



EDF ENERGY HOLDINGS LIMITED

Registered Number 06930266

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2020

CONTENTS

Page:

2	Strategic report
32	Directors' report
37	Directors' responsibilities statement
38	Independent auditor's report to the members of EDF Energy Holdings Limited
41	Consolidated income statement
42	Consolidated statement of comprehensive income
43	Consolidated balance sheet
45	Consolidated cash flow statement
46	Consolidated statement of changes in equity
47	Notes to the consolidated financial statements
109	Company balance sheet
110	Company statement of changes in equity
111	Notes to the Company financial statements

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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, Nuclear Construction, Nuclear Development, Renewables, Imtech, Electric Mobility and Customers. EDF Energy, along with its partners, aim to be the leaders in each area, while capturing advantages from being the only companies working across all seven areas, and from being part of EDF group. This strategy is consistent with CAP 2030 and underpinned by a focus on health and safety, cost efficiency, sustainability and R&D activity across the business.

The Covid-19 pandemic has impacted the UK operating environment of EDF Energy. Throughout the crisis, EDF Energy has prioritised the continuation of energy supply and service to its customers and the health, safety and wellbeing of its staff, contractors, customers and communities. At the same time, the Group has delivered on its core role in helping to meet the society’s essential energy needs, and supports the UK Government’s economic recovery plans, including a plan to enable £50bn of investment in Britain’s low-carbon generation.

Customers

In its Customers Business, EDF Energy serves over 3.5 million British homes and businesses as well as public services, such as National Health trusts, emergency services, higher education institutions, schools, Local Authorities and the devolved administrations of Wales and Scotland.

EDF Energy focusses on developing a reputation for outstanding customer experience and as a leader on decarbonization. It has maintained an ‘Excellent’ rating on Trustpilot and backs its residential and small business electricity tariffs with zero-carbon electricity.

EDF Energy is working toward delivering on its regulatory obligations as a leader on energy efficiency installations through the Energy Company Obligation scheme (ECO) and through a cost-efficient roll-out of smart meters to homes and small businesses, as part of the national programme. In 2020, EDF Energy has installed a further c.343k smart meters. The pandemic, combined with the default tariff cap on the residential GB market and a highly competitive environment, mean that cost efficiency and an effective, resilient operating model remain key priorities.

Generation

In electricity generation, EDF Energy seeks to secure value from its existing nuclear and coal through continued operational excellence and safe, reliable generation. This includes optimising the remaining lifetime value of West Burton A coal power station until it ceases generation on 30 September 2022. In April 2021, the Group announced it had reached an agreement with EIG to sell its 1,332 MW Combined Cycle Gas Turbine power station and 49 MW battery at West Burton B in Nottinghamshire. Both EDF and EIG aim to complete the transaction as soon as possible in 2021, subject to all applicable regulatory authorisations.

EDF Energy continues to decommission the Cottam coal power station that closed in 2019. There is a people plan in place to preserve and develop its workforce as the business evolves from generation to decommissioning.

STRATEGIC REPORT (continued)

The same transformation challenge is faced by EDF Energy's fleet of nuclear advanced gas-cooled reactors (AGRs). Since 2009, EDF Energy has extended the lifetime of its AGR fleet by an average of 8 years. Yet due to non-replaceable major components, there is a technical limit to AGR lifetimes. During 2020, EDF Energy announced the end of power generation at Hunterston and Hinkley Point B AGR stations, from no later than 7 January 2022 and 15 July 2022, respectively. Once the stations stop generating power, the Group intends to take on defueling them.

As the AGR fleet approaches its lifetime limit, EDF Energy aims to optimise the end of life value and to transform to support new defueling activity (funded by the Nuclear Liabilities Fund - NLF). This builds on EDF Energy's expertise in operating the UK's nuclear power stations, whilst continuing to focus on safe and reliable operations of Sizewell B pressurized water reactor and leveraging capabilities and skills to support new nuclear.

Nuclear New Building

In partnership with China General Nuclear Corporation (CGN), EDF Energy is building two new nuclear units (3.2GW capacity in total) at Hinkley Point in Somerset (Hinkley Point C (HPC)), based on the European Pressurised Reactor (EPR) technology. EDF Energy is also working with CGN to progress a similar 3.2GW EPR project at Sizewell in Suffolk (Sizewell C), the UK Government having announced in December 2020 that it will enter talks with EDF on the funding of the project. A further new nuclear power station proposal is being developed at Bradwell-on-Sea in Essex based on CGN's "UK HPR1000" Chinese technology in which EDF Energy holds a minority shareholding.

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 as appropriate to the Company and aligned with the corporate governance practices of the EDF SA group. Going forward it will use the Wates Principles for Large Private Companies as a benchmark for its corporate governance practices. This approach ensures the Board can demonstrate how it makes decisions for the long-term success of the company and its stakeholders and also how the Board ensures the Company and wider Group complies with the requirements of Section 172 of the Companies Act 2006 (s.172).

The Directors are fully aware of their responsibilities to promote the success of the company in accordance with s.172 of the Companies Act 2006. This statement shall illustrate how the Directors of the Company have had due regard to those responsibilities and fulfilled their duties under s.172 with the level of disclosure being consistent with the size and complexity of the business. Further details on how the Directors' duties are discharged and the oversight of these duties are included in the Directors Report.

For financial year ending 2020, the Company continued to act in accordance with the robust corporate governance arrangements, outlined further in this Statement, which are embedded across the Group. The Company also continued to support its ultimate parent company, EDF SA, a listed company on the Euronext Paris, complying with its obligations under the French Afep-Medef Code.

Notwithstanding the ongoing support to EDF SA, the Group takes its own approach to corporate governance very seriously, which is demonstrated through the company culture and behaviours adopted across the Group. To ensure strong corporate governance practices are maintained, the Group acts in accordance with 13 overarching internal policies which are underpinned by our sustainable business roadmap that sets out how we are delivering our Company purpose: Helping Britain Achieve Net Zero (the **Purpose**) sustainably and responsibly by:

1. Accelerating the UK's shift to low-carbon nuclear and renewable energy storage;
2. Helping households switch to low-carbon lifestyles through smarter innovative solutions;
3. Empowering our business customers to switch to low-carbon growth; and
4. Bringing everyone with us as our business transforms towards Net Zero impact.

STRATEGIC REPORT (continued)

Our Purpose and sustainable business roadmap is also published on the EDF Energy website. Application of the 13 policies is tested by Group on an annual basis as part of its companywide internal controls self-assessment, this is also linked to EDF SA's requirement to satisfy the French Securities Markets Authority (**Autorité des Marchés**) Listing Requirements.

The Company launched its Purpose in July 2020, and it forms the basis of all company decision making and all communication and engagement with both internal and external stakeholders. The reason for its creation, as well as that of the sustainable business roadmap, was to firmly align the Group with the values and goals of EDF SA, being to build a net zero energy future with electricity and innovative solutions and services to help save the planet and drive wellbeing and economic development (the **Raison d'être**). The Purpose is a UK articulation of the Raison d'être with which it is entirely consistent and underpins all strategy setting and decision making by the Board, ensuring activity within the Company is compatible with achieving these objectives.

Further, our sustainable business roadmap closely links to its EDF SA's group's Corporate Social Responsibility Goals and, in turn, the United Nations' long term vision for sustainable development – the UN Sustainable Development Goals. In July 2019, EDF SA launched a new Group Ethics Charter which supports the Raison d'être while bringing ethical requirements back to the heart of its corporate responsibility. Built upon EDF SA Group's three values of respect, solidarity and responsibility, it sets out the principles which guide the everyday actions and behaviour of EDF SA Group employees worldwide, which includes employees of the Group.

