



**EDF ENERGY HOLDINGS LIMITED**

**Registered Number 06930266**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2021**

## CONTENTS

### Page:

---

<b>2</b>	Strategic report
<b>30</b>	Directors' report
<b>38</b>	Directors' responsibilities statement
<b>39</b>	Independent auditor's report to the members of EDF Energy Holdings Limited
<b>42</b>	Consolidated income statement
<b>43</b>	Consolidated statement of comprehensive income
<b>44</b>	Consolidated balance sheet
<b>46</b>	Consolidated cash flow statement
<b>47</b>	Consolidated statement of changes in equity
<b>48</b>	Notes to the consolidated financial statements
<b>110</b>	Company balance sheet
<b>111</b>	Company statement of changes in equity
<b>112</b>	Notes to the Company financial statements

---

### Directors

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

### Company Secretary

Joe Souto

### 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”) 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 and the provision of charging infrastructure for electric vehicles (EV).

### Long-term strategy

The purpose of EDF Energy, the country’s largest low-carbon electricity generator, is to help Britain achieve Net Zero. It does this by leading the transition to a decarbonised energy system in its seven business areas: Generation of electricity in the UK and delivering decommissioning responsibilities, Customers: the supply of electricity and gas and energy solutions to domestic and business customers, Nuclear Construction: building a new nuclear power station at Hinkley Point, in partnership with China General Nuclear Corporation (CGN), Nuclear Development: developing further new nuclear power stations, Renewables: through EDF Renewables UK, which is a subsidiary of EDF Energy and a joint venture (JV) between EDF Energy and EDF Renewables, technical services, energy and low-carbon solutions at customer sites through Imtech, a JV with Dalkia and Electric Mobility.

EDF Energy contributes to EDF SA’s greenhouse gas emissions reduction targets and carbon intensity trajectory. Its Sustainable Business Roadmap explains the progress and plans of the business to help Britain achieve Net Zero and meet wider sustainability objectives. During the year of the COP26 climate conference in Glasgow, EDF Energy has campaigned both externally and internally with employees to increase awareness of Net Zero and its stakes.

Recent energy price increases, driven by global gas prices, are strongly impacting the UK operating environment. Whilst creating affordability challenges for customers and significant financial pressures on energy suppliers, the crisis has also triggered an unprecedented level of supplier exits from Britain’s energy retail market. Following the cessation of trading by Green Network Energy, Utility Point and Zog, EDF Energy stepped in to take on their combined c590,000 residential customers through Ofgem’s supplier of last resort process. The price levels have further highlighted the need for investment in low-carbon electricity and technology to end UK’s reliance on fossil fuel imports, and the value of reliable, resilient suppliers such as EDF Energy.

#### *Customers*

EDF Energy serves 3.7 million British homes and businesses as well as the public sector, delivering industry-leading customer service (EDF has maintained a “Great” rating on Trustpilot and is rated 3rd out of 22 energy suppliers by Citizens Advice based on July-September 2021 data, and 2nd of the large suppliers, as defined by Ofgem). EDF Energy supports British households, businesses and the public sector achieve Net Zero, in areas including electric mobility, low-carbon heating, flexibility services and smart meters combined with data services.

EDF Energy is working toward delivering on its regulatory obligations as a leader on energy efficiency installations through the energy company obligation (ECO) scheme and through a cost-efficient roll-out of smart meters to homes and small businesses, as part of the national programme. In 2021, EDF Energy has installed a further 452k smart meters.

The pandemic, combined with the default tariff cap on the residential UK market, the 2021 energy crisis and a fiercely competitive environment, shows that cost efficiency and an effective, resilient operating model remain key priorities. To evolve its offering and build further on its industry-leading customer service, EDF Energy has announced a commercial partnership with Kraken Technologies to migrate its 3.7 million Residential and Small Medium Enterprise (SME) customers onto their market-leading EnTech platform, starting in 2023 with an 18 month timeline to complete the project.

## **STRATEGIC REPORT (continued)**

The adaptable platform also allows EDF Energy to meet its customers' future energy requirements – whether they are switching to an electric car or installing a heat pump for instance.

### *Generation*

EDF Energy's key priority is to sustain safe, reliable and commercially viable operations. This includes supporting security of supply through the West Burton A coal power station, which has UK capacity agreements until September 2022 when the station will stop generating, two years ahead of the UK Government's deadline to phase out coal.

EDF Energy is already decommissioning the Cottam coal power station that closed in 2019, exploring sustainable decommissioning and deconstruction approaches such as circular economy principles. A key element of a just and low-carbon transition is also workforce support on which EDF has been working closely with trade unions.

In August 2021, EDF Energy completed the sale of the West Burton B CCGT 1,332MW alongside a 49MW battery on the same site.

EDF Energy's UK fleet of existing nuclear power stations, accountable for supplying around 15-20% of the country's power since the mid-1970s, is in a period of much anticipated change. Since its acquisition of the UK nuclear fleet in 2009, EDF Energy has invested £6 billion and in addition, generated over 30% more low carbon electricity than originally anticipated.

EDF Energy has taken the decisions to move Dungeness B into the defueling phase from June 2021, Hunterston B into defueling by January 2022 and Hinkley Point B no later than July 2022. The remaining four AGR nuclear power stations are currently due to close by 2028. EDF Energy is responsible for defueling all seven AGR power stations over the next 10+ years under an agreement with UK Government signed in June 2021.

EDF Energy is committed to ensuring nuclear excellence and doing what it can to preserve technical skills and capabilities during this transition period for the nuclear industry.

### *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, based on the European Pressurised water Reactor (EPR) technology. EDF Energy is also leading the development of plans for a similar 3.2GW EPR project at Sizewell in Suffolk, with active support from the UK Government and discussions ongoing regarding the funding of the project. As a part of its plans, EDF Energy is also exploring models using nuclear to produce hydrogen and heat.

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

### **INTRODUCTION**

The Company is not required to comply with the UK Corporate Governance Code but seeks to apply best practices from the Code using the Wates Principles for Large Private Companies. Such an approach ensures that decisions taken by the Board support the long-term success of the Company and its stakeholders and demonstrates that the Company and its subsidiaries (the **Group**) are compliant with the requirements of Section 172 of the Companies Act 2006 (the **Act**).

This statement describes the actions taken by the directors to fulfil their responsibilities to promote the success of the Company in accordance with the Act for the financial year ending 2021. The directors have considered the following Section 172 factors:

- The likely consequences of any decision in the long term,
- Employee interests,
- Fostering business relationships with suppliers, customers and others,
- The impact of operations on the community and the environment,
- Maintaining a reputation for high standards of business conduct, and
- Acting fairly between members of the Company.

## **STRATEGIC REPORT (continued)**

The Company purpose and strategy is set out in the Strategic Report and published on the EDF Energy (**EDF UK**) website. The purpose is summarised as helping Britain to achieve Net Zero. The purpose and strategy are guided by: i) feedback from stakeholder engagement; ii) consideration of the long-term impact of strategic decisions on the long-term objectives of the Company and the wider Group; and iii) the environmental impact of those decisions.

The Company continues to support the corporate governance practices of its parent company, EDF SA Group (a listed company on the Euronext Paris), with its compliance obligations under the French Afep-Medef Code. The purpose is a UK articulation of the EDF SA Group **Raison d'être**. It underpins strategy setting and decision making by the Board, and ensures activity within the Company is compatible with achieving these objectives in order to promote long term success.

To ensure strong corporate governance practices are maintained, the Group acts in accordance with multiple overarching internal policies that are tested on an annual basis to satisfy the French Securities Markets Authority (**Autorité des Marchés**) Listing Requirements.

### **Taking Decisions**

#### **Board of directors**

The overriding objective of the Board is to provide a management framework within which the Group is able to operate to the highest ethical and health and safety standards in order to preserve and enhance its investments. The Board is responsible for providing proper stewardship of the Group. Specifically, it ensures that the Group acts as a responsible business by pursuing sustainable growth, protecting shareholder value and fulfilling its fiscal and statutory obligations.

The directors of the Company have given careful consideration to the size and structure of the Board to ensure it possesses the knowledge and expertise to meet the Company's strategic needs.

#### **Board composition and training**

The Board is comprised of an independent Chairman, contributing significant experience from the engineering and UK infrastructure industries, two Executive directors (Chief Executive Officer (**CEO**) and Chief Financial Officer, EDF UK) and eight (8) Non-Executive Directors who are all representatives of the Ultimate Parent Company, EDF SA, with expertise in Finance, Legal, HR and Operations.

In addition to possessing wide-ranging expertise, there has been a considered effort to establish a diverse Board, including a balance of gender, ethnicity and social backgrounds. All changes to the Board composition, 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 UK Directors Training and Induction Manual which outlines their obligations as a Director, including those in the Act, compliance, and EDF UK's corporate governance framework. Directors are able to participate in bespoke training and are encouraged to update their skills and knowledge of the Group by meeting with senior management, visiting sites (such as the power stations and call centres), undertaking external training, and engaging with stakeholders across the business and its operations.

To ensure that potential conflicts of interest are identified and duly authorised, newly appointed directors are 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 aware that new conflicts arising thereafter must be declared and authorised in advance by the board of directors or by the shareholders. In 2021, there was only one new appointment to the Board with the new director offered training in addition to provision of the EDF UK Directors Training and Induction Manual.

## **STRATEGIC REPORT (continued)**

EDF UK 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 experienced directors. The continuous improvement of the Board and how it operates is critical to the success of EDF UK; Board Self Assessments have been carried out following which a summary of the key strengths and areas for improvement have been identified and actions agreed and implemented.

The EDF UK Executive Team (**ET**), is comprised of the Senior Leaders of each business unit / corporate function across the Group. The ET is responsible for presenting matters to the Board to ensure an appropriate degree of knowledge of the topics being presented, and for challenge, analysis and approval.

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 CEO, EDF UK, 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 to meet the needs of the business. The Board utilises standing sub-committees to consider particular matters in detail. These current committees include:

- 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”);*
- EDF UK 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;*
- EDF UK Audit Committee - *assists the Board in fulfilling its responsibilities by reviewing the 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*
- EDF UK 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 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.

The Board engages with further internal governance bodies within EDF UK, including the ET and EDF UK Risk Management Committee which reports 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.

During the Covid-19 pandemic, the Company established several internal teams including a Crisis Management Team, specific Incident Management Teams within each business unit and a general Health and Safety Team. At the outset of the pandemic, the Board advised these groups of the Company’s priority to protect the Company’s employees, customers and those in the communities within which EDF UK operates. This objective continues to influence day-to-day decisions taken within the Company to manage the influence of the pandemic, ensuring business continuity underpinned by a focus on promoting the wellbeing and safety of the Company’s internal and external stakeholders.

### **Scope of the Board and 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 to ensure that decisions are made by the most appropriate person(s). Management teams report to members of the ET. The directors receive regular updates 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.

## **STRATEGIC REPORT (continued)**

This is dictated by the Company's internal procedures relating to financial reporting, key performance indicators (**KPIs**), workforce data, environmental data, stakeholder engagement feedback and consumer data.

The Company uses Financial Authority Limits (**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 CEO, EDF UK, are agreed with EDF SA and approved by the Board. The CEO, EDF UK, has the authority to delegate FALs to the ET (where appropriate / required to discharge the needs of each business unit) and to enable the ET to further cascade their FALs down to Leaders within their teams.

The Group Corporate Governance Policy underpins the Company policy framework that sets out:

- Requirements for governance bodies, their composition and Board member training;
- Financial Authority Limit (**FALs**) framework;
- The Policy Operating Framework; and
- Requirements for processes 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.

The Company has a 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 Management, Internal Control, Business Continuity and Crisis Management Policy, which defines key standards that companies within the Group are required to achieve. The Company self-assesses against these standards, and the Group is audited against them to provide assurance that Group companies have an appropriate risk culture. The directors agree 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.

Control testing against each Group policy is carried out at least annually through the Internal Control Self-Assessment process. Actions are identified following completion of the results, where required, to facilitate continuous improvement. Results are reported back to the Board as part of the Annual Risk and Internal Controls Report (the **Report**), setting out the highest risks to the Company's objectives for their consideration. This presents an opportunity for the directors to consider any emerging risks and provides a forum to devise solutions to minimise the impact of those risks. The Report is shared with the ET for managing actions at a local business unit level and to the EDF SA Group Risk department to support compliance with the French Afep-Medef Code.

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.

### **Stakeholder Engagement**

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

Good governance and effective communication are essential to deliver the purpose, the Raison d'être of EDF SA, and to protect EDF UK's reputation and relationships with all stakeholders including shareholders, customers, employees, suppliers, regulators and local communities. The Company purpose was developed with input from both employees and customers to ensure its relevance for stakeholders and secure their buy-in. By maintaining dialogue with stakeholders, the Board ensures that it takes decisions aligned with the Company purpose to support long term success.

To ensure the strategy, objective and purpose of the Company is articulated and implemented throughout the organisation, the Group has a communications team to support the Company with issuing tailored communications to employees. Public and political opinion with regard to EDF UK is monitored and the team frequently engages with political parties and other stakeholders.

## **STRATEGIC REPORT (continued)**

The social media team also has an active listening, response and monitoring strategy to gauge market perception of delivery of the strategy of the Company.

The CEO and independent Chair meet quarterly with the communications team to review stakeholder interaction and to ensure regular dialogue with key senior stakeholders. This helps directors identify key stakeholders to engage with further as part of reaching targets before presenting back to the Board in the future.

### **Employees and trade unions**

The Group engages, informs and consults with its employees on matters affecting them and has regard to their interests in decision making. Employees who possess a diverse range of talents and perspectives, that feel engaged in their roles, are fundamental to the long-term success of the Company.

Employee engagement mechanisms include:

- Formal and informal briefings, departmental meetings and regular reports in staff newsletters and on the Group intranet.
- Trade union and personal contract holder structures - Company Council, European Works Council, Corporate Social Responsibility Forum, strategy meetings, and business unit specific forums. In 2021, the Company engaged directly with the Trade Union regarding to the consolidation of EDF UK's three pension schemes - see section below on 'Stakeholder concerns identified'.
- Employee networks sponsored by senior management to provide diverse and inclusive environments for employee support, feedback and comment. They help build cultural awareness and understanding of identity, and how different demographic groups face different challenges.
- Diversity and Inclusion Strategy Group (DISG) chaired by the CEO reviews Group strategy and actions taken to promote Diversity and Inclusion (D&I). It discusses items raised via the employee networks to guide Company policy development.
- Regular employee surveys where senior leaders gather feedback on employee wellbeing which inform policy, for example the EDF Group Employee Engagement Survey discussed further below, see 'Stakeholder concerns identified'.

In the summer of 2020, EDF UK launched its Everyone's Welcome vision for being a positive, inclusive place to work. Following the launch and engagement with employee networks, EDF UK issued a Standards of Behaviour statement in September 2021. The statement outlines the Company's expectation that all EDF UK have access to a respectful working environment and that behaviour which is not in line with the Everyone's Welcome vision will not be tolerated.

Throughout the Covid-19 pandemic, the Company issued regular communications to employees to ensure awareness of the actions taken by the Company and the reason behind them. The protection of EDF UK employees and contractors has remained of paramount importance to the Company as the pandemic continued throughout 2021 and concern for the safety of employees has remained at the forefront of the Board's mind in decision making.

The Company has faced serious challenges during 2021 due to the impact of the current UK energy market crisis (the Crisis). The Board advised that the mental health and wellbeing of employees, particularly those in customer facing roles, should remain a top priority for management.

### **Communities and environment**

The Board is committed to social responsibility, community engagement and environmental sustainability which is demonstrated, through the sustainable business roadmap (available online). The roadmap showcases the Company's commitment to operating as a responsible business and continued engagement with internal and external stakeholders.



## **STRATEGIC REPORT (continued)**

EDF UK supports a decarbonised future and is committed to leading the UK's transition to a safe, low-carbon energy system. As the UK's largest low-carbon generator, EDF UK is helping support the reduction in carbon emissions enacted by The Climate Change Act in 2008 and Paris Agreement on Climate Change. The Company is significantly investing in low-carbon technologies, including nuclear, and through EDF Renewables UK, wind, solar and battery storage, and exploring emerging technologies such as clean hydrogen. The Board takes an active role in setting the strategy for such projects and acquisitions. The community and environment relating to the impact of construction and/or development remains a focus of the Board in decision making.

The new nuclear power station currently under construction at Hinkley Point C (HPC), and the UK Government's positive engagement on the proposed construction of a nuclear power station at Sizewell C (SZC), has opened a new chapter in the UK's long-standing nuclear industry. Hinkley Point C will make a major contribution to reduce carbon emissions in the UK and the electricity generated by the two EPR reactors will offset nine million tonnes of carbon dioxide emissions a year or 600 million tonnes over its 60-year lifespan. If the construction of Sizewell C is approved, it will generate enough low-carbon electricity to supply six million homes and will avoid around nine million tonnes of carbon emissions each year by replacing fossil-fuel power.

EDF UK aims to protect the natural environment and biodiversity through stewardship of land around its power stations and the commitments made through its renewables and new nuclear projects. Extensive consultation with local communities is undertaken to enable better decision-making.

### **Suppliers**

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

Day-to-day decisions on supply chain matters are largely taken at a business unit level. The Board oversees key decisions and is regularly updated on key contract negotiations, for example, the Board receives regular updates from the Sizewell C Executive Team on the Sizewell C project including updates on any successes or difficulties experienced with supplier negotiations. This dialogue provides the Board with an opportunity to give direction to the Group on how to overcome difficulties and key considerations for during negotiations.

One of the ways EDF UK supports its suppliers is by offering a Santander backed Supply Chain Financing scheme which allows suppliers to get early access to payment for invoices which have cleared and approved through the payment process. The Board will review and approve the implementation of new processes such as this. As a result, the directors can ensure that decisions to implement new processes align with the Company's purpose and the best interests of stakeholders, including suppliers.

In 2021, the Board approved a deal to build on EDF UK's industry-leading customer service by licencing the cutting-edge Kraken energy technology platform. The licensing agreement will see EDF UK use Kraken to manage its customer accounts in the UK and further develop its home heat and EV offerings. The move to Kraken's dynamic platform will allow EDF UK to grow and quickly adapt to rapid changes in the energy industry. The introduction of the platform will represent a significant change in the way EDF UK's Customers Business operates. Strategic decisions, such as the move to Kraken, are approved by the Board.

EDF UK also held its first Generation Suppliers conference since 2019 which was attended by 25 suppliers, representing over 60% of the annual Nuclear Generation expenditure through supply chain. The meeting provided an opportunity for EDF UK to engage directly with its supply partners and provide them with an update about the future strategy of Generation.

## **STRATEGIC REPORT (continued)**

### **Other stakeholders**

The Company and wider Group proactively engages with relevant external stakeholders including trade associations (such as the Confederation of British Industry, Energy UK, Nuclear Industry Association and Renewable UK, etc). The Company's participation with these groups supports stakeholders' relations and provides a channel to engage with government and regulators.

The Company and wider Group also engages directly with central government (including officials within the Department for Business Energy and Industrial Strategy, the Department for Environment, Food and Rural Affairs and HM Treasury) and industry and environmental regulators (such as Ofgem, the Environment Agency and the Scottish Environmental Protection Agency). Engagement with political and regulatory stakeholders supports better understanding of EDF UK's business, and influences the policy and the operating environment. Direct engagement with these stakeholders is supplemented by our participation in trade associations.

The latest Hinkley Point C Socio-economic Impact Report (available online) demonstrates that the project is meeting its ambitious targets to deliver a lasting legacy. For Sizewell C, the Company, guided by the Board, has worked closely with numerous external stakeholders including local councils, emergency services, Natural England and Office for Nuclear Regulation to complete the examination process of the Development Consent Order that was submitted in 2020. The Board continues to receive regular updates on the project and continues to oversee decision making within the project.

In preparation for the COP26 UN Climate Change Conference held in 2021, the Company worked closely with the wider international EDF Group to develop a proposition that reflected the Company purpose. The Company also engaged with various stakeholders and produced advertising in the months leading up to COP26 to convey EDF UK's message in a way that aligned with the Company purpose and avoided any 'green washing' or disingenuous environmental commitments.

Throughout the energy price crisis in late 2021 and 2022, EDF UK worked closely with the energy regulator, Ofgem, and the Government to secure additional support for households to manage the increased cost of energy which complements the help EDF UK already provides to its customers. The energy market requires longer-term reform to reduce the risk of future crises and the Board ensures that EDF UK is leading on this matter.

### **Stakeholder concerns identified**

Each business unit is responsible for engagement with relevant stakeholders, evaluating feedback and escalating information (where relevant) to the Board for consideration and to aid its principal decision making. The Board maintains an open dialogue with the business units and in 2021 a number of focused, topical, board papers were presented to the Board. Where key stakeholder concerns are raised in these "deep dive" board papers the directors are able to take decisions and provide guidance on any areas where key stakeholder concerns have been raised.

The Board considers employee views through the annual 'My EDF' survey, which canvasses employee opinion, at a local level and within the EDF SA Group. The survey identifies areas of satisfaction and opportunities for improvement to help inform priorities within the Group. 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 purpose and strategy.

In addition, throughout the Covid-19 pandemic, EDF UK has continued to undertake frequent employee surveys regarding their wellbeing. These surveys enable EDF UK to better support its employees, for example, by implementing more flexible working opportunities for parents and the provision of IT equipment free of charge for employees working from home.

During 2021, after meaningful engagement with the Trade Union and Pensions Trustees, EDF UK took the decision to consolidate its three pension schemes into one pension scheme (**the Scheme**). The

STRATEGIC REPORT (continued)


consolidation process was overseen by the Board who, after considering the impact of the proposal, approved the activity on the basis that it would materially improve the long-term benefit to its members. Throughout the consolidation process, EDF UK engaged with Scheme members to ensure those affected had a sound understanding of the impact of the changes. The affected members were given numerous opportunities to raise questions during webinar sessions and through a dedicated email mailbox with frequently asked queries addressed in FAQ documents published on the Company intranet.

Other reporting

The Company, in addition to other companies within the Group that meet the applicable threshold, publishes its Modern Slavery Act Statement, Gender Pay Gap Report, Payment Practices and Report and Tax Strategy Statement in accordance with UK law and regulation. Each of these is published externally and gives consideration to EDF UK's relationships with its suppliers, particularly the Modern Slavery and Payment Practice and Reporting Statements. The Board welcomes this transparency and uses these reports to help EDF UK continue to improve its performance in these areas.

29 April 2022

Approved by the Board of Directors on ..... and signed on its behalf by:

DocuSigned by:  
  
81F6836592A941E...  
Robert Guyler  
Director

## **STRATEGIC REPORT (continued)**

### **Key performance indicators**

In 2021, we continued to measure progress against our key ambitions. Our key Group ambitions and related measures for 2021 were:

#### **Group Wide KPIs:**

##### Social

- **TRIR** - Measured through the Total Recordable Incident Rate “TRIR” (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).
- **RIDDOR accident frequency rate** - HPC Zero Harm is measured through a RIDDOR 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). Under RIDDOR, the following types of incident are reportable; fatal injuries to workers or members of the public, other specified or major injuries to workers, over-7-day injuries to workers and non-fatal injuries to members of the public.
- **Leadership Index** - The leadership index is measured using our annual employee engagement survey which is based on a set of 7 questions called the “Leadership Index”. The responses against each of the 7 questions are then averaged to produce a total % result.

##### Financial

- Measured through (a) Earnings before interest, tax, depreciation and amortisation and (b) Operating cash flow.

#### **Business unit specific KPIs:**

- **HPC Budget** – This relates to total actual spend versus approved budgeted spend, this includes both capital and operating expenditure.
- **HPC milestones** – HPC has developed a series of key milestones for delivery in 2021 relating to progress on procurement, construction, project control and consultations for our new build project. A minimum, a target and a maximum performance level is given, and each milestone is weighted equally.
- **HPC engineering** – This is a new KPI added in 2021: HPC has developed key metrics to measure the achievements and progress of the Engineering works.
- **Outage duration** – This is a new KPI added in 2021 to replace nuclear unplanned trips. This relates to the outage duration during the year.
- **Customers smart installs** – This metric measures the volume of smart meter installs in 2021. It replaces the indicator used in 2020, customers smart penetration.
- **Customers Reputation** – this indicator, new in 2021, is based on the quarterly result by Citizens Advice for each energy suppliers performance. The score is awarded out of a 5 and covers ease of contact, complaints, clear bills, switching and customer guarantees.

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**STRATEGIC REPORT (continued)**

The results for 2021 and 2020 for the Group wide KPIs presented to the Remuneration Committee were:

<b>Ambition</b>	<b>Measure</b>	<b>2021</b>	<b>2020</b>
Social	TRIR <sup>(1)</sup> (per 1,000,000hrs)	0.71	0.59
	RIDDOR accident frequency rate (HPC site only; per 100,000hr)	0.062	0.081
	Leadership Index (%)	75	77
Financial <sup>(2)</sup>	Earnings before interest, tax, depreciation and amortisation (£m)	(21)	711
	Operating cash flow <sup>(3) (4)</sup> (£m)	(238)	395

The results for 2021 and 2020 for the business specific KPIs presented to the Remuneration Committee were:

	<b>Measure</b>	<b>2021</b>	<b>2020</b>
Business	HPC budget (£m)	3,890	2,731
	HPC Milestones	19.5	44
	HPC Engineering	27.9	N/A
	Nuclear unplanned trips	N/A	4
	Outage duration	568	N/A
	Customers EV sales <sup>(5)</sup>	N/A	7,176
	Customers Reputation (Citizen's Advice)	2 <sup>nd</sup>	N/A
	Customers smart penetration	N/A	38.3%
	Customers Smart Installs	457	N/A

(1) Excludes HPC site performance

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

(3) The difference in operating cashflow between the Group's management accounts and the consolidated cashflow statement is due to the reclassification of tax and net investments in the management accounts.

(4) Operating cash flow excludes Nuclear New Build results

(5) Indicator on the number of EV sales in 2020. This indicator was not part of Customers scorecard in 2021.

**Results**

The loss for the year before taxation amounted to £1,779m (2020: loss of £924m). The loss for the year after taxation was £1,728m (2020: loss of £921m). Dividends of £185m (2020: £nil) were paid to the parent company, EDF Energy (UK) Limited and dividends of £1m (2020: £60m) were paid to the non-controlling interest during the year.

Group sales for the year amounted to £8,720m, an increase of 8%. Group net asset has increased from £26,495m to £28,127, an increase of 6%. Operating profit before depreciation, amortisation and impairment has decreased in comparison to 2020. Although not an IFRS financial performance indicator, we have used Operating profit before depreciation, amortisation and impairment as a measure of financial performance as it forms part of the EDF Group's KPI.

