The maximum contractual period of credit exposure is less than 12 months. The loss allowance is measured at an amount equal to 12-months of expected credit losses.
The expected credit losses are measured using:

- an unbiased probability-weighted amount based on a range of possible outcomes,
- the time value of money, and
- reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions.

The ageing of overdue debt is as follow:

2019 Ageing	**Gross trade receivables overdue £m**	**Expected credit loss £m**	**Net trade receivables overdue £m**	**Weighted average days**
< 30 days	78	-	78	2
31-60 days	44	-	44	2
61-90 days	33	-	33	1
> 90 days	519	(148)	371	734
Total	**674**	**(148)**	**526**	**739**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. Trade and other receivables (continued)

2018 Ageing	**Gross trade receivables overdue £m**	**Expected credit loss £m**	**Net trade receivables overdue £m**	**Weighted average days**
< 30 days	105	-	105	2
31-60 days	52	-	52	2
61-91 days	38	-	38	1
> 90 days	520	(111)	409	831
Total	**715**	**(111)**	**604**	**836**

Expected credit losses have been established against these balances to the extent that they are not considered recoverable, and in accordance with the Group's policy on measurement of loss allowances. See note 2 for further details on measurement of loss allowances and credit risks.

24. Other liabilities

	2019 £m	2018 £m
Trade creditors	**1,524**	1,434
Other payables	**182**	220
Accruals	**628**	586
NLF liabilities	**12**	11
Nuclear liabilities (note 28)	**147**	163
Total other liabilities due within one year	**2,492**	2,414
Contingent consideration	**-**	50
Nuclear liabilities (note 28)	**563**	665
NLF liabilities	**88**	93
Unfunded pension scheme	**12**	13
Total other liabilities due after more than one year	**663**	821
Total other liabilities	**3,155**	3,235

Trade creditors are non-interest bearing and are normally settled on 30 to 60-day terms, with the exception of energy purchases which are usually settled on market terms within 14 days. Other payables are non-interest bearing. The Directors consider that the carrying amount of other liabilities approximates to their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. Borrowings

	2019 £m	2018 £m
€800m Eurobond due June 2023 (i)	**680**	715
EDF Energy Pulse Croissance (ii)	**1**	1
Northern Power (iii)	**22**	22
Total borrowings due within more than one year	**703**	738
Total borrowings	**703**	738

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

(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 £682m with fixed interest payable at 3.6%. The bond is carried at the sterling equivalent of €800m at the balance sheet date.

(ii) A loan of £1m from EDF Pulse Croissance Holding (formerly EDF Nouveaux Business Holding SAS) was given to Hoppy Limited. This loan has annual interest at 6.275% and matures on 1 January 2023.

(iii) On March 2017, Bradwell B paid a deposit of £21.5m to Northern Power Limited for the purchase of land at EDF Energy Development Company Limited. This deposit incurs a charge of 3.75% fixed rate with quarterly interest and it is treated as an external balance. This deposit matures on 1 March 2047.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. Derivative financial instruments

	2019 £m	2018 £m
Current		
Derivatives that are designated as hedging instruments in a cash flow hedge:		
Commodity purchase contracts	**(32)**	(326)
Foreign currency forward contracts	**(4)**	3
Derivatives at fair value through profit and loss (FVTPL):		
Commodity purchase contracts	**-**	(8)
Foreign currency forward contracts	**(4)**	5
Total current derivative financial instruments	**(40)**	(326)
Split by:		
Current assets	**128**	37
Current liabilities	**(168)**	(363)
Non-current		
Derivatives that are designated as hedging instruments in a cash flow hedge:		
Commodity purchase contracts	**48**	(73)
Cross-currency interest rate swaps	**9**	58
Derivatives at fair value through profit and loss (FVTPL):		
Commodity purchase contracts	**(4)**	(4)
Foreign currency forward contracts	**(1)**	1
Total non-current derivative financial instruments	**52**	(18)
Split by:		
Non-current assets	**64**	60
Non-current liabilities	**(12)**	(78)
Total derivative financial instruments	**12**	(344)

Further details of derivative financial instruments are provided in note 40. The change in fair value of derivatives related to commodity purchases classified at fair value through the income statement is separately disclosed on the face of the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. Provisions for liabilities

The movements in provisions during the current year are as follows:

	At 31 December 2018	Utilised in the year	Released in the year	Arising during the year	Unwinding of discount	**At 31 December 2019**
	£m	£m	£m	£m	£m	**£m**
Obligations under EU emissions	70	(70)	-	62	-	**62**
Renewable obligation certificates	697	(961)	-	1,041	-	**777**
Decommissioning on non-nuclear stations	118	(2)	-	2	4	**122**
Restructuring costs	27	(30)	(6)	31	-	**22**
Nuclear liabilities (note 28)	7,413	(27)	-	2,901	297	**10,584**
Provision for unburnt fuel at station closure	1,411	-	-	137	61	**1,609**
Onerous contracts	39	(38)	-	-	-	**1**
Other costs	25	(2)	(7)	2	-	**18**
Total Provision	9,800	(1,130)	(13)	4,176	362	**13,195**

The provisions have been split as follows:

	At 31 December 2019			At 31 December 2018		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	£m	**£m**	**£m**	£m	£m	£m
Obligations under EU emissions	**62**	**-**	**62**	70	-	70
Renewable obligation certificates	**777**	**-**	**777**	697	-	697
Decommissioning on non-nuclear assets	**-**	**122**	**122**	-	118	118
Restructuring costs	**12**	**10**	**22**	8	19	27
Nuclear liabilities (note 28)	**-**	**10,584**	**10,584**	-	7,413	7,413
Provision for unburnt fuel at station closure	**-**	**1,609**	**1,609**	-	1,412	1,412
Other provisions	**19**	**-**	**19**	63	-	63
	870	**12,325**	**13,195**	838	8,962	9,800

The provisions for obligations under EU emissions represent the additional certificates required to cover the Group's carbon emissions. It is expected that this provision will be utilised in 2020 because the Group is required to provide carbon certificates on an annual basis.

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

The decommissioning provision is to provide for the future costs of decommissioning the non-nuclear generation assets including Cottam and West Burton power stations. This provision has been calculated on a discounted basis with the discount unwound over the current remaining period to decommissioning, between 2019 and 2035.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The restructuring provision covers the costs of severance related to restructuring which has been announced to impacted employees. It is expected to be utilised in 2020 and beyond. See note 11 for further information.

Due to the nature of the nuclear fuel process there will be some unburnt fuel in the reactors at station closure. The costs of this unburnt fuel (final core) are fully provided for at the balance sheet date. The provision is based on a projected value per tonne of fuel remaining at closure, discounted back to the balance sheet date and recorded as a long term provision. Any adjustment to the provision is recorded through property, plant and equipment and depreciated over remaining station life. A review of the provision was carried out in the year resulting in an increase in the assumption of average unburnt reactor cores from 35% to 38.3%. This led to an increase in the provision for unburnt fuel in the year.

For details on the nuclear liabilities, see note 28.

28. Nuclear liabilities

Restructuring Agreements were originally entered into on 14 January 2005 as part of the restructuring of the former British Energy Group of companies (hereafter referred to as “the EDF Energy Nuclear Generation Group”) carried out from 2002 under the authority of the UK Government in order to stabilise the financial situation of the EDF Energy Nuclear Generation Group.

By virtue of these restructuring agreements:

- the Nuclear Liabilities Fund (“NLF”), an independent trust set up by the UK Government as part of the restructuring, agreed (at the direction of the Secretary of State) to fund, to the extent of its assets: (i) qualifying uncontracted nuclear liabilities (including liabilities in connection with the management of spent fuel at the Sizewell B power station); and (ii) qualifying costs of decommissioning in relation to the existing nuclear power stations owned and operated by EDF Energy Nuclear Generation Limited;
- the Secretary of State agreed to fund: (i) qualifying uncontracted nuclear liabilities (including liabilities in connection with the management of spent fuel at the Sizewell B power station) and qualifying costs of decommissioning, in each case in relation to the existing nuclear power stations owned and operated by EDF Energy Nuclear Generation Limited, to the extent that they exceed the assets of NLF; and (ii) subject to a cap of £2,185 million (in December 2002 monetary values, adjusted accordingly), qualifying contracted liabilities for the EDF Energy Nuclear Generation Group’s spent fuel (including in particular liabilities for management of AGR waste from spent fuel loaded prior to 15 January 2005); and
- EDF Energy is responsible for funding certain excluded or disqualified liabilities (mainly liabilities incurred in connection with the event of an unsafe or careless operation of the power stations) and the potential associated obligations of its subsidiaries to the NLF and the Secretary of State are guaranteed by the principal members of the EENGG.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. Nuclear liabilities (continued)

	Spent fuel £m	Radioactive waste – Transport & Disposal £m	Radioactive waste – Retrieval & Processing £m	Decommissioning £m	Total £m
At 31 December 2017	1,390	572	280	5,422	**7,664**
Charged to profit and loss account:					
Unwinding of the discount	86	30	14	277	**407**
Updated cash flows	(8)	(1)	-	(12)	**(21)**
Discount rate update	24	62	34	259	**379**
Operating costs	10	2	2	-	**14**
Payments in the period	(193)	-	-	(9)	**(202)**
At 31 December 2018	1,309	665	330	5,937	**8,241**
Charged to profit and loss account:					
Unwinding of the discount	54	27	14	238	**333**
Updated cash flows	10	-	-	1,749	**1,759**
Discount rate update	72	202	106	759	**1,139**
Operating costs	11	2	3	-	**16**
Payments in the period	(177)	-	-	(17)	**(194)**
At 31 December 2019	**1,279**	**896**	**453**	**8,666**	**11,294**

Nuclear liabilities are included in the balance sheet as follows:

	2019 £m	2018 £m
Other liabilities:		
- amounts due within one year (note 24)	**147**	163
- amounts due after more than one year (note 24)	**563**	665
Provision for liabilities (note 27)	**10,584**	7,413
	11,294	8,241

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. Nuclear liabilities (continued)

Spent fuel
Spent fuel represents all costs associated with the ongoing storage and treatment of spent fuel and the products of reprocessing. Cash flows for AGR spent fuel services relating to fuel loaded into reactors up to RED are based on the terms of the Historic Liability Funding Agreement (HLFA) with BNFL. The pattern of payments within the HLFA is fixed (subject to indexation by RPI) at RED and will be funded by the Government under the Government indemnity.