1. OUR STAKEHOLDERS - WHO ARE THEY AND HOW DO WE ENGAGE WITH THEM?

The Company is the holding company and main governance Board for the Group and therefore engages with a large variety of stakeholders, either directly and indirectly through its various subsidiary companies. The Group's key stakeholders, and the ways in which the respective companies engage with them, are set out in the Strategic Report of each set of Annual Accounts. The diagram below summarises the key relationships:



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

STRATEGIC REPORT (continued)

responsibility, community engagement and environmental sustainability which is demonstrated, in particular, through the sustainable business roadmap which showcases our commitment to being a responsible business (discussed in further detail at “**Setting Strategy**”) and our engagement with internal and external stakeholders. By maintaining a dialogue with our stakeholders and having due regard to the sustainable business roadmap, the Board ensures that it takes decisions which are aligned with the Purpose and supports its achievement.

Employees and Trade Unions

The Group engages, informs and consults with its employees on matters affecting them and the Company ensures that it has regard to the interests of employees in decision making. Having people who bring a diverse range of talents and perspectives, and who feel engaged in their roles, is fundamental to the long-term success of the Company. Employee engagement is carried out in a number of ways which give employees a voice and in which our senior leaders actively participate. This has been demonstrated throughout some large change programmes where leaders have worked closely with employees and key stakeholder. Some of the mechanisms include:

1. Formal and informal briefings, departmental meetings and regular reports in staff newsletters and on the Group intranet.
2. Through our existing Trade Union & Personal Contract holder structures - Company Council, European Works Council, Corporate Social Responsibility Forum, Strategy meetings, and Business Unit specific forums.
3. Our employee networks which are sponsored by senior management and provide diverse and inclusive environments for employee feedback and comment.
4. Our annual EDF Group Employee Engagement Survey, ‘My EDF’, gathers the views and opinions of all employees with regard to their work situation, at local level and within the EDF SA Group. It identifies areas of satisfaction and opportunities for improvement in order to help establish priorities within the Group and to input action plans within the different teams. The Board considers the results of all employee engagement surveys as a good barometer of the workforce’s confidence in the Group’s strategic direction, optimism in the future and career opportunities. The results are used to support the setting of company strategy, realign company purposes / values (where identified as being required) and define individual team objectives to help deliver our purpose and deliver the 2030 strategy.
5. Regular employee surveys where senior leaders gather feedback on employee wellbeing which inform policy.

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

Communities & Environment

The Board has regard to the impact of the company’s operations on the community and the environment and its need to balance the need to foster the company’s business relationships with suppliers, customers and others and interests of the company’s employees.

As a move to offer the Company and wider Group’s services to the national effort against the Pandemic, EDF Energy partnered with Boots UK to help local communities during the Pandemic in 2020, delivering essential prescription medicines to vulnerable patients and to those households in self-isolation. Around seventy of EDF Energy’s smart and technical field engineers volunteered to support the Boots Pharmacy Delivery and Collection scheme, collecting essential supplies from Boots hubs across the country, so that those who are self-isolating or cannot get to their local pharmacy can have the medicines they need delivered to their door. This initiative was a huge success and further strengthened EDF Energy’s ties

STRATEGIC REPORT (continued)

with local communities and supported employees whilst their day-to-day work was restricted due to national lockdown measures in place.

In addition, having regard to the community and environment particularly relating to the impact as a result of construction and/or development remains a particular focus of the Board in decision making. EDF Energy believes in 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 Energy 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 investing in new low-carbon technologies like battery storage, small modular reactors and tidal energy and the Board takes an active role in setting the strategy for such projects and acquisitions. In addition, EDF Energy's new nuclear power station at Hinkley Point C, and UK Governments positive engagement on the proposed construction of Sizewell C in the future, has opened a new chapter in the UK's long standing nuclear industry. Through the Boards stewardship of land around its power stations and the commitments the Company and wider Group make as part of its renewables and new nuclear projects, it protects the natural environment and biodiversity and consults with local communities on these topics to enable better decision making around projects of this nature.

EDF partners with a wide range of organisations to ensure safe, secure and responsible energy generation and to deliver fair value, better service and simplicity for our customers. The Board recognises the key role these suppliers play in ensuring the longevity of the business and the wellbeing of our suppliers is a key priority for EDF. One of the ways EDF 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 been approved through our payment process. The Board will review and approve the implementation of processes such as this. As a result, the Directors can ensure that any decisions taken to implement significant process aligns not only with the Company's purpose but also with that of EDF SA whilst also ensuring that the best interests of key stakeholders, such as suppliers, are prioritised when setting policy.

External Stakeholders

The Company and wider Group proactively engages with relevant external stakeholders where we have various trade association memberships (such as the Confederation of British Industry, Energy UK, Nuclear Industry Association and RenewableUK, etc). The Group's active participation in these forums is a useful way to enhance relationships with stakeholders, providing a valuable channel for communication with government and regulators on matters of common interest. Through our affiliations the Company can gain the knowledge and skills necessary to operate in a highly competitive marketplace. The Company and Group have different types of memberships and affiliations relating to the different activities undertaken throughout the Group.

The Company and wider Group also engages directly with central Government (such as the Department for Business Energy and Industrial Strategy, the Department for Environment, Food and Rural Affairs and HM Treasury) and industry & environmental regulators (such as Ofgem, the Environment Agency and the Scottish Environment Policy Agency). We engage with political and regulatory stakeholders to help them understand our business better, and so shape the policy and the environment where we operate. Our direct engagement with these stakeholders is supplemented with additional engagement through trade associations where it is useful to do so. We have a role to play in sustainability, through our Purpose and enabling Britain to achieve Net Zero by championing the transition to a low-carbon future.

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 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.

STRATEGIC REPORT (continued)

2. HOW DOES THE BOARD SET STRATEGY AND TAKE DECISIONS?

Setting Strategy

Purpose and Objective

To aid the fulfilment of our Purpose, EDF Energy launched its sustainable business roadmap which sets out its three commitments towards being a responsible business:

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

The Purpose, together with the sustainable business roadmap and its accompanying commitments, underpins all policy and decisions taken by the Board.

The Board was engaged in discussions on setting the Purpose and accompanying strategy, together with others across the Group in order to promote the long term success of the Company. These conversations were guided by: i) feedback from stakeholder engagement; ii) consideration of the long-term impact any strategic decisions would have on furthering the long-term objectives of the Company and the wider Group; and iii) consequently the potential environmental impact of those decisions.

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

EDF Energy (**EDF**) is proud to be Britain's biggest generator of zero carbon electricity¹ and in order to help Britain achieve Net Zero EDF intends to lead the transition to a decarbonised energy system across its seven business areas. To help effect this change, in 2020 EDF Energy acquired Pod Point, one of the largest electric vehicle (**EV**) charging providers in the UK, following the launch of its low-carbon EV tariff "**Go Electric**". With the UK Government vowing to phase-out the sale of new petrol and diesel cars by 2030, taking these decisions was an important step forward for EDF in its support of Britain in achieving its Net Zero goals. This follows the acquisition of UK battery storage developer Pivot Power in late 2019 which is helping the Group to develop battery storage and is creating business opportunities and economic activity. These acquisitions are not only in themselves a significant step towards helping Britain achieve Net Zero but are also illustrative of EDF's sustainable business roadmap underpinning activity within the Company with the acquisition of Pod Point offering an innovative EV solution that empowers households to switch to low-carbon lifestyles and that of Pivot Power supporting a shift to low-carbon and renewable energy storage.