The Group's decrease in Operating profit before depreciation, amortisation and impairment results from:

- a decrease in nuclear output
- a decrease in realised nuclear prices due to a significant volume of buybacks at high market prices
- a rise in energy prices due to the global gas crisis which is not covered by the customers capped prices
- The acquisition of Green Network Energy's customers, on the one hand, the integration of Utility Point and Zog Energy clients' portfolio in accordance with the supplier of last resort mechanism, on the other hand, have required additional purchases.
- Business in the professional segment increased relative to 2020, the latter having been adversely affected by the health crisis.

## **STRATEGIC REPORT (continued)**

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 (at 1 January 2021). Centrica plc. ("Centrica") holds a 20% shareholding in Lake Acquisitions Limited, the parent company in which the nuclear generation assets sit (except Nuclear New Build). On 7 June 2021 it was announced Dungeness would not return to service and would be moved to defueling operations with immediate effect. At Hunterston B, Reactor 3 and Reactor 4 ended power generation on 26 November 2021 and 7 January 2022 respectively as previously planned. Total capacity at the end of the year was 7.8GW.

##### ***Lifetime of power stations***

The actual lifetime of each power station is determined primarily by the technical and economic practicability of supporting its safety case. This is assessed at each statutory outage for the following operating period through inspection, maintenance, testing and assessment of plant performance. Following the outage, consent is required from the ONR before restarting the reactor. The operating period between statutory outages is normally three years for the AGR power stations and eighteen months for Sizewell B.

In addition, every ten years, the stations are subject to a more detailed and wide ranging Periodic Safety Review (PSR) of design, operational and organisational safety which must also be accepted by the ONR in order to secure continued operation. The next PSR due for submission to ONR is in January 2024 for Sizewell B, with their decision expected in January 2025.

The AGRs were designed with a nominal 25 years lifetime, and Sizewell B with a 40 year lifetime. However, with the aggregation of technical information, and operational and safety experience of EDF Energy, it has been possible to extend the expected AGR lifetimes. Since British Energy was acquired by EDF, the AGR lifetimes have been extended by an average of six 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. However, during 2020 EDF Energy announced closure dates for Hunterston as no later than 7 January 2022 and Hinkley Point B as no later than 15 July 2022.

It is Management's strategic objective to extend the life of the Sizewell B by 20 years. It is expected to be possible based on worldwide operating experience, the improved original design of Sizewell B and historical operating performance and as such the Accounting life was updated during 2021.

##### ***Operational review of the existing nuclear generation fleet***

The nuclear generation fleet produced 41.7TWh during 2021, 4.0TWh less than 2020 (45.7TWh). The reduction in output is largely due to:

- five statutory outages carried out in 2021 versus two in 2020,
- unplanned losses resulting from the suspension of on-load refueling at Heysham 2 & Torness and a thermal sleeve repair at Sizewell B and securing a boiler tube leak safety case at Hartlepool; partly offset by
- non-recurring losses incurred in 2020, principally Hunterston B & Hinkley Point B graphite safety case outages and a 50% reduction in output from Sizewell B, between May and September 2020, at the request of National Grid, due to significantly lower than normal summer demand.

Planned statutory outages were carried out on Hartlepool Reactor 1, Heysham 2 Reactor 7, Hunterston B Reactor 4, Sizewell B and Torness Reactor 1.

## **STRATEGIC REPORT (continued)**

Dungeness B Power Station last generated electricity in September 2018 and at the start of 2021 was forecast to return to service in May/June 2022. However on 7th June 2021, due to a number of unique, significant and ongoing technical challenges, the ENGL board took the decision to move Dungeness into the defueling phase. Although many challenges were overcome or were considered manageable through subsequent repairs, new detailed analysis and events identified additional station-specific risks within some key components, including parts within the fuel assemblies. This led the board to conclude it was not in the best interest of the Company to return the station to service.

At Hunterston B, Reactor 3 ended power generation on 26 November 2021 and Hunterston B Reactor 4 on 7 January 2022 as previously planned.

Both reactors at Hinkley Point B returned to service at the end of Q1 2021 and are now in their final periods of operation. The decision was taken in 2020 to end power generation at Hinkley Point B no later than 15 July 2022.

Generation is impacted by the suspension of on-load refueling in all four reactors at Heysham 2 and Torness while modifications to a component of the fuelling machine are being pursued. It is expected that refueling will therefore continue off load through 2022.

The statutory refueling outage at Sizewell B was extended by three months to address the degradation of a number of control rod drive mechanism thermal sleeves. The station is now back at full load.

### *Electricity sales and procurement*

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 entered into with Centrica. The remaining 80% is sold internally 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.

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 Power generators. In 2021, EDF Energy acquired approximately 6.7TWh through this channel.

### *Decommissioning*

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 28 and 29 for more details.

## **Coal and Gas**

The Cottam Power Plant closed on 30th September 2019 after more than 50 years of being in service. The decision to close the station was made following market changes together with a drive to actively remove carbon from the power generation process. Currently plans are progressing well with the decommissioning work and the likely timescale for completion of demolition is Q4 2025.

The West Burton A Power Station entered into partial decommissioning on 1st October 2021, reducing the available units from 4 to 2 (reducing Capacity from 1,987MW to 1,000MW). West Burton A has announced that it will close on 31st September 2022 and go into full decommissioning (after satisfying its 2021/2022 capacity market agreement). The decision to close the station is in line with EDF's commitment to Net Zero. In 2021, West Burton A generated 0.5TWh of electricity, 0.7TWh less generation than last year mainly due to the strategic decision to reduce current coal stock and be the station of last resort in preparation for its closure.

The West Burton B CCGT Power Plant was sold on 31st August 2021, it generated 2.6TWh from 1st January 2021 to 31st August 2021, a decrease of 2.30TWh from the 12 months to December 2020.

EDF Energy also operates a 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 brought into service in December 2019. During 2020 the decision was made to decommission the Hole House Facility due to challenging market conditions coupled with requirements for some significant investment to the plant. Decommissioning work is progressing well, it is expected to be complete by Q4 2024.

## **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 (WMO) 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 including providing route to market agreements for generators.

For delivery in 2021, EDF Energy's net position on the wholesale market was a purchase of approximately 1.1TWh (including structured trades). In 2021, EDF Energy sold approximately 31.0TWh and bought 32.1TWh.

### **Customers**

The Customers business is responsible for the supply of gas and electricity to residential and business customers across Great Britain 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.

EDF Energy continues to seek out opportunities to offtake power from major renewable energy sites. In 2021 EDF signed a fifteen-year agreement with RWE for the offtake of all power from the Sofia windfarm which will be one of the largest offshore windfarms in Europe when completed in 2026.

EDF Energy is one of the UK leaders in energy efficiency installations, through the Energy Company Obligation Scheme (ECO). I&C Battery Flexibility Services have secured an additional 211MW in the year for contracts between 7 and 12 years in length.

EDF remains committed to its Smart Meter installation programme, part of upgrading the UK's energy infrastructure to enable concepts such as smart grids and time-of-use tariffs, which contribute to grid resilience as the UK moves towards a low carbon future.

### ***Domestic customers***

EDF Energy supplied 12.541TWh of electricity and 35.228TWh of gas for the domestic segment in 2021. As at 31 December 2021, EDF Energy had 3.252 million electricity accounts and 2.261 million gas accounts. The 2021 churn at 17% showed a slight decrease compared to 2020 (at 20%), driven by the Energy Crisis slowing churn in H2 2021. EDF Energy's market share increased from 9.3% at the end of 2020 to 10.5% at end-October of 2021.

The Coronavirus pandemic had a substantial impact on the business in 2020, however this has been limited in 2021 as the economy has recovered following the removal of restrictions. However, given the economic downturn now being followed with a cost of living increase across the UK, there is concern over the affordability of energy bills for vulnerable customers, particularly as bills are rising because of higher global gas prices. Therefore, EDF is highly engaged with the Government and the regulator Ofgem to review issues such as supplier resilience, the tariff cap methodology and customer affordability concerns.

### ***Energy Crisis***

Gas and power wholesale prices in the UK have risen significantly over winter 2021, driven by lower gas storage levels following a cold winter, delays to the Nordstream II gas pipeline certification, high gas demand in Asia and an unplanned interconnector outage between UK-France. These price rises can largely be passed onto B2B consumers, however Residential customers are protected to the extent that the Standard Variable Tariff (SVT) cap is fixed based on market forward prices in the previous six-month period.



## **STRATEGIC REPORT (continued)**

This inflexibility in the cap price methodology means that the SVT tariff is now the cheapest in the market, and considerably below the marginal cost of supply. In total c.30 suppliers have failed in 2021, the largest being Bulb with 1.7 million customers and Avro Energy which had 580k customers. Some small-medium suppliers have collapsed as a result of an insufficient hedging policy. Others have collapsed because they could no longer meet the cash requirements of continuing to trade when prices for power are so high.

The customers of these failed suppliers have their supply protected by the Ofgem Supplier of Last Resort (SoLR) process, which appoints a new supplier or failing that, a special administrator. Costs to remaining suppliers of fulfilling their obligations as a SoLR can be recovered through an industry mutualization process, which sees levy claims, approved by Ofgem, submitted to the Gas and Electricity Network Operators for recovery through distribution costs. Ultimately these costs will then be passed onto consumers in supply tariffs. There is a time lag between incurring costs and the recovery, which places a significant cash burden on energy suppliers that act as a SoLR in the current market context.

EDF Energy was appointed as SoLR for Utility Point which had c220k customer accounts, these customers were migrated onto EDF Energy's IT systems over November-December 2021. EDF Energy was also appointed as SoLR for Zog Energy's 11,700 accounts.

EDF Energy faces further financial losses from the high energy prices, due to the requirement to offer capped standard variable tariffs (SVT) to all customers.

Most of the customers whose fixed offer is expiring are currently choosing an SVT tariff, which in the current market circumstances does not allow EDF Energy to charge tariffs that reflect the real costs of supply. An additional risk is the uncertainty regarding the supply and hedging policy linked to the fact that customers can, depending on the evolution of market prices, end their SVT contract at any time, without any exit fees.

EDF Energy is engaged very actively with the Regulator, Government and other stakeholders in the discussions on the market regulations reform.

Post year end following the conflict in Ukraine, the commodity prices continue to be volatile which exacerbate this situation.

### ***Smart Metering Policy***

GB energy suppliers were required to take "all reasonable steps" (ARS) to install smart meters for their domestic and small business customers before the end of December 2021.

UK Government has confirmed there will be a new obligation on all suppliers to continue installing smart meters for the period January 2022 to December 2025. The UK Government has consulted on the annual minimum installation targets all suppliers will have to meet for the first two years; 2022 and 2023, the targets will not be covered by ARS. These targets are challenging and there are real risks that suppliers will fail to achieve them, given that smart meters remain optional for customers. EDF and other suppliers are working with UK Government to develop future targets which strike the balance of completing smart meter roll out in a way that maintains both pace, the correct technical standards and a positive customer experience. EDF Energy remains committed to delivering smart meters to all domestic and small business customers who wish to benefit from this new technology.

In 2021, EDF Energy has installed a further 452k smart meters and at the end of 2021, 43% of EDF Energy customers in scope for the rollout have smart meters. This meant that EDF Energy has installed a total of 2.4 million smart meters to date. This continued progress is despite several serious challenges, including a Covid 19 related pause of all smart meter installation activity to ensure the safety of its customers and operatives and a nationwide fuel shortage.

### ***Non-domestic customers***

The primary focus of EDF in the non-domestic market is that of electricity supply. In 2021, the non-domestic segment supplied a total of 30.83TWh of electricity, 1.94TWh to 221k small business customers ("SME") and 28.89TWh to 9.2k medium and 5k large business customers ("I&C"). The business customer electricity market in the UK is c.164.1TWh in total, making EDF Energy the second largest supplier to business customers by volume.

## **STRATEGIC REPORT (continued)**

The industry has recovered from the Covid-19 demand reduction seen in 2020. Whilst UK non-domestic electricity segment has seen an increase of 0.3TWh in the 6 months from 30/04/2021, a volume increase of 1.3TWh YoY was seen for EDF Energy non-domestic electricity segment in 2021.

In SME, managing the risks which have arisen from the pandemic has been the primary focus for much of 2020 and 2021. Steps were taken to price-in additional risk, increase credit restrictions and limit winning higher risk sectors in order to protect EDF's position. Despite this, SME has developed its channels as customer numbers grew 10% in electricity and 31% in gas this year.

EDF's Medium Business segment have continued its focus on Meter Point Administration Number (MPAN) growth, successfully growing the live MPANs on supply by 42% since the start of the year.

In the Large Business segment, the continuation of a targeted new-business approach has led to the successful acquisitions of 12 new customers in 2021 (double previous years). Additionally, 21 Large Business contracts have been renewed.

In the export market, EDF has grown its Power Purchase Agreement business and has become the largest renewable power offtaker (based on owned and 3rd party capacity) according to the latest industry market report. EDF has also successfully bid to become the offtaker of the Sofia Wind Farm, 6.5TWh of annual volume expected to become fully operational in 2026.

### **Nuclear New Build**

Following the final investment decision (FID) made by EDF's Board of Directors on 28 July 2016, EDF and CGN signed contracts for the construction and operation of two EPR reactors on Hinkley Point site in Somerset ("Hinkley Point C" or "HPC" project).

At the same time, agreements were signed for the development in the UK of two nuclear power plants at Sizewell in Suffolk ("Sizewell C" project, based on EPR technology) and Bradwell in Essex ("Bradwell B" project, based on UK HPR1000 technology).

### ***Hinkley Point C (HPC)***

#### ***Management of the Covid pandemic***

Since the beginning of the pandemic, the project has taken extensive measures to guarantee the safety of workers on site and in its offices. These measures are being continuously adapted and evolve to apply best practices and to be able to keep the number of infections as low as possible. From July 2021, measures on site have been eased in line with Government guidance, allowing the project to increase capacity on site, with some prevention measures remaining in place.

Thanks to the approach adopted, the site has remained open and running since the beginning of the pandemic. However, works performed on site and off-site manufacturing have remained affected by Covid in 2021. In particular, social distancing measures prevented an increase to the number of workers on site as planned during part of the year and productivity has been impacted. The number of people working on site at peak has increased from c. 5,000 in January 2021 to c 7,400 by the end of 2021.

#### ***Progress of the project***

- On Unit 1, the 1.5 m and 5.15 m slabs in the Reactor Building have been completed, and in the Conventional Island, the 2500 m3 concrete table upon which the turbine will sit is complete
- The 1.8 km Outfall tunnel drive is completed and works have started on the second intake tunnel. The manufacturing of the 6 intake and outfall heads is complete.
- Civils handed over the first room to MEH. On Unit 2, the first liner ring has been lifted into position into the Reactor Building in November 2021, 11 months after the same operation on the first reactor.
- Manufacturing of key equipment is progressing. For instance, the polar crane quadrilateral beam has been completed and the first low pressure rotor, measuring 20 metres long, has been manufactured.

## **STRATEGIC REPORT (continued)**

### *Project Costs and Timeline*

The project's targets in terms of schedule and cost at completion were updated on 27th January 2021 on the following basis:

- the start of electricity generation from Unit 1 announced to be in June 2026, compared to end-2025 as initially announced in 2016;
- the project completion costs are estimated in a range of £22 to £23 billion corresponding to £26 to £27 billion in nominal;
- the risk of COD delay of Units 1 and 2 is estimated respectively at c.15 and 9 months. The realisation of this risk, for which the probability is high, would incur a potential additional cost in the order of £0.7 billion;

The risks on the schedule and cost at completion targets have increased in 2021 due to continuing impact of Covid, lower than expected civil performance, tensions in global building materials markets and Brexit impacts. In addition, progress on offshore marine works has been slowed down due to permit delays, with an ongoing judicial review.

Plans are being developed to mitigate the delays and actions are in place to drive civil performance.

At the end of 2021, the actual costs excluding interim interest for the project as a whole stood at £15.3 billion (at nominal values), or £13.6 billion at real value. The interim interest 'costs capitalised' stand at €835 million.

The IRR of the project is subject to regular re-estimates. To date, the review of economic and fiscal assumptions leads to a re-estimation of the IRR between 6.7% and 6.8% based on the assumption that CGN will finance the project beyond its current commitment (voluntary equity) up to the level of its stake.

A full cost and schedule review will be performed in 2022 including an update of the impacts of the health crisis.

The potential impacts of the war in Ukraine and associated international sanctions on our supply chain are being assessed. In the circumstances, there is a risk that some overseas suppliers may not be able to deliver to expected timetables or cost, or that we may need to identify alternative suppliers.

### *Exchanges with the UK office for nuclear safety and regulation (ONR)*

ONR has been regularly informed of the management of the Covid-19 situation and the mitigation plans implemented. ONR confirmed that the Covid control measures were in place and in line with Public Health England guidance.

ONR approved commencement of the bulk MEH erection in November 2021.

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 HPC project company, NNB Generation Company (HPC) Limited and the Department of Energy and Climate Change (DECC) have agreed, on October 2015, on the full terms of the CfD for HPC, which was approved by the European Commission in October 2014, ruling that the terms complied with EU state aid rules. The Commission's decision has been challenged by Austria, which sought the annulment of that decision before the General Court of the European Union, which dismissed its action by a judgment of 12 July 2018. On 22 September 2020, the European Court of Justice rejected Austria's appeal and confirmed the Commission's decision approving United Kingdom aid for HPC nuclear power station.

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 of Unit 2.

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.

## **STRATEGIC REPORT (continued)**

The key elements of the Contract for Difference are:

- the strike price for HPC is set at £92.50/MWh. The strike price will be reduced to £89.50/MWh if the Sizewell project enters into a Contract for Difference or equivalent support, with further compensation from Sizewell C to HPC in order to share UK first of a kind costs of EPR across both projects;
- the strike price is fully indexed to UK inflation through the Consumer Price Index (CPI);
- the payment term is 35 years; in case of a delay to Unit 1 leading to its commercial commissioning after 1<sup>st</sup> May 2029 or a delay of unit 2 leading to its commercial commissioning after 31 October 2029, the corresponding 35-year payment term would be decreased commensurately with the deadline overrun.
- Moreover, any delay in the commercial commissioning of Unit 1 exceeding 4 years after the deadline specified by the agreement for Unit 2 (i.e. beyond 31 October 2033, unless this date is postponed pursuant to the terms of the agreement) authorises (but does not oblige) the UK Government to terminate the agreement. In view of the pandemic, HPC has made a request to the LCCC to extend the COD windows, citing force majeure as allowed by the CfD. Discussions with LCCC continue; the project is protected against certain unfavorable 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).

There is no explicit volume guarantee in the CfD, nor is there a ceiling; however, the contract is protected against change in law risk and any curtailment on the export of electricity so that the project is put back in the same position it would have been had the change in law or curtailment event not occurred.

### *Funded Decommissioning Programme (FDP)*

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

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 (including long term storage); 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, for the development, building and operation of two EPR reactors at Sizewell in Suffolk for a total capacity of 3.2GW. The power plant would provide electricity to 6 million households for around 60 years. The development of the project is led by EDF which holds 80% of the project as of end of 2021, with CGN owning the remaining 20%.

The project is based on an objective of replicating HPC as much as possible. By the date of the final investment decision (FID) at the latest, EDF plans to reduce its stake to no more than 20%, and to deconsolidate the project from the Group's financial statements (including in the calculation of the economic indebtedness by the rating agencies). Therefore, the project aims at achieving the conditions enabling third party investors and debt holders to invest in the project.

After the FID, EDF group intends to supply the design, some key nuclear equipment and components (including nuclear steam supply systems, instrumentation & control, fuel) as well as associated services.

### *UK government support for the development of large-scale nuclear projects*

On December 2020, as part of the steps to achieve net zero carbon emissions in 2050, the UK Government announced its ambition to bring at least one large scale nuclear project to the point of Final Investment Decision by the end of this Parliament (2024), subject to evidenced value for money and all relevant approvals.

## **STRATEGIC REPORT (continued)**

On 27 October 2021, as part of the Spending Review 2021, the UK Government announced:

- up to £1.7 billion allocated to the development of large-scale nuclear projects over the period 2022-2025
- that it is in active negotiations with EDF on the Sizewell C project.

### *Regulation model and risk sharing mechanism*

On 26 October 2021, the UK government introduced the legislation (Nuclear Energy (Financing) Bill) to establish a revenue model to fund future nuclear projects, using the Regulated Asset Base (RAB) model. The final reading was passed by the House of Commons on 10 January 2022, at which point the Bill has gone to the House of Lords for consideration.

The RAB model is a method typically used in the UK to finance large scale infrastructure assets such as water, gas and electricity networks. Under this model a company receives a licence from an economic regulator to charge a regulated price to consumers in exchange for providing the infrastructure. The regulator sets an allowed revenue level for a project to recover costs (construction and operation) plus a financial return on the capital investment (a return on asset value). This model aims to enable investors to share the project's construction and operating risks with consumers. With a nuclear RAB model, electricity suppliers would be charged, as the users of the electricity system, the cost of the project. The allowed revenue would be received from the start of the construction phase, reducing the overall cost of financing. SZC aims at being designated eligible to receive the benefit of the RAB licence condition.

In addition, a Government Support Package (GSP) that protects investors and debt holders from some risk events would be defined.

The terms of the RAB model and GSP for the Sizewell C project are currently being discussed.

### *Financing of the project*

The agreements between EDF and CGN set out a cap in the shareholders' funding of the development phase, without any commitment to fund the project beyond the development phase. Discussions with the UK government are ongoing on the financing of the remaining development costs to the final investment decision.

The aim is for the construction of the power plant to be largely financed by private equity and debt. The financing model has never been implemented in the UK for projects of this scale before and therefore would be one of the largest ever equity and debt issuance and project financing on the European scene. The project aims at obtaining an investment grade credit rating to attract private investors. Securing an appropriate regulation model and risk-sharing mechanism is, among others, key to achieve this objective.

On 27 January 2022, the UK Government decided a £100 million government funding in exchange for an option over the site land or over EDF's shares in the project company.

EDF has planned to pre-finance the development up to its share of an initial budget of £458 million.

The project could face difficulties in accessing the necessary financing for its development due to the minority presence of a Chinese company operating in the nuclear field.

### *Progress on consents and permitting*

In June 2020, Planning Inspectorate accepted the application for the Sizewell C development consent order (DCO) for examination. The examination process took place between April and October 2021. As part of the planning process, the executed Deed of Obligation (the mitigation measures program) and Environment Trust (additional support to environment protection) have been agreed.

The Examining Authority is now considering the final version of the draft DCO as well as all the other documents (technical assessments, mitigation measures etc.). A decision on the DCO application by the Secretary of State is expected by the end of May 2022, which will then be followed by a six-week period open to potential judicial review.

The Environmental Permits Application and the Nuclear Site Licence Application were submitted in May and June 2020. The applications are currently under review. The conditions to obtain a Nuclear Site Licence are currently expected to be fulfilled in 2022.

## **STRATEGIC REPORT (continued)**

### *Conditions for a final investment decision*

EDF's ability to participate in a final investment decision on Sizewell C alongside other investors and to contribute to the financing of the construction phase depend on the fulfilment of some conditions including:

- the availability of the required funds to finance the development costs until a Final Investment Decision
- a regulation model, risk-sharing mechanism and Government Support Package, allowing private investors (debt and equity) to invest.
- an appropriate financing structure during construction and operation and sufficient investors and debt holders willing to invest into the project. This is subject in particular to achieving an investment grade credit rating by the credit agencies.
- an agreement with the key suppliers on the key construction and operation contracts
- obtaining the required consents and permits, including Development Consent Order, Nuclear Site Licence and Environmental Permits
- the ability not to consolidate the project in the Group's financial statements (including in the calculation of the economic indebtedness by the rating agencies) after a final investment decision

Not meeting these conditions could lead the Group not to take a final investment decision.

### ***Bradwell B***

EDF and CGN signed agreements alongside the HPC and Sizewell C contracts on 29 September 2016 in order to:

- obtain the design certification of the Chinese-based design HPR1000 in the UK (UK Hualong Pressurised Water Reactor - UK HPR1000) through the Generic Design Assessment (GDA) process. This process is led by a joint-venture, General Nuclear Systems Limited (GNSL) currently owned at 66.5% by CGN and 33.5% by EDF.
- develop a nuclear power plant at Bradwell-on-Sea in Essex using the UK HPR1000 technology. This process is led by a joint-venture ("Bradwell" or BRB) currently owned at 66.5% by CGN and 33.5% by EDF.

The HPR1000 technology has been developed by CGN. Two Hualong units are under construction in China at CGN's Fangchenggang plant and are expected to be commissioned in 2022.

The GDA is a 4 step process, which started in 2017 and was completed on 7 February 2022 when the ONR issued a Design Acceptance Confirmation (DAC) and the Environment Agency a Statement of Design Acceptability (SoDA). It confirms that the UK HPR1000 meets regulatory expectations on safety, security and environmental protection at this stage of the regulatory process. Therefore, this reactor is suitable for construction in the UK, subject to the necessary licensing, planning permission and environmental permits. The GDA process is separate from applications to build reactor power plant at specific sites.

There is great uncertainty around the development perspectives of the Bradwell project, mainly related to the political opposition to a Chinese company leading a critical UK infrastructure project and from the lack of local stakeholder support. The risks of not being in a position to carry out the Bradwell project are high and have increased in 2021.

EDF's commitment to fund GNSL and Bradwell is subject to an equity cap, without any obligation to fund the project beyond the funding cap.

## **Regulatory environment**

### ***Price Cap***

- Ofgem introduced a cap on default tariffs for domestic customers on 1 January 2019;
- The cap level is updated to reflect revised costs every 6 months. As of 1 January 2020, the scope of the default tariff cap covered domestic customers supplied through both credit and prepayment meters.

## **STRATEGIC REPORT (continued)**

- In July 2021, the UK Government announced that it intends to introduce new legislation that would allow the tariff cap to remain in place beyond the end of 2023, if needed
- In August 2021, Ofgem made a recommendation to UK Government that the default tariff cap should remain in place for 2022;
- The recent energy crisis has resulted in Ofgem announcing in late October that it intends to consult on the price cap methodology to ensure it appropriately reflects the costs, risks and uncertainties facing suppliers and is considering changes that may be made from October 2022.

### ***Supplier failure***

Please refer to energy crisis paragraph in the Customers update.

### ***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.

CPS operates as a top-up to the carbon price provided until 31 December 2020 by the EU Emissions Trading System (EU ETS) and from 1 January 2021 by the UK Emissions Trading Scheme (UK ETS). It is an important component of 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 CO<sub>2</sub> for the five years from April 2016 to March 2021 and HMRC have announced in the March 2021 Budget that it will remain at £18/tonne until March 2024.

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. The CM continues to operate, although the inclusion of new emission limits means that unabated coal-fired generation will be unable to compete for capacity agreements for periods after 30 September 2024; the UK Government has also announced its intention to require unabated coal-fired generation to close by this date. The UK Government's five-year review of the CM, published in 2019, committed to retaining the CM as a guarantee of system reliability and to making further incremental improvements to its design. The UK Government's Energy White Paper, published in December 2020, confirmed that the next review will take place by 2024 and that UK Government intends that the mechanism will act in concert with other markets to incentivise investment in capacity.