Other cash flows in respect of spent fuel services relating to storage of AGR and PWR fuel are based on cost estimates derived from the latest technical assessments and are funded by the NLF.

Radioactive waste (Transport and Disposal)
Radioactive waste (Transport and Disposal) comprises the provision of services relating to the transport and disposal of waste arising from the decommissioning of PWR and AGR stations, and the transport and disposal of spent fuel and associated wastes. These liabilities are derived from the latest technical estimates and are funded by the NLF.

Radioactive waste (Retrieval and Processing)
Radioactive waste (Retrieval and Processing) comprises the provision of services relating to the management and processing of high- and intermediate-level radioactive waste products, including the costs of construction and operation of a radioactive waste packaging plant. These liabilities are derived from the latest technical estimates and are funded by the NLF.

Decommissioning
The costs of decommissioning the power stations have been estimated on the basis of ongoing technical assessments of the processes and methods likely to be used for decommissioning under the current regulatory regime. The estimates are designed to reflect the costs of making the sites of the power stations available for alternative use in accordance with the Group's decommissioning strategy. These liabilities are also funded by the NLF.

Updated cost estimates

EDF Energy has issued an update to the strategy, plan and cost estimates for AGR Decommissioning through the Decommissioning Plan Submission (DPS) 20. The submission to Government/Non-NDA Liabilities Assurance (NLA) will be in two phases, with Phase 1 submitted in January 2020 in the form of a range of scenarios. Phase 1 includes an update to the AGR defuelling preparation and execution phase of decommissioning. An updated cost estimate has been included in the provision as at 31 December 2019 which includes an update to a number of assumptions including an alternative and
enhanced approach to risk and uncertainty. Following submission there is an expectation that the NLA will review and agree the DPS20 submission by the end of Q2. All costs within the DPS 20 submission are considered to be qualifying in line with the NLFA and therefore the corresponding receivable has been updated.

The second phase of the DPS 20 submission is expected 2021 and will cover an update to all other AGR decommissioning activities, Sizewell decommissioning and an update to the Uncontracted Liabilities Discharge Plan. The updated estimate will be included in the provision at the appropriate time.

As the decommissioning provision is sensitive to a number of different assumptions including timing, cost and discount rate, it is reasonably possible that changes in assumptions relating to these factors within the next year could materially affect the carrying amount of the provision, any changes to the qualifying liabilities would result in an equal movement to the NLF receivable.

Updated discount rate applicable to nuclear liabilities

During 2019, an assessment of long-term bond yields and inflationary assumptions resulted in a change to the discount rate used in the present value calculation of the liabilities from a real, pre-tax discount rate of 2.5% used in 2018, to 2.0% used in 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. Nuclear liabilities (continued)

Projected payment details

Based on current estimates of station lives and lifetime output projections, the following table shows, in current prices, the likely undiscounted payments, the equivalent sums discounted to reflect the time value of money and the amounts accrued to date

	Spent fuel £m	**Radioactive waste – Transport & Disposal £m**	**Radioactive waste – Retrieval & Processing £m**	**Decomm-issioning £m**	**2019 Total £m**	2018 Total £m
Undiscounted	2,259	3,307	1,684	16,402	**23,652**	21,385
Discounted	1,440	930	490	8,666	**11,526**	8,423
Accrued to date	1,279	896	453	8,666	**11,294**	8,241

The difference between the undiscounted and discounted amounts reflect the fact that the costs concerned will not fall due for payment for a number of years. The differences between the discounted amounts and those accrued to date will be charged to the profit and loss account over the remaining station lives since they relate to future use of fuel. A discount rate of 2.0% pre-tax real rate was applied during 2019, and a pre-tax real rate of 2.5% was applied during 2018.

Under the terms of the historical contracts with BNFL referred to above and in accordance with the projected pattern of payments for decommissioning and other liabilities, taking account of the decommissioning fund arrangements described in note 2, the undiscounted payments in current prices are expected to become payable as follows:

	Spent fuel £m	**Radioactive waste – Transport & Disposal £m**	**Radioactive waste – Retrieval & Processing £m**	**Decomm-issioning £m**	**2019 Total £m**	2018 Total £m
Within five years	681	1	-	1,067	**1,749**	1,046
6 – 10 years	354	88	23	2,771	**3,236**	2,433
11 – 25 years	339	211	60	5,017	**5,627**	4,919
26 – 50 years	141	249	85	1,092	**1,567**	1,635
51 years and over	744	2,758	1,516	6,455	**11,473**	11,352
	2,259	3,307	1,684	16,402	**23,652**	21,385

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. Deferred tax

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

	Accelerated tax depreciation	Retirement benefit obligations	Fair value of derivative instruments	Losses	Other	**Total**
	£m	£m	£m	£m	£m	**£m**
At 31 December 2017	**(1,024)**	**(112)**	**33**	**20**	**9**	**(1,074)**
Credit/(charge) to income:						
current year	(2)	9	-	27	4	**38**
adjustments in respect of previous years' reported tax charges	1	-	-	-	-	**1**
effect of decreased tax rate on opening liability	15					**15**
(Charge) to equity						
current year	-	(29)	(22)	-	-	**(7)**
effect of decreased tax rate on opening liability	-	2	-	-	-	**2**
Business disposals	27	-	-	-	-	**27**
At 31 December 2018	**(983)**	**(130)**	**55**	**47**	**13**	**(998)**
Credit/(charge) to income:						
current year	(14)	2	1	39	(1)	**27**
adjustments in respect of previous years' reported tax charges	(10)	-	(1)	10	(1)	**(2)**
Credit/(charge) to equity						
current year	-	(21)	(64)	-	-	**(85)**
At 31 December 2019	**(1,007)**	**(149)**	**(9)**	**96**	**11**	**(1,058)**

The Group has unrecognised tax losses of £8m (2018: £8m). The losses give rise to a deferred tax asset of £1m (2018: £1m) which has not been recognised as it is uncertain whether future taxable profits will be available against which these losses can be utilised. These losses can however be carried forward indefinitely for offset against future profits, should they arise.

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

	2019	2018
	£m	£m
Deferred tax assets	**106**	115
Deferred tax liabilities	**(1,164)**	(1,113)
At 31 December	**(1,058)**	(998)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. Non-controlling interest

Following the disposal of non-controlling interest in NNB Holding Company(HPC) Limited and NNB Holding Company (SZC) Limited to CGN in September 2016 three material non-controlling interest in the Group. Lake Acquisitions Limited and NNB Holding Company (SZC) Limited are 80% owned by the Group. NNB Holding Company (HPC) Limited is 66.5% owned by the Group. Ownership percentages also reflect the voting rights. The principal activities of the aforementioned companies take place in the United Kingdom

Summarised consolidated financial information in respect of Lake Acquisitions Limited, NNB Holding Company (HPC) Limited, NNB Holding Company (SZC) Limited and their subsidiaries is set out below. The summarised financial information below represents amounts before intra-group eliminations with the rest of the Group.

	Lake Acquisitions Limited		NNB Holding Company (HPC) Limited		NNB Holding Company (SZC) Limited	
	2019	2018	**2019**	2018	**2019**	2018
	£m	£m	**£m**	£m	**£m**	£m
Non-current assets	**21,957**	19,057	**9,552**	6,976	**186**	119
Current assets	**3,104**	2,942	**68**	138	**24**	7
Total assets	**25,061**	21,999	**9,620**	7,114	**210**	126
Current liabilities	**392**	650	**524**	419	**16**	6
Non-current liabilities	**12,911**	9,665	**220**	289	**-**	-
Equity attributable to owners of the company	**11,758**	11,684	**8,876**	6,406	**194**	120
Total equity and liabilities	**25,061**	21,999	**9,620**	7,114	**210**	126
Sales	**2,463**	2,446	**1**	1	-	-
Profit/(Loss) for the year	**(71)**	(93)	**14**	(9)	-	-
Loss attributable to owners of the company	**(57)**	(75)	**10**	(6)	-	-
Profit/(loss) attributable to the non-controlling interests	**(14)**	(18)	**4**	(3)	-	-
Loss for the year	**(71)**	(93)	**14**	(9)	-	-
Total other comprehensive income attributable to owners of the company	**116**	4	**-**	-	**-**	-
Total other comprehensive income attributable to the non-controlling interests	**29**	1	**-**	-	**-**	-
Total other comprehensive income for the year	**145**	5	**-**	-	**-**	-
Dividends paid to non-controlling interest	**-**	(20)	**-**	-	**-**	-
Net cash inflow/(outflow) from operating activities	**288**	574	**29**	38	**-**	-
Net cash inflow/(outflow) from investing activities	**(416)**	(491)	**(2,513)**	(1,988)	**(51)**	(12)
Net cash inflow/(outflow) from financing activities	**-**	(100)	**2,480**	1,957	**73**	10
Net cash inflow/(outflow)	**(128)**	(17)	**(4)**	7	**22**	(2)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The cumulative non-controlling interest position for the Group is shown below:

	Lake Acquisitions Limited		**NNB Holding Company (HPC) Limited**		**NNB Holding Company (SZC) Limited**		**Total**	
	2019 £m	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Balance at beginning of year	**2,346**	2,383	**2,556**	1,904	**258**	256	**5,160**	4,543
Profit/(loss) arising during the year	**(14)**	(18)	**4**	(3)	**-**	-	**(10)**	(21)
Other comprehensive income: actuarial gains on pension scheme, net of tax	**29**	1	**-**	-	**-**	-	**29**	1
Total comprehensive income	**15**	(17)	**4**	(3)	**-**	-	**19**	20
Acquisition of non-controlling interest	**-**	-	**-**	-	**-**	-	**-**	-
Capital injection	**-**	-	**831**	655	**14**	2	**845**	657
Dividends paid	**-**	(20)	**-**	-	**-**	-	**-**	(20)
Balance at end of year	**2,361**	2,346	**3,391**	2,556	**273**	258	**6,024**	5,160

31. Leases

Group as Lessee

The Group has analysed the impact of the first time application of IFRS 16 under the modified retrospective approach. Contracts that previously had been classified as operating leases now qualify as leases as defined by IFRS 16. The Group elected not to re-assess whether a contract is, or contains a lease at date of initial application. In addition, the entity applies the recognition exemptions for short-term leases and leases for which the underlying asset is of low value. The weighted average incremental borrowing rate applied in discounting the lease liability is 2.68%.