Following the launch of a new ambition for the Customers Business in 2019, 'Simply Better for Customers', which strives to provide the best service for its customers and puts customers at the heart of everything it does is in line with the Company's values, the Company maintained an 'excellent' Trust Pilot score during 2020, above its most significant competitor. The Customers Business also acquired 160,000 residential customer accounts from ISupply in 2020 which was a key activity for the Customers Retail strategy which the Board oversees implementation of.

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

STRATEGIC REPORT (continued)

The Board continues to actively oversee and guide the Generation Businesses' transformation for the future. Cottam Power Station ceased generation in 2019 and during 2020, EDF Energy announced the proactive decision to cease generation at a further two of its stations, being Hunterston B and Hinkley Point B by no later than 7 January 2022 and 15 July 2022 respectively. To guide this change during 2020, the Board frequently discussed and continues to discuss its vision and strategic priorities of the Generation Business to inform and guide the business as it refocuses on the challenges and opportunities ahead. The transformation will set the Company and the Generation Business up for the long term, as a highly skilled business ready to deliver on Britain's ambition to tackle climate change with low carbon electricity.

The Communications Team

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

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

The work carried out by the communications team enables a platform for Directors to engage with stakeholders, e.g. by attending external seminars to present on topical matters aligned to the Group's strategy or by filming a short video clip to upload on the Group's intranet or website giving an insight into its priorities. This type of activity helps Directors identify any key stakeholders to engage with further as part of reaching targets before presenting back to the Board in the future.

Our Purpose was developed with input from both our employees and customers to ensure buy in from those stakeholder groups and to make sure the purpose held relevance for to those individuals. The quality feedback received from these stakeholders, gathered through the various channels of communication, had an impact on the development of the Purpose and generally informed Board discussions during 2020.

Taking Decisions

Meet the Board

The directors of the Company have given careful consideration to the size and structure of the Board, in order to meet the strategic needs and challenges of the organisation and ensure there is a suitable level of knowledge and expertise of the Company and Group in order to discharge any decision making responsibilities appropriately and satisfy the needs of this particular Board. In doing so, the composition of the Board is most likely to factor into promoting the success of the Company.

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

Members of the EDF Energy Executive Team (**ET**), comprising the Senior Leaders of each business unit / corporate steering function across the Group, are responsible for presenting matters to the Board for information / approval to ensure an appropriate degree of knowledge of the topics being presented, challenge and analysis. Any matter presented to the Board takes into account any relevant stakeholder(s)

STRATEGIC REPORT (continued)

considered or having engaged with as part of the topic or those potentially impacted as result of a decision being sought.

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

Sub-Committees of the Board

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

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

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

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

During the pandemic the Company set up various 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 communicated to these groups that the overriding priority throughout the pandemic was to protect the Company's employees its Customers and those in the communities that EDF Energy operates in. This message has in turn influenced the 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 & Delegations of Authority

The Company's constitutional documents set out the authority, role and conduct of directors. Day-to-day management and the implementation of strategies agreed by the Board are delegated to the relevant director(s) or ET member in attendance. The reporting structure below Board level is designed so that decisions are made by the most appropriate people in a timely manner. Management teams report to members of the ET. The directors receive regular, timely information on all aspects of the business endorsed by the relevant ET member ahead of each Board meeting and are confident in the integrity of the information used for decision-making. This is due to its internal procedures in relation to financial reporting, key performance indicators (KPIs), workforce data, environmental data, stakeholder engagement feedback and consumer data.

STRATEGIC REPORT (continued)

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

The Company uses FALs (as detailed in the Group Corporate Governance Policy) and contract signatory authority mechanisms to control and provide oversight over the various financial commitments it enters into. The FALs of the Chief Executive Officer, EDF Energy are agreed with EDF SA and approved by the Board. The Chief Executive Officer, EDF Energy then has the authority to delegate his FALs to the ET (where appropriate / required to discharge the needs of each respective business unit) to enable the ET to further cascade their FALs down to Leaders within their teams. The ET FALs are formally adopted by the Company annually as part of good governance procedures.

Stakeholder concerns identified

Each business unit and the respective teams therein, are responsible for engagement with relevant stakeholders, evaluating any feedback and escalating information (where relevant) to the Board for consideration in order to aide its principle decision making. More details around stakeholder engagement and how feedback is utilised by the Board in decision-making is covered above under the heading 'Our Stakeholders – Who they are and how we engage with them'.

As highlighted above, an example of this would be the annual My EDF survey, the results of which are disseminated by each team within the business before being presented to the Board to support the setting of company strategy etc. Throughout the pandemic the Company has also undertaken more frequent employee surveys to garner feedback from employees regarding their wellbeing during the pandemic. These results enabled the Company to strategise ways in which it could be better support its employees whilst working from home and has influenced Company policy such as implementing more flexible working opportunities for parents and the provision of IT equipment to better equip those employees working from home. Another example could be the ongoing engagement with the Group's various Pensions Trustees and Advisors to ensure the three schemes in place are run properly and that members' benefits are secure. This information is used to inform and support the Board taking decisions impacting the schemes, considering triennial valuations every three years and setting future pensions strategy.

3. DIRECTORS TRAINING & INDUCTION

Board Composition and Training

There has been a considered effort to establish an appropriate balance of expertise, diversity and objectivity within the Board. Diverse characteristics considered are gender, social and ethnic backgrounds, and cognitive and personal strengths. All directors appointed have a strong background in the relevant sector(s). Any changes to the Board composition of the Company, particularly appointments, are approved in accordance with the 'Politique Gouvernance des filiales' policy mandated by EDF SA for the worldwide EDF SA Group before being approved by the Company.

On appointment, Directors are provided with the EDF Energy Directors Training and Induction Manual which is intended to provide them with key information they need to understand their obligations as a Director, including those in s.172 Companies Act 2006, how to comply with them, and how to operate within EDF Energy's corporate governance framework. Directors are also offered face-to-face bespoke training should they need additional support in their new role and are encouraged to update their skills, knowledge and familiarity with the Group by meeting with senior management, visiting sites (such as the power stations and call centres) and by attending appropriate external seminars and training courses and engaging with a wide variety of stakeholders across the business and externally with government and communities.

In order to ensure that all potential conflicts of interest of Directors are identified and duly authorised, any newly appointed Director is required to complete a Conflicts of Interest Questionnaire and sign a declaration to this effect. This information is collected by the Company Secretary. Directors are reminded

STRATEGIC REPORT (continued)

that any new conflicts arising thereafter must be declared and authorised in advance by the board of directors or by the shareholders.

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

In 2020, there was only one new appointment to the Board with the new Director offered training in addition to provision of the EDF Energy Directors Training and Induction Manual.

4. POLICIES & PROCESSES

Ensuring Best Practice

As mentioned above, the Group takes its own approach to corporate governance very seriously; something which is demonstrated through the company culture and behaviours adopted across the Group including the application of the 13 policies which are tested by Group on an annual basis as part of its companywide internal controls self-assessment.

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

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

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

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 the Group companies should be achieving. The Company assesses itself against these standards, and the Group is audited against them to provide assurance that Group companies have an appropriate risk culture. The Directors have agreed on how these principal risks should be managed or mitigated to reduce the likelihood of their incidence or magnitude of their impact. These risks are set out in the “Principal risks and uncertainties” section of the Strategic Report.