CfDs are intended to support investment in new low carbon generation including renewables and the Hinkley Point C nuclear project. The UK Government launched a fourth "allocation round" (auction) for renewable CfDs in 2021, results of this auction are still waited. The Government announced on 9th February 2022 that they would move to annual CfD auctions.

The UK 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; in December 2020, the UK Government announced that will enter into negotiations with EDF in relation to the Sizewell C project; the UK Government also confirmed that it remains of the view that a RAB model is a credible basis for funding large-scale nuclear projects and that it will therefore continue to explore the viability of the RAB model for Sizewell C along with other models.

### ***Network Charging***

In August 2017 Ofgem launched a significant review of all network charging (covering both transmission and distribution). The first phase of this work is almost completed with proposed changes being implemented between April 2021 and April 2023. Ofgem's main objectives were focussed on fair allocation of costs and ensuring a level playing field between different sizes of connected generators – these reforms take effect from April 2021. A big change has been to make a larger proportion of the charge fixed and no longer variable. The second phase of this work is still on-going and is largely focussed on distribution charging and the need to make this more cost reflective given the scale of expected changes to these networks through growth in electric mobility and electric heat this decade.

## **STRATEGIC REPORT (continued)**

Finally, Ofgem also launched a major review of the costs the System Operator requires to balance the electricity system. The conclusion of this review has determined that generators are to be exonerated from paying a share of these costs with the costs being solely borne by final-demand users. These costs will also shift from a variable to fixed charge. These reforms are expected from April 2023.

### ***Regulatory reporting***

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

### ***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 42 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. Margin risk also comes from the availability offered to customers to switch from fixed price contracts to SVT cap, which allow them to take benefit from the more attractive offer but the group cannot hedge properly.

#### ***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 and equipment reliability. 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 were shut down whilst graphite inspection outages were undertaken. The station returned to service in September 2020 following these outages and approval from the ONR for 2 operating cycles of 6 months. Reactor 3 ended power generation on 26 November 2021 and Reactor 4 on 7 January 2022 as previously planned.



## **STRATEGIC REPORT (continued)**

Hinkley Point B Reactor 3 and 4 are shutdown following planned graphite inspections in 2020. The station has received the approval to return to service in March 2021 for reactor 3 and April 2021 for reactor 4 for 2 cycles of six months and is planned to close no later than 15 July 2022.

Dungeness B reactor 2 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. On 7 June 2021, it was announced that the station would not return to service and would be moved to defueling operations with immediate effect.

### ***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.

### ***Brexit***

The UK left the European Union (EU) on 31 January 2020, entering into a Transition Period that ended on 31 December 2020.

The EU-UK Trade and Cooperation Agreement (TCA), agreed on 24 December 2020, sets the basis for the EU-UK relationship from 1st January 2021. Nevertheless, it was widely recognised that further work would be required to develop several important aspects of the new EU-UK relationship.

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

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

During 2021, EDF's main focus has been to manage the impact of cross-sectorial issues affecting international trade, including the implementation of border controls, access to EU labour and services and the risks arising from some companies (particularly small and medium sized) not being fully prepared for the new trading arrangements. Some risks still remain as elements of the new arrangements are finalised, including full UK border controls and the introduction of the UK Conformity Assessed (UKCA) marking regime (replacing EU CE marking in the UK).

## **STRATEGIC REPORT (continued)**

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

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

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

### Carbon Pricing

As the largest generator of low-carbon electricity in the country, EDF Energy benefits over the long term from the increase in the wholesale power price as a result of the application of a carbon price to the carbon emissions of fossil fuelled generation. Electricity generators in Great Britain are subject to two main carbon pricing mechanisms, the UK Emissions Trading System (UK ETS) and the UK's Carbon Price Support tax.

The UK Emissions Trading Scheme (UK ETS) came into operation on 1 January 2021, replacing the UK's participation in the EU ETS and operating with broadly similar rules to the EU ETS. UK ETS auctions commenced in May 2021. The UK ETS has delivered broadly similar carbon prices to the EU ETS but, as expected in a significantly smaller scheme, the UK ETS market has been less liquid than the EU ETS and prices have been more volatile. Further developments of the UK ETS are expected over the next few years, including the alignment of the cap on the number of allowances with the UK's transition to net zero. In the December 2020 Trade and Cooperation Agreement, the UK and the EU agreed to give serious consideration to linking the UK ETS and EU ETS but made no commitment to do so. There has been no indication of any progress towards this linkage during 2021.

### ***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 UK 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 UK 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. On 23 June 2021 EDF and the UK government signed an update to the Restructuring Agreements. The changes and clarifications to the Agreements confirm the recovery of qualifying costs and stipulate that once the AGR stations have finished defueling under EDF Energy responsibility, they will transfer to the NDA which will be responsible for subsequent decommissioning activities. At 31 December 2021, 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***

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 a net actuarial surplus at the last triennial valuation as at 31 March 2019. Lower 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.

In February 2021, the Company concluded a statutory consultation around its provision of pension benefits and confirmed its intention to close the DB schemes for future accrual with effect from 1 July 2021, except for those employees with protected rights. Impacted employees had the option to extend DB pension accrual until 31 December 2021 but received a lower transition payment. On cessation to DB accrual employees had the option to join a defined contribution scheme with various tiers of contribution rates.

## **STRATEGIC REPORT (continued)**

EDF in the UK and the Pension Scheme Trustees of each of the three legacy DB schemes (BEGG, EEGS and EEPS) agreed to consolidate the three pension schemes and to amend and strengthen the support provided by EDF SA to the consolidated pension scheme. On 31 December 2021 the assets and liabilities of EEGS and EEPS were merged into BEGG and BEGG was renamed EDFG. A revised Memorandum of Understanding (MoU) was agreed in 2021 as part of the negotiation around consolidation setting out a framework whereby EDF SA provides financial support in return for agreement on funding and investment/risk matters. See note 41 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 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.

### ***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.

### ***Climate-related risk***

Risks associated with climate change and the transition to a lower carbon economy are considered both strategically and operationally.

The purpose of EDF Energy is to help Britain achieve Net Zero, which is aligned with the UK Government's Net Zero Strategy and "10 point plan" for a "green industrial revolution". Further details are described in Long-term strategy and the Section 172 (1) Statement.

EDF Energy business units are responsible for identification and management of risk associated with their business area. Climate risk associated with existing and new nuclear power stations is assessed, and managed or mitigated, using information from several sources including the UK Climate Impacts Programme (UKCIP). Safety cases for existing site licenses look at one in 10,000 year extreme weather and flooding events. Climate resilience is also integral to the design of new stations with studies undertaken as part of Development Consent Order applications and site license applications.

The Group's financial statements reflect issues relating to climate change and sustainable development through the implementation of its investment and divestment strategy, through expenditure incurred specifically in response to environmental issues, particularly under applicable laws and regulations, and through the valuation methods used for the Group's assets and liabilities.

## **STRATEGIC REPORT (continued)**

### Investment strategy

In 2021, the Group continued its programme of investment into low carbon power generation through its HPC projects. In 2021, amounts capitalised in property, plant and equipment relating to HPC were £3,202m (2020: £2,771m) see note 18.

On 4 November 2021, Pod Point was successfully floated on the London Stock Exchange raising £105m of third-party financing to fund future growth in the fast growing UK electric vehicle market. EDF has retained a 54.05% stake in Pod Point following the IPO.

### Divestment strategy

In March 2021, the Group announced the closure date for its last coal-fired power station. West Burton A will cease generation on 30 September 2022, allowing the station to meet its capacity market commitments until this date and meet the UK Governments deadline to close UK coal-fired power stations by 2024. On 31 August 2021 EDF sold its West Burton B power station and the associated battery storage asset to EIG.

### Expenditure incurred specifically in response to environmental issues

#### *EU Emissions Trading System*

The European Union's Emissions Trading System (EU ETS) exists to fight climate change and reduce greenhouse gas emissions.

This system, which has been incorporated into UK law, sets an annual cap on emissions. Businesses (including EDF Energy) receive or buy emission quotas, then the following year surrender to the European Commission a number of greenhouse gas emission rights corresponding to their emissions for the year elapsed. Fines are payable if there is a shortfall (110€ per tonne of CO<sub>2</sub> not covered by quotas, and an obligation to cover these amounts by quota the following year).

Over-quota greenhouse gas emissions by the Group amount to £30m at 31 December 2021 (2020: £75m) and are recorded in balance sheet provisions (see note 28). Greenhouse gas emissions are a component of intangible assets (see note 17) and had a net value of £76m at 31 December 2021 (2020: £72m).

Following Brexit, this scheme is replaced by the UK ETS for 2021 onwards.

#### *Renewable obligation certificates*

To encourage use of renewable energy produced from renewable sources the UK has set itself targets for consumption of electricity from renewable sources. Guarantee of Origin certificates prove the renewable origins of the electricity, which transits through the grid. They are sold by operators of renewable energy plants and bought by customers who want to use renewable-source electricity.

The method in which the UK operates this scheme is by requiring companies (including EDF Energy as an electricity producer who also sells electricity to customers) to surrender a certain volume of renewable energy certificates depending on the level of sales to customers.

A provision of £821m million is recognised at 31 December 2021 (2020: £679m) relating to the obligations for renewable energy certificates to be surrendered at that date (see note 28). At 31 December 2021, £206m (2020: £192m) of these obligations are covered by purchased certificates recorded in intangible assets (see note 17).

### Valuation of assets and liabilities

#### *Provisions for environmental risks*

Provisions relating to nuclear generation comprise provisions for back-end nuclear cycle expenses (management of spent fuel and radioactive waste), provisions for plant decommissioning and provisions for unburnt fuel. Details of these provision can be found in note 28 and 29.

## **STRATEGIC REPORT (continued)**

Provisions related to environmental schemes also include provisions for greenhouse gas emission rights, renewable energy certificates and decommissioning on non-nuclear power stations and gas storage facilities (see note 28).

### *Valuation of assets*

Climate issues are taken into account in valuing long-term assets through impairment testing. The long-term scenarios used for electricity prices are consistent with the trajectories of UK and European decarbonisation targets. Successive impairments have been booked on thermal generation assets controlled by the Group in recent years (see note 16).

### **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, underpins the controls that we implement and enables us to comply with the French “loi de vigilance”, which requires EDF and its subsidiaries to identify and control risks to human rights and fundamental liberties, the health and safety of people and the environment that may arise from our business activities and those of our subcontractors and suppliers. 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.

### **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 has a number of treasury and risk policies to monitor and manage liquidity risk. Cash forecasts identifying the Group’s liquidity requirements are produced regularly and are stress tested for different scenarios, including, but not limited to, reasonably possible increases or decreases in commodity prices and the potential cash implications of a credit rating downgrade.

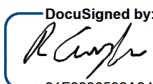
The Group seeks to ensure that sufficient financial headroom exists. It is the Group’s policy to maintain committed facilities and/or available surplus cash. The Group manages its capital through focusing on its net debt which comprises borrowings (note 26), including lease obligations, accrued interest 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.

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**STRATEGIC REPORT (continued)**

After making enquiries and reviewing cash flow forecasts and available facilities for at least the next 12 months (including subsequent events), 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

DocuSigned by:  
  
81F6836592A941E...  
Robert Guyler  
Director  
29 April 2022  
.....

## **DIRECTORS' REPORT**

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

Principal risks, managements objectives and policies along with future developments of the Group are discussed within the strategic report.

### **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  
 Sylvie Jehanno  
 Etienne Dutheil

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 and Colin Matthews serves on the board as the non-executive chairperson. 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.

### **Streamlined Energy & Carbon Reporting**

The financial impact of climate risk is disclosed in the Principal risks and uncertainties section of the strategic report.

#### Current year Energy Efficiency Measures

During 2021, EDF has implemented a significant number of initiatives to improve energy efficiency. A summary of the key initiatives is provided below:

#### *HPC*

- As part of the construction of our new nuclear power station Hinkley Point C, we continually look for the most energy efficient practices and ways we can reduce energy consumption. A significant improvement has been as a result of increased connections to mains electricity supply across our vast construction site. This provides a direct electricity supply to site construction areas and reduces the number of diesel generators. We have removed over 100 diesel generators from site over the last year.
- We now have a permit system for delivering diesel generators to site which requires Director level approval for new units to site.
- More than half of the lighting towers used across site are now either solar or hybrid powered;
- Our sewage treatment plant is due to become operational in Q1 2022 and reduce the number of vehicles on the roads removing liquid waste; and
- We continue to increase the use of electric vehicles across the site activities.

## **DIRECTORS' REPORT (continued)**

### *Nuclear Fleet*

- The overriding contribution to Net Zero from Nuclear Generation, comes from safe, reliable, low carbon nuclear generation. However, as the Nuclear fleet ages, they cease to be Power generating stations and instead become waste production sites. 2021 saw the first of the stations come offline, with Hunterston B, and Dungeness B. The following stations will be coming offline in the forthcoming years; Hinkley Point B in 2023, Heysham 1 and Hartlepool are set to enter defueling in 2024, Heysham 2 and Torness in 2028, and Sizewell B in 2035.
- Across the fleet there are a number of projects ongoing such as moving to LED lighting, introduction of motion sensor lighting, optimising onsite vehicles, and increasing the electrical offsite fleet.
- Specific examples from around the fleet include the following:
  - At Torness, the Cooling Water drum screens now have Variable Speed Drives meaning that they can now be slowed during periods where there is low marine ingress. Thus, saving energy during those times when there is reduced material coming in with the sea water. The speed can then be increased during heavier ingress periods.
  - Heysham 1 has commissioned electrical heating for the admin buildings. Previously, heating relied on Aux Steam system. However, due to events in 2018, this was isolated meaning the station had to use a diesel generator to heat certain buildings during the winter months. The use of electricity to heat future proofs the station for any future shutdown.
  - Sizewell B 2021, Metroscope project – This is software developing a digital twin of Sizewell B secondary side. This software allows us to monitor plant in real time and indicates where efficiency losses may be occurring.
  - Heysham B - construction of a Forward Deployment Service Training and Storage facility, part of the Company's emergency services arrangements. This removed the need for setting up diesel generators to power ten training facilities, and one ablution block separately. Another benefit being that all training operations, and the equipment that had to previously be mobilised from other locations, are held on site. Also, a reduction in the need for transport of equipment to and from the other depots. The training is now delivered at the station, again eliminating emissions that would have been associated with delegate business travel.
- Other Generation sites:
  - West Burton A – since the closure of LCP2 (Units 3 & 4) at West Burton A, we continue to investigate ways to reduce energy consumption. This has included physical isolation of kit, which significantly reduces energy consumption. For operational units, we continue with our works power savings initiative, where items of plant are shut down where possible.
  - Gas Storage is continuing to optimise EV workplace charging and has engaged with the EDF Fleet Manager. Several site personnel have joined the EDF EV scheme/benefit. We continue to replace equipment when failed, such as lighting, with energy efficient replacements. Improvements and resurfacing of the main site access roads carried out Q1 2021 has led to significantly less maintenance required to site vehicles i.e. vehicles having to be driven off site for tyre replacement; premature vehicle wear and repairs; vehicle washing etc.

### *Cross Company*

- LED upgrades continue to be rolled out across all locations, where possible.
- We continue to install Pod Point charging points across our sites for electric vehicles in line with our EV100 commitment.
- As a result of Covid-19 and business efficiencies, we continue to review our office space and look for ways to improve efficiency. This includes reduction and optimisation of office space, much of which is in train for 2022.
- Renewal of main building chillers at Gadeon House and Barnwood for smaller, more efficient chillers and upgrade to controls systems for improved building management and cooling load requirements.



**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

## **DIRECTORS' REPORT (continued)**

- Energy Manager in place with programme of activities in place and a new Energy Management Platform being developed.

### Prior year Energy Efficiency Measures

During 2020, EDF has implemented a number of initiatives to improve energy efficiency. A summary of the key initiatives is provided below:

#### *HPC*

- As part of the construction of our new nuclear power station Hinkley Point C, we continually look for the most energy efficient practices and ways we can reduce energy consumption. A significant improvement has been as a result of increased connections to mains electricity supply across our vast construction site. This provides a direct electricity supply to site construction areas and reduces the number of diesel generators.
- We continue to undertake trials to improve energy efficiency with some of our Tier 1 contractors trialling electric road sweepers and electric white vehicles.
- Almost half of the lighting towers used across site are now either solar or hybrid powered; and
- We continue to increase the use of electric vehicles.

#### *Cottam*

- Since ceasing production at our Cottam coal site in 2019, we continue to investigate ways to reduce energy consumption as we start decommissioning. This has included physical isolation of kit, which has more than halved energy usage. As part of decommissioning and demolition, some areas of the site will require re-powering. We are therefore undertaking feasibility studies on solar and hybrid generators. Lighting and dryers for existing admin buildings that will need to be used throughout the project have been upgraded saving over 20kw of power.

#### *Group-wide*

- LED upgrades continue to be rolled out across all locations, where possible.
- We continue to install Pod Point charging points across our sites for electric vehicles.
- As a result of Covid-19 and business efficiencies, we continue to review our office space and look for ways to improve efficiency. This includes reduction and optimisation of office space.
- Renewal of main building chillers at Gadeon House for smaller, more efficient chillers and upgrade to controls systems for improved building management and cooling load requirements.

### Breakdown of Emissions by Scope

Fuel Type	2021		2020	
	kWh	tCO <sub>2</sub> e	kWh	tCO <sub>2</sub> e
Scope 1 – Combustion of fuel for transport purposes	36,565,304	9,833	27,398,566	7,004
Scope 1 – Combustion of gas	1,820,903	334	1,343,279	247
Scope 2 – Purchased electricity	1,767,349,455	375,261	1,801,514,613	420,005
Scope 3 – Business Travel emissions	2,900,028	713	2,905,054	720
<b>Total</b>	<b>1,808,635,690</b>	<b>386,141</b>	<b>1,833,161,512</b>	<b>427,976</b>

## **DIRECTORS' REPORT (continued)**

Our direct carbon emissions under Scope 1 in 2021 were 10,167 tonnes (2020: 7,251 tonnes) for gas consumption from our property, and fuel for transport. Our indirect carbon emissions for Scope 2 in 2021 amounted to 375,261 tonnes (2020: 420,005 tonnes) and come from electricity purchased and consumed across our offices and assets. Our Scope 3 carbon emissions in 2021 from business travel were 713 tonnes (2020: 720 tonnes).

### Energy Intensity Ratio

Our energy intensity ratio for SECR purposes is tCO<sub>2</sub>e/GWh of energy used. Our total carbon intensity by GWh of energy used for 2021 is 213 tCO<sub>2</sub>e/GWh (2020: 233 tCO<sub>2</sub>e/GWh), which is an improvement on the prior year intensity ratio.

### Methodology

We have followed the 2019 UK Government Environmental Reporting Guidance.

We have used emission conversion factors relevant to the reporting period from Department for Environment, Food and Rural Affairs (DEFRA) and the Department for Business, Energy and Industrial Strategy (BEIS).

We have used the following emissions data in preparing the emissions by scope:

#### *Buildings Electricity & Gas*

Buildings Electricity & Gas includes all consumption from our EDF offices and is shown either as actual or estimated. Where billing data could not be obtained, estimated kWh were used based on 12 months previous consumption.

#### *Fleet Fuel*

Fleet Fuel includes all fuel purchased for refuelling our fleet vehicles. Fuel cards are held by employees with Arval and Shell and direct exports are completed from those suppliers for litres of diesel and petrol purchased.

The total amount of fuel in litres is multiplied by the fuel conversion factor to calculate kgCO<sub>2</sub>e.

The total litres are multiplied by the kWh/l conversion factor to calculate kWh.

#### *Generation On-site Fuel*

Generation On-site Fuel includes all fuel purchased by our power stations for use in on-site vehicles.

The following assumptions have been made:

- Dungeness B and Sizewell B - the amount of fuel used for on-site vehicle is not split out from fuel used for generators and plant. The stations estimate that 2/3 of the total volume is used for on-site vehicle refuelling.

The total amount of fuel used in litres is multiplied by the fuel conversion factor to calculate the kgCO<sub>2</sub>e.

The total amount of litres is multiplied by the kWh/l conversion factor to calculate the total kWh.

#### *HPC On-site Fuel*

HPC On-site Fuel includes all fuel purchases for HPC for use in on-site vehicles.

The total amount of fuel used in litres is multiplied by the fuel conversion factor to calculate the kgCO<sub>2</sub>e.

The total amount of litres is multiplied by the kWh/l conversion factor to calculate the total kWh.

#### *Site Own Use*

Site Generation & Own Use includes the electricity imported directly from the grid for EDF's power station consumption.

The total consumption per station is then converted to kWh by multiplying the GWh by 1,000,000. The total kWh is then multiplied by the electricity conversion factor to calculate the kgCO<sub>2</sub>e.

## **DIRECTORS' REPORT (continued)**

### *Personal Mileage Expenses*

Personal Mileage Expenses includes all business personal car mileage. This is extracted from the Concur expenses reporting system where employees input their mileage travelled to claim expenses.

The distance in miles is multiplied by the 2021 BEIS managed assets vehicles, average car, unknown fuel conversion factor to calculate the total kgCO<sub>2</sub>e.

The distance in miles is multiplied by the 2021 BEIS SECR kWh pass & delivery vehicles, average car, unknown fuel conversion factor to calculate the total kWh.

### *Hire Car Expenses*

Hire Car Expenses includes all hire car refuelling data which is extracted from the Concur travel and expenses reporting system.

The data received through Concur is the total (£) spent on fuel. The distance travelled is then required to be calculated for the conversion to kWh and kg/tCO<sub>2</sub>e. This is calculated using the average HMRC data for 2021 of £0.12 per mile (2020: £0.11 per mile).

All relevant unquoted consolidated subsidiaries of the group are included in the above report. The only exception to this is Pod Point Holdings plc, which EDF Holdings Limited has a majority share, and is part of the Customers Business. As a result of Pod Point being a quoted company, and therefore having different reporting requirements for SECR, a separate report has been presented below.

### **Streamlined Energy and Carbon Reporting (SECR) - Pod Point Holdings plc**

We have provided emissions reporting data in line with the UK's SECR requirements.

We do however consider the SECR reporting requirements to be insufficient to fully explain the carbon impact and savings which Pod Point is delivering. The company is undergoing its first year of SECR reporting hence no comparative data have been presented in this report.

In line with our mission to make travel not damage the earth by building a national network of electric vehicle charging points, we plan in the future to report our emissions on a much wider basis in addition to that required by SECR.

On the carbon impact side, we are planning to consider the full carbon impact of our products and their associated installations, as well as the full activities of the Pod Point team.

On the carbon saving side, we plan to consider the carbon emissions we have avoided for the nation's electric vehicle drivers by enabling them to power their cars via electricity rather than through internal combustion engines.

While we of course believe that the carbon savings delivered through our network enabling the nation to drive electric vehicles significantly outweighs the carbon impact of us building that network, we of course wish to fully define that case numerically. One of our key aims for 2022 is to establish an appropriately thorough baseline against which we can provide increasing levels of disclosure and transparency in future Annual Reports.

Once we have fully established our baseline, we plan to develop further strategies to allow us to increase the rate at which we are contributing towards the decarbonisation of our society. Throughout, we'll carry out the necessary due diligence to ensure that we're employing the most appropriate methodology for Pod Point and our industry.

### Energy Efficiency Improvements

Once we have fully established our emissions baseline data during 2022, we plan to set out a comprehensive plan for ongoing emissions improvements across our business, in addition to more fully defining the carbon saved by people using our charging network to avoid using internal combustion engine vehicles.

## **DIRECTORS' REPORT (continued)**

As you would expect, we are very focused on ensuring our staff use electric vehicles wherever possible. For example, our staff company car scheme offers only fully electric vehicles, however we have not yet succeeded in converting our field team into electric vehicles. This is predominantly due to the challenges of sourcing suitable electric vans, however we now see suitable vehicles starting to arrive on the market, so we will be focusing on converting our field team to fully electric and where that is not possible range extended vehicles over the coming years.

### Breakdown of Emissions by Scope

Our direct carbon emissions under Scope 1 in 2021 were 211 tonnes from fuel combustion for transport purposes. Our indirect carbon emissions for Scope 2 in 2021 amounted to 19.2 tonnes and come from electricity purchased and consumed across our offices and assets. Our Scope 3 carbon emissions in 2021 from business travel were 2.7 tonnes.

<b>Fuel Type</b>	<b>KWh</b>	<b>tCO<sub>2</sub>e</b>
Scope 1 - Combustion of Fuel for Transport Purposes	248,980	211.0
Scope 2 - Purchased Electricity & Gas	102,858	19.2
Scope 3 - Business Travel	3,303	2.7
<b>Total</b>	<b>355,141</b>	<b>232.9</b>

The energy consumption and emissions for Pod Point Holdings plc are from its operations in the UK.

### Energy Intensity Ratio

Pod Point has two separate candidate metrics to calculate Energy Intensity Ratio. Since each metric has material pros and cons, we are providing each for SECR purposes:

#### 1. Number of charging units shipped or installed

The total number of charging units shipped or installed offers a tangible and robust metric that relates to our economic output across different routes to market at this point in Pod Point's journey. However, it has limitations, in that the fundamental purpose for Pod Point's network is to provide electricity to electric cars, rather than charging units for their own sake. For example, a year of very high utilisation of our network, yet with lower numbers of units shipped or installed (which may happen should the network reach a more steady state in future), may represent excellent performance towards our goals, but the Energy Intensity Ratio number would be disappointing with this metric.

The units shipped Energy Intensity Ratio is:  $232.8 / 66,002 = 3,528 \text{ gCO}_2\text{e} / \text{charging unit shipped or installed}$ .

#### 2. Total energy supplied through the Pod Point Network

The total energy supplied metric is clearly the more favourable for the performance of Pod Point's network of charging points, however the data we collect is only partial, as not all units remain connected at all times. This makes it a less precise metric.

The total energy supplied through the Pod Point Network Energy Intensity Ratio is:  $232.9 / 171,528,550 = 1.36 \text{ gCO}_2\text{e} / \text{kWh supplied through the Pod Point Network}$ .

### Methodology

We have followed the 2020 UK Government Environmental Reporting Guidance, using emission conversion factors relevant to the reporting period from the Department for Environment, Food and Rural Affairs (DEFRA) and the Department for Business, Energy and Industrial Strategy (BEIS).

## **DIRECTORS' REPORT (continued)**

Travel for our in-house and external install partners has been calculated using actual km travelled, and manufacturer supplied g/km, combined with the 2020 UK government real world emissions factor applied.

Energy used in our offices (NB: excluding remote workers) has been calculated from billed electricity used, multiplied by the government 2021 grid intensity factor, plus gas used multiplied by the government conversion factor.