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

	1 January 2019 £m
Operating lease commitments as lessee as at 31/12/2018	**138**
Unrecognised contracts (IFRS16 exemptions)	(1)
Difference in the duration applied for termination and extension options that are reasonably certain to be exercised	(4)
Inflation impact included in operating lease commitment	(24)
Impact of rent free accruals	4
Discount effect	(24)
Discounted lease liability under IFRS 16 at 01/01/2019	**89**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. Leases (continued)

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

	Land £m	Buildings £m	Other PPE (including vehicles £m	Total £m
Cost				
At 31 December 2018	-	-	-	-
Transition impact	14	62	9	85
Transfer from PPE	125	-	5	130
At 1 January 2019	**139**	**62**	**14**	**215**
Additions	-	1	1	2
Disposals	-	(2)	(1)	(3)
At 31 December 2019	139	61	14	214
Accumulated Depreciation				
At 31 December 2018	-	-	-	-
Transfer from PPE	-	-	(1)	(1)
At 1 January 2019	-	-	(1)	(1)
Charge for the year	(1)	(6)	(5)	(12)
Disposals	-	-	1	1
At 31 December 2019	(1)	(6)	(5)	(12)
Carrying amount				
At 31 December 2019	138	55	9	202

The transition impact of £85m represents the right of use assets brought on balance sheet as a result of the Group's adoption of IFRS 16. In addition, the carrying amount of the Group's assets held under finance leases, totalling £130m have been transferred to Right of Use assets from Property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. Leases (continued)

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

	£m
Balances as at 31 December 2018	138
Transition impact	89
As at 1 January 2019	227
Additions	6
Early terminations	(3)
Interest	12
Payments	(40)
As at 31 December 2019	202

	2019 £m	2018 £m
Current	**16**	16
Non-current	**186**	122
Total	**202**	138

Further maturity analysis can be found in note 40.

The following are amounts recognised in profit or loss:

	2019 £m
Depreciation expense for right-of-use assets	12
Interest expense of lease liabilities	12
Capitalised interest expense	(10)
Net interest expense of lease liabilities	2
Expense relating to short-term leases	1
Total amount recognised in income statement	**15**

Amounts recognised in the statement of Cashflows:

	2019 £m
Total Cash outflows for leases	40

Low value and short-term leases

There were no low value or short-term leases as at 31 December 2019.

32. Commitments

Capital and other commitments

At 31 December 2019, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £7,319m (2018: £7,847m).

At 31 December 2019, the Group had entered into operating purchase commitments amounting to £526m (2018: £592m).

At 31 December 2019, the Group had contracted to purchase power, gas and other fuel to the value of £4,073m (2018: £5,861m).

Contingent liabilities

The Group has given letters of credit and guarantees to the value of £730m (2018: £710m) in relation to HMRC obligations, BEGG pension guarantees, performance of contractual obligations and credit support for energy trading and use of distribution systems. Various companies within the Group have given guarantees and an indemnity to the Secretary of State for Business, Innovation and Skills, and the Nuclear Liabilities Fund in respect of their compliance with, among other agreements, the Nuclear Liabilities Funding Agreement. They have also provided a debenture comprising fixed and floating charges in respect of any decommissioning default payment.

Contingent assets

In 2018 the UK Capacity Market was suspended and the related revenue earned from generation assets and pass-through I&C customers was recognised as a contingent asset.

During the year the UK Capacity Market was re-instated retrospectively and the revenues previously recorded as contingent assets were recognised in the income statement.

Contingent Assets

	2019 **£m**	2018 £m
I&C pass-through Customer revenue	**-**	37
Generation CM revenue	**-**	69

33. Share capital

Authorised, issued, called up and fully paid

	2019 **Number**	2018 Number	**2019** **£m**	2018 £m
Ordinary shares of £1.00 each	**6,823,889,122**	10,174,689,122	**6,824**	10,174

During 2019, 1,649,200,051 shares were issued at par for consideration of £1,649m. In addition the number of issued shares were reduced by 5,000,000,000 shares with a value of £5,000m. The share capital reduction has been recognised in retained earnings.

34. Capital reserves

	Capital reserve £m	Total £m
At 31 December 2018	9	**9**
At 31 December 2019	**9**	**9**

The capital reserve relates to share schemes which gave eligible employees the rights to purchase shares in EDF S.A., the ultimate parent company, on preferential terms. There have been no new schemes launched since 2008.

35. Merger reserve

	2019 £m	2018 £m
At 31 December	**(2)**	(2)

The merger reserve arose during 2014 when the Group carried out restructures to bring UK renewable assets under EDF Energy Renewables and all gas storage assets under the same entity. This resulted in the recognition of a merger reserve as all entities were under common control.

36. Retained earnings

	2019 £m	2018 £m
Balance at start of year	**5,609**	5,711
Loss for the year attributable to the equity holders of the parent	**(123)**	(361)
Dividends paid to parent company	**-**	-
Capital reduction	**5,000**	-
Disposal of joint operations	**-**	162
Actuarial gains, net of tax	**19**	87
Gains/(loss) on available-for-sale investments	**-**	(2)
Capital contributions	**-**	45
UURBS Pensions transfer	**-**	2
Unwinding of the Deed of Settlement	**-**	(35)
Balance at end of year	**10,505**	5,609

37. Hedging reserve

	2019 £m	2018 £m
Balance at start of year	**(284)**	(178)
Cost of hedging reserve adjustment	**-**	(8)
Net gains/(losses) arising on changes in fair value of instruments in a cash flow hedge:		
Commodity purchase contracts	**(60)**	(182)
Cross currency interest rate swaps	**(21)**	24
Cost of hedging reserve	**10**	(4)
Foreign currency forward contracts	**(9)**	1
Interest rate swap contracts	**-**	(4)
Net gains/(losses) arising on changes in fair value of hedging instruments transferred to profit or loss:		
Commodity purchase contracts	**456**	47
Foreign currency forward contracts	**5**	(1)
Deferred tax on net losses in cash flow hedge	**(64)**	21
Total movement in year	**317**	(106)
Balance at end of year	**33**	(284)

The hedging reserve reconciliation above includes both cash flow hedge movements and cost of hedging movements. The following is the analysis of the split as at the reporting date:

	2019 £m	2018 £m
Cash flow hedge reserve	**35**	(272)
Cost of hedging reserve	**(2)**	(12)
At 31 December	**33**	(284)

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 hedge reserve will be re-classified to profit or loss account only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item in accordance with the Group's accounting policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

	31 December 2019 £m	31 December 2018 £m
Less than one year	**(24)**	(309)
Between one to five years	**48**	(59)
More than five years	**14**	25
Total fair value losses on derivatives designated as effective cash flow hedges	**38**	(343)
Deferred taxation	**(5)**	59
Total	**33**	(284)

During the year a loss of £461m (2018: £47m) was recycled from the hedging reserve and included within fuel, energy and related purchases, in relation to contracts which had matured.

38. Notes to the cash flow statement

	2019 £m	2018 £m
Loss before taxation	**(384)**	(463)
Adjustments for:		
(Gain)/loss on derivatives (note 5)	**(26)**	(6)
Depreciation (note 17,31)	**801**	774
Amortisation (note 16)	**80**	93
Impairment of non-current assets (note 15)	**111**	144
Utilisation of carbon and renewable obligations certificates	**850**	651
Finance costs	**104**	122
(Gain) on disposal of property, plant and equipment	**-**	(6)
Increase/(decrease) in provisions	**87**	301
Difference between pension funding contribution paid and pension cost charged	**(185)**	(9)
Release of fair value adjustments on inventory	**1**	4
Operating cash flows before movements in working capital	**1,439**	1,605
Increase in inventories	**(5)**	(121)
Increase in receivables	**(403)**	(90)
Increase in payables	**43**	224
Cash generated by operations	**1,074**	1,618
Income taxes received/(paid)	**48**	(58)
Net cash from operating activities	**1,122**	1,560

39. Retirement benefit schemes

The Group sponsors three funded defined benefit pension schemes for qualifying UK employees - the EDF Energy Pension Scheme (EEPS), the EDF Energy Generation & Supply Group of the Electricity Supply Pension Scheme (EEGSG) and the British Energy Generation Group of the Electricity Supply Pension Scheme (BEGG). The schemes are administered by separate boards of Trustees which are legally separate from the Group. The trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy regarding the assets plus the day-to-day administration of the benefits.

Under the BEGG scheme, employees are either in the final salary section or a career average revalued earnings (“CARE”) section. In the final salary section employees are entitled to annual pensions on retirement at ages 60, 63 or 65 (depending on the date of joining the scheme), of 1/60th of pensionable salary for each year of service. In the CARE section of BEGG the employees accrue benefits based on their average salary during their period of employment within EDF Energy. The rate of accrual of CARE is 1/60th of the employee’s average salary based on a 5% contribution rate. Under the EEGSG scheme, employees are entitled to annual pensions on retirement at age 60 or 63 (again, depending on the date of joining the scheme), of 1/80th of final pensionable salary for each year of service plus a lump sum of 3/80th’s of final pensionable salary for each year of service. Under the EEPS scheme employees are either in the final salary section or a CARE section. Employees in the final salary section are entitled to an annual pension at age 65 of between 1/50th and 1/80th (depending on their level of contribution) of final pensionable salary for each year of service. The CARE section of the EEPS scheme has the exact same conditions and benefits as the CARE section of the BEGG scheme. All schemes also pay benefits on death or other events such as withdrawing from active service. All benefits are ultimately paid in accordance with the scheme rules.

The latest full actuarial valuations of the EEGSG, EEPS and BEGG were carried out by qualified actuaries at 31 March 2016. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method. In addition to the three funded pension schemes there is also an unfunded pension scheme which is included in Other Liabilities (see note 24).