In practice, control testing against each Group policy is carried out at least annually through the Internal Control Self-Assessment process. Improvement actions are identified following completion of the results (where required) to facilitate continuous improvement across teams. These results are then reported to the EDF Group Risk department to support EDF SA’s compliance with the French Afep-Medef Code. These results are shared with the ET for managing actions at a local Business Unit level, but also presented back to the Board as part of the Annual Risk and Internal Controls Report (the Report). The Report sets out the top risks to the Company’s objectives for their consideration. This presents an opportunity for the Directors to consider any emerging risks for the Company and its key stakeholders

STRATEGIC REPORT (continued)

and provides a forum for them to devise solutions to minimise the impact of those risks, ensuring objectives are met and the long-term viability of the business guaranteed.

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

Approved by the Board of Directors on 29 April 2021 and signed on its behalf by:



Robert Guyler
Director

STRATEGIC REPORT (continued)

Key performance indicators

In 2020, we continued to measure progress against our key ambitions. Our key Group ambitions and related measures for 2020 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 12 questions called the “Leadership Index”. The responses against each of the 12 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 2020 relating to progress on procurement, engineering, 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.
- **Nuclear unplanned trips** – This is the number of unplanned trips in the year. The key reason for unplanned trips is due to plant failures.
- **Customer EV sales** – This is a new KPI added in 2020 based on the number of EV sales made in the year. It is consistent with our strategy to promote EV sales, supported by the acquisition of Pod Point which should allow us to increase our sales in the EV market.
- **Customers smart penetration** – This metric measures the percentage of our customer portfolio that has a smart meter.

The results for 2020 and 2019 for the Group wide KPIs presented to the Remuneration Committee were:

Ambition	Measure	2020	2019
Social	TRIR ⁽¹⁾ (per 1,000,000hrs)	0.59	1.03
	RIDDOR accident frequency rate (HPC site only)	0.081	0.084
	Leadership Index (%)	77	75
Financial ⁽²⁾	Earnings before interest, tax, depreciation and amortisation (£m) ⁽³⁾	711	691
	Operating cash flow ⁽⁴⁾ ⁽⁵⁾ (£m)	395	(159)

STRATEGIC REPORT (continued)

The results for 2020 and 2019 for the business specific KPIs presented to the Remuneration Committee were:

Ambition	Measure	2020	2019
Business	HPC budget ⁽⁶⁾ (£m)	2,731	2,498
	HPC Milestones	44	93
	Nuclear unplanned trips	4	11
	Customers EV sales	7,176	1,300
	Customers smart penetration	38.3%	32.3%

- (1) Excludes HPC site performance
- (2) Figures are based on the Group's management accounts.
- (3) The difference in EBITDA between the Group's management accounts and the consolidated income statement is due to the reclassification of income statement items above/below EBITDA in the management accounts.
- (4) 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.
- (5) Operating cash flow excludes Nuclear New Build results
- (6) Actual adjusted for £38m FX impact

Results

The loss for the year before taxation amounted to £924m (2019: loss of £384m). The loss for the year after taxation was £921m (2019: loss of £134m). Dividends of £nil (2019: £nil) were paid to the parent company, EDF Energy (UK) Limited and dividends of £60m (2019: £nil) were paid to the non-controlling interest during the year.

Group sales for the year amounted to £8,074m, a decrease of 1%. Group net asset has increased from £23,393m to £26,495m, an increase of 13%. Operating profit before depreciation, amortisation and impairment has increased in comparison to 2019. 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 Group's KPI.

The Group's increase in Operating profit before depreciation, amortisation and impairment is due to the positive effect of higher nuclear power prices, counter-balanced by the Covid-19 pandemic effects and lower levels of nuclear generation. A review by individual segments is provided below.

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.

Covid-19 financial impact

In-depth analyses were conducted to prepare reliable estimates of the impact of the pandemic on the Group's financial statements. The main estimated financial impact of the Covid-19 pandemic on the Group is presented below.

Revenue – The impact on revenue for the year is a decrease of c. £401m. This is due to lower demand for electricity, principally for customers in the industrial and business segments.

Fuel and energy purchases – A decrease in fuel and energy purchases of c. £305m as a result of reduction in demand for electricity and gas across the portfolio.

Materials and contracting costs – The pandemic has led to a net increase in other external expenses of c. £7m as a result of the following:

- Additional expenses incurred in connection with the Covid-19 pandemic (protective equipment, hand sanitiser, etc);

STRATEGIC REPORT (continued)

This impact is partially offset by lower expenses incurred due to the lockdown. The required restriction on people movement and transition to working from home has resulted in lower travel, accommodation and training costs. Deferral of power station outages has also resulted in lower capitalised costs.

Personnel expenses – The Covid-19 pandemic has had a net impact of reducing personnel expenses by £3m in 2020. EDF Energy utilised the UK Governments Job Retention Scheme to place its smart metering employees on furlough during the first lockdown as smart meter installation was temporarily suspended. In 2020, £4m of grant income is recognised in personnel expenses to offset the costs the grant compensates. There is offset by the impact of £1m additional overtime incurred within the Generation business to maintain the plant throughout lockdowns.

Other operating income and expenses – other operating income and expenses were adversely affected by c. £62m. Mainly due to an increase in bad debt provision to account for higher default and expected business failure rates.

The resulting estimated impact of the Covid-19 pandemic on Operating profit before depreciation and amortisation at 31 December 2020 is a decrease of £160m.

EDF Energy has deferred payment of VAT, with payments due from 20 March to 30 June 2020 to be paid in instalments throughout 2021. This is part of the support provided by the UK Government in response to Covid-19.

Review of the business

Generation

Nuclear Generation

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

Since 2009, Centrica plc. (“Centrica”) has held a 20% shareholding in Lake Acquisitions Limited, the company in which the nuclear generation assets sit (except Nuclear New Build).

Lifetime of power stations

The actual lifetime of each power station will be 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 Office for Nuclear Regulation (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 year 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 further extended by an average of eight years. The last extensions were declared in February 2016. Hartlepool and Heysham 1 were extended by a further five years, and Heysham 2 and Torness were extended by seven years. 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.

Although the work has not yet been carried out to support the extension of Sizewell B, EDF Energy expects that it should be possible to extend it by c.20 years and accordingly the Directors will actively consider the useful economic life applied in the financial statements of Sizewell B going forward.

STRATEGIC REPORT (continued)

Operational review of the existing nuclear generation fleet

The nuclear generation fleet produced 45.7TWh during 2020, 5.3TWh less than 2019 (51.0TWh). The reduction in output is largely due to:

- the extended outages at Hinkley Point B for graphite inspections and safety case work
- a 50% reduction in output from Sizewell B, between May and September, at the request of National Grid, due to significantly lower than normal summer demand.

These reductions are partly offset by fewer statutory outages in 2020.

Planned statutory outages were carried out on Heysham 2 Reactor 8 and Heysham 1 Reactor 1. Planned statutory outages on Torness Reactor 1 were deferred to 2021 due to the Covid-19 pandemic.

A statutory outage was started on Dungeness B Reactor 22 in Q3 2018 with an associated outage on Reactor 21 for work on common systems. These outages were extended to address corrosion on cooling water pipework and the discovery of steam pipework cracking and the units were expected to return to service in May/April 2020. Since then there has been a number of unique, significant and ongoing technical challenges that continue, as a consequence, the expected return to service is now HY2 2021.