Expensed travel other than that used by our internal and external install partners. Assumes all vehicles are "Average Car" as defined by UK Government GHG Conversion Factors.

### **Dividends**

Dividends of £185m (2020: £nil) were paid to the parent company and dividends of £1m (2020: £60m) were paid to the non-controlling interest during the year.

### **Political contributions**

During the year, the Group made no political contributions (2020: £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 42.

### **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.

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 engage 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, are disclosed in note 44 of the financial statements.

## DIRECTORS' REPORT (continued)

### 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 2022 in accordance with the provisions of Section 487(2) of the Companies Act 2006 and that the Directors have been authorised to fix the remuneration of the auditor.

On behalf of the Board

DocuSigned by:  
  
81F6836592A941E...  
Robert Guyler  
Director  
29 April 2022  
.....

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

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

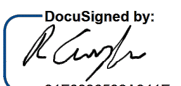
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK-adopted International Accounting Standards, as endorsed by the UK Endorsement Board. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, 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.

On behalf of the Board

DocuSigned by:  
  
81F6836592A941E...  
**Robert Guyler**  
Director  
29 April 2022  
.....

## **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 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- 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 45 of the consolidated financial statements and note 1 to 19 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 United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. 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**

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

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

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



### **Other information**

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

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

We have nothing to report in this regard.

### **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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

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

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included applicable laws; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team and relevant internal specialists such as tax, valuations, pensions and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we

tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports, and reviewing correspondence with HMRC.

### **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.

#### **Use of our report**

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



Anthony Matthews. FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom

29 April 2022

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	<i>Note</i>	<b>2021 £m</b>	2020 £m
Revenue	4	<b>8,720</b>	8,074
Fuel, energy and related purchases	6	<b>(6,705)</b>	(5,258)
<b>Gross profit</b>		<b>2,015</b>	2,816
Materials and contracting costs		<b>(767)</b>	(294)
Personnel expenses	8	<b>(869)</b>	(819)
Other operating expenses		<b>(421)</b>	(1,005)
Other operating income		<b>20</b>	2
<b>Operating (loss)/profit before depreciation, amortisation and impairment</b>		<b>(22)</b>	700
Gain on derivative commodity contracts	5	<b>1</b>	16
Depreciation and amortisation	5	<b>(928)</b>	(998)
Impairment of non-current assets	5; 16	<b>(613)</b>	(568)
Exceptional restructuring and other costs	11	<b>(190)</b>	(18)
Other gains/(losses)		<b>14</b>	(1)
<b>Loss before tax and finance costs</b>		<b>(1,738)</b>	(869)
Investment income	9	<b>846</b>	287
Finance costs	10	<b>(887)</b>	(342)
<b>Loss before tax</b>		<b>(1,779)</b>	(924)
Taxation on loss on ordinary activities	12	<b>70</b>	9
Share of loss of associates	20	<b>(19)</b>	(6)
<b>Loss for the year</b>		<b>(1,728)</b>	(921)
Loss attributable to:			
Equity holders of the parent	39	<b>(1,427)</b>	(831)
Non-controlling interest	31	<b>(301)</b>	(90)
		<b>(1,728)</b>	(921)

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	<i>Note</i>	<b>2021 £m</b>	2020 £m
Loss for the year		<b>(1,728)</b>	(921)
<b>Items from continuing activities that will not be reclassified subsequently to profit or loss:</b>			
Net actuarial gains on defined benefit pensions	41	<b>1,041</b>	251
Income tax effect		<b>(355)</b>	(67)
<b>Items from continuing activities that may be reclassified subsequently to profit or loss:</b>			
<b>Net gains/(losses) on cash flow hedges:</b>			
Losses on cash flow hedges	38	<b>(719)</b>	-
Income tax effect		<b>178</b>	(3)
<b>Net cost of hedging:</b>			
Cost of hedging	38	-	2
Income tax effect		-	-
<b>Net gains/(losses) on Fair Value Through Other Comprehensive Income:</b>			
(Losses)/gains on Fair Value Through Other Comprehensive Income		<b>(1)</b>	1
Income tax effect		-	-
<b>Total comprehensive (expense)/income</b>		<b>(1,584)</b>	(737)
Total comprehensive expense attributable to:			
Equity holders of the Company		<b>(1,434)</b>	(705)
Non-controlling interest	31	<b>(150)</b>	(32)
		<b>(1,584)</b>	(737)

The income tax effect on defined benefit pensions includes a deferred tax charge of £355m (2020: charge of 77m) and a current tax credit of £nil (2020: credit of 10m).

The net loss on cash flow hedges includes a deferred tax credit of £178m (2020: charge of £3m).

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**CONSOLIDATED BALANCE SHEET**  
**AT 31 DECEMBER 2021**

		<b>2021</b>	2020
	<i>Note</i>	<b>£m</b>	<b>£m</b>
<b>Non-current assets</b>			
Goodwill	14	<b>6,785</b>	6,785
Intangible assets	17	<b>560</b>	587
Property, plant and equipment	18	<b>19,646</b>	17,730
Right-of-use assets	32	<b>58</b>	76
Financial assets	19	<b>697</b>	607
Interest in associates	20	<b>525</b>	516
NLF and Nuclear Liabilities receivable	21	<b>12,592</b>	11,372
Post-employment benefits asset	41	<b>2,292</b>	1,551
Derivative financial instruments	27	<b>305</b>	52
		<b>43,460</b>	39,276
<b>Current assets</b>			
Cash and cash equivalents	22	<b>1,850</b>	2,254
Inventories	23	<b>2,094</b>	2,411
Financial assets	19	<b>3</b>	28
Trade and other receivables	24	<b>2,347</b>	1,780
Derivative financial instruments	27	<b>1,531</b>	264
NLF and Nuclear Liabilities receivable	21	<b>841</b>	346
Current tax asset		<b>17</b>	-
		<b>8,683</b>	7,083
<b>Total assets</b>		<b>52,143</b>	46,359
<b>Current liabilities</b>			
Other liabilities	25	<b>(3,078)</b>	(2,646)
Borrowings	26	<b>(108)</b>	(10)
Derivative financial instruments	27	<b>(1,808)</b>	(179)
Short-term provisions	28	<b>(2,276)</b>	(1,273)
Obligations under leases	32	<b>(13)</b>	(15)
Current tax liability		<b>-</b>	(25)
		<b>(7,283)</b>	(4,148)
<b>Net current assets</b>		<b>1,400</b>	2,935
<b>Total assets less current liabilities</b>		<b>44,860</b>	42,211
<b>Non-current liabilities</b>			
Other liabilities	25	<b>(467)</b>	(549)
Borrowings	26	<b>(808)</b>	(845)
Derivative financial instruments	27	<b>(717)</b>	(58)
Long-term provisions	28	<b>(13,435)</b>	(12,722)
Deferred tax liability	30	<b>(1,252)</b>	(1,092)
Obligations under leases	32	<b>(54)</b>	(73)
Post-employment benefits provision		<b>-</b>	(377)
		<b>(16,733)</b>	(15,716)
<b>Total liabilities</b>		<b>(24,016)</b>	(19,864)
<b>Net assets</b>		<b>28,127</b>	26,495

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**CONSOLIDATED BALANCE SHEET (continued)**  
**AT 31 DECEMBER 2021**

	<i>Note</i>	<b>2021</b> <b>£m</b>	2020 £m
<b>Equity</b>			
Share capital	34	<b>11,795</b>	9,631
Share premium reserve	35	<b>199</b>	199
Capital reserve	36	<b>9</b>	9
Merger reserve	37	<b>(2)</b>	(2)
Hedging reserve	38	<b>(509)</b>	32
Retained earnings	39	<b>8,761</b>	9,800
<hr/>			
<b>Equity attributable to equity holders of the Company</b>		<b>20,253</b>	19,669
<hr/>			
Non-controlling interest	31	<b>7,874</b>	6,826
<hr/>			
<b>Total equity</b>		<b>28,127</b>	26,495

The accounts of EDF Energy Holdings Limited (registered number: 06930266) on pages 42 to 109 were approved by the Board of Directors and were signed on its behalf by:

DocuSigned by:  
  
81F6836592A941E...  
**Robert Guyler**  
Director  
29 April 2022  
.....

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	<i>Note</i>	<b>2021 £m</b>	<b>2020 £m</b>
<b>Net cash from operating activities</b>	40	<b>930</b>	1,978
<b>Investing activities</b>			
Purchase of property, plant and equipment		<b>(3,771)</b>	(3,060)
Proceeds from disposal of property, plant and equipment		<b>301</b>	-
Payments for carbon and renewable obligation certificates		<b>(1,061)</b>	(1,077)
Purchase of other intangible assets	17	<b>(53)</b>	(52)
Transfer from short term investment to financial asset		-	(10)
Loans to parent company	19	<b>(5)</b>	(80)
Capital contribution to associates		<b>(30)</b>	(27)
Interest received		<b>13</b>	27
Dividends received	20	-	10
Loan to associates		<b>(62)</b>	(39)
Loan repayment from associates		<b>1</b>	3
Transfer of EDF Development Company Limited		-	167
Cash transferred to EDF SA Group due to acquisitions		-	3
Acquisitions of Pod Point	15	-	(87)
Investment in associate		-	(7)
<b>Net cash used in investing activities</b>		<b>(4,667)</b>	(4,229)
<b>Financing activities</b>			
Dividends paid to equity holders of parent	13	<b>(185)</b>	-
Dividends paid to non-controlling equity holders		<b>(1)</b>	(60)
Repayment of obligations under leases	32	<b>(20)</b>	(17)
Proceeds received from borrowings in the year		<b>117</b>	31
Repayment of borrowings		<b>(8)</b>	-
Proceeds on share issue to parent undertakings	34	<b>2,164</b>	2,721
Capital contribution from non-controlling interest		<b>1,199</b>	887
Interest paid		<b>(38)</b>	(35)
Transaction with non-controlling shareholders on Pod Point listing		<b>105</b>	-
<b>Net cash generated from financing activities</b>		<b>3,333</b>	3,527
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(404)</b>	1,276
Cash and cash equivalents at 1 January		<b>2,254</b>	978
Effect of foreign exchange rates		-	-
<b>Cash and cash equivalents at 31 December</b>	22	<b>1,850</b>	2,254

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

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

	Share capital £m	Share premium reserve £m	Capital reserve £m	Hedging reserve £m	Merger reserve £m	Retained earnings £m	Total £m	Non- controlling interest £m	Total equity £m
<b>At 31 December 2019</b>	<b>6,824</b>	<b>-</b>	<b>9</b>	<b>33</b>	<b>(2)</b>	<b>10,505</b>	<b>17,369</b>	<b>6,024</b>	<b>23,393</b>
Loss for the year	-	-	-	-	-	(831)	(831)	(90)	(921)
Other comprehensive (loss)/ income for the year	-	-	-	(1)	-	126	125	58	183
<b>Total comprehensive (loss)/ income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>(705)</b>	<b>(706)</b>	<b>(32)</b>	<b>(738)</b>
Equity dividends paid	-	-	-	-	-	-	-	(60)	(60)
Issue of capital	2,807	199	-	-	-	-	3,006	887	3,893
NCl recognised on Pod Point Acquisition	-	-	-	-	-	-	-	7	7
<b>At 31 December 2020</b>	<b>9,631</b>	<b>199</b>	<b>9</b>	<b>32</b>	<b>(2)</b>	<b>9,800</b>	<b>19,669</b>	<b>6,826</b>	<b>26,495</b>
Loss for the year	-	-	-	-	-	(1,427)	(1,427)	(301)	(1,728)
Other comprehensive (loss)/income for the year	-	-	-	(541)	-	534	(7)	151	144
<b>Total comprehensive (loss) / income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(541)</b>	<b>-</b>	<b>(893)</b>	<b>(1,434)</b>	<b>(150)</b>	<b>(1,584)</b>
Equity dividends paid	-	-	-	-	-	(185)	(185)	(1)	(186)
Issue of capital	2,164	-	-	-	-	-	2,164	1,124	3,288
Other changes in equity on listing of Pod Point (Note 31)	-	-	-	-	-	39	39	75	114
<b>At 31 December 2021</b>	<b>11,795</b>	<b>199</b>	<b>9</b>	<b>(509)</b>	<b>(2)</b>	<b>8,761</b>	<b>20,253</b>	<b>7,874</b>	<b>28,127</b>



## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

### **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 37. 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**

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted International Accounting Standards (the basis on which these financial statements are prepared) in its consolidated financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of this change in framework.

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**

The following standards and amendments to IFRSs became effective for the period beginning on 1 January 2021 and did not have a material impact on the consolidated financial statements:

#### *Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

The Group's main IBOR exposure at 31 December 2021 are intercompany loans indexed to sterling LIBOR and EURIBOR. The alternative reference rate for sterling LIBOR is the Sterling Overnight Index Average (SONIA). The Group's financial instruments subject to IBOR benchmarks are all with other group companies. Amendments to financial instruments with contractual terms indexed to sterling LIBOR such that they incorporate new benchmark rates were completed by 31 December 2021. The Group has modified all of its floating-rate liabilities indexed to sterling LIBOR to reference SONIA during the year ended 31 December 2021.

The Group's derivative instruments are predominantly comprised of commodity forward contracts, cross currency swap and cross currency forward contracts. Regarding cross currency swap, note 26(i) discloses that the Group's 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%, hence, no IBOR exposure. Therefore, is no material exposure to the Group's derivative instruments as a result of the IBOR reform.

### *Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16*

In May 2020, the Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases was issued. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, the period of application of the practical expedient was extended to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

However, the Group has not received Covid-19-related rent concessions but plans to apply the practical expedient if it becomes applicable within allowed period of application.

### *Impact of climate change*

As part of the preparation of these consolidated financial statements, we have considered the relevant disclosures in the Strategic Report and Directors Report with respect to Streamlined Energy & Carbon Reporting (SECR) and other climate related disclosures. Our considerations focused on the valuation of long-term assets and long-term provisions. Based on currently known information, the impact on the financial statements have been reflected in strategic report.

## **New standards, amendments and interpretations published but not yet adopted**

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions hence they have not been presented in detail in these financial statements.

## **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 and associates 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.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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 110 to 121 under FRS 101. No income statement is presented for EDF Energy Holdings Limited in accordance with the exemptions allowed by the Companies Act 2006.

### **Going concern**

The Group has a number of treasury and risk policies to monitor and manage liquidity risk. Cash forecasts identifying the Group's liquidity requirements are produced regularly and are stress tested for different scenarios, including, but not limited to, reasonably possible increases or decreases in commodity prices and the potential cash implications of a credit rating downgrade.

The Group seeks to ensure that sufficient financial headroom exists. It is the Group's policy to maintain committed facilities and/or available surplus cash. The Group manages its capital through focusing on its net debt which comprises borrowings (note 26), 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 for at least the next 12 months (including subsequent events), 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.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

### **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 is measured 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.

### **Government grants**

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred are recognised in the income statement in the period in which they become receivable. These are offset against costs to which they relate.

### **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.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**

Intangible assets are initially recognised at cost and is amortised on a straight-line basis over its useful economic life. 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. 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.

Amortisation is calculated based on the following useful life:

IT Software	-3-8 years
Licence	-9 years
Customer contract	-2 years
Customer relationship	-15 years
Brand	-20 years

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

### **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:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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	– 60 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 non-current assets

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.

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.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

### **Leases**

#### Group as a 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.

#### *Right-of-use asset*

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

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Impairment of non-current assets' policy.

#### *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.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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.



## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

### *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.

### 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 UK 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 UK 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 UK 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.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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 UK Government policy and regulatory framework. Given that UK 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.

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.

#### ***Onerous contracts provision***

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities). A one year increase in customer tenure would result in a £5m decrease in onerous contract provision.

#### **Retirement benefit costs**

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.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

### Financial assets

The 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.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

### 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 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. The Group applies IFRS 9's simplified approach to measure expected credit losses on trade receivables, using provision matrices established on the basis of credit loss histories. The expected credit losses are assessed considering all reasonable and supportable information, including that which is forward-looking. 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 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.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

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

### De-recognition of financial liabilities

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

### **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 42

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.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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.

### 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.

### **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.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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. As such we do not believe it is practicable to quantify the uncertainty at this point in time.

##### ***SZC – capitalisation of costs pre FID***

Management are required to make judgements in relation to the capitalisation of costs. This relates to both when amounts may begin to be capitalised, where there may be doubt about planning consent or the ultimate completion of the asset, and in relation to the nature of costs incurred. Judgement has been exercised in the year including in relation to:

- the assessment of assets in the course of construction, where judgement is exercised to determine, costs that are directly attributable to the assets under construction.
- when a project moves from the research phase (where costs must be expensed) to the development phase and hence may be capitalised as the future economic benefit of the project becomes probable and the principles of IAS 38 are considered and applied.

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 Hinkley Point C (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 of £445.3m as property, plant and equipment.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

### ***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. A change in these assumptions of 2% would impact revenue by £16m.

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. At the year-end, unbilled energy income for the supply business was £797m (2020: £504m). Further detail on revenue is disclosed in note 0.

#### ***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 29. 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 41.

#### ***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. An impairment of £613m (2020: £568m) was recognised in the year. Further detail on the assumptions used and sensitivity analysis in the calculation can be found in note 16.

#### ***Generation – useful economic lives of the nuclear generation fleet***

The useful economic lives of the nuclear generation 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 six years. The last extensions were formally declared following NDA approval 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)**

Following a lifetime review in December 2021, the end of generation of Heysham 1 and Hartlepool remain as March 2024 and the end of generation of Heysham 2 and Torness have been brought forward to March 2028 to reflect knowledge and experience on graphite behaviour.

Although the long-term operation project is progressing, the useful economic life of Sizewell B has been reassessed and extended by 20 years to 2055 based on the operations to date, an international benchmark and the modern design of Sizewell B.

*Onerous contracts provision*

The amount recognised in the financial statements represents the best estimate of the expenditure required to settle present obligation at the balance sheet date. The assumptions in determining the provision include customer tenure, discount rate and expected cashflows. The provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the value of money and, where appropriate, the risk specific to the liability. A 1-year increase in the customer tenure would result in a £5m decrease in the onerous contract provision.

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**4. Revenue**

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

	<b>2021</b>	2020
	<b>£m</b>	£m
Sales to external customers	<b>8,715</b>	8,073
Other revenue	<b>5</b>	1
<b>Total revenue</b>	<b>8,720</b>	<b>8,074</b>

The disaggregation of the Group's revenue is as follows:

	<b>2021</b>	2020
	<b>£m</b>	£m
Revenue from energy supply contracts	<b>8,720</b>	7,764
Revenue from wholesale market optimisation and other	<b>-</b>	310
<b>Total revenue</b>	<b>8,720</b>	<b>8,074</b>

**5. Loss for the year**

	<b>2021</b>	2020
	<b>£m</b>	£m
Loss for the year was derived at after (crediting)/charging the following:		
Research and development costs	<b>12</b>	24
Personnel expenses (note 8)	<b>869</b>	819
Auditor's remuneration for audit services (see below)	<b>2</b>	2
Net foreign exchange losses/(gains) (note 9,10)	<b>7</b>	(16)
Impairment of property, plant and equipment (note 16,18)	<b>613</b>	560
Impairment of intangible assets (note 16,17)	<b>-</b>	1
Impairment of right of use assets (note 16, 32)	<b>-</b>	7
Amortisation of intangible assets (note 17)	<b>100</b>	150
Depreciation of property, plant and equipment (note 18)	<b>815</b>	837
Depreciation of right-of-use asset (note 32)	<b>13</b>	11
Cost of inventories recognised as expense (note 23)	<b>223</b>	661
Gain on derivative commodity contracts	<b>(1)</b>	(16)
Gains on derivative foreign exchange contracts (note 9)	<b>-</b>	(8)
Movement in the expected credit loss (note 24)	<b>38</b>	49
Movement in onerous contract provision	<b>90</b>	-
Impairment losses recognised on trade receivables	<b>56</b>	87
Reversal of impairment losses recognised on trade receivables (note 24)	<b>(3)</b>	(3)

The analysis of Auditor's remuneration is as follows:

	<b>2021</b>	2020
	<b>£m</b>	£m
Fees payable for the audit of the Company's and the Group's accounts	<b>0.6</b>	0.6
For the audit of the Company's subsidiaries pursuant to legislation	<b>2.1</b>	1.4
<b>Total audit fees</b>	<b>2.7</b>	2.0
Other assurance services	<b>0.2</b>	0.1
Other non-audit services	<b>0.9</b>	-
<b>Total non-audit fees</b>	<b>1.1</b>	0.1
<b>Total fees</b>	<b>3.8</b>	2.1

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**6. Fuel, energy and related purchases**

	<b>2021</b>	2020
	<b>£m</b>	£m
Purchase of energy	<b>3,923</b>	2,689
Distribution and transmission	<b>1,723</b>	1,561
Renewable obligation certificates	<b>1,080</b>	929
CO <sub>2</sub> emission certificates	<b>62</b>	75
Other energy related purchases	<b>4</b>	4
Industry levy claim (i)	<b>(87)</b>	-
<b>Total fuel, energy and related purchases</b>	<b>6,705</b>	<b>5,258</b>

- (i) Under Ofgem's regulatory framework, relevant costs incurred as a result of taking on customers from suppliers that have exited the energy market, will be recoverable through the industry levy. This claim has been accounted for in accordance with IAS 20 Government grants and offset against energy costs.

**7. Directors' remuneration**

In 2021, 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 ultimate parent company and do not receive any emoluments for services to the Group.

	<b>2021</b>	2020
	<b>£m</b>	£m
Aggregate remuneration	<b>2</b>	2
<b>Total remuneration</b>	<b>2</b>	2

	<b>2021</b>	2020
	<b>Number</b>	Number
Members of defined benefit pension scheme	<b>1</b>	1

	<b>2021</b>	2020
	<b>£m</b>	£m
Remuneration payable to the highest paid Director was as follows:		
Aggregate remuneration	<b>1</b>	1
<b>Total remuneration</b>	<b>1</b>	1

The aggregate remuneration includes basic salary and amounts received 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 2021.

The highest paid director is a member of the Company's defined benefit pension scheme and had accrued entitlements of £65,244 under the scheme at the end of the year. There is no accrued lump sum.

**8. Personnel expenses**

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

	<b>2021</b>	2020
	<b>£m</b>	£m
Wages and salaries	<b>667</b>	645
Social security costs	<b>78</b>	76
Pension costs	<b>274</b>	238
Severance	<b>-</b>	1
Less: Capitalised costs	<b>(150)</b>	(141)
	<b>869</b>	819

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**8. Personnel expenses (continued)**

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

	<b>2021</b>	2020
	<b>Number</b>	Number
Generation business unit	<b>5,457</b>	5,805
Customers business unit	<b>4,000</b>	4,194
Nuclear New Build business unit	<b>1,157</b>	963
Technical Services business unit	<b>221</b>	101
Corporate and Steering functions	<b>681</b>	698
	<b>11,516</b>	11,761

The Technical Services business unit was created in 2020 and comprises of employees previously employed under the Generation and Nuclear New Build business units. The purpose of the business unit is to provide technical advisory services relating to nuclear power stations.

**9. Investment income**

	<b>2021</b>	2020
	<b>£m</b>	£m
Interest on bank deposit	<b>6</b>	8
Other finance income	<b>5</b>	3
Pension scheme interest	<b>24</b>	19
Foreign exchange gains	<b>-</b>	16
Unwinding of discount on NLF receivable	<b>811</b>	233
Fair value gains on foreign currency derivatives	<b>-</b>	8
Total investment income	<b>846</b>	287

**10. Finance costs**

	<b>2021</b>	2020
	<b>£m</b>	£m
Interest on bank loans and overdrafts	<b>15</b>	12
Interest on bonds	<b>25</b>	25
Interest expense on leases	<b>2</b>	2
Unwinding of discount on provisions	<b>25</b>	70
Unwinding of discount on NLF payable	<b>811</b>	233
Fair value losses of foreign currency derivatives	<b>4</b>	-
Foreign exchange losses	<b>7</b>	-
Other interest costs	<b>1</b>	-
<b>Total finance costs</b>	<b>890</b>	342
Less: Amounts capitalised	<b>(3)</b>	(1)
Reversal of previously capitalised interest	<b>-</b>	1
Total financing costs	<b>887</b>	342

Capitalised interest relates to interest expenses on leases entered in to for the purpose of constructing Nuclear New Build assets. The interest is capitalised within Assets under Construction in Property, Plant and Equipment.

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**11. Exceptional restructuring and other costs**

	<b>2021</b>	2020
	<b>£m</b>	£m
Customers business unit	<b>33</b>	9
Generation business unit	<b>161</b>	15
Corporate and Steering function	<b>(4)</b>	(6)
<b>Total exceptional restructuring and other costs</b>	<b>190</b>	18

In 2020, £6m of the Corporate and Steering function provision was released without utilisation. Nuclear Generation business unit provided £15m as a result of restructuring in the central functions and Customers business unit provided £9m. £4m of the Corporate and Steering function provision was utilised and £2m was reversed without utilisation.

During the year, £4m of the Corporate and Steering function provision was released without utilisation. Included in the Generation business unit costs are mainly non-recurring costs associated with Dungeness defueling amounting to £140m and West Burton A restructuring costs of £21m in line with its expected closure in 2022. The customers business unit incurred £33m in order to drive down its operating costs and remain competitive by identifying efficiencies and synergies across its front line and back office teams, these provisions are expected to be utilised in 2022.

**12. Tax on loss on ordinary activities**

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

<b>Current tax</b>	<b>2021</b>	2020
	<b>£m</b>	£m
UK corporation tax	<b>(81)</b>	(21)
Adjustments in respect of previous years' reported tax charges	<b>(20)</b>	56
<b>Total current tax (credit)/charge for the year</b>	<b>(101)</b>	35
<b>Deferred tax</b>	<b>£m</b>	£m
Current year credit	<b>(254)</b>	(140)
Adjustments in respect of previous years' reported tax charges	<b>4</b>	(9)
Effect of increased tax rate on opening liability	<b>281</b>	105
<b>Total deferred tax credit for the year</b>	<b>31</b>	(44)
<b>Income tax credit reported in consolidated income statement</b>	<b>(70)</b>	(9)

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

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

	<b>2021</b>	2020
	<b>£m</b>	£m
Loss before tax	<b>(1,779)</b>	(924)
Tax at the UK corporation tax rate of 19.00% (2020: 19.00%)	<b>(338)</b>	(175)
Effect of:		
Non-deductible expenses and non-taxable income	<b>68</b>	14
Current year effect of deferred tax rate change	<b>(65)</b>	-
Impact of increased tax rate on opening deferred tax balance	<b>281</b>	105
Adjustment to prior-year corporation tax	<b>(20)</b>	56
Adjustment to prior-year deferred tax	<b>4</b>	(9)
<b>Income tax credit reported in consolidated income statement</b>	<b>(70)</b>	(9)

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 12. Tax on loss on ordinary activities (continued)

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

In the current year a deferred tax charge of £178m (2020: charge of £79m) has been recognised in equity. This consists of a charge of £355m (2020: charge of £77m) in respect of pension movements and a credit of £178m (2020: charge of £2m) which relates to fair value movements arising on derivative instruments.