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

Funding requirements

UK legislation requires that pension schemes are funded prudently.

The last funding valuations of BEGG, EEGSG and EEPS were carried out by qualified actuaries as at 31 March 2016 and showed deficits of £334m, £113m, and £81m respectively. The valuations as at 31 March 2016 were completed by the end of June 2017. The Group pays contributions to repair this deficit and contributions in respect of ongoing benefit accrual. The estimated contributions expected to be paid by the Group to the pension schemes during 2019 amount to approximately £236m. The Scheme’s statutory funding objective is to hold sufficient and appropriate assets to cover its technical provisions. The current EEPS employer contribution rates are 15.8% for Final Salary and 13.2% for CARE. From 1 April 2020, these will increase to 23% for Final Salary and 22.1% for CARE. From 1 April 2020, the blended contribution rate for the BEGG and EEGSG schemes will be 43.6% and 44.6% respectively.

39. Retirement benefit schemes (continued)

a) Risks associated with the pension schemes

The defined benefit pension schemes typically expose the Group accounts 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 would expect 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 for accounting purposes, although this would be partially offset by an increase in the value of the schemes' corporate bond holdings as well as an increase in the value of the schemes' matching portfolios (which are set to hedge changes in Gilt yields).

Inflation risk

Most of the scheme's defined benefit obligations are linked to inflation and hence an increase in inflation rates will lead to an increase in liabilities, although this would 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, so increases 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:

	31 December 2019 % p.a	31 December 2018 % p.a
Discount rate		
- EEGSG – for service costs	**2.15**	2.90
– for defined benefit obligation	**2.10**	2.85
- EEPS – for service costs	**2.20**	3.00
– for defined benefit obligation	**2.15**	2.95
- BEGG – for service costs	**2.25**	3.00
– for defined benefit obligation	**2.10**	2.85
RPI inflation assumption and rate of increase in salaries		
- EEGSG	**2.90**	3.00
- EEPS	**2.85**	2.95
- BEGG	**2.90**	3.00
Rate of increase of pensions in deferment		
- EEGSG	**2.90**	3.00
- EEPS	**1.75**	1.85
- BEGG	**2.90**	3.00

39. Retirement benefit schemes (continued)

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

EEGSG	**2019**	2018
Life expectancy for current male pensioner aged 60	**27**	27
Life expectancy for current female pensioner aged 60	**29**	29
Life expectancy for future male pensioner currently aged 40 from age 60	**28**	28
Life expectancy for future female pensioner currently aged 40 from age 60	**31**	31

EEPS	**2019**	2018
Life expectancy for current male pensioner aged 65	**22**	23
Life expectancy for current female pensioner aged 65	**24**	25
Life expectancy for future male pensioner currently aged 45 from age 65	**23**	24
Life expectancy for future female pensioner currently aged 45 from age 65	**25**	26

BEGG	**2019**	2018
Life expectancy for current male pensioner aged 60	**26**	27
Life expectancy for current female pensioner aged 60	**29**	29
Life expectancy for future male pensioner currently aged 40 from age 60	**28**	28
Life expectancy for future female pensioner currently aged 40 from age 60	**30**	30

Mortality assumptions have been determined based on standard mortality tables, specifically the SAPS S3 standard tables (2018: SAPS S2 standard tables) with scaling factors to reflect the experience analysis carried out as part of the ongoing 31 March 2019 triennial valuations. Future improvements in mortality rates are assumed to be in line with the CMI 2018 Core Projections Model subject to a 1.25% long-term rate of improvement.These assumptions are governed by IAS 19 and do not reflect the assumptions used by the independent actuary in the triennial valuation as at 31 March 2016, which determined the Group's contributions for future years.

c) Financial impact of defined benefit pension schemes

The amount recognised in the consolidated balance sheet in respect of the Group's funded defined benefit retirement benefit plans is as follows:

	BEGG 2019 £m	**EEGSG 2019 £m**	**EEPS 2019 £m**	**Total 2019 £m**	Total 2018 £m
Present value of defined benefit obligations ("DBO")	**(5,998)**	**(1,140)**	**(1,091)**	**(8,229)**	(7,381)
Fair value of scheme assets	**6,929**	**1,270**	**915**	**9,114**	8,159
Surplus/(deficit) in scheme	**931**	**130**	**(176)**	**885**	778

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. Retirement benefit schemes (continued)

In addition to the pension provision recognised, there is an additional amount of £12m (2018: £14m) included within other liabilities which relates to unfunded pension scheme amounts.

The costs associated with these defined benefit schemes are as follows:

	BEGG 2019 £m	**EEGSG 2019 £m**	**EEPS 2019 £m**	**Total 2019 £m**	Total 2018 £m
Current service cost	**136**	**22**	**44**	**202**	231
Interest cost on DBO	**158**	**29**	**26**	**213**	206
Interest income on scheme assets	**(177)**	**(32)**	**(22)**	**(231)**	(220)
Past service costs - amendments	**-**	**-**	**-**	**-**	13
Total pension costs	**117**	**19**	**48**	**184**	230

Movements in the present value of defined benefit obligations in the current year were as follows:

	BEGG 2019 £m	**EEGSG 2019 £m**	**EEPS 2019 £m**	**Total 2019 £m**	Total 2018 £m
At 1 January	**5,524**	**1,016**	**841**	**7,381**	7,932
Current service cost	**136**	**22**	**44**	**202**	231
Past service cost- amendments	**-**	**-**	**-**	**-**	13
Interest cost on DBO	**158**	**29**	**26**	**213**	206
Actuarial gains from change in demographic assumptions	**(190)**	**(13)**	**(15)**	**(218)**	(49)
Actuarial losses from change in financial assumptions	**693**	**133**	**201**	**1,027**	(477)
Actuarial gains from experience	**(34)**	**(5)**	**(4)**	**(43)**	63
Net benefits paid	**(292)**	**(42)**	**(9)**	**(343)**	(551)
Contributions by employees	**3**	**-**	**7**	**10**	13
At 31 December	**5,998**	**1,140**	**1,091**	**8,229**	7,381

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

	BEGG 2019 £m	**EEGSG 2019 £m**	**EEPS 2019 £m**	**Total 2019 £m**	Total 2018 £m
At 1 January	**6,291**	**1,134**	**734**	**8,159**	8,592
Interest income on scheme assets	**176**	**32**	**22**	**230**	220
Actuarial (losses)/gains	**598**	**112**	**112**	**822**	(355)
Contributions by employer	**153**	**34**	**49**	**236**	240
Net benefits paid	**(292)**	**(42)**	**(9)**	**(343)**	(551)
Contributions by employees	**3**	**-**	**7**	**10**	13
At 31 December	**6,929**	**1,270**	**915**	**9,114**	8,159

39. Retirement benefit schemes (continued)

d) Breakdown of scheme assets:

	BEGG 2019 £m	EEGSG 2019 £m	EEPS 2019 £m	Total 2019	Total 2018 £m
Equities:					
Region: UK	**38.8**	**5.7**	**5.5**	**50**	148
Europe	**127.2**	**16.6**	**15.2**	**159**	131
North America	**506.6**	**71**	**61.2**	**638.8**	303
Asia Pacific	**27.9**	**4.2**	**10.4**	**42.4**	83
Japan	**62**	**8.8**	**6.7**	**77.4**	64
Emerging Markets	**5.3**	**-**	**31.9**	**37.2**	33
Total Equities:	**767.7**	**106.3**	**130.8**	**1,004.8**	762
Bonds:					
Rating: AAA	**97.8**	**33.2**	**0.3**	**131.4**	185
AA	**2,452.2**	**662.7**	**261.5**	**3,376.5**	3,017
A	**79.1**	**32.6**	**5.6**	**117.3**	157
BBB	**199.4**	**67.5**	**13.9**	**280.9**	306
Non-investment grade	**705.8**	**95.5**	**115.3**	**916.5**	903
Other	**254.4**	**47.2**	**54.8**	**356.4**	397
Total Bonds:	**3,788.8**	**938.7**	**451.5**	**5,179**	4,965
Property	**500.8**	**-**	**99.9**	**600.7**	651
Cash and derivatives	**156.4**	**22.7**	**198.3**	**377.4**	220
Other	**1,715.1**	**202.3**	**34.9**	**1,952.3**	1,561
	6,928.8	**1,270**	**915.4**	**9,114.2**	8,159

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.

The investment strategy is determined by the scheme trustees on a scheme by scheme basis.

BEGG and EEGSG
Following strong asset performance in 2018, the Company and Trustees reached agreement to reduce the equity exposure in the growth portfolio and to reduce the expected return of the portfolio. The assets of BEGG and EEGSG are allocated in two separate portfolios referred to as the matching portfolio and the growth portfolio. Within tolerances, the BEGG matching portfolio is now supported by 40% of scheme assets while 60% of the assets are deployed in the growth portfolio. The EEGSG matching: growth split is now 50%: 50%. The matching portfolio will deliver interest rate and inflation hedging of 93% - 97% on the technical provisions basis. Taken together the overall portfolio is designed today to prudently deliver a Gilts plus c2.0% (BEGG) and c1.4% (EEGSG) p.a. return over the long term. The Trustees continue to actively manage the growth portfolio to target this objective while maintaining diversification.

39. Retirement benefit schemes (continued)

EEPS
A review of the investment strategy was conducted and agreed in early 2015 and revisited again in 2019. The assets of the scheme are now allocated in two separate portfolios referred to as the matching portfolio and the growth portfolio. Within tolerances, the matching portfolio is now supported by 30% of scheme assets while 70% of the assets are deployed in the growth portfolio. The matching portfolio now delivers interest rate and inflation hedging of c65% on the technical provisions basis. The Company and Trustees have agreed to increase these hedging levels to the funding ratio subject to sufficient collateral being available. Taken together the overall portfolio is designed to prudently deliver a Gilts plus c3.0% p.a. return over the long term without increasing risk from prior levels. The Trustees actively manage the growth portfolio to target this objective while maintaining diversification.

e) Profile of the pension scheme

BEGG

Circa 49% of the BEGG liabilities are attributable to current employees, 5% to former employees and 46% to current pensioners. The weighted average time until benefits payments are made is 18 years which reflects the approximate split of the defined benefit obligation between current employees, deferred members and current pensioners.