Following extended outages for graphite core inspections and related safety case work, both units at Hunterston B returned to service during H2 2020. The intention is to run each reactor for two six months periods of operation, subject to a graphite inspection and further regulatory approval between each run. The decision has also been taken in 2020 to end power generation at Hunterston B no later than 7 January 2022.

Following extended outages for graphite core inspections and related safety case work, Hinkley Point B Reactor 3 returned to service on 24 March 2021 and Reactor 4 returned to service on 11 April 2021. The decision was also taken in 2020 to end power generation at Hinkley Point B no later than 15 July 2022. See Post balance sheet event paragraph (Note 44) for further update on the return to service.

Electricity sales

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

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.

EDF Energy has been in discussions since 2019 with the UK Government to agree changes and clarifications to the Restructuring Agreements, to provide for efficient recovery of qualifying costs and clarity that once the AGR stations have finished defueling, they will transfer to the Nuclear Decommissioning Authority (NDA) for subsequent decommissioning activities.

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. The NDA's response to the DPS 20 is expected as part of the conclusion in the discussions with the UK Government.

The second phase of the DPS 20 should take place late 2021 and will involve updates of all the other decommissioning activities for the AGR plants and decommissioning of Sizewell. At the same time, there will also be an update to the uncontracted liability discharge plan.

Coal and Gas

In 2020, West Burton A generated 1.2TWh of electricity. This is a reduction of 1.2TWh in comparison to last year primarily as a result of the closure of Cottam in September 2019.

STRATEGIC REPORT (continued)

The Cottam coal power station 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 to dispose of the site to a third-party developer. The likely timescale for agreement is during 2021 although this is subject to agreement of terms between the parties.

West Burton B CCGT generated 4.9TWh of electricity in 2020, a decrease of 1.3TWh from 2019. This represented a good performance considering the market volatilities due to Covid, plant challenges as a result of the delay of the major outage on unit 2 from 2019 into 2020 and associated outage periods during the year which was longer than expected due to Covid.

EDF Energy also operates two mid cycle gas storage facilities in Cheshire. Hill Top Farm became commercially operational in mid-January 2015 with three cavities. A fourth cavity became commercially operational in 2018 with the remaining cavity 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 imminent requirements for some significant investment to the plant. Decommissioning work is planned to start in early 2021.

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 e.g. Nuclear Decommissioning Authority and Centrica.

Over and above its own generation, EDF Energy also sources electricity through export power supplied from power purchase agreements which are mainly with renewable and combined heat and power (CHP) generators. In 2020, EDF Energy acquired approximately 7.2TWh through this channel.

EDF's innovative Powershift platform gained its first customers in 2019. It offers customers flexibility and forecasting services for storage and small scale generation to earn revenues from reducing or shifting energy demand.

For delivery in 2020, EDF Energy's net position on the wholesale market was a sale of approximately 4.2TWh (including structured trades). In 2020, EDF Energy sold approximately 36.2TWh and bought 32.0TWh of energy.

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

Purchases are based on generation forecasts and target fuels stock levels. In 2020, 50% of EDF Energy's coal deliveries were from domestic suppliers and 50% were from international sources.

Customers

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

In 2020, EDF Energy has taken large steps towards helping Britain achieve Net Zero, with opportunities across nearly all ten points laid out by the UK Government for a green recovery. The Group acquired a majority stake in Pod Point, a leading UK charge point provider, giving a key foothold in this market. 7,176 EV related products across tariffs, car leases and charge points were sold by EDF Energy in 2020.

EDF Energy is one of the UK leaders in energy efficiency installations, through the Energy Company Obligation scheme (ECO). Elsewhere, in the Beyond Supply market, EDF Energy's Heat proposition has been brought to market. This offers innovative low-carbon products which coincide with the UK

STRATEGIC REPORT (continued)

Government's Green Home Grant initiative. I&C Flexibility Services has secured an additional 50MW battery contract with the Gresham House portfolio. The team has also signed a 12-year contract with SWGT (Still Waters Green Technology) for a 30MW battery.

EDF Energy 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 11.33TWh of electricity and 28.88TWh of gas for the domestic segment in 2020. As at 31 December 2020, EDF Energy had 2.90 million electricity accounts and 1.94 million gas accounts. The 2020 churn rate (at 20.1%) showed an increase compared to 2019 (at 19%), driven by strong price competition and churn of former iSupply Energy customers following their acquisition by EDF Energy in March 2020. The Covid-19 pandemic had a substantial impact on the business in 2020. This contributed to a total usage increase of approximately 1.1TWh for Domestic Customers YoY, with a higher proportion of time spent at home. However, given the economic downturn, this increased revenue was more than offset by higher expected credit losses on trade receivables of £39m YoY with an increase in the number of customers unable to pay debt owed to EDF.

The latest data available at the end of October 2020 shows that the combined market share of small and medium suppliers is now around 19%, compared to 26% at the end of October 2019. The market share amongst small and medium suppliers is expected to show a significant decrease in 2021 as both Octopus and Bulb approach the 3 million total accounts threshold to join OVO as one of the large suppliers.

There were 39 small and medium suppliers at the end of October 2020 (excluding white labels and License Lites), compared to 52 small and medium suppliers at the end of October 2019. EDF Energy had 4.837 million product accounts at the end of December 2020, a decrease of c.200k since the beginning of the year. EDF Energy's market share decreased from 9.5% at the end of 2019 to 9.3% at the end of 2020.

Competition in the market is driven by ongoing mergers and advancements in digital technology. In Q1 2020, OVO acquired SSE's residential supply and services business and moved up 6 places to become the 2nd largest supplier in the domestic market. E.ON's aim is to migrate Npower's domestic and SME accounts onto its new licensed Kraken platform branded 'E.ON Next' by H1 2021.

Octopus continues to offer Kraken as a service to other suppliers in the UK with E.ON/Npower and Good Energy as licensees, as well as internationally to Origin Energy in Australia. Bulb and Ovo energy have also both expanded international with their respective software platforms.

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

- The cap level is updated to reflect revised costs every 6 months. At the end of 2020, the separate cap on tariffs for domestic customers with prepayment meters ended, but a cap for PPM customers is being included within the wider default tariff arrangements.
- In August Ofgem made a recommendation to UK Government that the default tariff cap should remain in place for 2021. In October, the UK Government announced the cap would continue for at least a further 12 months until the end of 2021.
- Ofgem has confirmed that, from April 2021, the domestic tariff cap will include an allowance for additional bad debt costs incurred by suppliers as a result of Covid-19 impacts.

Smart Metering

EDF Energy remains committed to delivering smart meters to all domestic and small business customers who want to benefit from this new technology. In 2020, EDF Energy has installed a further c.343k smart meters and at the end of 2020, c.38% of EDF Energy customers in scope for the rollout have smart meters. In total, 1.9 million smart meters have been installed to date.

The Group has continued to make progress with the Smart Programme rollout with key milestones in 2020, such as:

- releasing eligibility of 348k customers for smart metering owing to progress with asset procurement and system changes.

STRATEGIC REPORT (continued)

- commencing rollout of SMETS2 Pay As You Go in the northern regions of the UK.
- progressing Enrolment and Adoption of SMETS1 meters to the Data Communications Company. Over 600,000 SMETS1 meters in credit mode have been Enrolled and Adopted and are operating as Smart.
- EDF Energy is in consultation with Ofgem and BEIS regarding future targets and continues to have the full support and commitment of the Board of Directors to ensure it fully delivers on its regulatory commitments.