A current tax credit of £15m (2020: credit of £10m) has also been recognised in equity in respect of pension movements.

The closing deferred tax balance at 31 December 2021 has been calculated at 25.19% (2020: 19.00%). This is the average tax rate at which the reversal of the net deferred tax liability is expected to occur.

### 13. Dividends

	2021 £m	2020 £m
Amounts recognised as distributions to equity holders in the period:		
Dividends paid by subsidiary to non-controlling interests	1	60
Dividends paid to parent company	185	-
	<b>186</b>	<b>60</b>

The dividend paid to parent company represents an interim dividend paid in 2 instalments during the year. In May 2021, £125m representing 1.19 pence per share and in October 2021, £60m representing 0.54 pence per share.

### 14. Goodwill

	£m
<b>Carrying amount</b>	
At 31 December 2020	6,785
<b>At 31 December 2021</b>	<b>6,785</b>

Details of the goodwill impairment test can be found in note 16.

### 15. Business combination

During the year, the group had no new business combination transactions.

In prior year, EDF acquired a majority stake (77.5%) in Pod Point for a consideration paid of £86m. Pod Point is one of the largest electric vehicle (EV) charging companies in the UK, as part of a newly-formed joint endeavour with Legal & General Capital (22.5% stake). The acquisition of Pod Point is the Company's largest investment in the EV market and forms part of its plan to become a leading energy company for electric mobility in France, the UK, Italy and Belgium.

Pod Point contributed revenues of £31m and net loss of £10m to the group for the period from 1 February to 31 December 2020. If the acquisition had occurred on 1 January 2020, consolidated pro-forma revenue and loss for the year ended 31 December 2020 would have been £33m and £11m respectively.

These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the group and the subsidiary, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to intangible assets had applied from 1 January 2020, together with the related tax effects.

#### *Acquisition-related costs*

The group recognised acquisition related costs on advisory and legal fees of £2m in profit or loss.

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**15. Business combination (continued)**

**The consideration paid was as follows:**

	£m
Cash	86
Contingent consideration (i)	1
<b>Total consideration</b>	<b>87</b>

(i) £1m is payable if there are no uninsured warranty claims two years from the date of acquisition.

**The asset and liabilities recognised as a result of the acquisition are as follows:**

	£m
Intangible assets (ii)	29
Cash and cash equivalents	4
Inventories	3
Trade and other receivables (iii)	9
Borrowings	(1)
Other liabilities	(8)
Deferred tax liability	(5)
Right of use assets	1
Lease liability	(1)
<b>Fair value of identifiable net assets</b>	<b>31</b>

(ii) Intangible assets include £14m and £13m recognised at acquisition date that relate to Pod Point brand and customer relationships for which the estimated useful lives are 15 and 20 years respectively.

(iii) Trade and other receivables include £8m of trade receivables which approximate its fair value.

**Goodwill arising from the acquisition has been recognised as follows:**

	£m
Consideration	87
Fair value of identifiable net assets	(31)
Non-controlling interests (proportionate share)	7
<b>Goodwill</b>	<b>63</b>

The goodwill is attributable to the talent and skills of Pod Point's workforce and management team. None of the goodwill recognised is expected to be deductible for Corporation Tax purposes.

**16. Impairment of non-current assets**

**Breakdown of impairments recognised**

	2021 £m	2020 £m
Impairment of property, plant and equipment	613	560
Impairment of right of use assets	-	7
Impairment of Intangible assets	-	1
	<b>613</b>	<b>568</b>

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**16. Impairment of non-current assets (continued)**

Impairment of property, plant and equipment

		<b>2021</b> <b>£m</b>	2020 £m
Nuclear New Build - Land	-Bradwell	<b>103</b>	-
	- Hill Top	<b>3</b>	8
Gas Storage	- Thermal (centrally held assets)	<b>4</b>	-
Nuclear Generation		<b>503</b>	552
		<b>613</b>	560

During the year impairments were recognised in Hill Top, Bradwell, Thermal and Nuclear Generation.

*Nuclear Generation assets (plants in operation)*

The recoverable value of existing nuclear plants is determined by discounting future cash flows over their useful life, assuming a 20-year extension for the Sizewell B PWR plant, in line with Group strategy and accounting useful life. The recoverable value reflects the early closure decisions made in recent years for certain AGR plants, beginning with Hunterston, which was closed on 7 January 2022, and Hinkley Point B, to be closed no later than 15 July 2022, as announced by the Group on 27 August 2020 and 19 November 2020 respectively. It also includes the impact of the decision of 7 June 2021 to move Dungeness B AGR plant into defueling phase; Dungeness had been offline since September 2018 and has had continuous specific technical difficulties (an impairment of £383 million was recognised at 30 June 2021). The updated impairment test conducted at 31 December 2021 also considers the decision made in December 2021 to bring forward the end of generation for Torness and Heysham 2 from 31 March 2030 to 31 March 2028. The operating lifetimes of the two AGR plants at Hartlepool and Heysham 1 are still scheduled to end in 2024.

Using higher, but volatile, market price forecasts, and taking into consideration possible production issues with AGR plants in view of recent history, the result of the impairment test did not lead to any change in impairment recorded in previous periods.

The recoverable value of nuclear assets is sensitive to price assumptions: a +/-5% difference over the entire horizon of the scenario used for the impairment test would have an impact of +/-£500 million on the result. The nuclear output assumptions used also have a substantial influence on the calculation: a +/-5% revision to forecasts over the entire horizon would result in a variation of +/-£700 million in the recoverable value, all other things being equal. In addition, a 50bp increase in the discount rate would lead to a reduction of around £200 million in the recoverable value.

Following the early end of generation at Dungeness, the imminent end of generation at Hunterston and Hinkley Point B and the option exercised by the UK government, confirming that EDF will carry out the defueling activities of these stations and that the ownership of the sites will be transferred to the government, an expert review was carried out of the land adjacent to each nuclear power station (known as non-operational land). This resulted in recognition of a total £223 million on various areas of land owned by EDF Energy in Nuclear Generation and Nuclear New Build.

*Customers assets*

Despite several positive signals following the end of the health crisis, this segment is penalised by the current crisis in the UK energy market, which has led to the implementation of the supplier of last resort scheme by the Office of Gas and Electricity Markets (OFGEM) on several occasions, as well as the inability to pass-through rapid increases in commodity prices to the Winter 22 residential SVT cap due to the pricing methodology. This is compounded by higher tax rates and working capital requirements for higher accounts and volumes, partially offset by the annual decrease in WACC. However, in the long term, the margin outlook is confirmed for both B2B and B2C segments and furthermore this sector remains relatively insensitive to price scenarios, as wholesale energy costs tend to be passed on to consumers in the long run. The recoverable amount is therefore lower than in 2020 but still benefits from a favorable margin. Sensitivity analyses have



**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**16. Impairment of non-current assets (continued)**

been conducted on larger long-term margin reductions and market share losses, showing the sensitivity of this CGU to this parameter.

Impairment of right of use assets

		<b>2021</b>	2020
		<b>£m</b>	<b>£m</b>
Gas Storage	- Hill Top	-	2
	- Hole House	-	2
Corporate and Steering Functions		-	3
		-	7

In 2020, challenging market conditions for gas storage facilities at Hill Top and Hole House were considered to be an impairment trigger. A negative value was calculated based on the value in use, resulting in full impairment of right of use assets, reducing their carrying value to £nil. The main assumptions used for the calculation were the discount rate, forward power and gas prices and volatility of forward gas prices. The discount rate is derived from an after-tax rate of 5.4%.

An impairment of right of use assets has been recognised in the corporate and steering functions, this is due to plans to fully vacate three leased sites. All sites will remain vacant until the end of the existing lease term and there is currently a low likelihood of subleasing any of the properties. As a result, a full impairment of the right of use assets associated with these sites has been recognised.

Impairment of intangible assets

	<b>2021</b>	2020
	<b>£m</b>	<b>£m</b>
Customers business unit	-	1
	-	1

In 2020, deterioration of the financial results associated with the IT software intangible asset in Hoppy Limited compared to expectation was considered to be an impairment trigger. A negative value was calculated based on the value in use, resulting in full impairment of Hoppy Limited's IT software, reducing its carrying value to £nil. The main assumption used for the calculation was the discount rate which is derived from an after-tax rate of 6.1%.

**Impairment testing of goodwill**

Goodwill (with a carrying amount of £6,785m, as of the end of 2021) 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.

The recoverable value of EDF Energy is determined by discounting future cash flows over the assets' useful life, taking into consideration the two EPRs with a 60-year useful life currently under construction at the Hinkley Point site, a project for which the final contracts were signed on 29 September 2016. Future cash flows from these plants are determined by reference to the Contract for Difference (CfD) between the Group and the UK 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. The CfD exercise price for HPC is set at £92.50/MWh and is indexed on UK inflation via the consumer price index (CPI). Thus, for the operation period under a CfD, future cash flows include a long-term inflation assumption. For the 25 years of operation after the CfD period, for which no forecasts exist for long-term UK electricity market prices, future cash flows include a very long-term inflation assumption to determine electricity market prices, starting from the final year of cash flows valued on the basis of the CfD.

The impairment test conducted at 31 December 2021 incorporates the estimated completion cost range announced on 27 January 2021, i.e. total project completion costs (excluding borrowing costs and exchange

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

### **16. Impairment of non-current assets (continued)**

rate effects compared to the project's benchmark rate of £1 = €1.23) of an estimated £22-23 billion (in 2015 sterling), instead of the estimate of £21.5 - 22.5 billion (in 2015 sterling) resulting from the previous cost revision of September 2019, and deferral of the delivery of reactor 1 to mid-2026. The breadth of the range will depend on the success of action plans to be delivered in partnership with contractors, and the impairment test used a mid-range value. A detailed review of the assumptions used in the model for the HPC's operating phase was conducted in 2021, leading among other things to an update of the very long-term inflation rate applied to electricity prices. The model also takes account of an increase in the UK tax rate, which is set to rise from the current 19% to 25% in April 2023. This change of assumption is applied across the whole lifetime of the model, since no other rate is known, and has a significant impact on the project's recoverable value. EDF's projected rate of return (IRR) is now estimated at between 6.8% and 6.9% (compared to 7.1%-7.2% previously).

Applying this revised basis to the HPC project, and in view of the unfavourable effects explained above, which particularly affect the recoverable value of existing nuclear assets, the headroom between the recoverable value and the book value of EDF Energy shows a moderate decline but remains significant at 31 December 2021.

The risk of deferral of HPC's Commercial Operation Date (COD) by 15 months for Unit 1 and 9 months for Unit 2, which would generate a potential additional cost in the region of £0.7 billion (in 2015 sterling) as explained in the Group's press release of January 2021, could reduce the headroom indicated by the impairment test of EDF Energy by around 34%.

Sensitivity analyses on various dimensions and assumptions (particularly WACC) do not indicate any risk of impairment, all other things being equal.

Sensitivity analyses were also conducted for information purposes using extremely pessimistic assumptions: for example, it was estimated that a further 3-year deferral of the COD and an associated additional cost of £3 billion, or a 60-point rise in WACC, would result in the headroom reducing to £nil, all other assumptions being equal.

A multi-sensitivity scenario was developed to test the goodwill's resilience in the event of several adverse scenarios concerning the project's various phases (construction, operation, decommissioning) in the absence of any action or remedial plan, incorporating a delay of 1 year and additional costs of £1 billion in the construction phase, a 3% decrease in reactor availability, a 5% rise in fuel costs and a 3% rise in operating and maintenance costs. Under this combined stress test, the headroom remains slightly positive, confirming the recoverability of the goodwill's net book value.

Finally, although at this stage Brexit has no observable impact on impairment tests of EDF Energy's assets since most cash flows (income, costs, investments) and assets are stated in sterling, the longer-term consequences are still hard to predict. The Group will monitor changes in the prices of fuel, materials and supplies, macro-economic data, and electricity price formation, which could all potentially affect the results of future tests.

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**17. Intangible assets**

	Emissions trading certificates £m	Certified emission reduction certificates £m	Renewable obligations certificates £m	IT software £m	Licence £m	Customer contracts £m	Customer relationship £m	Brand £m	Assets in the course of construction £m	Total £m
<b>Cost</b>										
<b>At 31 December 2019</b>	-	33	147	870	39	15	-	200	123	1,427
Additions	104	-	973	3	-	19	-	-	30	1,129
Disposals	(30)	(33)	(928)	(104)	-	-	-	-	-	(1,095)
Transfers	-	-	-	115	-	-	-	-	(115)	-
Reclass	-	-	-	-	-	-	-	-	9	9
Pod Point acquisition	-	-	-	2	-	-	13	14	-	29
<b>At 31 December 2020</b>	<b>74</b>	<b>-</b>	<b>192</b>	<b>886</b>	<b>39</b>	<b>34</b>	<b>13</b>	<b>214</b>	<b>47</b>	<b>1,499</b>
Additions	76	-	912	8	-	23	-	-	22	1,041
Disposals	(74)	-	(898)	(12)	-	-	-	-	-	(984)
Transfers	-	-	-	30	-	-	-	-	(30)	-
Reclass	-	-	-	-	-	-	-	-	4	4
<b>At 31 December 2021</b>	<b>76</b>	<b>-</b>	<b>206</b>	<b>912</b>	<b>39</b>	<b>57</b>	<b>13</b>	<b>214</b>	<b>43</b>	<b>1,560</b>
<b>Accumulated amortisation</b>										
<b>At 31 December 2019</b>	-	-	-	(626)	(37)	(2)	-	(200)	-	(865)
Charge for the year	-	-	-	(138)	-	(10)	(1)	(1)	-	(150)
Transfers	-	-	-	104	-	-	-	-	-	104
Disposals	-	-	-	(1)	-	-	-	-	-	(1)
<b>At 31 December 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(661)</b>	<b>(37)</b>	<b>(12)</b>	<b>(1)</b>	<b>(201)</b>	<b>-</b>	<b>(912)</b>
Charge for the year	-	-	-	(82)	-	(16)	(2)	-	-	(100)
Disposals	-	-	-	12	-	-	-	-	-	12
<b>At 31 December 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(731)</b>	<b>(37)</b>	<b>(28)</b>	<b>(3)</b>	<b>(201)</b>	<b>-</b>	<b>(1,000)</b>
<b>Carrying amount</b>										
<b>At 31 December 2020</b>	<b>74</b>	<b>-</b>	<b>192</b>	<b>225</b>	<b>2</b>	<b>22</b>	<b>12</b>	<b>13</b>	<b>47</b>	<b>587</b>
<b>At 31 December 2021</b>	<b>76</b>	<b>-</b>	<b>206</b>	<b>181</b>	<b>2</b>	<b>29</b>	<b>10</b>	<b>13</b>	<b>43</b>	<b>560</b>

The disposal of the Certified emission reduction certificates and the renewable obligations certificates relates to the surrender of the certificates on the settlement date for the compliance period. Further information on Pod Point Acquisition and impairment can be found in note 15 and 16 respectively.

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**18. Property, plant and equipment**

<b>Cost</b>	<b>Land and buildings £m</b>	<b>Network assets £m</b>	<b>Generation assets £m</b>	<b>Nuclear power stations £m</b>	<b>Other plant and equipment £m</b>	<b>Equipment and fittings £m</b>	<b>Assets in the course of construction £m</b>	<b>Total £m</b>
<b>At 31 December 2019</b>	<b>524</b>	<b>9</b>	<b>2,744</b>	<b>9,923</b>	<b>1,292</b>	<b>180</b>	<b>9,674</b>	<b>24,346</b>
Additions	-	-	1	-	-	3	3,253	3,257
Disposals	-	-	(124)	(14)	(148)	(40)	-	(326)
Revaluation of final core	-	-	-	281	-	-	-	281
Transfer from ROU asset	125	-	-	-	-	-	-	125
Transfers	-	1	29	184	213	12	(439)	-
Reclass	-	-	-	-	-	-	(9)	(9)
EDF development company transfer	51	-	-	-	-	-	-	51
<b>At 31 December 2020</b>	<b>700</b>	<b>10</b>	<b>2,650</b>	<b>10,374</b>	<b>1,357</b>	<b>155</b>	<b>12,479</b>	<b>27,725</b>
Additions	-	-	4	-	-	3	3,764	3,771
Disposals	(155)	(1)	(1,052)	(922)	(299)	(11)	(29)	(2,469)
Revaluation of final core	-	-	-	(77)	-	-	-	(77)
Transfers	-	1	29	144	198	11	(383)	-
Reclass	-	-	1	-	-	-	(4)	(3)
<b>At 31 December 2021</b>	<b>545</b>	<b>10</b>	<b>1,632</b>	<b>9,519</b>	<b>1,256</b>	<b>158</b>	<b>15,827</b>	<b>28,947</b>
<b>Accumulated depreciation and impairment</b>								
<b>At 31 December 2019</b>	<b>(228)</b>	<b>(8)</b>	<b>(2,657)</b>	<b>(5,242)</b>	<b>(642)</b>	<b>(142)</b>	<b>(5)</b>	<b>(8,924)</b>
Charge for year	(4)	-	(25)	(545)	(243)	(20)	-	(837)
Disposal	-	-	124	14	148	40	-	326
Impairment (note 16)	-	-	(8)	(552)	-	-	-	(560)
<b>At 31 December 2020</b>	<b>(232)</b>	<b>(8)</b>	<b>(2,566)</b>	<b>(6,325)</b>	<b>(737)</b>	<b>(122)</b>	<b>(5)</b>	<b>(9,995)</b>
Charge for year	(2)	-	(17)	(576)	(203)	(17)	-	(815)
Disposal	35	1	958	922	197	9	-	2,122
Impairment (note 16)	(223)	-	(7)	(383)	-	-	-	(613)
<b>At 31 December 2021</b>	<b>(422)</b>	<b>(7)</b>	<b>(1,632)</b>	<b>(6,362)</b>	<b>(743)</b>	<b>(130)</b>	<b>(5)</b>	<b>(9,301)</b>
<b>Carrying amount</b>								
At 31 December 2020	468	2	84	4,049	620	33	12,474	17,730
<b>At 31 December 2021</b>	<b>123</b>	<b>3</b>	<b>-</b>	<b>3,157</b>	<b>513</b>	<b>28</b>	<b>15,822</b>	<b>19,646</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 18. Property, plant and equipment (continued)

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 £15,379m at 31 December 2021 (2020: £12,167m). The recoverability of the balance of assets in the course of construction relating to HPC at 31 December 2021 is dependent both upon the forecast profitability of HPC, as disclosed in note 16.

On 7 June 2021, it was decided to move Dungeness B AGR plant into the defueling phase; Dungeness had been offline since September 2018 and has had continuous specific technical difficulties. As a result, an impairment of £383m was recognised at 30 June 2021. The updated impairment test conducted at 31 December 2021 also takes account of the decision made in December 2021 to bring forward the end of generation operations by Torness and Heysham 2 from 31 March 2030 to 31 March 2028. The operating lifetimes of the two AGR plants at Hartlepool and Heysham 1 are still scheduled to end in 2024.

Following the early end of generation at Dungeness, the imminent end of generation at Hunterston and Hinkley Point B and the option exercised by the UK government, confirming that EDF will carry out the defueling activities of these stations and that the ownership of the sites will be transferred to the government, an expert review was carried out of the land adjacent to each nuclear power station (known as non-operational land). This resulted in recognition of a total impairment of £223m on various areas of land owned by EDF Energy. As a result, the Dungeness assets values and related accumulated depreciation have been eliminated from the financial statements.

Significant amounts of impairment have been booked in recent years in respect of the thermal assets reducing the net book value of the remaining assets practically to zero. The necessary investments for the Hole House gas storage site were fully written off at 31 December 2020. During the year, a further impairment of £7m for gas storage was recognised on its Gas Storage facility at Hill Top Farm and Thermal assets held centrally. It was deemed that centrally held assets be impaired due to Dungeness being fully written down and long term forecast for gas price volatility remaining depressed. See note 16 for further details.

The disposal of West Burton plant was completed during the year and the elimination of the assets is reflected under other plant and equipment and land and building.

### Capitalised borrowing costs

The amount of borrowing costs capitalised during the year ended 31 December 2021 was £3.3m (2020: £0.5m). The rate used to determine the amount of borrowing costs eligible for capitalisation is the EIR of each specific borrowing.

### 19. Financial assets

	Non-current		Current	
	2021	2020	2021	2020
<b>Financial asset measured at fair value through OCI</b>				
Interest in insurance fund	11	12	-	-
<b>Loans receivable carried at amortised cost</b>				
Loans to associates (i),(ii)	121	35	3	28
Loans to parent company (iii)	565	560	-	-
Loans to third party	1	1	-	-
Provision against loan to third party	(1)	(1)	-	-
<b>Total financial assets</b>	<b>697</b>	<b>607</b>	<b>3</b>	<b>28</b>

- (i) In 2021, an additional £50.3m loan was advanced to EDF Energy Renewables Limited at 1.8% plus 3-month LIBOR in relation to working capital funding.
- (ii) In 2021, a further amount of £12m (€14.3m) was advanced to EDF Renewables Ireland at 3-month EURIBOR plus 1.5% in relation to any matters related to the advancement of future development in Ireland.
- (iii) In 2021, an amount of £5m loan was advanced to EDF S.A at 1-year LIBOR less 0.78% in relation to the BEGG pension deficit.

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**20. 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.

	<b>Energy Services Limited</b>		<b>Bradwell Power Holding Company Limited</b>		<b>EDF Energy Renewables group</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Non-current assets	<b>145</b>	142	<b>326</b>	311	<b>1,100</b>	1,110
Current assets	<b>162</b>	142	<b>15</b>	11	<b>299</b>	187
Non-current liabilities	<b>(17)</b>	(15)	-	-	<b>(415)</b>	(264)
Current liabilities	<b>(209)</b>	(189)	<b>(80)</b>	(112)	<b>(187)</b>	(75)
Net assets	<b>81</b>	80	<b>261</b>	210	<b>797</b>	958
Equity attributable to owners of the company	<b>41</b>	40	<b>174</b>	140	<b>211</b>	279
Non-controlling interest – Group share of equity	<b>40</b>	40	<b>87</b>	70	<b>322</b>	340
Non-controlling interest – Other	-	-	-	-	<b>264</b>	339
Sales	<b>558</b>	434	<b>4</b>	4	<b>179</b>	183
(Loss)/profit for the year	<b>(1)</b>	(23)	<b>1</b>	-	<b>(12)</b>	41
Group's share of profit for the year	-	(11)	-	-	<b>(18)</b>	6
Dividend received from associate during the year	-	-	-	-	-	10

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

	<b>Energy Services Limited</b>		<b>Bradwell Power Holding Company Limited</b>		<b>EDF Energy Renewables group</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Net assets of associate	<b>81</b>	80	<b>261</b>	210	<b>797</b>	958
Group's ownership interest	<b>41</b>	40	<b>87</b>	70	<b>322</b>	347
Sale of EDF Renewable Services UK shares	-	-	-	-	-	(7)
Carrying amount of the Group's interest	<b>41</b>	40	<b>87</b>	70	<b>322</b>	340

**Aggregate information of associates that are not individually material:**

	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>
The Group's share of loss from operations	<b>(1)</b>	(1)
Aggregate carrying amount of the Group's interest in associates	<b>75</b>	66

**Total of all associate balances:**

	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>
The Group's share of loss from operations	<b>(19)</b>	(6)
Aggregate carrying amount of the Group's interest in associates	<b>525</b>	516

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**20. Interest in associates (continued)**

Details of the Group's associates at 31 December 2021 are detailed below.