EEGSG

Circa 61% of the EEGSG liabilities are attributable to current employees, 5% to former employees and 34% to current pensioners. For EEGS as a whole, the duration is approximately 18 years.

EEPS

Circa 72% of the EEPS liabilities are attributable to current employees, 23% to former employees and 5% to current pensioners. For EEPS as a whole, the duration is approximately 32 years.

f) Sensitivity of pension defined benefit obligations to changes in assumptions:

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

	At 31 December 2019
Impact of a 25bp increase/decrease in discount rate	**-4.61%% to +4.9%%**
Impact of a 25bp increase/decrease in salary increase assumption	**+0.39% to -0.4%**
Impact of a 25bp increase/decrease in inflation rate	**+3.56% to -3.38%**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. Financial Instruments

The table below shows the carrying value of Group financial instruments by category:

	31 December 2019			31 December 2018		
Financial assets	**Current £m**	**Non-current £m**	**Total £m**	Current £m	Non-current £m	Total £m
Derivative instruments held at fair value through P&L						
- Commodity purchase contracts	**2**	**-**	**2**	2	-	2
- Foreign currency forward contracts	**3**	**-**	**3**	6	1	7
Derivative instruments in designated hedging relationships						
- Commodity purchase contracts	**118**	**55**	**173**	21	1	22
- Foreign currency forward contracts	**5**	**-**	**5**	8	-	8
- Cross-currency interest rate swaps	**-**	**9**	**9**	-	58	58
Deferred consideration (note 18)	**-**	**-**	**-**	74	-	74
Cash and cash equivalents (note 21)	**978**	**-**	**978**	1,253	-	1,253
Loans and receivables (note 18, 23)	**2,065**	**497**	**2,562**	1,715	490	2,205
NLF and Nuclear liabilities receivable (note 20)	**-**	**10**	**10**	-	10	10
Available for sale financial assets (note 18)	**246**	**11,072**	**11,318**	229	8,019	8,248
Financial liabilities						
Derivative instruments held at fair value through P&L						
- Commodity purchase contracts	**(2)**	**(5)**	**(7)**	(10)	(5)	(15)
- Foreign currency forward contracts	**(8)**	**(1)**	**(9)**	(1)	-	(1)
Derivative instruments in designated hedging relationships						
- Commodity purchase contracts	**(150)**	**(6)**	**(156)**	(347)	(74)	(421)
- Foreign currency forward contracts	**(7)**	**-**	**(7)**	(6)	-	(6)
Borrowings and other liabilities (note 24, 25)	**(2,492)**	**(1,366)**	**(3,858)**	(2,414)	(1,559)	(3,973)
Lease liabilities (note 31)	**(16)**	**(186)**	**(202)**	(16)	(122)	(138)
Contingent consideration for a business combination	**-**	**-**	**-**	(50)	-	(50)

Derivatives not designated as hedging instruments reflect the change in fair value of those foreign exchange forward contracts and commodity purchase forward contracts that are not designated in hedge relationships, but are, nevertheless, intended to reduce the level of foreign currency and price risk for expected sales and purchases.

Derivatives designated as hedging instruments reflect the change in fair value of those foreign exchange forward contracts, commodity purchase forward contracts and cross currency swaps, designated as cash flow hedges to hedge highly probable forecast transactions.
The line item of the consolidated balance sheet where the hedging instruments are reported is ‘Derivative financial instruments’.

40. Financial Instruments

Loans and receivables include trade and other receivables as well as long-term receivables and exclude other debtors and the allowances for expected credit losses.

Borrowings and other liabilities include borrowings, other liabilities excluding deferred income, and obligations under leases.

Hedging activities

The Group is exposed to certain risks relating to its ongoing business operations. The primary risks managed using derivative instruments are foreign currency risk, commodity price risk, and interest rate risk.

Cash flow hedges

The Group uses cash flow hedging principally for the following purposes:

- to hedge future cash flows related to expected sales and purchases of electricity, gas and carbon emission certificates using forwards.
- to hedge the exchange rate risk related to US dollar and Euro denominated commodity contracts using foreign exchange forwards.
- to hedge the exchange rate risk on Euro denominated debt using cross currency swaps.

The ineffective portion of gains and losses on cash flow hedging is immaterial. Ineffectiveness would arise if the forecast transaction which is being hedged is cancelled in which case the trade and hedge would be eliminated from the accounts. Changes in Group Risk Management Strategy could also give rise to ineffectiveness.

The Group is holding the following commodity forward contracts:

		31 December 2019				
		Net notional				Fair value
		< 1 year	1-5 years	> 5 years	Total	£m
Forwards ***Electricity***	TWh	(12)	(10)	-	(22)	173
Forwards ***Gas***	Millions of therms	789	95	-	884	(152)
Forwards ***CO_2 emission certificates***	Millions of tonnes	2	-	-	2	(5)

40. Financial Instruments (continued)

		31 December 2018				
		Net notional				Fair value
		< 1 year	1-5 years	> 5 years	Total	£m
Forwards		(17)	(13)	-	(30)	(398)
Electricity	TWh					
Forwards		798	30	-	828	(22)
Gas	Millions of therms					
Forwards		3	-	-	-	21
CO_2 emission certificates	Millions of tonnes					

The fair values of derivatives and primary financial instruments in hedge accounting relationships at 31 December were as follows:

		31 December 2019		
		Assets	**Liabilities**	**Change in fair value**
		£m	**£m**	**£m**
Commodity price risk - forwards	Cashflow hedge	**173**	**(156)**	**415**
Foreign exchange risk - forwards	Cashflow hedge	**5**	**(7)**	**(6)**
Foreign exchange risk - cross-currency swaps	Cashflow hedge	**9**	**-**	**(48)**

		31 December 2018		
		Assets	Liabilities	Change in fair value
		£m	£m	£m
Commodity price risk - forwards	Cashflow hedge	22	(421)	(150)
Foreign exchange risk - forwards	Cashflow hedge	9	(6)	2
Foreign exchange risk - cross-currency swaps	Cashflow hedge	58	-	19

a) Financial risk management objectives

The Group is exposed to a variety of financial risks including commodity price risk, interest rate risk, credit risk, foreign currency risk and liquidity risk. The Group seeks to minimise the effect of these risks using financial instruments to hedge risk exposures. The use of derivative financial instruments is governed by the Group's approved policies and in line with the Group's risk mandate. The Group does not enter into or trade financial instruments, including derivatives, for speculative purposes.

The accounting treatment for financial instruments entered into as a result of these policies is detailed in note 2.

40. Financial Instruments (continued)

b) Capital risk management

The Group manages its capital through focusing on its net debt which comprises borrowings including lease obligations and accrued interest, less cash and cash equivalents (note **Error! Reference source not found.**1) plus derivative liabilities. Given that the Group is a 100% owned subsidiary, any changes in capital structure are generally achieved via additional borrowings from other companies within the EDF S.A. group or from capital injection from its immediate parent company. The Group is not subject to any externally imposed capital requirements.

c) Commodity price risk management

Commodity price risk arises from the necessity to forecast customer demand for gas and electricity effectively and to procure the various commodities at a price competitive enough to allow a favourable tariff proposition for our customers. Due to the vertically-integrated nature of the Group, the electricity procured from the generation business provides a natural hedge for the electricity demand from the retail business.

The residual exposure to movements in the price of electricity, gas, coal and carbon is partially mitigated by entering into contracts on the forward markets, and the exposure to fluctuations in the price of uranium is mitigated by entering into fixed price contracts.

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 risks mandate. At a Group level, commodity price risk exposure is measured looking at sensitivity analysis.

If the purchase price of power had been 10% higher, and all the other variables remained constant, then the Group's loss before taxation would have been £2m higher (2018: loss before tax £3m higher) and hedging reserves would have been £93m lower (2018: £180m lower).
If the purchase price of gas had been 10% higher, and all the other variables remained constant, then the Group's loss before taxation would show no change (2018: loss before tax £1m lower) and hedging reserves would have been £29m higher (2018: £48m higher).
If the purchase price of coal had been 10% higher, and all the other variables remained constant, then the Group's loss before taxation would show no change (2018: loss before tax £1m higher) and hedging reserves would show no change (2018: £nil).
If the purchase price of carbon had been 10% higher, and all the other variables remained constant, then the Group's loss before taxation would show no change (2018: loss before tax £1m higher) and hedging reserves would have been £1m lower (2018: £6m higher).

There have been no changes in the method of preparing the sensitivity analysis.

d) Interest rate risk management

The Group is exposed to interest rate risk because the Group borrows funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate instruments and through the use of swap agreements. The Group’s policy is to use derivatives to reduce exposure to short-term interest rate fluctuations and not for speculative purposes. Interest rate swaps are designated as a cash flow hedge.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates at the reporting date, assuming that the rate change took effect at the start of the reporting period and remained in place for the full period, and assuming the closing borrowing and cash position was in place throughout the year. There has been no change in the method of preparing the sensitivity analysis during the year.

If the interest rates had been 100 basis points higher at the reporting date, and on the basis of the assumptions outlined above, then the Group’s loss for the year would have been £4m lower (2018: £12m lower loss) as a result of changes in financial instrument valuations.

40. Financial Instruments (continued)

Interest rate profile

The interest rate profile of interest-bearing loans and borrowings, subsequent to the effect of interest rate swaps, was as follows:

	2019 **£m**	2018 £m
Floating rate borrowings	**-**	-
Fixed rate borrowings	**703**	**738**
Total borrowings (note 25)	**703**	**738**
Floating rate lease obligations (note 31)	**202**	**122**

The weighted average interest rates for all borrowings and lease obligations, after interest rate swaps, were as follows:

	2019	2018
Weighted average fixed interest rate %	**3.6%**	3.6%
Weighted average floating interest rate %	**2.68%**	7.78%

At 31 December 2019, the Group has no interest rate swaps (2018: nil) and one cross currency interest rate swaps (2018: one). The fair value of the cross-currency interest rate swaps outstanding at 31 December 2019 was an asset of £9m (2018: £58m asset). If interest rates moved by 100bps the change in value of the derivative asset and the hedging reserve would be £0.3m (2018: £0.3m). If interest rates moved by 100bps, the loss before tax would be £3.6m higher (2018: £11.8m higher loss).

e) Foreign currency risk management

The Group is exposed to exchange rate fluctuations as a result of US dollar and Euro denominated debt and US dollar and Euro denominated commodity contracts. The Group's policy is to enter into cross currency interest rate swaps to convert all foreign currency denominated debt into GBP.