Domestic Customer Services

In response to the Covid-19 crisis, EDF Energy successfully transitioned its Customer Service resource to homeworking and prioritised services to vulnerable customers. Field staff supported 'Force for Good' initiatives through partnerships with organisations such as Boots UK and Avicenna, completing deliveries to vulnerable customers across over 130 locations in the period April to August.

Despite industry wide challenges with customer bill shock, debt and complaints, EDF Energy achieved a Citizen Advice score of 4.0 for Q4 and maintained a Trustpilot score of 4.3, which equates to 4.5 stars and a rating of Excellent.

EDF has continued to provide customers with a range of inbound contact channels, while continuing to improve our digital offering. App penetration has increase from 17% to 33% over the course of 2020 and the WhatsApp messaging channel has grown from 9k per week to 29k per week over the same period.

Non-domestic customers

In 2020, the non-domestic segment supplied a total of 29.52TWh of electricity, 1.57TWh to 214k small business customers ("SME") and 27.95TWh to medium and large business customers ("I&C"). The business customer electricity market in the UK is c. 165.6 TWh in total, making EDF Energy the largest supplier to business customers by volume.

The industry has however been impacted by Covid-19 demand reduction and increasing risk of business failure given the economic downturn. A year on year volume reduction of 3.84TWh was seen across the non-domestic electricity segment in 2020, with a combined bad debt increase of £25m compared to 2019.

In SME, managing the risks which have arisen from the pandemic has been the primary focus for much of 2020. 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 c.9% electricity / c.62% gas this year.

Medium Business initially grew its volumes by c.0.95TWh in Q1 2020, following up on its 1.1TWh growth in 2019. Covid-19 particularly impacted the Hospitality and Leisure sectors with lower demand but increasing customer debt levels. Through development of its product suite, volume forecasting and credit vetting processes, EDF has recovered well following the initial Covid-related setback to support safe business growth.

In Large Business Sales, a targeted new-business approach has led to the successful acquisitions of 6 new customers in 2020 (a 100% increase on previous years) which include Peugeot SA and Aggregate Industries. Additionally, 31 Large Business contracts have been renewed, including Tesco and Public Sector framework TEC.

In the Export market, EDF has maintained third place in the Power Purchase Agreement market and slightly increased market share. EDF renewed the 1.3TWh per year Veolia contract which integrated innovative trading services through the Powershift platform. EDF continue to strengthen the relationship with Tesco by supporting their low carbon purchasing strategy, especially their purchase of renewable power through corporate PPAs from new and unsubsidized renewable sites.

STRATEGIC REPORT (continued)

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) and the delivery of the Generic Design Assessment for the UK HPR1000 technology.

The EPR technology is already being deployed at the power stations at Flamanville in France (currently under construction and fully owned by EDF S.A) and at Taishan in China.

Hinkley Point C (HPC)

Covid-19 prevention measures taken on site

The project has taken significant and multiple measures to guarantee maximum safety to workers on site and to the local community, while ensuring that the site could remain open. Implemented measures have been continuously adapted and strengthened since March 2020 to apply the best practices and to be able to keep the number of infections low. These measures include in particular social distancing, wearing of masks, enhanced cleaning, tools to reduce the risk of spread of infection and the early identification of positive cases through mass testing and the break of the chain of infection.

As a result of these measures the site has been kept open and running throughout 2020 however the measures had a significant impact on the level of productivity. To apply social distancing, the number of workers on site was reduced by more than 50% in the second quarter of 2020. The workforce was back at the pre pandemic level at the end of the third quarter of 2020 and remained stable in the fourth quarter.

Progress of the project

The Hinkley Point C project has continued to progress significantly in 2020 despite the impact of the Covid-19 pandemic. The project has achieved the 4 main goals set for 2020:

- First safety related pipework of Unit 1;
- J-0 milestone completed for Unit 2, i.e. the completion of the Nuclear Island common raft, in line with initial target date set in 2016;
- Manufacturing of feed water tank completed for Unit 1;
- Finalization of design for internal structures of the Reactor building of Unit 1.

Other significant progress has been made on Unit 1, including the 3.5 km intake tunnel boring completion and the liner ring 1 successful lift into position in the Reactor building.

The UK EPR Design Centre opened in 2020 in Bristol to support the HPC project as well as the development of Sizewell C project (see below "Sizewell C").

At the end of 2020, the costs to date excluding interim interest for the project as a whole stood at £12.1 billion (at current values), or £11.1 billion at 2015 nominal values.

Project Costs and Timeline

Despite being affected by the Covid-19 health crisis, Hinkley Point C has made significant progress in 2020 on site, in the design execution plans and on the manufacturing of equipment.

In this context, a detailed review of schedule and cost has been performed to estimate the impact of the pandemic so far. This review has concluded the following:

- The start of electricity generation from Unit 1 is now expected in June 2026, compared to end-2025, previous target initially announced in 2016.
- The project completion costs are now estimated in the range of £22 to 23bn, an increase of £0.5bn compared to the previous estimate.
- As a consequence, the projected rate of return (IRR) for EDF Energy (different from the project's IRR) is estimated between 7.1% and 7.2% (2019: between 7.6 and 7.8%).

STRATEGIC REPORT (continued)

- The risk of COD delay of Units 1 and 2 is maintained at respectively 15 and 9 months. The realisation of this risk, for which the level of probability remains high, would incur a potential additional cost in the order of £0.7bn. In this case, the IRR for EDF Energy would be reduced by 0.3%.

The project management team has set the objective to lift the Unit 1 dome at the end of 2022.

The agreements between EDF and CGN include a capped compensation mechanism between both shareholders in case of cost overruns or delays. Given the expected level of completion costs, this mechanism is applicable and will be triggered when the times comes. EDF's published IRR takes this compensation mechanism into account. This arrangement is part of a Shareholders' Bilateral agreement signed between EDF and CGN in September 2016 and is subject to a confidentiality clause.

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

The ONR has been regularly informed of the management of the Covid-19 situation and the mitigation plans implemented.

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

Contract for Difference (CfD)

The HPC project company, NNB Generation Company (HPC) Limited and the Department of Energy and Climate Change (DECC) 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.

The key elements of the CfD are:

- The strike price for HPC is set at £92.50/MWh or £89.50/MWh if the SZC project is launched (i.e. if a final investment decision is taken), in order to reflect the fact that the first of a kind costs of EPR reactors are shared across the HPC and SZC sites;
- The strike price is fully indexed to UK inflation through the Consumer Price Index (CPI);
- The payment term is 35 years; in case of a delay of unit 1 leading to its commercial commissioning after 1 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 Covid-19 pandemic, HPC has made a request to the LCCC to extend the COD windows, citing force majeure as allowed by the CfD. The investigation is underway; and
- The project is protected against certain unfavourable regulatory and legislative changes; provision has also been made to review the costs (up or down depending on the assumptions used) in the fifteenth and twenty fifth years, and to review certain conditions for the costs corresponding to decommissioning and waste management operations (Funding

STRATEGIC REPORT (continued)

Decommissioning Programme); no protection exists against Brexit risks, but the project has not, to date, identified any significant impacts.

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. HPC project is protected against power market price changes during the CfD period.

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 (3.2GW) at Sizewell in Suffolk.