<b>Name of associate</b>	<b>Principal Activity</b>	<b>Ownership Rights %</b>	<b>Voting Rights %</b>
Lewis Wind Power Holdings Limited <sup>(1)</sup>	Holding company	24.5%	24.5%
Stornoway Wind Farm Limited <sup>(1)</sup>	Renewable energy generation	24.5%	24.5%
Clash Gour Windfarm Holdings Limited <sup>(2)</sup>	Holding company	49.0%	49.0%
Dallas Windfarm Limited <sup>(2)</sup>	Renewable energy generation	49.0%	49.0%
Altire II Windfarm Limited <sup>(2)</sup>	Renewable energy generation	49.0%	49.0%
Dunphail Windfarm Limited <sup>(2)</sup>	Renewable energy generation	49.0%	49.0%
Dunphail II Windfarm Limited <sup>(2)</sup>	Renewable energy generation	49.0%	49.0%
Dunphail Windfarm Partnership LLP <sup>(2)</sup>	Renewable energy generation	49.0%	49.0%
EDF Energy Renewables Limited <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Fallago Rig II Windfarm Limited <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Braemore Wood Windfarm Limited <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
NNG Windfarm Holdings Limited <sup>(2)</sup>	Holding company	49.0%	49.0%
Neart Na Gaoithe Offshore Wind Limited <sup>(2)</sup>	Renewable energy generation	49.0%	49.0%
Burnfoot Windfarm Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Fairfield Windfarm Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Boundary Lane Windfarm Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Walkway Windfarm Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Teesside Windfarm Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
EDF Renewables Solar limited <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
NNG Windfarm Holdings <sup>(2)</sup>	Renewable energy generation	24.5%	24.5%
Longpark Windfarm Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Roadie Windfarm Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Burnhead Moss Wind Farm Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
EDF Energy Renewables Holdings Limited <sup>(12)</sup>	Holding company	24.9%	24.9%
Barmoor Wind Power Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Park Spring Wind Farm Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Corriemoillie Windfarm Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Dorenell Windfarm Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Beck Burn Windfarm Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Pearie Law Windfarm Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Cemmaes Windfarm Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Llangwryfon Windfarm Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Great Orton Windfarm II Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
High Hedley Hope Wind Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Stranoch Windfarm Limited <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
EDF Energy Round 3 Isle of Wight Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
EDF Renewables Community Investment Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Longfield Solar Energy Farm Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Porth Wen Solar Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Gwynt Glas Offshore Wind Farm Limited <sup>(12)</sup>	Renewable energy generation	44.0%	44.0%
Burwell Solar Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Pivot Power Limited <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Pivot Power (Holding) Limited <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Pivot Power Battery Co. Limited <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Pivot Power Wire Co Limited <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Pivoted Power LLP <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Kirkheaton Wind Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
EDF ER Development Limited <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Camilty Windfarm Limited <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Cloich Windfarm Limited <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Heathland Windfarm Limited <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Newcastleton Windfarm Limited <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Tinnisburn Windfarm Limited <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

<b>Name of associate</b>	<b>Principal Activity</b>	<b>Ownership Rights %</b>	<b>Voting Rights %</b>
Wauchope Windfarm Limited <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
West Benhar Windfarm Limited <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Camilty Windfarm Partnership LLP <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Cloich Windfarm Partnership LLP <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Heathland Windfarm Partnership LLP <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Newcastle Windfarm Partnership LLP <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Tinnisburn Windfarm Partnership LLP <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Wauchope Windfarm Partnership LLP <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
West Benhar Windfarm Partnership LLP <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
EDF Renewables Ireland Ltd	Renewable energy generation	49.0%	49.0%
Wexford Solar Limited <sup>(13)</sup>	Renewable energy generation	49.0%	49.0%
Curraghmartin Solar Limited <sup>(13)</sup>	Renewable energy generation	24.5%	24.5%
Stamullen Solar Limited <sup>(13)</sup>	Renewable energy generation	24.5%	24.5%
TDC Community Solar Park Limited <sup>(13)</sup>	Renewable energy generation	24.5%	24.5%
Willville Solar Limited <sup>(13)</sup>	Renewable energy generation	24.5%	24.5%
Blusheens Solar Limited <sup>(13)</sup>	Renewable energy generation	24.5%	24.5%
Ballycarren Solar Limited <sup>(13)</sup>	Renewable energy generation	24.5%	24.5%
Coolroe Solar Limited <sup>(13)</sup>	Renewable energy generation	24.5%	24.5%
EDF Energy Services Limited	Development of generation and supply	50.0%	49.0%
The Barkantine Heat and Power Company Limited <sup>(4)</sup>	Generation and supply of heat and electricity	50.0%	49.0%
ESSCI Limited <sup>(4)</sup>	Development of generation and supply	50.0%	49.0%
ESSCI Engineering Services Limited <sup>(4)</sup>	Development of generation and supply	50.0%	49.0%
Imtech Engineering Services North Ltd <sup>(6)</sup>	Development of generation and supply	50.0%	49.0%
Imtech Engineering Services Central Ltd <sup>(5)</sup>	Development of generation and supply	50.0%	49.0%
Imtech Engineering Services London and South Ltd <sup>(4)</sup>	Development of generation and supply	50.0%	49.0%
Imtech Aqua Ltd <sup>(7)</sup>	Development of generation and supply	50.0%	49.0%
Imtech Aqua Building Services Ltd <sup>(7)</sup>	Development of generation and supply	50.0%	49.0%
Imtech Aqua Controls Ltd <sup>(7)</sup>	Development of generation and supply	50.0%	49.0%
Imtech Low Carbon Solutions Ltd <sup>(5)</sup>	Development of generation and supply	50.0%	49.0%
ESSCI Technical Facilities Management Limited <sup>(4)</sup>	Development of generation and supply	50.0%	49.0%
Inviron Holdings Limited <sup>(8)</sup>	Holding company	50.0%	49.0%
Imtech Inviron Limited <sup>(8)</sup>	Development of generation and supply	50.0%	49.0%
Inviron Property Limited <sup>(8)</sup>	Development of generation and supply	50.0%	49.0%
Imtech Aqua Maintenance Ltd <sup>(8)</sup>	Development of generation and supply	50.0%	49.0%
ESSCI Technical Services Limited <sup>(4)</sup>	Development of generation and supply	50.0%	49.0%
Capula Group Limited <sup>(9)</sup>	Development of generation and supply	50.0%	49.0%
Capula Limited <sup>(9)</sup>	Development of generation and supply	50.0%	49.0%
ESSCI Ireland Limited <sup>(4)</sup>	Development of generation and supply	50.0%	49.0%
Suir Engineering Limited <sup>(10)</sup>	Development of generation and supply	50.0%	49.0%
Suir Engineering Sweden AB (Sweden) <sup>(10)</sup>	Development of generation and supply	50.0%	49.0%
Imtech Suir Qatar LLC (Qatar) <sup>(10)</sup>	Development of generation and supply	50.0%	49.0%
Breathe Energy Ltd <sup>(11)</sup>	Energy management services	50.0%	49.0%
Breathe Asset Management Services Ltd <sup>(11)</sup>	Management of energy assets	50.0%	49.0%
Bradwell Power Holding Company Limited <sup>(3)</sup>	Holding company	33.5%	33.5%
Bradwell Power Generation Company Limited <sup>(3)</sup>	Development of generation and supply	33.5%	33.5%
General Nuclear System Limited <sup>(3)</sup>	Development of generation and supply	33.5%	33.5%

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

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

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

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

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

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

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

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



**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

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

(11) Registered Address: 13a, Tottenham Mews, London, England, W1T 4AQ

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

(13) Registered Address: Floor 0, 1 Windmill Lane, Co. Dublin, Dublin, D02f206, Ireland

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 except EDF Energy Renewables Limited and included within these consolidated accounts.

**21. NLF and nuclear liabilities receivable**

	<b>At 31 December 2021</b>			<b>At 31 December 2020</b>		
	<b>Current</b>	<b>Non-Current</b>	<b>Total</b>	<b>Current</b>	<b>Non-current</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Nuclear liabilities receivable	115	379	494	128	455	583
NLF receivable	726	12,213	12,939	218	10,917	11,135
<b>Total NLF and Nuclear liabilities receivable</b>	<b>841</b>	<b>12,592</b>	<b>13,433</b>	<b>346</b>	<b>11,372</b>	<b>11,718</b>

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 UK Government.

**22. Cash and cash equivalents**

	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>
Cash at bank and in hand	466	77
Short-term deposits	933	1,226
Cash pooling with parent company	451	951
	<b>1,850</b>	<b>2,254</b>

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 equates to the carrying amount.

The Group cash balance includes £15m (2020: £14m) of cash which must be maintained as a minimum cash balance in some entities, in accordance with contractual obligations with financial institutions.

**23. Inventories**

	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>
Raw materials and consumables	232	249
Unburnt nuclear fuel	1,614	1,843
Other nuclear fuel and uranium	352	422
Work in progress	4	5
Provision on inventories of raw material	(108)	(108)
	<b>2,094</b>	<b>2,411</b>

The cost of inventories recognised as an expense during the year in respect of continuing operations was £223m (2020: £661m). The cost of inventories recognised as an expense includes £Nil (2020: £26m) in respect of write-downs of inventory to net realisable value, and has been reduced by £3m (2020: £nil) in respect of the reversal of such write-downs.

Inventories of £1,698m (2020: £1,818m) are expected to be held for a period of over 12 months largely relating to nuclear fuel inventory.

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**24. Trade and other receivables**

	<b>2021</b>	2020
	<b>£m</b>	<b>£m</b>
Trade receivables (i)	<b>1,642</b>	1,193
Expected credit loss (iii)	<b>(235)</b>	(197)
Unbilled revenue (ii)	<b>710</b>	504
Other debtors	<b>187</b>	184
Advance payments	<b>42</b>	96
Amounts owed by other group companies	<b>1</b>	-
	<b>2,347</b>	1,780

- (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 43. 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 2021 was £498m (2020: £527m).

- (ii) Unbilled revenue receivable is presented net of expected credit loss of £12m (2020: £13m).

- (iii) Movement in the expected credit losses on trade receivables:

	<b>2021</b>	2020
	<b>£m</b>	<b>£m</b>
At 1 January	<b>197</b>	148
Amounts recovered during the year	<b>(3)</b>	(3)
Increase in allowance recognised in the income statement	<b>41</b>	52
At 31 December	<b>235</b>	197

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:

**2021**

<b>Ageing</b>	<b>Gross trade receivables overdue</b>	<b>Expected credit loss</b>	<b>Net trade receivables overdue</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
< 30 days	122	(20)	102
31-60 days	59	(10)	49
61-90 days	46	(9)	37
> 90 days	676	(196)	480
<b>Total</b>	<b>903</b>	<b>(235)</b>	<b>668</b>

**2020**

<b>Ageing</b>	<b>Gross trade receivables overdue</b>	<b>Expected credit loss</b>	<b>Net trade receivables overdue</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
< 30 days	125	(16)	109
31-60 days	58	(8)	50
61-91 days	41	(8)	33
> 90 days	573	(165)	408
<b>Total</b>	<b>797</b>	<b>(197)</b>	<b>600</b>

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**24. Trade and other receivables (continued)**

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.

**25. Other liabilities**

	<b>2021</b>	2020
	<b>£m</b>	£m
Trade creditors	<b>2,157</b>	1,646
Other payables	<b>215</b>	207
Value added tax creditor	<b>30</b>	122
Accruals	<b>548</b>	531
Nuclear liabilities (note 29)	<b>115</b>	128
NLF liabilities	<b>13</b>	12
<b>Total other liabilities due within one year</b>	<b>3,078</b>	2,646
Contingent consideration	<b>1</b>	1
Nuclear liabilities (note 29)	<b>379</b>	455
NLF liabilities	<b>72</b>	79
Unfunded pension scheme	<b>15</b>	14
<b>Total other liabilities due after one year</b>	<b>467</b>	549
<b>Total other liabilities</b>	<b>3,545</b>	3,195

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.

**26. Borrowings**

	<b>2021</b>	2020
	<b>£m</b>	£m
<b>Current</b>		
Bank overdraft	<b>4</b>	10
£600m EDF SA loan (i)	<b>104</b>	-
<b>Total borrowings due within one year</b>	<b>108</b>	10
<b>Non-current</b>		
€800m Eurobond due June 2023 (ii)	<b>672</b>	720
£101m Bradwell B land deposit (iii)	<b>101</b>	101
EDF Energy UK Loan (iv)	<b>31</b>	19
Triodos bank loan (v)	<b>4</b>	3
L&G Capital loan (vi)	<b>-</b>	2
<b>Total borrowings due after one year</b>	<b>808</b>	845
<b>Total borrowings</b>	<b>916</b>	855

- (i) On 31 March 2017 EDF SA entered into a £400m facility which was increased on the 16 December 2021 to £600m. The facility has an interest of 0.57% plus mid swap SONIA and matures on 16 December 2022.
- (ii) On 27 June 2013 a ten-year Eurobond was entered into for €800m with fixed interest rate of 2.8% and 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.
- (iii) On 1 March 2017, Bradwell B paid deposits of £21m to Northern Power Limited and £80m to EDF Energy Development Company Limited to purchase land. These deposits incur interest at a fixed rate of 3.76% per annum over a 30-year period and is unsecured. This deposit matures on 1 March 2047.

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**26. Borrowings (continued)**

- (iv) During 2021, EDF Energy UK advanced a further £12.1m (€14.3m) to the Group for the future development of EDF Renewables Ireland. This loan has annual interest at EURIBOR plus 1.5% and matures on 16 December 2025.
- (v) On 17 March 2020, Pod Point Asset One Ltd secured a loan with Triodas bank to support the installation of EV charge points. This loan has annual interest at 3.546% and matures on 31 December 2024.
- (vi) On 26 February 2020 a 2-year loan was entered into for £2m related to Pod Point. This loan has quarterly interest at an effective rate of 7.327% per annum and matures on 27 February 2022.

**27. Derivative financial instruments**

	<b>2021</b>	2020
	<b>£m</b>	<b>£m</b>
<b>Current</b>		
Derivatives that are designated in a cash flow hedge		
- Commodity purchase contracts	<b>(278)</b>	80
- Cross currency swaps	-	2
Derivatives at fair value through profit and loss (FVTPL):		
- Commodity purchase contracts	<b>4</b>	3
- Foreign currency forward contracts	<b>(3)</b>	-
<b>Total current derivative financial instruments</b>	<b>(277)</b>	85
- Current assets	<b>1,531</b>	264
- Current liabilities	<b>(1,808)</b>	(179)
<b>Non-current</b>		
Derivatives that are designated in a cash flow hedge		
- Commodity purchase contracts	<b>(407)</b>	(40)
- Cross currency swaps	<b>(5)</b>	35
Derivatives at fair value through profit and loss (FVTPL):		
- Foreign currency forward contracts	-	(1)
<b>Total non-current derivative financial instruments</b>	<b>(412)</b>	(6)
- Non-current assets	<b>305</b>	52
- Non-current liabilities	<b>(717)</b>	(58)

Further details of derivative financial instruments are provided in note 42. 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.

**28. Provisions for liabilities**

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

	2020	Arising in	Utilised in	Released	Unwinding of	2021
	£m	the year	the year	in the year	discount	£m
		£m	£m	£m	£m	
Obligations under UK emissions trading	75	76	(121)	-	-	<b>30</b>
Renewable obligation certificates	679	1,082	(940)	-	-	<b>821</b>
Decommissioning on non-nuclear stations	115	-	(9)	(6)	3	<b>103</b>
Restructuring costs	34	47	(35)	(2)	-	<b>44</b>
Nuclear liabilities (note 29)	11,110	1,253	(224)	-	767	<b>12,906</b>
Provision for unburnt fuel at station closure	1,953	-	(423)	-	15	<b>1,545</b>
Onerous contracts	6	92	(2)	-	-	<b>96</b>
Other contracts	23	148	(4)	(1)	-	<b>166</b>
	<b>13,995</b>	<b>2,698</b>	<b>(1,758)</b>	<b>(9)</b>	<b>785</b>	<b>15,711</b>

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**28. Provisions for liabilities (continued)**

	At 31 December 2021			At 31 December 2020		
	Current	Non-Current	Total	Current	Non-current	Total
	£m	£m	£m	£m	£m	£m
Obligations under UK emissions	30	-	30	75	-	75
Renewable obligation certificates	821	-	821	679	-	679
Decommissioning on non-nuclear stations	31	72	103	20	95	115
Restructuring costs	23	21	44	32	2	34
Nuclear liabilities (note 29)	641	12,265	12,906	194	10,916	11,110
Provision for unburnt fuel at station closure	497	1,048	1,545	255	1,698	1,953
Onerous contracts	92	4	96	2	4	6
Other contracts	141	25	166	16	7	23
	<b>2,276</b>	<b>13,435</b>	<b>15,711</b>	<b>1,273</b>	<b>12,722</b>	<b>13,955</b>

The provisions for obligations under UK emissions represent the additional certificates required to cover the Group's carbon emissions and will be utilised in 2022. The provision for renewable obligations certificates represents the additional certificates required to cover the Group's obligations to supply its customers with prescribed amounts of electricity generated from renewable energy sources.

The decommissioning provision for non-nuclear generation assets relate to Cottam, West Burton power stations, Hill top farm and Hole house farm gas storage. This provision has been calculated on a discounted basis with the discount unwound over the remaining period to decommissioning, between 2019 and 2035.

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 2021 and beyond. See note 11 for further information. Provision for other costs comprise provision for future legal costs and associated dilapidation costs of leased properties.

Onerous contract costs amounting to £92m were recognised in the current year. These relate to un-forecast Standard Variable Tariff (SVT) customers that have lapsed onto SVT after the closure of the hedging window, as set out in Ofgem's SVT Cap pricing methodology. These customers have now been reforecast and hedged, but at much higher prices than allowed in the SVT Cap, due to a global energy crisis causing prices to spike.

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 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 38.1% to 39.8%.

Provision for other contracts comprise provision for legal costs and estimated future costs of dilapidation on leased properties.

**29. 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;

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**29. Nuclear liabilities (continued)**

- 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 EENG.

	<b>Spent fuel £m</b>	<b>Radioactive waste – Transport &amp; Disposal £m</b>	<b>Radioactive waste – Retrieval &amp; Decomm- Processing £m</b>	<b>issioning £m</b>	<b>Total £m</b>
<b>At 31 December 2019</b>	1,279	896	453	8,666	<b>11,294</b>
Charged to profit and loss account:					
Unwinding of the discount	30	18	9	175	<b>232</b>
Updated cash flows	-	26	(1)	44	<b>69</b>
Discount rate update	17	52	27	198	<b>294</b>
Operating costs	12	3	3	-	<b>18</b>
Payments in the period	(183)	-	-	(31)	<b>(214)</b>
<b>At 31 December 2020</b>	1,155	995	491	9,052	<b>11,693</b>
Charged to profit and loss account:					
Unwinding of the discount	83	67	33	609	<b>792</b>
Updated cash flows	84	122	9	1,032	<b>1,247</b>
Discount rate update	-	-	-	-	<b>-</b>
Operating costs	17	5	4	-	<b>26</b>
Payments in the period	(162)	-	-	(196)	<b>(358)</b>
<b>At 31 December 2021</b>	1,177	1,189	537	10,497	<b>13,400</b>

Nuclear liabilities are included in the balance sheet as follows:

	<b>2021 £m</b>	<b>2020 £m</b>
Other liabilities:		
- amounts due within one year (note 25)	<b>115</b>	128
- amounts due after more than one year (note 25)	<b>379</b>	455
Provision for liabilities (note 28)	<b>12,906</b>	11,110
	<b>13,400</b>	11,693

**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 UK Government under the UK 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.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

### **29. Nuclear liabilities (continued)**

#### **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**

Provisions for decommissioning of nuclear plants result from the Group 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.

In early 2020, EDF Energy submitted phase 1 of the decommissioning plan submission (DPS 20) which was an update to the defueling liability. This led to a £1,749m increase in the provision at 31 December 2019, notably reflecting i) the extension of the defueling period following risk and contingency modelling, ii) better definition of the costs covered, and iii) an updated estimate of the costs of preparing and removing fuel, following a review of the industrial scenario. This phase of the DPS 20 was approved by the NDA in June 2021.

In November 2021, EDF Energy submitted Integrated Plan (IP) 22 to the NLA which updated the defueling cost estimates. The updated cost estimate represents an increase of £1,028m in the provision compared to 2020. This increase is mainly explained by the unexpected early end of generation at Dungeness B in June 2021, previously expected to be 2028, leading in particular to a longer defueling duration (and hence an increase in costs) due to the unplanned nature of this shutdown.

Furthermore, in 2021 EDF Energy updated the cost estimates relating to phase 2 of the decommissioning plan submission (DPS 21) which includes the other decommissioning activities for the AGR plants, decommissioning of Sizewell B and an update to the Uncontracted Liability Discharge Plan. The updated cost estimate represents an increase in the provision of £167m which includes the upward effects of the unexpected early end of generation at Dungeness (previously planned for 2028) and the new assumptions regarding the closure of Heysham 2 and Torness AGR plants, scheduled for 2028 (previously 2030), as well as the downward effect of extension of the depreciation period of Sizewell B (PWR plant) at December 31, 2021. "Phase 2 will be submitted to the NLA at the end of February 2022.

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 and unburnt fuel provision**

During 2021, an assessment of long-term bond yields and inflationary assumptions resulted in no change to the discount rate used in the present value calculation of the liabilities from a real, pre-tax discount rate of 1.9% used in 2020.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**29. 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

	<b>Spent fuel £m</b>	<b>Radioactive waste – Transport &amp; Disposal £m</b>	<b>Radioactive waste – Retrieval &amp; Processing £m</b>	<b>Decomm- issioning £m</b>	<b>2021 Total £m</b>	<b>2020 Total £m</b>
Undiscounted	2,290	4,307	1,810	16,656	<b>25,063</b>	23,457
Discounted	1,359	1,240	576	10,497	<b>13,672</b>	11,924
Accrued to date	1,177	1,189	537	10,497	<b>13,400</b>	11,693

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.

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:

	<b>Spent fuel £m</b>	<b>Radioactive waste – Transport &amp; Disposal £m</b>	<b>Radioactive waste – Retrieval &amp; Processing £m</b>	<b>Decomm- issioning £m</b>	<b>2021 Total £m</b>	<b>2020 Total £m</b>
Within five years	521	42	2	4,032	<b>4,597</b>	2,761
6 – 10 years	288	101	30	3,722	<b>4,141</b>	2,892
11 – 25 years	235	150	62	2,175	<b>2,622</b>	4,888
26 – 50 years	470	290	152	1,724	<b>2,636</b>	1,527
51 years and over	776	3,724	1,564	5,003	<b>11,067</b>	11,389
	2,290	4,307	1,810	16,656	<b>25,063</b>	23,457

On 23 June 2021 EDF and the UK government signed an update to the Agreements, confirming that EDF will conduct the defueling activities in their entirety, and will recover all related qualifying costs from the Nuclear Liabilities Fund (NLF), and formally stipulating that after the defueling phase, ownership and responsibility for the AGR plants will be transferred to the UK government, which will then take charge of decommissioning and bear the associated costs. The signature of these agreements has no immediate accounting consequences for decommissioning provisions or the receivable representing reimbursements to be made by the NLF and the UK government. Nuclear decommissioning liabilities and the associated assets will be derecognised during the agreement's operational implementation phase.



**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**30. 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 £m	Retirement benefit obligations £m	Fair value of derivative instruments £m	Losses £m	Other £m	Total £m
<b>At 31 December 2019</b>	<b>(1,007)</b>	<b>(149)</b>	<b>(9)</b>	<b>96</b>	<b>11</b>	<b>(1,058)</b>
<i>Credit/(charge) to income:</i>						
current year	83	3	1	51	2	<b>140</b>
adjustments in respect of previous years' reported tax charges	21	1	-	(14)	1	<b>9</b>
effect of increased tax rate on opening balance	(119)	2	-	11	1	<b>(105)</b>
<i>Credit/(charge) to equity:</i>						
current year	-	(58)	(1)	-	-	<b>(59)</b>
effect of increased tax rate on opening balance	-	(19)	(1)	-	-	<b>(20)</b>
Business acquisitions	1	-	-	-	-	<b>1</b>
<b>At 31 December 2020</b>	<b>(1,021)</b>	<b>(220)</b>	<b>(10)</b>	<b>144</b>	<b>15</b>	<b>(1,092)</b>
<i>Credit/(charge) to income:</i>						
current year	(37)	1	1	287	2	<b>254</b>
adjustments in respect of previous years' reported tax charges	7	(1)	-	(13)	1	<b>(6)</b>
effect of increased tax rate on opening balance	(345)	7	(1)	56	2	<b>(281)</b>
<i>Credit/(charge) to equity:</i>						
current year	-	(279)	180	-	-	<b>(99)</b>
effect of increased tax rate on opening balance	-	(75)	(2)	-	-	<b>(77)</b>
Adjustments in respect of previous years' reported tax charges	-	(1)	-	-	-	<b>(1)</b>
Business disposals	50	-	-	-	-	<b>50</b>
<b>At 31 December 2021</b>	<b>(1,346)</b>	<b>(568)</b>	<b>168</b>	<b>474</b>	<b>20</b>	<b>(1,252)</b>

The Group has unrecognised tax losses of £7m (2020: £8m). The losses give rise to a deferred tax asset of £2m (2020: £2m) 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:

	<b>2021</b>	2020
	<b>£m</b>	£m
Deferred tax assets	<b>662</b>	159
Deferred tax liabilities	<b>(1,914)</b>	(1,251)
<b>At 31 December</b>	<b>(1,252)</b>	(1,092)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****31. Non-controlling interest**

Following the acquisition of Pod Point in 2020, there are three material and one immaterial non-controlling interest (NCI) 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 and EDF Energy EV Limited, a newly formed company through which Pod Point was acquired is 77.5% owned by the Group. Ownership percentages also reflect the voting rights. The principal activities of the aforementioned companies take place in the United Kingdom.

During the year, Pod Point Group Holdings PLC (Pod Point) was listed via an Initial Public Offering (IPO). On this transaction, the Group reduced its interest in Pod Point by 23.4% but retained control of the entity. Pod Point raised £105m of third party financing on the London Stock Exchange following IPO. The transaction resulted in non-controlling interest increase of £75m and retained earnings also increased by £39m. As the Group retained control in Pod Point, the transaction was accounted for as an equity transaction. Therefore, neither an adjustment was made to the existing goodwill nor a gain/(loss) recognised in the profit or loss account.

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.

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**31. Non-controlling interests (continued)**

	Lake Acquisitions Limited		NNB Holding Company(HPC) Limited		NNB Holding Company (SZC) Limited	
	2021	2020	2021	2020	2021	2020
	£m	£m	£m	£m	£m	£m
Non-current assets	21,666	20,964	15,529	12,330	448	292
Current assets	3,250	3,955	166	113	35	26
<b>Total assets</b>	<b>24,916</b>	<b>24,919</b>	<b>15,695</b>	<b>12,443</b>	<b>483</b>	<b>318</b>
Current liabilities	389	311	615	604	33	25
Non-current liabilities	13,740	13,253	465	408	-	-
Equity attributable to owners of the company	10,787	11,355	14,615	11,431	450	293
<b>Total equity and liabilities</b>	<b>24,916</b>	<b>24,919</b>	<b>15,695</b>	<b>12,443</b>	<b>483</b>	<b>318</b>
<b>Turnover</b>	<b>1,584</b>	<b>2,748</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>
Loss attributable to owners of the company	(1,056)	(327)	(67)	(19)	-	-
Loss attributable to the non-controlling interests	(264)	(78)	(34)	(10)	-	-
<b>Loss for the year</b>	<b>(1,320)</b>	<b>(405)</b>	<b>(101)</b>	<b>(29)</b>	<b>-</b>	<b>-</b>
Total other comprehensive income attributable to owners of the company	608	232	-	-	-	-
Total other comprehensive income attributable to the non-controlling interests	151	58	-	-	-	-
<b>Total comprehensive income</b>	<b>759</b>	<b>290</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Dividends paid to non-controlling interests	1	60	-	-	-	-
Net cash inflow/(outflow) from operating activities	70	883	(14)	13	-	-
Net cash (outflow)/ inflow from investing activities	(353)	(342)	(3,187)	(2,559)	(146)	(99)
Net cash (outflow)/ inflow from financing activities	(9)	(301)	3,254	2,588	157	99
<b>Net cash (outflow)/inflow</b>	<b>(292)</b>	<b>240</b>	<b>53</b>	<b>42</b>	<b>11</b>	<b>-</b>

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**31. Non-controlling interests (continued)**

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

	<b>Lake Acquisitions Limited</b>		<b>NNB Holding Company (HPC) Limited</b>		<b>NNB Holding Company (SZC) Limited</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Balance at beginning of year	2,281	2,361	4,248	3,391	292	272
Loss arising during the year	(264)	(78)	(34)	(10)	-	-
Other comprehensive income: actuarial gains on pension scheme, net of tax	151	58	-	-	-	-
<b>Total comprehensive income</b>	<b>(113)</b>	<b>(20)</b>	<b>(34)</b>	<b>(10)</b>	<b>-</b>	<b>-</b>
Capital injection	-	-	1,199	867	-	20
Dividends paid	(1)	(60)	-	-	-	-
<b>Balance at end of year</b>	<b>2,167</b>	<b>2,281</b>	<b>5,413</b>	<b>4,248</b>	<b>292</b>	<b>292</b>

**Aggregate information of NCI that are not individually material:**

	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>
The NCI's share of loss from operations	(3)	(2)
Aggregate carrying amount of NCI	2	5
<b>Total of all NCI balances:</b>		
The NCI's share of loss from operations	(301)	(90)
The NCI's share of other comprehensive income	151	58
Aggregate carrying amount of NCI	7,874	6,826

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**32. Leases**

**Group as Lessee**

The Group 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 2.70% (2020: 2.78%).