Foreign currency exposures arising from US dollar and Euro denominated commodity contracts are managed using foreign currency forward contracts. The Group's policy is to enter into foreign currency forward contracts to convert foreign currency obligations into GBP.

At the balance sheet date, the following foreign currency derivatives were outstanding:

At 31 December 2019	**Notional amount to be received**				**Notional amount to be given**				
£m	<1yr	2-5yrs	>5yrs	Total	<1yr	2-5yrs	>5yrs	Total	**Fair value**
Foreign currency forwards	744	37	-	781	763	41	-	804	12
Cross currency swaps	22	856	-	878	25	744	-	769	9

40. Financial Instruments (continued)

At 31 December 2018	Notional amount to be received				Notional amount to be given				
£m	<1yr	2-5yrs	>5yrs	Total	<1yr	2-5yrs	>5yrs	Total	**Fair value**
Foreign currency forwards	400	762	-	1,162	504	927	-	1,431	5
Cross currency swaps	22	879	-	901	25	769	-	794	58

At the balance sheet date, the carrying value of the Group's foreign currency denominated monetary assets and monetary liabilities are as follows:

£m	**Liabilities**		**Assets**	
	2019	2018	**2019**	2018
EUR	**(168)**	(134)	**142**	160
USD	**(8)**	(9)	**3**	4

The cross currency swaps are designated as a cash flow hedge of the exposure on the bonds.

Sensitivity analysis

If the exchange rate had been 10% lower at the reporting date, there would have been an impact of £3.5m (2018: £2.5m) on the Group loss for the year (2018: loss). Pre-tax, the hedging reserve impact would have been £3.1m (2018: £14.3m). This excludes the exchange rate sensitivity on cross currency interest rate swaps.

f) Credit risk management

Counterparty and credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group has no significant concentration of external credit risk, with exposure spread over a large number of external counterparties and customers. Due to the nature of the Group's trading with other EDF S.A. group companies in Europe, there are large trading balances with other Group companies, however these are not considered to be a risk.

The Group's counterparty credit risk is measured, monitored, managed and reported in accordance with the Group's credit risk policy. The policy sets out the framework that dictates the maximum credit exposure that

the Group can incur to each of its counterparties based on their public credit rating (or where counterparty is not publicly rated, a rating calculated using an in-house scoring model). The Group uses a variety of tools to mitigate its credit exposure, for example, requesting parent company guarantees, letters of credit or cash collateral, agreeing suitable payment terms and netting provisions. The majority of energy trading exposure is held against investment grade counterparties. For commercial customers with poor credit ratings, the Group on occasion will receive security deposits which can be used in the event of default by the customer.
The Group also faces counterparty risk through the ability of key suppliers to deliver to contract. Such suppliers are subject to credit risk reviews and continual monitoring.

40. Financial Instruments (continued)

Balances are written off when recoverability is assessed as being remote. The assessment considers the age of debt balances and takes account of the credit worthiness of some customers and considers whether they remain ongoing customers. Amounts overdue but not written off are fully or partially provided for in accordance with the Group's positioning policies. Money recovered relating to balances previously provided against or written off is credited to the income statement on receipt.

The maximum credit risk exposure is derived from the carrying value of financial assets in the financial statements, in addition to the credit risk arising from the provision of support and guarantees as detailed in the table below.

	2019 **£m**	2018 £m
Guarantee provided by subsidiary relating to performance of contractual obligations	**92**	86
Guarantee relating to pension obligations	**480**	400
Guarantee relating to tax obligations	**-**	-

g) Liquidity risk management

Liquidity risk is the risk that the Group is unable to meet its obligations as they fall due because it has inadequate funding or is unable to liquidate its assets. The Group manages liquidity risk by preparing cash flow forecasts and by ensuring it has sufficient funding to meet its forecast cash demands.

At 31 December 2019, the Group had available £314m (2018: £379m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The tables below detail the contracted maturity for all financial liabilities, based on contractual cash flows.

At 31 December 2019

	0-30 days	**30-90 days**	**3-6 months**	**6-12 months**	**1-2yrs**	**2-5yrs**	**>5yrs**	**Total**
Obligations under leases	-	-	-	16	14	34	138	**202**
Borrowings	-	-	-	-	-	681	22	**703**
Other liabilities	616	1,219	292	21	226	739	456	**3,569**
Derivative and other financial instruments	227	219	264	72	(377)	74	670	**1,149**

At 31 December 2018

	0-30 days	30-90 days	3-6 months	6-12 months	1-2yrs	2-5yrs	>5yrs	Total
Obligations leases	-	-	-	16	2	10	110	**138**
Borrowings	-	-	-	-	-	716	22	**738**
Other liabilities	364	694	29	1,337	7	9	1,216	**3,656**
Derivative and other financial instruments	388	219	65	(260)	(498)	42	673	**629**

40. Financial Instruments (continued)

h) Fair values of assets and liabilities

The fair values of financial assets and liabilities are determined as follows:

- The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes of similar instruments.
- The fair value of derivative instruments is calculated using quoted prices.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2019 **£m**	2018 £m
Level 2		
Derivative financial instruments		
Hedging instruments in a cash flow hedge (note 26)	**(21)**	338
Instruments designated at FVTPL (note 26)	**9**	6
Contingent consideration (note 24)	**-**	(50)
Level 3		
Available for sale assets (note 18)	**(10)**	(10)
Total	**(22)**	284

There have been no transfers between levels during the period.

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 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.

The contingent consideration is valued by referencing the price of a similar instrument with identical terms which is quoted on an active market. There are no significant unobservable inputs into the valuation.

The available for sale assets are valued at the fair value of net assets. Changes in the unobservable inputs would not have a significant impact on the fair value.

40. Financial Instruments (continued)

Except as detailed in the table below, the Directors consider that the carrying amount of the financial assets and financial liabilities recorded in the financial statements approximates fair value.

	Carrying amount		Fair value	
	2019	2018	**2019**	2018
	£m	£m	**£m**	£m
Financial liabilities				
Borrowings and other liabilities	**4,001**	4,095	**3,933**	3,992

Financial liabilities measured at fair value are level 2 instruments and 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 rate that reflects the credit risk of the counterparties.

41. Related parties

During the year, the Group entered into the following transactions with related parties who are not members of the Group:

		Sales to related parties £m	Purchases from related parties £m	Interest paid to related parties £m	Interest received from related parties £m
Associates:	**2019**	**-**	**(181)**	**-**	**-**
	2018	-	(126)	-	-
Transactions with other EDF S.A. Group	**2019**	**205**	**(1,325)**	**(19)**	**-**
	2018	654	(1,404)	(77)	58
Lease Commitments with EDF S.A. Group	**2019**	**-**	**-**	**(10)**	**-**
	2018	-	-	(10)	-

41. Related parties (continued)

At the year end, group companies had the following outstanding balances with related parties who are not members of the Group:

		Amounts owed by related parties £m	Amounts owed to related parties £m
Associates:	**2019**	**-**	**(43)**
	2018	-	(57)
Transactions with other EDF S.A. Group companies	**2019**	**1,494**	**(923)**
	2018	1,753	(1,210)
Lease commitment with EDF S.A. Group companies	**2019**	**-**	**(122)**
	2018	-	(134)

EDF Energy Holdings Limited trades with other group companies which are part of the EDF S.A. group.
Sales and purchases from related parties are made at normal market prices. Outstanding balances at year end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables. The Group has not raised any provision for expected credit loss relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market value in which the related party operates.

The table above includes loans and bonds payable to other EDF subsidiaries of £703m (2018: £738m) and loans receivable from EDF S.A. companies of £480m (2018: £400m).

The Group enters into derivative contracts to purchase commodities at normal market prices with another EDF S.A. group company. The total trade value of outstanding contracts in the Group balance sheet was an asset of £826m (2018: asset of £849m).

Transactions with key management personnel

	2019 £m	2018 £m
Short-term benefits	**5.1**	5.0
Post-employment benefits	**0.2**	0.1
Other long-term employee benefits	**0.7**	-
	6.0	5.1

Key management personnel comprise members of the Executive Committee, a total of ten individuals at 31 December 2019 (2018: nine). The Executive Committee is a cross-business unit committee of senior staff who take part in the decision-making for the Group.

42. Events after the balance sheet date

On 16 January 2020, EDF Development Company Limited was transferred at net-booked value from EDF International SAS to EDF Energy (UK) Limited and from EDF Energy (UK) Limited to EDF Energy Holdings Limited.

Hunterston B, Hinkley point B and Dungeness B stations are currently on extended outages for graphite inspections and main steam line inspections/repairs respectively. Return to service dates for both reactors at Hunterston B has been delayed to1 st June 2020 and 15th June 2020. Hinkley point B is expected to return to service on 30th November 2020 and both reactors at Dungeness B on 18th July 2020 and 8th July 2020.

On 13th February 2020, EDF acquired a majority stake (77%) in Pod Point one of the largest electric vehicle (EV) charging companies in the UK, as part of a newly-formed joint venture with Legal & General Capital (23%). The acquisition of Pod Point is EDF Group's largest investment in the EV market and forms part of its plan to become the leading energy company for electric mobility in France, the UK, Italy and Belgium.

Changes to the main rate of corporation tax were announced in Finance Act 2020. This maintained the main rate of corporation tax at 19%, rather than reducing to 17% on 1 April 2020 (as had been enacted by Finance Act 2016). If the main rate of corporation tax of 19% had been substantively enacted by the balance sheet date, the deferred tax balance at 31 December 2019 would be a liability of £1,182m. This is a movement of £124m compared to the deferred tax recognised on the balance sheet.

Covid 19

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

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

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

The overall financial impact of Covid-19 is being estimated at this time.

43. Parent undertaking and controlling party

EDF Energy (UK) Limited holds a 100% interest in EDF Energy Holdings Limited and is considered to be the immediate parent company.