During development phase prior to final investment decision, EDF Energy's share of the project is 80% and CGN's is 20%. EDF has planned to pre-finance the development up to its share of an initial budget of £458 million.

Final investment decision is likely to be made by mid 2022. If it is postponed, an agreement would be sought on the financing of the additional costs incurred.

This project is based on the assumption that third party investors will invest and become majority shareholders of the Project. EDF plans, at the date of the final investment decision, to become a minority shareholder with corresponding limited rights and to deconsolidate the project from the Group's financial statements (including in the calculation of economic indebtedness by the rating agencies). At this stage, it is not certain that the Group will achieve this objective.

This financing model has never been implemented for projects of that scale before and therefore would be one of the largest ever equity issuance and project financing on the European scene. Securing the appropriate risk-sharing mechanism and ultimately the corresponding financing structure ahead of the Final Investment Decision is therefore key for the project, the UK Government and the current shareholders. EDF's ability to make a final investment decision on Sizewell C and to participate in the financing of this project beyond the development phase could depend on the operational control of the Hinkley Point C project, on the existence of an appropriate regulatory and financing framework, and on the availability of sufficient investors and financiers. None of these conditions are guaranteed at this time.

Failure to obtain the appropriate financing framework and appropriate regulation could lead the Group not to take the investment decision or to take a decision under less than optimal conditions.

Project development is based on a replication strategy from HPC which should enable efficiencies driven by a decrease in construction costs combined with lower risks. The Sizewell C nuclear power station would therefore also be based on the EPR technology used at HPC. EDF, being in charge of the replication of the design, would benefit from feedback and experience from HPC.

The development of the Sizewell C project achieved major steps in 2020. In June, Planning Inspectorate accepted the application for the Sizewell C development consent order for examination. The examination process is expected to start in April 2021, meaning the Secretary of State should make their decision on the planning permission by April 2022. The development consent order document includes an estimated and non-binding target of savings on construction costs to take into consideration the fact that Sizewell C

STRATEGIC REPORT (continued)

is a second of a kind. The project is mobilized to deliver that ambition.

The UK Government made a major announcement at the end of 2020 to set out how to achieve the ambition of net zero emission in 2050. On 18 November, a 10-point plan for a Green Industrial Revolution was issued, including a commitment to advancing nuclear as a clean energy source. This includes both, large scale nuclear and developing the next generation of small and advanced reactors, acknowledging the important role large scale nuclear will play in delivering the UK's future low-carbon energy mix. The UK Government will contribute up to £385m to an "Advanced Nuclear Fund", of which £215m will be invested in the development of British Small Modular Reactor (SMR) technology. The remaining £170m will be dedicated to a research and development programme on Advanced Modular Reactors (AMR).

Building on this plan, the Energy White Paper released on 14 December 2020 sets out the steps the UK Government will take over the next decade, including the ambition to bring at least one large scale nuclear project to the point of Final Investment Decision by the end of this Parliament period (2024), subject to evidenced value for money and the satisfaction of the UK Government's legal, regulatory and national security requirements.

In parallel, the UK Government stated that it was to enter talks with EDF on the funding of the Sizewell C project as it considered options to deliver this ambition. The UK Government also stated that it continues to explore a range of financing options for new nuclear including the Regulated Asset Base (RAB) funding model.

In addition, given the scale of the financial challenge, the UK Government could consider participating in financing during construction, provided there is clear value for money for consumers and taxpayers.

Bradwell B

The cooperation between EDF and CGN encompasses the process to obtain the design certification of the Chinese-based design HPR1000 in the UK (UK HPR1000) by the Office of Nuclear Regulation and by the Environment Agency through the Generic Design Assessment (GDA) process. For that purpose, EDF Energy and CGN have established a company, General Nuclear Systems Limited (GNS) (owned 33.5% by EDF Energy and 66.5% by CGN). The GNS joint-venture Shareholders' Agreement was signed on 29 September 2016 and GNS is presented in these accounts as an associate.

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

The GDA is a 4 steps process, which started in January 2017, the first three steps have already been successfully achieved. Step 4 started in February 2020 and should be completed in the first quarter of 2022. Nevertheless, the Environment Agency has told CGN that it must resolve at least six safety points before it can move forward and the analysis is currently ongoing.

In parallel, EDF and CGN signed the Bradwell B Project Shareholders' Agreement on 29 September 2016 which sets out the framework for the development of a nuclear generation facility at Bradwell-on-Sea using the UK HPR1000 technology. To date, during development phase prior to final investment decision (FID), CGN has a 66.5% interest and EDF of 33.5% interest. FID is currently expected in 2025.

Regulatory environment

Price Cap

Ofgem introduced a temporary cap on default tariffs for domestic customers on 1 January 2019, under the Domestic Gas and Electricity (Tariff Cap) Act 2018. The cap level is updated by Ofgem to reflect revised costs every 6 months; in April and October. At the end of 2020, the separate cap on tariffs for domestic customers with prepayment meters came to an end and default prepayment meter customers are now also subject to the default tariff cap. In October 2020, the UK Government announced the cap would continue for at least a further 12 months until the end of 2021. It is currently expected to remain in place until 2023. Ofgem has been reviewing the impact on suppliers' costs, including customer debt, due to Covid-19, and has announced its intention to include an allowance for increased costs from April 2021.

Supplier failure

Eight active energy suppliers exited the market in 2020, resulting in around 600,000 domestic customers and 5,000 business customers being moved to new suppliers. Four of these suppliers failed and triggered

STRATEGIC REPORT (continued)

the Supplier of Last Resort (SoLR) Process where Ofgem appoints another supplier to take on the failed suppliers' customers through a competitive bid process. The remaining four exited the market through trade sales of their assets to new owners through bilateral commercial negotiation. This included iSupply, owned by Vattenfall, whose c.100,000 customers moved to EDF Energy following successful trade sale negotiations.

Supplier failures through SoLRs typically result in other suppliers bearing mutualised policy and other costs. Ofgem is undertaking a review of supplier licensing arrangements to ensure appropriate criteria are met by applicants and holders of supply licenses, to minimise the risk of and impact of future supplier failures. The reforms include increased regulatory monitoring of all suppliers to ensure effective risk management processes are in place, as well as measures to secure customers' credit balances in the event of supplier failure. Many of the reforms are now finalised and will be implemented in early 2021; we expect further work by Ofgem during this year to consider whether more prescriptive cost mutualisation protections are required.

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 CO₂ 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 April 2023.

The CM is intended to ensure security of electricity supply. Annual auctions are held to procure capacity four years ahead of delivery with a subsequent auction one year ahead of delivery; delivery years run from 1 October - 30 September. In November 2018, a judgment by the General Court of the Court of Justice of the EU had the effect of annulling the European Commission's State aid approval for the CM scheme, leading to a standstill period for which no capacity payments could be made. In October 2019, following a further State aid investigation; the European Commission reapproved the CM scheme, enabling the resumption of capacity payments. Deferred capacity payments in respect of the standstill period were made to capacity providers, including EDF Energy's nuclear, coal and gas-fired generation, in January 2020. 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 held a third "allocation round" (auction) for renewable CfDs in 2019, with a further allocation round planned for late 2021 and subsequent allocation rounds expected every two years. In December 2020, the UK Government published a consultation paper seeking views on how to evolve the renewable CfD mechanism for subsequent allocation rounds after 2021.

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

STRATEGIC REPORT (continued)

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.

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. Generation margins can also be affected by the carbon price floor.