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

	Land £m	Buildings £m	Other PPE (including vehicles) £m	Total £m
<b>Cost</b>				
<b>At 1 January 2020</b>	<b>139</b>	<b>61</b>	<b>14</b>	<b>214</b>
Additions	-	16	3	19
Disposals	-	(2)	(2)	(4)
Transferred to PPE (i)	(125)	-	-	(125)
<b>At 31 December 2020</b>	<b>14</b>	<b>75</b>	<b>15</b>	<b>104</b>
Additions	-	16	1	17
Disposals	(3)	(27)	(5)	(35)
<b>At 31 December 2021</b>	<b>11</b>	<b>64</b>	<b>11</b>	<b>86</b>
<b>Accumulated depreciation and impairment</b>				
<b>At 1 January 2020</b>	<b>(1)</b>	<b>(6)</b>	<b>(5)</b>	<b>(12)</b>
Charge for the year	-	(6)	(5)	(11)
Disposals	-	1	1	2
Impairment	(3)	(4)	-	(7)
<b>At 31 December 2020</b>	<b>(4)</b>	<b>(15)</b>	<b>(9)</b>	<b>(28)</b>
Charge for the year	(2)	(9)	(2)	(13)
Disposals	3	5	5	13
<b>At 31 December 2021</b>	<b>(3)</b>	<b>(19)</b>	<b>(6)</b>	<b>(28)</b>
<b>Carrying amount</b>				
At 31 December 2020	10	60	6	76
<b>At 31 December 2021</b>	<b>8</b>	<b>45</b>	<b>5</b>	<b>58</b>

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

	2021 £m	2020 £m
<b>As at 1 January</b>	<b>88</b>	<b>202</b>
Additions	15	21
Early terminations	(18)	-
Interest	2	2
Payments	(20)	(17)
Elimination of lease liability (i)	-	(120)
<b>As at 31 December</b>	<b>67</b>	<b>88</b>

- (i) A lease exists between NNB Generation Company (HPC) Limited ('GenCo HPC'), a subsidiary consolidated in these accounts, and EDF Development Company Limited. In 2019 EDF Development Company Limited ('DevCo') was not consolidated in these accounts therefore GenCo HPC's Right to Use the leased land was recognised. On 01 January 2020 EDF Development Company Limited was acquired by the Group and is now fully consolidated resulting in the land being recognised as Property, Plant and Equipment for the Group and resulted in GenCo HPC's lease liability of £120m was eliminated against the DevCo's £120m finance lease receivable.

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**32. Leases (continued)**

	<b>2021</b>	2020
	<b>£m</b>	£m
Current	<b>13</b>	15
Non-current	<b>54</b>	73
<b>Total</b>	<b>67</b>	88

Further maturity analysis can be found in note 42.

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

	<b>2021</b>	2020
	<b>£m</b>	£m
Depreciation expense for right-of-use assets	<b>16</b>	15
Capitalised depreciation expenses	<b>(3)</b>	(4)
<b>Net depreciation expense</b>	<b>13</b>	11
Interest expense of lease liabilities	<b>2</b>	2
Capitalised interest expense	<b>(1)</b>	-
<b>Net interest expense of lease liabilities</b>	<b>1</b>	2
Expense relating to short-term leases	<b>-</b>	-
<b>Total amount recognised in income statement</b>	<b>14</b>	<b>13</b>

**Amounts recognised in the statement of Cash flows:**

	<b>2021</b>	2020
	<b>£m</b>	£m
<b>Total Cash outflows for leases</b>	<b>20</b>	17

**Low value and short-term leases**

There were no low value or short-term leases as at 31 December 2021.

**33. Commitments and contingent liabilities**

**Capital and other commitments**

At 31 December 2021, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £6,377m (2020: £6,619m).

At 31 December 2021, the Group had entered into operating purchase commitments amounting to £335m (2020: £549m).

At 31 December 2021, the Group had contracted to purchase power, gas and other fuel to the value of £13,850m (2020: £4,453m).

**Contingent liabilities**

The Group has given letters of credit and guarantees to the value of £480m (2020: £948m) in relation to HMRC obligations, 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.

As a result of the acquisition of EDF Development Company Limited the Group is party to a conditional sale and purchase contract for land owned at Bradwell with Bradwell Power Generation Company Limited. The contract contains a call or put option which will be exercised if certain conditions are met. The contract will expire on 28 February 2047 if the conditions to exercise the option have not been met.

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**34. Share capital**

**Authorised, issued, called up and fully paid**

	<b>2021 Number</b>	<b>2020 Number</b>	<b>2021 £m</b>	<b>2020 £m</b>
Ordinary shares of £1.00 each	<b>11,794,561,274</b>	9,630,568,149	11,795	9,631

In 2021, 2,163,993,125 shares (2020: 2,721,020,000 shares) were issued at par for consideration of £2,164m (2020: £2,721m).

**35. Share premium**

	<b>2021 £m</b>	<b>2020 £m</b>
<b>Share premium reserve</b>	<b>199</b>	199

**36. Capital reserves**

	<b>2021 £m</b>	<b>2020 £m</b>
<b>Capital reserve</b>	<b>9</b>	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.

**37. Merger reserve**

	<b>2021 £m</b>	<b>2020 £m</b>
<b>Merger reserve</b>	<b>(2)</b>	(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.

**38. Hedging reserve**

The following is the analysis of the split as at the reporting date:

	<b>2021 £m</b>	<b>2020 £m</b>
Cash flow hedging reserve	<b>(509)</b>	32

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**38. Hedging reserve (continued)**

Set out below is the reconciliation of the hedging reserve and includes both cash flow hedge movements and cost of hedging movements:

	<b>2021</b>	2020
	<b>£m</b>	£m
Balance at start of year	<b>32</b>	33
Net (losses)/gains arising on changes in fair value:		
- Commodity purchase contracts	<b>(1,204)</b>	56
- Cross currency swaps	<b>5</b>	(12)
- Cost of hedging reserve	<b>-</b>	2
- Foreign currency forward contracts	<b>-</b>	(15)
Net gains/(losses) transferred to loss for the year:		
- Commodity purchase contracts	<b>477</b>	(41)
- Foreign currency forward contracts	<b>3</b>	12
Deferred tax on net losses in cash flow hedge	<b>178</b>	(3)
Total movement in the year	<b>(541)</b>	(1)
Balance at end of year	<b>(509)</b>	32

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.

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

	<b>2021</b>	2020
	<b>£m</b>	£m
Less than one year	<b>(610)</b>	82
Between one to five years	<b>(77)</b>	(42)
More than five years	<b>-</b>	-
Total fair value (losses)/gains of instruments in a cash flow hedge:	<b>(687)</b>	40
Deferred taxation	<b>178</b>	(8)
Balance at end of year	<b>(509)</b>	32

During the year a loss of £480 (2020: gain of £29m) was recycled from the hedging reserve and included within fuel, energy and related purchases and capital expenditure in relation to contracts which had matured.

**39. Retained earnings**

	<b>2021</b>	2020
	<b>£m</b>	£m
Balance at start of year	<b>9,800</b>	10,505
Loss for the year attributable to the equity holders of the parent	<b>(1,427)</b>	(831)
Actuarial gains, net of tax	<b>534</b>	125
Net gains on available for sale assets	<b>-</b>	1
Dividends paid	<b>(185)</b>	-
Other changes in equity on listing of Pod Point	<b>39</b>	-
Balance at end of year	<b>8,761</b>	9,800



**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**40. Notes to the cash flow statement**

	<b>2021</b>	2020
	<b>£m</b>	<b>£m</b>
Loss before taxation	<b>(1,779)</b>	(924)
<i>Adjustments for:</i>		
Gain on derivatives	<b>(1)</b>	(16)
Depreciation (note 18, 32)	<b>828</b>	848
Amortisation (note 17)	<b>100</b>	150
Impairment of non-financial assets (note 16)	<b>613</b>	568
Utilisation of CO <sub>2</sub> emission certificates and renewable obligations certificates (note 17)	<b>972</b>	991
Net finance costs	<b>41</b>	74
Other (losses)/gains	<b>(9)</b>	1
Decrease in provisions	<b>(24)</b>	(100)
Difference between pension funding contribution paid and pension cost charged	<b>(75)</b>	(214)
Operating cash flows before movements in working capital	<b>666</b>	1,378
Decrease/(increase) in inventories	<b>317</b>	(15)
(Increase)/decrease in trade and other receivables	<b>(567)</b>	391
Increase in other liabilities	<b>442</b>	174
Cash generated by operations	<b>858</b>	1,928
Income taxes received	<b>72</b>	50
<b>Net cash from operating activities</b>	<b>930</b>	1,978

**Changes in liabilities arising from financing activities**

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	<b>Obligation under leases (note 32)</b>	<b>Borrowings (note 26)</b>	<b>Total liabilities from financing activities</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Balances at 31/12/2020</b>	<b>88</b>	<b>855</b>	<b>943</b>
Increase	17	117	134
Decrease	(38)	(2)	(40)
Changes in scope of consolidation	-	(6)	(6)
Change in fair value	-	(48)	(48)
<b>Balances at 31/12/2021</b>	<b>67</b>	<b>916</b>	<b>983</b>

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

### **41. Retirement benefit schemes**

Prior to the pension schemes consolidation in the current year as described below, the Group sponsored 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 (EEGS) and the British Energy Generation Group of the Electricity Supply Pension Scheme (BEGG). The schemes were administered by separate boards of Trustees which are legally separate from the Group.

Under the BEGG scheme, employees were either in the final salary section or a career average revalued earnings ("CARE") section. In the final salary section employees were 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 accrued benefits based on their average salary during their period of employment within EDF Energy.

The rate of accrual of CARE was 1/60th of the employee's average salary based on a 5% contribution rate. Under the EEGS scheme, employees were 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. Employees in the final salary section were 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. Under the EEPS scheme employees were either in the final salary section or a CARE section. 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 paid benefits on death or other events such as withdrawing from active service. All benefits were ultimately paid in accordance with the scheme rules.

The latest full actuarial valuations of the EEGS, EEPS and BEGG were carried out by qualified actuaries at 31 March 2019. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

#### *Pension scheme consolidation*

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

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

The closed plans were merged into a single plan called "EDF Group of the ESPS" (EDFG). This plan will remain in force for rights vested up to the closing date of the previous plans. The corresponding obligations will be adjusted for changes in discount and inflation rates, but will no longer be affected by new members or wage increases.

In application of IAS 19, the accounting of the new plan at 31 December 2021 led to £30m decrease in obligations resulting from the reduction in past service costs, recognised in profit and loss.

EDF Energy has also decided to grant its employees a transition bonus in connection with this change. The amount of the individual bonus depends on the date the employee joins the new plan.

#### *Funding requirements*

UK legislation requires that pension schemes are funded prudently. The last funding valuations of EEGS and EEPS were carried out by qualified actuaries as at 31 March 2019 and showed deficits of £13m, and £142m respectively and for BEGG it showed a surplus of £479m. The valuations as at 31 March 2019 were completed at the end of April 2020. The Group pays contributions to repair this deficit and contributions in respect of ongoing benefit accrual. The Group expects to make contributions amounting to £46m in 2022.

#### *a) Risks associated with the pension schemes*

The defined benefit pension schemes typically expose the Group to actuarial risks as detailed below:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**41. Retirement benefit schemes (continued)**

*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. The scheme holds a significant proportion of growth assets (equities, diversified growth fund and global absolute return fund) which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the scheme's long-term objectives.

*Risk of changes in bond yields*

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

*Inflation risk*

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

*Life expectancy*

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

**b) Risk management**

The company and trustees have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes an asset-liability matching policy which aims to reduce the volatility of the funding level of the scheme. By investing in assets such as swaps, which perform in line with the liabilities of the scheme the scheme is protected against inflation being higher than expected.

The trustees insure certain benefits which are payable on death before retirement.

**c) Assumptions used in the valuation of the pension surplus**

The principal financial assumptions used to calculate the pension liabilities under IAS 19 were:

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

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**41. Retirement benefit schemes (continued)**

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

<b>EEGS</b>	<b>2021</b>	<b>2020</b>
Life expectancy for current male pensioner aged 60	<b>27</b>	27
Life expectancy for current female pensioner aged 60	<b>29</b>	29
Life expectancy at 60 for future male pensioner currently aged 40	<b>28</b>	28
Life expectancy at 60 for future female pensioner currently aged 40	<b>30</b>	30
<hr/>		
<b>EEPS</b>	<b>2021</b>	<b>2020</b>
Life expectancy for current male pensioner aged 65	<b>23</b>	23
Life expectancy for current female pensioner aged 65	<b>25</b>	25
Life expectancy at 65 for future male pensioner currently aged 45	<b>24</b>	24
Life expectancy at 65 for future female pensioner currently aged 45	<b>26</b>	26
<hr/>		
<b>BEGG</b>	<b>2021</b>	<b>2020</b>
Life expectancy for current male pensioner aged 60	<b>27</b>	27
Life expectancy for current female pensioner aged 60	<b>29</b>	29
Life expectancy at 60 for future male pensioner currently aged 40	<b>28</b>	28
Life expectancy at 60 for future female pensioner currently aged 40	<b>30</b>	30

Mortality assumptions have been determined based on standard mortality tables, specifically the SAPS S3 standard tables (2020: SAPS S3 standard tables). Future improvements in mortality rates are assumed to be in line with the CMI 2020 Core Projections Model subject to a 1.25% long-term rate of improvement. Increasing the life expectancy by 1 year would increase the DBO at 31 December 2021 by approximately £430m. Reducing the life expectancy by 1 year would reduce the DBO at 31 December 2021 by approximately £425m with default core parameters.

d) 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:

	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>
Present value of defined benefit obligations ("DBO")	<b>(8,732)</b>	(9,080)
Fair value of scheme assets	<b>11,024</b>	10,254
<b>Surplus in scheme</b>	<b>2,292</b>	1,174

There was an additional amount of £15m (2020: £14m) included within other liabilities that relate to unapproved pension scheme amounts.

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

	<b>BEGG</b>	<b>EEGS</b>	<b>EEPS</b>	<b>Total</b>	<b>Total</b>
	<b>2021</b>	<b>2021</b>	<b>2021</b>	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Current service cost	<b>125</b>	<b>13</b>	<b>53</b>	<b>191</b>	233
Past service cost (including curtailments)	<b>(12)</b>	<b>7</b>	<b>(25)</b>	<b>(30)</b>	-
Interest cost on DBO	<b>102</b>	<b>19</b>	<b>24</b>	<b>145</b>	172
Interest income on scheme assets	<b>(127)</b>	<b>(23)</b>	<b>(19)</b>	<b>(169)</b>	(191)
<b>Total pension costs</b>	<b>88</b>	<b>16</b>	<b>33</b>	<b>137</b>	214

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**41. Retirement benefit schemes (continued)**

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

	<b>2021</b>	2020
	<b>£m</b>	£m
At 1 January	<b>9,080</b>	8,229
Current service cost	<b>191</b>	233
Interest cost on DBO	<b>145</b>	172
Actuarial (gains)/losses from change in demographic assumptions	<b>(19)</b>	23
Actuarial (gains)/losses from change in financial assumptions	<b>(197)</b>	793
Actuarial losses from experience	<b>(90)</b>	(19)
Net benefits paid	<b>(351)</b>	(359)
Contributions by employees	<b>3</b>	8
Past service cost (including curtailments)	<b>(30)</b>	-
<b>At 31 December</b>	<b>8,732</b>	<b>9,080</b>

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

	<b>2021</b>	2020
	<b>£m</b>	£m
At 1 January	<b>10,254</b>	9,114
Interest income on scheme assets	<b>169</b>	191
Actuarial gains	<b>737</b>	1,048
Contributions by employer	<b>212</b>	252
Net benefits paid	<b>(351)</b>	(359)
Contributions by employees	<b>3</b>	8
<b>At 31 December</b>	<b>11,024</b>	<b>10,254</b>

e) Breakdown of scheme assets:

	<b>2021</b>	2020
	<b>£m</b>	£m
<b>Equities by region:</b>		
United Kingdom	<b>116</b>	120
Europe	<b>122</b>	222
North America	<b>654</b>	707
Asia Pacific	<b>86</b>	56
Japan	<b>92</b>	122
Emerging Markets	<b>55</b>	73
<b>Total Equities:</b>	<b>1,125</b>	1,300
<b>Bonds by rating:</b>		
AAA	<b>271</b>	284
AA	<b>4,688</b>	4,307
A	<b>62</b>	152
BBB	<b>177</b>	417
Non-investment grade	<b>1,111</b>	1,056
Private debt	<b>197</b>	-
Other	<b>67</b>	444
<b>Total Bonds:</b>	<b>6,573</b>	6,660
<b>Real Estate</b>	<b>751</b>	629
<b>Private Equity</b>	<b>493</b>	493
<b>Systematic Multi-Asset Fund</b>	<b>561</b>	531
<b>Cash and derivatives</b>	<b>1,221</b>	364
<b>Other</b>	<b>300</b>	277
	<b>11,024</b>	<b>10,254</b>

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

### **41. Retirement benefit schemes (continued)**

As at 31 December 2021, the scheme held repurchases. The net value of these transactions is included in the value of bonds in the table above. The value of the funding obligation for the repurchase transactions is £548 million at 31 December 2021 (2020: £nil).

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.

#### **f) Profile of the pension scheme**

##### **Current year**

The Defined Benefit Obligation (DBO) includes benefits for current employees, former employees and current pensioners. Broadly, about 45% of the DBO is attributable to current employees, 11% to deferred pensioners and 44% to current pensioners.

The scheme duration is an indicator of the weighted-average time until benefit payments are made. For the consolidated scheme as a whole, the duration is approximately 19 years.

##### **Prior year**

##### **BEGG**

Circa 45% of the BEGG liabilities are attributable to current employees, 5% to former employees and 50% 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.

##### **EEGS**

Circa 43% of the EEGS liabilities are attributable to current employees, 6% to former employees and 51% to current pensioners. For EEGS as a whole, the duration is approximately 18 years.

##### **EEPS**

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

#### **g) 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 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.

	<b>2021</b>
Impact of a 25bp increase/decrease in discount rate	<b>-5.2% to +5.9%</b>
Impact of a 25bp increase/decrease in inflation rate	<b>5.3% to -4.7%</b>

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.

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**42. Financial Instruments**

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

	Note	31 December 2021			31 December 2020		
		Current	Non-current	Total	Current	Non-current	Total
		£m	£m	£m	£m	£m	£m
<b>Financial assets</b>							
Derivatives at fair value through profit and loss:							
- Commodity purchase contracts		4	-	4	3	-	3
- Foreign currency forward contracts		-	-	-	1	-	1
Derivatives designated in cash flow hedge:							
- Commodity purchase contracts		1,527	305	1,832	258	17	275
- Foreign currency forward contracts		-	-	-	-	-	-
- Cross currency swap		-	-	-	2	35	37
Cash and cash equivalents (i)	22	1,850	-	1,850	2,254	-	2,254
Loan receivables at amortised cost (ii)		3	686	689	28	596	624
Trade and other receivables (iii)		2,305	-	2,305	1,684	-	1,684
Financial assets at fair value through other comprehensive income		-	11	11	-	12	12
NLF and Nuclear liabilities receivable	21	841	12,592	13,433	346	11,372	11,718

- (i) The fair value of cash and cash equivalents approximate the carrying value due to the short maturity.
- (ii) The fair value of loan receivables approximate the carrying amounts since these loans are considered payable on demand from a market participant perspective even if no fixed repayment terms are set. Non-financial assets in note 24 have been excluded from the analysis above.
- (iii) The fair value of trade receivables measured at amortised cost approximate the carrying value.

	Note	31 December 2021			31 December 2020		
		Current	Non-current	Total	Current	Non-current	Total
		£m	£m	£m	£m	£m	£m
<b>Financial liabilities</b>							
Derivatives at fair value through profit and loss:							
- Foreign currency forward contracts		(3)	-	(3)	(1)	(1)	(2)
Derivatives designated in cash flow hedge:							
- Commodity purchase contracts		(1,805)	(712)	(2,517)	(178)	(57)	(235)
- Foreign currency forward contracts		-	(5)	(5)	-	-	-
Borrowings at amortised cost (iv)		(108)	(808)	(916)	(10)	(845)	(855)
Other liabilities at amortised cost (v)		(3,048)	(452)	(3,500)	(2,524)	(535)	(3,059)
Lease obligations	32	(13)	(54)	(67)	(15)	(73)	(88)
Contingent consideration (v)	15,25	(1)	-	(1)	-	(1)	(1)

- (iv) The fair value of variable interest rate and borrowings approximates its carrying amount as the interest rates charged are considered marked related. The fair value of fixed interest rate borrowings does not approximate its carrying amount.
- (v) The fair value of current other liabilities and contingent consideration approximates the carrying value due its relatively short maturity. Non-financial liabilities in note 25 have been excluded from the analysis above.

Derivatives at fair value through profit and loss reflect the change in fair value of those foreign currency forward contracts and commodity purchase forward contracts that are intended to reduce the level of foreign currency and price risk exposures. Derivatives designated in cash flow hedge reflect the change in fair value of those foreign currency forward contracts, commodity purchase forward contracts and a cross currency swap, 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'.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****42. Financial Instruments (continued)****a) Fair value 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).



**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**42. Financial Instruments (continued)**

	Notes	2021 £m	2020 £m
<b>Level 2*</b>			
Derivatives at fair value through profit and loss:			
- Commodity purchase contracts (i)	27	4	3
- Foreign currency forward contracts (ii)	27	(3)	(1)
Derivatives designated in cash flow hedge:			
- Commodity purchase contracts (i)	27	(685)	40
- Foreign currency forward contracts (ii)	27	-	-
- Cross currency swap (iii)	27	(5)	37
<b>Level 3*</b>			
Financial assets at fair value through other comprehensive income (iv)	19	11	12

\*There have been no transfers between levels during the period.

- (i) The fair value of commodity purchase contracts is determined based on adjusted quoted wholesale market prices and constitutes level 2 on the fair value hierarchy.
- (ii) The fair value of foreign currency forward contracts is determined based on adjusted quoted market prices and constitutes level 2 on the fair value hierarchy.
- (iii) The fair value of the cross currency swap is determined using a discounted cash flow. Future cash flows are estimated based on observable forward rates and contract forward rates, discounted at a rate that reflects the credit risk of the counterparties and constituted level 2 on the fair value hierarchy.
- (iv) 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.

**b) Hedging activities**

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

The Group has the following commodity price purchase contracts designated in a cash flow hedge:

		Net notional			Total	Fair value £m
		< 1 year	1-5 years	> 5 years		
<b>31 December 2021</b>						
Electricity	Millions of MWh's	(1)	(4)	-	(5)	(1,218)
Gas	Millions of therms	866	191	-	1,057	533
<b>31 December 2020</b>						
Electricity	Millions of MWh's	(7)	(6)	-	(13)	(66)
Gas	Millions of therms	765	116	-	881	106

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 a cross currency swap.

The possible sources of hedge ineffectiveness arise from timing differences or cancellation of expected sales and purchase of commodities or a change in credit risk of either counterparties.

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**42. Financial Instruments (continued)**

The fair values of derivatives designated in a cash flow hedge are as follows:

		Assets	Liabilities	Fair value
		£m	£m	£m
<b>31 December 2021</b>				
Commodity purchase contracts	Commodity price risk	1,832	(2,517)	(685)
Cross currency swap	Foreign currency risk	-	(5)	(5)
<b>31 December 2020</b>				
Commodity purchase contracts	Commodity price risk	275	(235)	40
Cross currency swap	Foreign currency risk	37	-	37

**c) Financial risk management objectives**

The Group is exposed to a variety of financial risks including capital risk, commodity price risk, interest rate risk, foreign currency risk, credit 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 risk management policies and consistent 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 is detailed in note 2.

**d) Capital risk management**

The Group manages its capital through focusing on its net debt which comprises borrowings including lease obligations, derivative liabilities and accrued interest and deducting cash and cash equivalents.

Given that the Group is a wholly-owned subsidiary, any changes in capital structure are achieved through 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.

**e) 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 in line with the Group's risks mandate. The commodity price risk exposure is detailed in the sensitivity analysis below:

	Loss before tax		Hedge Reserve	
	2021	2020	2021	2020
	£m	£m	£m	£m
Increase/(Decrease) of 10% in electricity price	-	-	(122)	(74)
Increase/(Decrease) of 10% in gas price	-	-	53	45
Increase/(Decrease) of 10% CO <sub>2</sub> emission certificates price	-	(2)	-	-

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

**f) 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 a cross currency swap agreement. The Group's policy is to use derivatives to reduce exposure to short-term interest rate fluctuations and not for speculative purposes. The cross currency swap is designated in a hedging relationship as a cash flow hedge.

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**42. Financial Instruments (continued)**

The interest rate profile of interest-bearing borrowings and lease obligations were as follows:

	<b>2021</b>	2020
	<b>£m</b>	£m
Floating rate borrowings	<b>35</b>	29
Fixed rate borrowings	<b>881</b>	826
Floating rate lease obligations	<b>67</b>	88

The weighted average interest rates for all borrowings and lease obligations were as follows:

	<b>2021</b>	2020
Weighted average fixed interest rate %	<b>4.1%</b>	3.6%
Weighted average floating interest rate %	<b>2.3%</b>	2.6%

**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.

At 31 December 2021, the Group has one cross currency swap (2020: one). The fair value of the cross swap outstanding at 31 December 2021 was a liability of £5m (2020: £37m asset). If interest rates moved by 100bps the change in value of the derivative asset and the hedge reserve would be £0.1m (2020: £1.3m). If interest rates moved by 100bps, the loss before tax would be £0.3m higher (2020: £7.3m higher loss).

**g) Foreign currency risk management**

The Group is exposed to exchange rate fluctuations as a result of Euro denominated debt and commodity purchase contracts. Foreign currency exposures arising from Euro denominated commodity contracts are managed using foreign currency forward contracts. The Group's policy is to enter into cross currency interest rate swaps and foreign currency forward contracts to convert all foreign currency denominated debt and obligations into GBP.

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

	Notional amount to be received				Notional amount to be given				Fair value
	<1yr	1-5yrs	>5yrs	Total	<1yr	1-5yrs	>5yrs	Total	£m
	£m	£m	£m	£m	£m	£m	£m	£m	
<b>At 31 December 2021</b>									
Foreign currency forwards	<b>260</b>	<b>42</b>	-	<b>302</b>	<b>269</b>	<b>47</b>	-	<b>316</b>	<b>1</b>
Cross currency swap	<b>19</b>	<b>682</b>	-	<b>701</b>	<b>25</b>	<b>695</b>	-	<b>720</b>	<b>5</b>
<b>At 31 December 2020</b>									
Foreign currency forwards	111	26	-	137	110	26	-	136	(1)
Cross currency swap	20	750	-	770	25	719	-	744	37

**Sensitivity analysis**

If exchange rates decreased by 10%, the loss before tax would be £15m higher (2020: £1.6m higher loss). If exchange rates decreased by 10% the hedge reserve would be £67m lower (2020: £6.4m lower).