At 31 December 2019, EDF S.A. 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 Électricité de France SA, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.

COMPANY BALANCE SHEET
AT 31 DECEMBER 2019

	Note	**2019 £m**	2018 £m
Non-current assets			
Financial Assets	8	**80**	-
Investments in subsidiary undertakings	9	**13,057**	11,919
Deferred consideration	10	**-**	74
		13,137	11,993
Current assets			
Trade and other receivables	11	**-**	12
Cash and cash equivalents		**118**	211
		118	223
Total assets		**13,255**	12,216
Current liabilities			
Other liabilities	12	**(125)**	(137)
Total liabilities		**(125)**	(137)
Net current assets/(liabilities)		**(7)**	86
Net assets		**13,130**	12,079
Equity			
Share capital	13	**6,824**	10,175
Share premium		**-**	-
Retained earnings		**6,306**	1,904
Total equity		**13,130**	12,079

The Company reported a loss for the financial year ended 31 December 2019 of £598m (2018: loss of £1,823m).

The company financial statements of EDF Energy Holdings Limited, registered number 06930266, on pages 109 to 122 were approved by the Board of Directors on 28 April 2020 and were signed on its behalf by:

Robert Guyler
Director

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

	Share capital £m	Retained earnings £m	**Total Shareholders' funds £m**
At 31 December 2017	8,382	3,727	**12,109**
Loss for the year	-	(1,823)	**(1,823)**
Shares issued	1,793	-	**1,793**
At 31 December 2018	**10,175**	**1,904**	**12,079**
Loss for the year	-	(598)	**(598)**
Shares issued	1,649	-	**1,649**
Capital Reduction	(5,000)	5,000	**-**
At 31 December 2019	**6,824**	**6,306**	**13,130**

1. Accounting policies

Basis of preparation

The Company meets the definition of a qualifying entity under Financial Reporting Standard 101 (FRS 101) 'Reduced Disclosure Framework'. These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. In addition to the accounting policies stated in the consolidated accounts above, the accounting policies which follow set out those polices which apply in preparing the Company financial statements for the year ended 31 December 2019.

Adoption of new and revised International Financial Reporting Standards

The following have been applied for the first time from 1 January 2019 and have had an effect on the financial statements:

IFRS 16 – Leases

IFRS 16, "Leases" was adopted by the European Union on 31 October 2017 and became applicable on 1st January 2019. The Company does not have any leases and has therefore not been impacted by the adoption of IFRS 16.

Summary of disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS101:

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

Going concern

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

Income Statement

As permitted by s408 of the Companies Act 2006 the Company has elected not to present its own income statement or statement of comprehensive income for the year. The profit attributable to the Company is disclosed in the footnote to the Company's balance sheet.

The auditor's remuneration for audit and other services is disclosed in note 3 to the parent company financial statements.

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.

Cash and cash equivalents

Cash and cash equivalents comprises cash at bank and in hand, including short term deposits with a maturity date of three months or less from the date of acquisition and restricted cash. A collective net overdraft facility arrangement is operated within the Group which permits the offset of cash balances and overdrafts between its subsidiary companies.

Financial instruments

Financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instruments. Detailed information regarding the Company's accounting policies for financial instruments can be found in the Group accounting policies note 2.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

Taxation

The income tax expense included in the consolidated income statement consists of current and deferred tax.

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.

Unrecognised deferred tax assets are also re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

2. Critical accounting judgement and key source of estimation uncertainty

In the application of the Company's accounting policies, described in note 1, the Directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

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

Impairment of investments

The Company performs impairment testing on investments where there is an indication of potential impairment. The impairment review involves a number of assumptions including discount rates, output values and forward power prices.

Critical judgements in applying accounting policies

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

3. Operating loss

In 2019, an amount of £7,265 (2018: £6,300) was paid to Deloitte LLP for audit services relating to audit of the individual entity statutory accounts of the Company. This charge was borne by another Group company. In 2019, amounts payable to Deloitte LLP by the Company in respect of non-audit services were £nil (2018: £nil).

The Company had no employees in 2019 (2018: none).

4. Directors' emoluments

None of the Directors received any remuneration for services to the Company during the year (2018: £nil).

5. Investment income

	2019	2018
	£m	£m
Dividends received	**-**	2,740
Interest received	**3**	2
	3	2,742

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

6. Other gains and losses

	2019 £m	2018 £m
Loss on disposal	-	35
Write off of investment in subsidiary	-	2,740
	-	**2,775**

7. Impairment

	2019 £m	2018 £m
EDF Energy Lake Limited	**469**	651
EDF Energy Limited	**132**	1,140
	601	**1,791**

An impairment test was performed in EDF Energy Nuclear Generation Group Limited for the nuclear generation business due to falling outputs combined with power prices which was considered to be an impairment trigger. This has resulted in an impairment of £469m in EDF Energy Lake Limited reducing its carrying amount from £5,920m to £5,451m, the intermediate holding company of EDF Energy Nuclear Generation Group Limited, in which EDF Energy Holdings Limited holds a direct investment. The value in use was estimated based on discounted cash flows over its expected useful life. The main assumptions used for the calculation were the discount rate of 6%, forward power prices and network grid costs. A 0.5% increase in discount rate from 6% to 6.5% leads to a £247m increase in impairment, while a decrease in discount rate of 0.5% reduces impairment by £272m.

An impairment test was also performed for the investment in subsidiary in EDF Energy Limited due to the decrease in Customers' valuation and West Burton B valuation, reducing its carrying amount from £1,600m to £1,468m. The value in use was estimated based on discounted cash flows and estimated growth rate.

8. Financial assets

	2019 £m	2018 £m
Loans to subsidiary	**80**	-

In 2019 a loan of £80m was granted to EDF Lake Limited at LIBOR less 0.05bps.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

9. Investments in subsidiary undertakings

	Shares £m
Cost	
At 31 December 2018	17,038
Additions during the year	1,739
Disposals during the year	-
At 31 December 2019	**18,777**
Impairment	
At 31 December 2018	(5,119)
Impairment (note 7)	(601)
At 31 December 2019	**(5,720)**
Carrying Value	
At 31 December 2019	**13,057**
At 31 December 2018	11,919

The additions during the year related to the subscription of £1,650m shares in EDF Energy (NNB) Limited, £58m additional shares in NNB Holding Company (SZC) Limited, £18m additional shares in General Nuclear System Limited and £13m additional shares in Bradwell Power Holding Company Limited.
The principal subsidiary undertakings at 31 December 2019, 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	Proportion of ownership interest and voting power held %	Principal activity
British Energy Bond Finance plc*(2)	80%	Financial activities
British Energy Generation (UK) Limited*(2)	80%	Holding company
EDF Energy Nuclear Generation Limited*(1)	80%	Power generation
EDF Energy Nuclear Generation Group Limited*(2)	80%	Holding company
British Energy International Holdings Limited*(2)	80%	Holding company
British Energy Limited*(2)	80%	Holding company
British Energy Trustees Limited*(2)	80%	Financial activities
Hoppy Limited*	51%	Digital innovation system
Cheshire Cavity Storage Group Limited*	100%	Holding company

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

9. Investments in subsidiary undertakings (continued)

Cheshire Cavity Storage 1 Limited*	100%	Provision of gas storage facilities
EDF Energy Limited	100%	Sale of electricity
EDF Energy (Cottam Power) Limited*	100%	Provision and supply of electricity generation
EDF Energy Customers Limited*	100%	Electricity retailing
EDF Energy (Energy Branch) Limited*	100%	Investment in electricity generation
EDF Energy Fleet Services Limited*	100%	Transport services
EDF Energy Lake Limited	100%	Holding company
EDF Energy ESPS Trustee Limited*	100%	Dormant company
EDF Energy (Thermal Generation) Limited*	100%	Power generation
EDF Energy (Gas Storage Hole House) Limited*	100%	Provision of gas storage facilities
EDF Energy R&D UK Centre Limited *	100%	Research and development of generation and supply
EDF Energy Pension Scheme Trustee Limited *	100%	Dormant company
Lake Acquisitions Limited*	80%	Holding company
Lochside Energy Inc * (Canada)(4)	80%	Financial activities
Lochside Insurance Limited * (Guernsey)(5)	80%	Insurance company
NNB Holding Company (HPC) Limited*	66.5%	Holding company
NNB Holding Company (SZC) Limited	80%	Holding company
NNB Top Company HPC (A) Limited*	100%	Holding company
NNB Top Company HPC (B) Limited*	100%	Holding company
NNB Generation Company (SZC) Limited*	80%	Development of generation and supply
NNB Generation Company (HPC) Limited*	66.5%	Development of generation and supply
EDF Energy Innovation Limited	100%	Provision of innovation services
EDF Energy (NNB) Limited (Hong Kong)(3)	100%	Holding company
NNB Finance Company (HPC) Limited*	66.5%	Financial activities
Northern Power Limited(2)	100%	Power generation

*Indirectly held

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

(2) Registered Address: EDF Energy, Gso Business Park, East Kilbride, Scotland, G74 5PG

(3) Registered Address: Room 1902, 19/F Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong

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

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

9. Investments in subsidiary undertakings (continued)

For the year ending 31 December 2019 the following subsidiaries of the Company were entitled to exemption from audit under Section 479A of the Companies Act 2006 relating to subsidiary companies:

Company	Registration number
British Energy International Holdings Limited	SC138614
EDF Energy Lake Limited	09200461
NNB Top Company HPC (B) Ltd	09284753
NNB Top Company HPC (A) Ltd	09284749
British Energy Limited	SC162273

The associates at 31 December 2019, which are registered and operate in England and Wales, are as follows:

Name of associate	Percentage of ordinary shares held	Principal activity
Fallago Rig Windfarm Limited*(2)	9.8%	Renewable energy generation
Fallago Rig II Wind Farm Limited*(5)	49.0%	Renewable energy generation
EDF Energy Renewables Limited*(5)	49.0%	Renewable energy generation
Boundary Lane Windfarm Limited*(5)	24.9%	Renewable energy generation
Braemore Wood Windfarm Limited*(5)	49.0%	Renewable energy generation
Glass Moor II Windfarm Limited*(3)	9.8%	Renewable energy generation
Green Rigg Windfarm Limited*(3)	9.8%	Renewable energy generation
Navitus Bay Development Limited*(1)	24.5%	Renewable energy generation
Bicker Fen Windfarm Limited*(6)	9.8%	Renewable energy generation
Fenland Windfarms Limited*(6)	19.8%	Renewable energy generation
Burnfoot Windfarm Limited*(5)	24.9%	Renewable energy generation
Fairfield Windfarm Limited*(5)	24.9%	Renewable energy generation
Rusholme Windfarm Limited*(3)	19.8%	Renewable energy generation
Walkway Windfarm Limited*(5)	24.9%	Renewable energy generation
Round 3 Isle of Wight Limited*(5)	49.0%	Renewable energy generation
Teesside Windfarm Limited*(5)	24.9%	Renewable energy generation
High Hedley Hope Wind Limited*(5)	24.9%	Renewable energy generation
EDF Energy Renewables Holdings Limited*(5)	24.9%	Holding company
Kirkheaton Wind Limited*(5)	24.9%	Renewable energy generation

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

9. Investments in subsidiary undertakings (continued)

Longpark Windfarm Limited*[(5)]	24.9%	Renewable energy generation
Lewis Wind Power Holdings Limited*[(7)]	24.5%	Renewable energy generation
Stornoway Wind Farm Limited*[(7)]	24.5%	Renewable energy generation
Neart Na Gaoithe Offshore Wind Limited*[(2)]	49.0%	Renewable energy generation
Uisenis Power Limited*[(7)]	24.5%	Renewable energy generation
Roade Windfarm Limited*[(5)]	24.9%	Renewable energy generation
Burnhead Moss Wind Farm Limited*[(5)]	24.9%	Renewable energy generation
Barmoor Wind Power Limited*[(5)]	24.9%	Renewable energy generation
Cemmaes Windfarm Limited*[(5)]	24.9%	Renewable energy generation
Llangwyryfon Windfarm Limited*[(5)]	24.9%	Renewable energy generation
Great Orton Windfarm II Limited*[(5)]	24.9%	Renewable energy generation
Park Spring Wind Farm Limited*[(5)]	24.9%	Renewable energy generation
Corriemoillie Windfarm Limited*[(5)]	24.9%	Renewable energy generation
EDF EN Services UK Limited*[(5)]	49.0%	Renewable energy generation
Dorenell Windfarm Limited*[(5)]	24.9%	Renewable energy generation
Beck Burn Windfarm Limited*[(5)]	24.9%	Renewable energy generation
Pearie Law Windfarm Limited*[(5)]	24.9%	Renewable energy generation
First Windfarm Holdings Limited*[(5)]	49.0%	Renewable energy generation
Stranoch Windfarm Limited (formerly Cumbria Wind Farms Limited)*[(5)]	49.0%	Renewable energy generation
EDF ER Development Limited*[(5)]	49.0%	Renewable energy generation
South Clare Windfarm Limited*[(5)]	49.0%	Renewable energy generation
Mosscastle Windfarm Limited*[(5)]	49.0%	Renewable energy generation
EDF ER Nominee Limited*[(5)]	49.0%	Renewable energy generation
Camilty Windfarm Limited*[(5)]	49.0%	Renewable energy generation
Cloich Windfarm Limited*[(5)]	49.0%	Renewable energy generation
Heathland Windfarm Limited*[(5)]	49.0%	Renewable energy generation
Newcastleton Windfarm Limited*[(5)]	49.0%	Renewable energy generation
The Mosses Windfarm Limited*[(5)]	49.0%	Renewable energy generation
Tinnisburn Windfarm Limited*[(5)]	49.0%	Renewable energy generation
Wauchope Windfarm Limited*[(5)]	49.0%	Renewable energy generation
West Benhar Windfarm Limited*[(5)]	49.0%	Renewable energy generation
Camilty Windfarm Partnership LLP*[(5)]	49.0%	Renewable energy generation
Cloich Windfarm Partnership LLP*[(5)]	49.0%	Renewable energy generation
Heathland Windfarm Partnership LLP*[(5)]	49.0%	Renewable energy generation
Newcastleton Windfarm Partnership LLP*[(5)]	49.0%	Renewable energy generation
The Mosses Windfarm Partnership LLP*[(5)]	49.0%	Renewable energy generation
Tinnisburn Windfarm Partnership LLP*[(5)]	49.0%	Renewable energy generation

9. Investments in subsidiary undertakings (continued)

Wauchope Windfarm Partnership LLP*(5)	49.0%	Renewable energy generation
West Benhar Windfarm Partnership LLP*(5)	49.0%	Renewable energy generation
Burnfoot East Windfarm Limited*(5)	49.0%	Renewable energy generation
EDF Renewables Solar Limited*(5)	49.0%	Renewable energy generation
NNG Windfarm Holdings Limited*(2)	50.0%	Holding company
EDF Energy Services Limited*	50.0%	Development of generation and supply
The Barkantine Heat and Power Company Limited*	50.0%	Generation and supply of heat and electricity
ESSCI Limited*(8)	50.0%	Development of generation and supply
ESSCI Engineering Services Limited*(8)	50.0%	Development of generation and supply
Imtech Engineering Services North Ltd*(10)	50.0%	Development of generation and supply
Imtech Engineering Services Central Ltd*(9)	50.0%	Development of generation and supply
Imtech Engineering Services London and South Ltd*(8)	50.0%	Development of generation and supply
Imtech Aqua Ltd*(11)	50.0%	Development of generation and supply
Imtech Aqua Building Services Ltd*(11)	50.0%	Development of generation and supply
Imtech Aqua Controls Ltd*(11)	50.0%	Development of generation and supply
Imtech Low Carbon Solutions Ltd*(9)	50.0%	Development of generation and supply
ESSCI Technical Facilities Management Limited*(8)	50.0%	Development of generation and supply
Inviron Holdings Limited*(12)	50.0%	Development of generation and supply
Imtech Inviron Limited*(12)	50.0%	Development of generation and supply
Inviron Property Limited*(12)	50.0%	Development of generation and supply
Imtech Aqua Maintenance Ltd*(12)	50.0%	Development of generation and supply
ESSCI Technical Services Limited*(8)	50.0%	Development of generation and supply
Capula Group Limited*(13)	50.0%	Development of generation and supply
Capula Limited*(13)	50.0%	Development of generation and supply
ESSCI Ireland Limited*(8)	50.0%	Development of generation and supply
Suir Engineering Limited (Ireland)*(14)	50.0%	Development of generation and supply
General Nuclear System Limited(4)	33.5%	Development of generation and supply
Bradwell Power Holding Company Limited(4)	33.5%	Holding company
Bradwell Power Generation Company Limited*(4)	33.5%	Development of generation and supply
Clash Gour Windfarm Holdings Limited*(2)	49.0%	Renewable energy generation

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

9. Investments in subsidiary undertakings (continued)

Dallas Windfarm Limited*[(2)]	49.0%	Renewable energy generation
Altyre II Windfarm Limited*[(2)]	49.0%	Renewable energy generation
Dunphail Windfarm Limited*[(2)]	49.0%	Renewable energy generation
Dunphail II Windfarm Limited*[(2)]	49.0%	Renewable energy generation
Dunphail Windfarm Partnership LLP*[(2)]	49.0%	Renewable energy generation

*Indirectly held

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

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

(3) Registered Address: Squire Patton Boggs (Uk) Llp (Ref:Csu) Rutland House, 148 Edmund Street, Birmingham, West Midlands, B3 2JR

(4) Registered Address: Fifth Floor Rex House 4-12 Lower Regent Street London SW1Y 4PE

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

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

(7) Registered Address: Edf Energy, Gso Business Park, East Kilbride, Scotland, G74 5PG

(8) Registered Address: Twenty, Kingston Road, Staines-Upon-Thames, England, TW18 4LG

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

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

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

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

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

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

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

10. Deferred consideration

	2019 £m	2018 £m
Deferred consideration	-	74
	-	74

Deferred consideration in 2018 arose on the disposal of 33.5% of EDF Energy Holdings Limited's investment in NNB Holding Company (HPC) Limited to Sagittarius International Limited in September 2016. In May 2018, a Deed of Settlement arrangement was agreed between EDF Energy Holdings Limited and CGN. As a result of this Deed of Settlement, some clauses in the original shareholder agreement signed in September 2016 have been amended and the value of the deferred consideration was reduced to £74m. The full amount of the deferred consideration was received in 2019.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

11. Trade and other receivables

	2019 £m	2018 £m
Amounts owed by other Group companies	-	12
	-	12

The amounts owed by other Group companies are owed by subsidiaries of the Company. They are non-interest bearing and are repayable on demand. The Directors consider that the carrying amount of receivables approximates to their fair value.

12. Other liabilities

	2019 £m	2018 £m
Amounts owed to other Group companies	125	137
	125	137

The amounts owed to other Group companies are owed to EDF Energy Limited, a subsidiary of the Company. They are non-interest bearing and are repayable on demand. The Directors consider that the carrying amount of other liabilities approximates to their fair value.

13. Share capital

Allotted, called up and fully paid	2019	2018	2019	2018
	Number	Number	£m	£m
Ordinary shares of £1.00 each	6,823,889,122	10,174,689,122	6,824	10,175

During 2019, 1,649,200,000 shares were issued at par for consideration of £1,649m. In addition the number of issued shares were reduced by 5,000,000,000 shares with a value of £5,000m.

14. Related parties

The Company has taken advantage of the exemption in FRS 101 Reduced Disclosure Framework from disclosing transactions with other members of the group, which would otherwise be required for disclosure under IAS 24. During the year, interest of £0.6m was payable to one of the Company's ultimate parent companies, EDF S.A. (2018: £1.7m). This related to commitment and upfront fees on the available facilities and interest on loan.

15. Events after the balance sheet date

Details of events after the balance sheet date can be found in note 42 of the Group accounts.

16. Parent undertaking and controlling party

EDF Energy (UK) Limited holds a 100% interest in EDF Energy Holdings Limited and is considered to be the immediate parent company. EDF S.A. is the smallest group for which consolidated financial statements are prepared, copies of which may be obtained from Électricité de France SA, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.