**h) 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.

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**42. Financial Instruments (continued)**

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.

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.

	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>
Guarantee provided by subsidiary relating to performance of contractual obligations	<b>390</b>	115
Guarantee relating to pension obligations	-	560
Guarantee relating to tax obligations	-	-

**i) 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.

Uncommitted borrowing facilities are maintained with several banking counterparties and EDF SA to meet the Group's normal and contingency funding requirements. On 31 December 2021, the Group had available £1,096m (2020: £847m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met representing both inter-group and external funding

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

	0-30 days £m	30-90 days £m	3-6 months £m	6-12 months £m	1-2 years £m	2-5 years £m	> 5 years £m	Total £m
<b>At 31 December 2021</b>								
Commodity purchase contracts	(47)	(951)	(6)	(802)	(674)	(37)	-	(2,517)
Foreign currency forwards	-	(3)	-	-	(5)	-	-	(8)
Borrowings	(4)	-	-	(104)	(672)	(35)	(101)	(916)
Other liabilities	(298)	(2,208)	(480)	(65)	(128)	(321)	-	(3,500)
Lease obligations	(1)	(2)	(5)	(5)	(14)	(30)	(10)	(67)
Contingent consideration	-	(1)	-	-	-	-	-	(1)
<b>At 31 December 2020</b>								
Commodity purchase contracts	(28)	(53)	(30)	(67)	(54)	(3)	-	(235)
Foreign currency forwards	-	-	-	(1)	(1)	-	-	(2)
Borrowings	(10)	-	-	-	(21)	(723)	(101)	(855)
Other liabilities	(447)	(1,487)	(455)	(135)	(140)	(380)	(14)	(3,058)
Lease obligations	(1)	(2)	(5)	(7)	(12)	(27)	(34)	(88)
Contingent consideration	-	(1)	-	-	-	-	-	(1)

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**43. Related parties**

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

		<b>Sales to related parties £m</b>	<b>Purchases from related parties £m</b>	<b>Interest paid to related parties £m</b>
Transactions with associates	<b>2021</b>	-	<b>(218)</b>	-
	2020	-	(188)	-
Transactions with other EDF S.A. Group companies	<b>2021</b>	-	<b>(468)</b>	<b>(30)</b>
	2020	-	(513)	(23)
Lease Commitments with EDF S.A. Group companies	<b>2021</b>	-	-	-
	2020	-	-	-
Derivatives with other EDF S.A Group companies	<b>2021</b>	<b>1,934</b>	<b>(3,152)</b>	-
	2020	292	(632)	-

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

		<b>Amounts owed by related parties £m</b>	<b>Amounts owed to related parties £m</b>
Transactions with associates	<b>2021</b>	<b>124</b>	<b>(149)</b>
	2020	63	(154)
Transactions with other EDF S.A. Group companies	<b>2021</b>	<b>1,941</b>	<b>(537)</b>
	2020	2,510	(880)
Lease Commitments with EDF S.A. Group companies	<b>2021</b>	-	-
	2020	-	-
Derivatives with other EDF S.A Group companies	<b>2021</b>	<b>1,837</b>	<b>(2,525)</b>
	2020	316	(238)

EDF Energy Holdings Limited trades with other group companies which are part of the EDF S.A. group. The prices for derivative contracts with related parties reflect the prevailing market prices at each contract's inception. The amounts outstanding at year end are unsecured and will be settled in cash. No guarantees have been given or received.

The Group enters into derivative contracts to sell and purchase commodities at normal market prices with another EDF S.A. group company. The group also enters into foreign exchange forwards and swaps as well as interest rate swaps with other EDF S.A group companies.

The table above includes loans and bonds payable to other EDF subsidiaries of £912m (2020: £840m) and loans receivable from EDF S.A. companies of £565m (2020: £560m).

**Transactions with key management personnel**

	<b>2021 £m</b>	<b>2020 £m</b>
Short-term benefits	<b>4.8</b>	4.7
Post-employment benefits	<b>0.3</b>	0.2
Other long-term employee benefits	<b>0.2</b>	0.2
	<b>5.3</b>	5.1

Key management personnel comprise members of the Executive Committee, a total of nine individuals at 31 December 2021 (2020: nine). The Executive Committee is a cross-business unit committee of senior staff who take part in the decision-making for the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****44. Events after the balance sheet date**Sizewell C

On 27 January 2022 the UK government announced that it was granting £100 million of public funding in return for an option to purchase land at the Sizewell C site or EDF's shares in the Sizewell C company.

Energy price cap

On 3 February 2022 the British energy regulator OFGEM announced the new energy price cap for the Standard Variable Tariff (SVT), applicable from April 2022 for the following six months. The 54% increase announced is estimated to correspond to an average +£693 cost per year for a standard consumer profile. The British government announced parallel measures to reduce this burden for households: i) a £150 rebate on local taxes from April 2022, for 80% of households; ii) a £200 reduction on energy bills, to be applied by suppliers in October 2022, and subsequently paid by consumers in £40 instalments over 5 years from 2023. The associated costs will be financed by the state in the meantime.

**45. 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 2021, EDF S.A. a company incorporated in France, is regarded by the Directors as the Group'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.

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**COMPANY BALANCE SHEET**  
**AT 31 DECEMBER 2021**

	<i>Note</i>	<b>2021</b> <b>£m</b>	2020 £m
<b>Non-current assets</b>			
Financial Assets	8	<b>68</b>	24
Investments in subsidiary and associate undertakings	9	<b>14,963</b>	14,822
		<b>15,031</b>	14,846
<b>Current assets</b>			
Trade and other receivables	10	<b>13</b>	13
Cash and cash equivalents	11	<b>1</b>	179
		<b>14</b>	192
<b>Total assets</b>		<b>15,045</b>	15,038
<b>Current liabilities</b>			
Other liabilities	12	<b>(2)</b>	(1)
		<b>(2)</b>	(1)
<b>Non-current liabilities</b>			
Borrowings	13	<b>(135)</b>	(19)
		<b>(135)</b>	(19)
<b>Total liabilities</b>		<b>(137)</b>	(20)
<b>Net current assets</b>		<b>12</b>	191
<b>Net assets</b>		<b>14,908</b>	15,018
<b>Equity</b>			
Share capital	14	<b>11,795</b>	9,631
Share premium	16	<b>199</b>	199
Retained earnings		<b>2,914</b>	5,188
<b>Total equity</b>		<b>14,908</b>	15,018

The Company reported a loss for the financial year ended 31 December 2021 of £2,089m (2020: loss of £1,094m).

The company financial statements of EDF Energy Holdings Limited, registered number 06930266, on pages 110 to 121 were approved by the Board of Directors and signed on its behalf by:

DocuSigned by:  
  
81F6836592A941E...  
Robert Guyler  
Director  
Rob Guyler  
.....

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

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

	Share capital £m	Share premium £m	Retained earnings £m	<b>Total Shareholders' funds £m</b>
At 31 December 2019	6,824	-	6,282	<b>13,106</b>
Loss for the year	-	-	(1,094)	<b>(1,094)</b>
Shares issued (note 14)	2,807	199	-	<b>3,006</b>
<b>At 31 December 2020</b>	<b>9,631</b>	<b>199</b>	<b>5,188</b>	<b>15,018</b>
Loss for the year	-	-	(2,089)	<b>(2,089)</b>
Dividend paid (note 15)	-	-	(185)	<b>(185)</b>
Shares issued (note 14)	2,164	-	-	<b>2,164</b>
<b>At 31 December 2021</b>	<b>11,795</b>	<b>199</b>	<b>2,914</b>	<b>14,908</b>



## **NOTES TO THE COMPANY FINANCIAL STATEMENTS**

### **1. Accounting policies**

#### **General information**

EDF Energy Holdings Limited is a private company limited by shares. It is incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on the contents page.

#### **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 policies which apply in preparing the Company financial statements for the year ended 31 December 2021.

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

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

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

#### **Summary of disclosure exemptions**

The Company has taken advantage of the following disclosure exemptions under 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;

Where relevant, equivalent disclosures have been given in the group accounts which are available on the pages above.

#### **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.

#### **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.

## **NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)**

### **1. Accounting policies (continued)**

#### **Interest income**

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

#### **Dividend income**

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

#### **Finance cost**

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

#### **Foreign currency transactions and balances**

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

#### **Taxation**

The income tax expense included in the 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.

## **NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)**

### **1. Accounting policies (continued)**

#### **Investment in subsidiaries**

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

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

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

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

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

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

#### **Investments in associates**

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

Investments in associates are accounted for at cost less, where appropriate, allowances for impairment.

#### **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.

#### **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, restricted cash and cash pooled with Group companies.

#### **Share capital**

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

## NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

### 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 investment in subsidiary and associate undertakings*

The Company performs impairment testing of investment in subsidiaries and associates where there is an indication of potential impairment. The impairment review involves a number of assumptions including discount rates and cash flow forecast. These assumptions are reviewed annually to ensure they are reliable. Further detail on impairment is disclosed in note 7.

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

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

### 3. Operating loss

In 2021 an amount of £10,000 (2020: £8,064) 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 2020, amounts payable to Deloitte LLP by the Company in respect of non-audit services were £nil (2020: £nil).

The Company had no employees in 2021 (2020: none).

### 4. Directors' emoluments

None of the Directors received any remuneration for services to the Company during the year (2020: £nil).

### 5. Investment income

	<b>2021</b>	2020
	<b>£m</b>	£m
Dividends received from subsidiaries	<b>90</b>	152
Interest receivable from other Group companies	<b>1</b>	3
	<b>91</b>	155

A dividend of £90m (2020: £nil) was received from EDF Development Company Limited.

### 6. Finance costs

	<b>2021</b>	2020
	<b>£m</b>	£m
Interest payable on loans and facilities from other Group companies	<b>2</b>	2

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)**

**7. Impairment**

	<b>2021</b>	2020
	<b>£m</b>	£m
EDF Energy Lake Limited	<b>853</b>	1,247
EDF Energy Limited	<b>1,325</b>	-
	<b>2,178</b>	1,247

In 2021 an impairment test was performed for the nuclear generation business. The early closure of Dungeness, as well as the forward and long-term power price volatility represent an impairment trigger for the nuclear power stations. This has resulted in an impairment of £853m in EDF Energy Lake Limited reducing its carrying amount from £4,204m to £3,351m. The recoverable value of existing nuclear assets is determined by discounting future cashflows.

In 2021 an impairment test was performed for the corporate, thermal and customers business. The energy crisis has been assessed as an impairment trigger and the sale of WBB has reduced the future discounted cashflow and result in an impairment of £1,325m reducing its carrying amount from £2,368m to £1,043m.

**8. Financial assets**

	<b>2021</b>	2020
	<b>£m</b>	£m
<b>Non-current financial assets</b>		
Loans to subsidiaries	<b>68</b>	24

In 2021, a further amount of £12m (2020: £19m) was advanced to EDF Renewables Ireland Energy Limited with an interest rate of 1.5% and repayment due in January 2022. In 2020, a loan of £5m was granted to EDF Energy (TSO) Limited at an interest rate of 0.97075%. In June 2021, £2m of this loan was repaid. A loan of £34m was advanced to EDF Energy Limited at an interest rate of 1.117% and a repayment date of 16 December 2021.

**9. Investments in subsidiary and associate undertakings**

	<b>Subsidiaries</b>	<b>Associates</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Carrying value</b>			
At 1 January 2020	<b>12,955</b>	<b>102</b>	<b>13,057</b>
Additions during the year	2,985	27	3,012
Impairment during the year	(1,247)	-	(1,247)
<b>At 31 December 2020</b>	<b>14,693</b>	<b>129</b>	<b>14,822</b>
Additions during the year	2,289	30	2,319
Impairment during the year	(2,178)	-	(2,178)
<b>At 31 December 2021</b>	<b>14,804</b>	<b>159</b>	<b>14,963</b>
<b>Carrying Value</b>			
<b>At 31 December 2021</b>	<b>14,804</b>	<b>159</b>	<b>14,963</b>
<b>At 31 December 2020</b>	<b>14,693</b>	<b>129</b>	<b>14,822</b>

The additions to investment in subsidiaries related to the subscription of £2,163m (2020: £1,721m) additional shares in EDF Energy (NNB) Limited, £nil (2020: £900m) shares in EDF Energy Limited and £126m (2020: £79m) shares in NNB Holding Company (SZC) Limited.

The additions to investments in associates related to £13m (2020: £19m) increase in General Nuclear System Limited and £17m (2020: £8m) increase in Bradwell Power Holding Company Limited.

The principal subsidiary undertakings at 31 December 2021, which are incorporated in the United Kingdom and are registered and operate in England and Wales, or Scotland (unless otherwise stated), are as follows:

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)**

**9. Investments in subsidiary and associate undertakings continued**

<b>Name of subsidiary</b>	<b>Principal activity</b>	<b>Holding %</b>
British Energy Bond Finance Limited <sup>*(2)</sup>	Financial activities	80%
British Energy Generation (UK) Limited <sup>*(2)</sup>	Holding company	80%
EDF Energy Nuclear Generation Limited <sup>*(1)</sup>	Power generation	80%
EDF Energy Nuclear Generation Group Limited <sup>*(2)</sup>	Holding company	80%
Lake Acquisitions Limited*	Holding company	80%
British Energy International Holdings Limited <sup>*(2)</sup>	Holding company	80%
British Energy Limited <sup>*(2)</sup>	Holding company	80%
British Energy Trustees Limited <sup>*(2)</sup>	Dormant company	80%
BEGG Trustee Limited*	Dormant company	80%
Lochside Insurance Limited* (Guernsey) <sup>(4)</sup>	Insurance company	80%
EDF Energy Innovation Limited*	Provision of innovation services	80%
Cheshire Cavity Storage 1 Limited*	Gas storage facilities	100%
West Burton Property Limited*	Dormant company	100%
EDF Energy Limited	Sale of electricity	100%
EDF Energy Customers Limited*	Electricity retailing	100%
EDF Energy Lake Limited	Holding company	100%
EDF Energy ESPS Trustee Limited*	Dormant company	100%
EDF Energy (Thermal Generation) Limited*	Power generation	100%
EDF Energy (Gas Storage) Limited (formerly EDF Energy (Gas Storage Hole House) Limited)*	Gas storage facilities	100%
EDF Energy R&D UK Centre Limited	Research and development of generation and supply	100%
EDF Energy Pension Scheme Trustee Limited*	Dormant company	100%
EDF Development Company Limited	Ownership and management of land	100%
Northern Power Limited <sup>(2)</sup>	Power generation	100%
NNB Holding Company (SZC) Limited	Holding company	80%
NNB Generation Company (SZC) Limited*	Development of generation and supply	80%
EDF Energy (NNB) Limited (Hong Kong) <sup>(3)</sup>	Holding company	100%
NNB Top Company HPC (B) Limited*	Holding company	100%
NNB Top Company HPC (A) Limited*	Holding company	100%
NNB Holding Company (HPC) Limited*	Holding company	66.5%
NNB Generation Company (HPC) Limited*	Development of generation and supply	66.5%
NNB Finance Company (HPC) Limited*	Financial activities	66.5%
EDF Energy (TSO) Limited	Technical services	100%
Pod Point Group Holdings PLC*	Holding company	54.05%
Pod Point Holding Limited <sup>*(5)</sup>	Holding company	54.05%
Pod Point Limited <sup>*(5)</sup>	Provision of charging infrastructure for electric vehicles	54.05%
Open Charge Limited <sup>*(5)</sup>	Financial activities	54.05%
Pod Point Asset One Limited <sup>*(5)</sup>	Provision of charging infrastructure assets for electric vehicles	54.05%
Pod Point Norge AS (Norway) <sup>*(6)</sup>	Dormant company	54.05%

\*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 Bording, St Peter Port, Guernsey, Channel Islands, GY1 4AU

(5) Registered Address: 28-42 Banner Street Banner Street, London, England, EC1Y 8QE

(6) Registered Address: Engebrets vei 3 0275 Oslo

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

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

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)**

**9. Investments in subsidiary and associate undertakings continued**

<b>Company</b>	<b>Registration number</b>
EDF Energy Lake Limited	09200461
NNB Top Company HPC (B) Ltd	09284753
NNB Top Company HPC (A) Ltd	09284749
EDF Energy Innovation Limited	06999483
Northern Power Limited	SC155131

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

<b>Name of associate</b>	<b>Principal Activity</b>	<b>Ownership Rights %</b>	<b>Voting Rights %</b>
Lewis Wind Power Holdings Limited <sup>(1)</sup>	Holding company	24.5%	24.5%
Stornoway Wind Farm Limited <sup>(1)</sup>	Renewable energy generation	24.5%	24.5%
Clash Gour Windfarm Holdings Limited <sup>(2)</sup>	Holding company	49.0%	49.0%
Dallas Windfarm Limited <sup>(2)</sup>	Renewable energy generation	49.0%	49.0%
Altyre II Windfarm Limited <sup>(2)</sup>	Renewable energy generation	49.0%	49.0%
Dunphail Windfarm Limited <sup>(2)</sup>	Renewable energy generation	49.0%	49.0%
Dunphail II Windfarm Limited <sup>(2)</sup>	Renewable energy generation	49.0%	49.0%
Dunphail Windfarm Partnership LLP <sup>(2)</sup>	Renewable energy generation	49.0%	49.0%
EDF Energy Renewables Limited <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Fallago Rig II Windfarm Limited <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Braemore Wood Windfarm Limited <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
NNG Windfarm Holdings Limited <sup>(2)</sup>	Holding company	49.0%	49.0%
Near Na Gaoithe Offshore Wind Limited <sup>(2)</sup>	Renewable energy generation	49.0%	49.0%
Burnfoot Windfarm Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Fairfield Windfarm Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Boundary Lane Windfarm Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Walkway Windfarm Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Teesside Windfarm Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
EDF Renewables Solar limited <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
NNG Windfarm Holdings <sup>(2)</sup>	Renewable energy generation	24.5%	24.5%
Longpark Windfarm Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Roadie Windfarm Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Burnhead Moss Wind Farm Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
EDF Energy Renewables Holdings Limited <sup>(12)</sup>	Holding company	24.9%	24.9%
Barmoor Wind Power Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Park Spring Wind Farm Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Corriemoillie Windfarm Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Dorenell Windfarm Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Beck Burn Windfarm Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Pearie Law Windfarm Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Cemmaes Windfarm Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Llangwryfon Windfarm Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Great Orton Windfarm II Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
High Hedley Hope Wind Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Stranoch Windfarm Limited <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
EDF Energy Round 3 Isle of Wight Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
EDF Renewables Community Investment Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Longfield Solar Energy Farm Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Porth Wen Solar Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Gwynt Glas Offshore Wind Farm Limited <sup>(12)</sup>	Renewable energy generation	44.0%	44.0%
Burwell Solar Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
Pivot Power Limited <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Pivot Power (Holding) Limited <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Pivot Power Battery Co. Limited <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Pivot Power Wire Co Limited <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Pivoted Power LLP <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Kirkheaton Wind Limited <sup>(12)</sup>	Renewable energy generation	24.9%	24.9%
EDF ER Development Limited <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Camilly Windfarm Limited <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)**

<b>Name of associate</b>	<b>Principal Activity</b>	<b>Ownership Rights %</b>	<b>Voting Rights %</b>
Cloich Windfarm Limited <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Heathland Windfarm Limited <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Newcastleton Windfarm Limited <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Tinnisburn Windfarm Limited <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Wauchope Windfarm Limited <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
West Benhar Windfarm Limited <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Camilty Windfarm Partnership LLP <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Cloich Windfarm Partnership LLP <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Heathland Windfarm Partnership LLP <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Newcastleton Windfarm Partnership LLP <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
The Mosses Windfarm Partnership LLP <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Tinnisburn Windfarm Partnership LLP <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
Wauchope Windfarm Partnership LLP <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
West Benhar Windfarm Partnership LLP <sup>(12)</sup>	Renewable energy generation	49.0%	49.0%
EDF Renewables Ireland Ltd <sup>(13)</sup>	Renewable energy generation	49.0%	49.0%
Wexford Solar Limited <sup>(13)</sup>	Renewable energy generation	49.0%	49.0%
Curraghmartin Solar Limited <sup>(13)</sup>	Renewable energy generation	24.5%	24.5%
Stamullen Solar Limited <sup>(13)</sup>	Renewable energy generation	24.5%	24.5%
TDC Community Solar Park Limited <sup>(13)</sup>	Renewable energy generation	24.5%	24.5%
Willville Solar Limited <sup>(13)</sup>	Renewable energy generation	24.5%	24.5%
Blusheens Solar Limited <sup>(13)</sup>	Renewable energy generation	24.5%	24.5%
Ballycarren Solar Limited <sup>(13)</sup>	Renewable energy generation	24.5%	24.5%
Coolroe Solar Limited <sup>(13)</sup>	Renewable energy generation	24.5%	24.5%
EDF Energy Services Limited	Development of generation and supply	50.0%	49.0%
The Barkantine Heat and Power Company Limited <sup>(4)</sup>	Generation and supply of heat and electricity	50.0%	49.0%
ESSCI Limited <sup>(4)</sup>	Development of generation and supply	50.0%	49.0%
ESSCI Engineering Services Limited <sup>(4)</sup>	Development of generation and supply	50.0%	49.0%
Imtech Engineering Services North Ltd <sup>(6)</sup>	Development of generation and supply	50.0%	49.0%
Imtech Engineering Services Central Ltd <sup>(5)</sup>	Development of generation and supply	50.0%	49.0%
Imtech Engineering Services London and South Ltd <sup>(4)</sup>	Development of generation and supply	50.0%	49.0%
Imtech Aqua Ltd <sup>(7)</sup>	Development of generation and supply	50.0%	49.0%
Imtech Aqua Building Services Ltd <sup>(7)</sup>	Development of generation and supply	50.0%	49.0%
Imtech Aqua Controls Ltd <sup>(7)</sup>	Development of generation and supply	50.0%	49.0%
Imtech Low Carbon Solutions Ltd <sup>(5)</sup>	Development of generation and supply	50.0%	49.0%
ESSCI Technical Facilities Management Limited <sup>(4)</sup>	Development of generation and supply	50.0%	49.0%
Inviron Holdings Limited <sup>(8)</sup>	Holding company	50.0%	49.0%
Imtech Inviron Limited <sup>(8)</sup>	Development of generation and supply	50.0%	49.0%
Inviron Property Limited <sup>(8)</sup>	Development of generation and supply	50.0%	49.0%
Imtech Aqua Maintenance Ltd <sup>(8)</sup>	Development of generation and supply	50.0%	49.0%
ESSCI Technical Services Limited <sup>(4)</sup>	Development of generation and supply	50.0%	49.0%
Capula Group Limited <sup>(9)</sup>	Development of generation and supply	50.0%	49.0%
Capula Limited <sup>(9)</sup>	Development of generation and supply	50.0%	49.0%
ESSCI Ireland Limited <sup>(4)</sup>	Development of generation and supply	50.0%	49.0%
Suir Engineering Limited <sup>(10)</sup>	Development of generation and supply	50.0%	49.0%
Suir Engineering Sweden AB (Sweden) <sup>(10)</sup>	Development of generation and supply	50.0%	49.0%
Imtech Suir Qatar LLC (Qatar) <sup>(10)</sup>	Development of generation and supply	50.0%	49.0%
Breathe Energy Ltd <sup>(11)</sup>	Energy management services	50.0%	49.0%
Breathe Asset Management Services Ltd <sup>(11)</sup>	Management of energy assets	50.0%	49.0%
Bradwell Power Holding Company Limited <sup>(3)</sup>	Holding company	33.5%	33.5%
Bradwell Power Generation Company Limited <sup>(3)</sup>	Development of generation and supply	33.5%	33.5%
General Nuclear System Limited <sup>(3)</sup>	Development of generation and supply	33.5%	33.5%

All associates are indirectly held.

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

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

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

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

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

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

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



**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)**

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

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

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

(11) Registered Address: 13a, Tottenham Mews, London, England, W1T 4AQ

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

(13) Registered Address: Floor 0, 1 Windmill Lane, Co. Dublin, Dublin, D02f206, Ireland

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

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

**10. Trade and other receivables**

	<b>2021</b>	2020
	<b>£m</b>	£m
Amounts owed by other Group companies	<b>13</b>	13

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.

**11. Cash and cash equivalents**

	<b>2021</b>	2020
	<b>£m</b>	£m
Cash pooling with ultimate parent	<b>1</b>	179
	<b>1</b>	179

The Company participates in cash pooling with EDF S.A. The balance of cash pooled with the ultimate parent as at 31 December 2021 is £1m (2020: £179m). Interest is earned on cash pool balance at a rate of overnight LIBOR less 0.125%.

**12. Other liabilities**

	<b>2021</b>	2020
	<b>£m</b>	£m
Amounts owed to other Group companies	-	-
Accruals	<b>2</b>	1
	<b>2</b>	1

The Directors consider that the carrying amount of other liabilities approximates to their fair value.

**13. Borrowings**

	<b>2021</b>	2020
	<b>£m</b>	£m
<b>Non-current borrowings</b>		
Loan from immediate parent	<b>135</b>	19

In 2021, a loan of £12m (2020: £19m) was received from EDF Energy (UK) Limited with an interest rate of 1.5% and repayment due in January 2022 and a loan of £104m from EDF SA (2020: £nil) with an interest rate of 0.57% and repayment due in 16 December 2022.

**EDF ENERGY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

**NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)**

**14. Share capital**

Allotted, called up and fully paid	<b>2021</b>	2020	<b>2021</b>	2020
	<b>Number</b>	Number	<b>£m</b>	£m
Ordinary shares of £1.00 each	<b>11,794,561,274</b>	9,630,568,149	<b>11,795</b>	9,631

In 2021, 2,163,993,125 shares (2020: 2,721,020,000 shares) were issued at par for consideration of £2,164m (2020: £2,721m).

**15. Dividends**

	<b>2021</b>	2020
	<b>£m</b>	£m
Interim dividend	<b>185</b>	-

The interim dividend was paid in 2 instalments during the year as follows: In May 2021, £125m representing 1.19 pence per share and in October 2021, £60m representing 0.54 pence per share.

**16. Share premium**

	<b>2021</b>	2020
	<b>£m</b>	£m
Share premium reserve	<b>199</b>	199

**17. Related parties**

The Company has taken advantage of the exemption in FRS 101 Reduced Disclosure Framework from disclosing transactions with other wholly owned members of the Group, which would otherwise be required for disclosure under IAS 24. During the year, interest of £1.7m (2020: £1.9m) was payable to the Company's ultimate parent EDF S.A. in relation to commitment fees on the available, undrawn facilities. Interest of £1m (2020: £0.1m) was received from EDF S.A. in relation to the cash pool.

**18. Events after the balance sheet date**

Details of events after the balance sheet date can be found in note 44 of the Group accounts.

**19. 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 2021, 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.