Competition risk

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

Plant operating risk

Failure of an essential component in any of our generation assets may result in loss of generation through plant outage or restriction to operations. EDF Energy's generating assets have been in service for a significant period and ageing is a significant factor in many areas. Significant plant component failure or failure of a critical non-replaceable plant item may affect the operating lifetime of the station. This risk is mitigated through planned maintenance activities 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.

STRATEGIC REPORT (continued)

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. The station is planned to close no later than 7 January 2022.

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

Dungeness B reactor 22 was shut down during 2018 for a planned statutory outage and reactor 21 was shut down in 2018 for common statutory outage work. These outages were extended to address a number of issues discovered during the outages and the station is currently expected to return to service during 2021.

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. As described throughout the review of business, significant additional precautions have been implemented to safeguard the health and safety of employees during the Covid-19 pandemic.

Political and regulatory risk

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

EU Referendum

Brexit and Euratom Treaty

The UK voted to leave the membership of the European Union (EU) on 23 June 2016 (also see section 2.2.1 "Market regulation, political and legal risks") and officially left the EU on 31 January 2020. Thereafter, it entered into a Transition Period (TP) that ended on 31 December 2020.

During the TP, for most EU and UK businesses including EDF Energy, transactions were mostly unchanged particularly with respect to trade, access to labour/services and the business rules & regulations that govern business operations.

STRATEGIC REPORT (continued)

During the TP, the EU and UK negotiated a Free Trade Agreement (FTA) that was eventually agreed on 24 December 2020. The negotiations throughout 2020 were relatively slow and difficult, being hampered of course by the Covid-19 pandemic that impacted progress and the breadth and depth of the final agreement in some key areas, including energy trading and carbon pricing.

The FTA sets the basis for the EU-UK relationship since 1st January 2021, together with a separate Nuclear Cooperation Agreement (NCA) that sets the basis for the specific future civil nuclear relationship.

Given the relatively limited FTA deal that has been agreed in a number of important areas, it is recognised that further work is required and will take place in 2021 and beyond to finalise some important details and this will deliver the more substantial and stronger trading relationship for the longer term.

Because of uncertainty and the delay in finally agreeing a FTA until very late in the year, EDF Energy worked very closely with EDF Group, to prepare for a “no-deal” EU-UK outcome at the end of 2020. The relatively thin/limited nature of the FTA in key areas, combined with some companies (particularly small and medium sized) not being fully prepared for the new EU-UK trading arrangements from 1st January means that the scenario facing EDF Energy, during the early months of 2021, will feel similar to a “no-deal” situation. This will likely impact both:

- the smooth operation of EU and UK customs processes, creating some difficulties/disruption for both prepared and unprepared organisations; and
- directly and indirectly, the efficient operations of some EU and UK businesses.

EDF Energy’s assessment is that specific EDF business sector risks around energy trading, carbon pricing and nuclear, are likely lower and more manageable.

All EDF business units (BUs) are exposed to business disruption risks (negative impacts) associated with the UK exit from the EU from 1 January 2021 but are prepared. A co-ordinated effort over the last 3 years has meant BUs have worked closely together within EDF Energy and with EDF Group colleagues (where appropriate), UK Government and trade associations to limit potential risk exposure and the scale of any potential business impact. The comprehensive Group-wide impact risk assessment exercise has led to the development and implementation of a number of mitigation actions required to address the key risks. However, inevitably some issues will arise that had not been foreseen. EDF Energy will continue to monitor the situation and adapt and respond as necessary, liaising with and seeking support from UK Government as appropriate.

Carbon Pricing

Carbon pricing is the driver of a significant portion of the wholesale market revenue earned from the Group’s existing nuclear fleet. Until the end of the Brexit transition period on 31 December 2020 the total carbon price is derived from the EU’s Emissions Trading System (ETS) plus the UK’s Carbon Price Support tax.

In the December 2020 Energy White Paper, the UK Government confirmed that the UK’s participation in the EU ETS would be replaced from 1 January 2021 by the operation of the UK Emissions Trading Scheme (UK ETS), which will operate with broadly similar rules to the EU ETS. In their post-Brexit Trade and Cooperation Agreement, the UK and EU have agreed to cooperate on carbon pricing and to give serious consideration to linking the UK ETS to the EU ETS. However, there is no commitment to do so. If there is such a linkage, then the UK ETS is expected to deliver the same carbon price as the EU ETS; without such a linkage, the price delivered by the UK ETS is likely to be more uncertain and volatile.

The Carbon Price Support tax rate is capped at £18/tonne of CO₂ 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 April 2023.

Energy trading across interconnectors

The Great Britain (GB) electricity market is part of the EU Single Market and Internal Energy Market (IEM) until the end of the Brexit transition period on 31 December 2020. Great Britain is connected to Europe and the island of Ireland via a number of interconnectors that allow energy to flow and be traded across borders. (Northern Ireland will remain part of the Irish Single Electricity Market with Ireland.). From 1 January 2021, GB is no longer be part of the EU’s Internal Energy Market. While this change should not

STRATEGIC REPORT (continued)

prevent the physical flow of gas and electricity across interconnectors, it will change the regulatory basis of electricity trading over interconnectors. GB is no longer permitted to participate in the EU mechanisms for implicit allocation of interconnector capacity consistent with the trading of electricity across interconnectors. The consequence of this could be that the trading of electricity over interconnectors will operate less efficiently, potentially leading to a small increase in the total costs of the GB system.

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. At 31 December 2020, the Group did not have any excluded or non-qualifying nuclear liabilities; however, there is the possibility of excluded or non-qualifying liabilities arising in the future.

Retirement benefit obligations risk

EDF Energy has three defined benefit (DB) pension schemes. Strong investment growth, deficit repair contributions and high levels of interest and inflation hedging have resulted in pension schemes assets growing faster than liabilities which have also increased due to lower interest rates, resulting in 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 will have the option to extend DB pension accrual until 31 December 2021 but receive a lower transition payment. On cessation to DB accrual employees will have the option to join a defined contribution scheme with various tiers of contribution rates. 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 operating nuclear power stations, including redundant safety systems which do not rely on software. Information and cyber security is an important issue and EDF Energy is continually reviewing its defences in this area.

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

STRATEGIC REPORT (continued)

the implementation of effective, well documented and controlled processes to ensure compliance with tax disclosure and filing obligations. This is further supported by the use of appropriate advice from reputable professional firms. As required by Schedule 19, Finance Act 2016 the Group's tax strategy is published on its website.

Sustainability Risk

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

Climate Risk

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

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

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

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

Sustainable development and Climate Action

The Group is firmly aligned with the values and goals of its ultimate parent EDF S.A., being to build a net zero energy future with electricity and innovative solutions and services to help save the planet and drive wellbeing and economic development (the **Raison d'être**). The Purpose is a UK articulation of the Raison d'être with which it is entirely consistent and underpins all strategy setting and decision making by the Board, ensuring activity within the Company is compatible with achieving these objectives.

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.

Sustainable investment strategy

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

The Group also acquired a majority stake (77.5%) in Pod Point in 2020. Pod Point is one of the largest electric vehicle charging companies in the UK and is a key acquisition in the Group's mission to build a net zero energy future (see note 15).

Sustainable 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

STRATEGIC REPORT (continued)

commitments until this date and meet the UK Governments deadline to close UK coal-fired power stations by 2024. In April 2021, the Group announced it had reached an agreement with EIG to sell its 1,332 MW Combined Cycle Gas Turbine power station and 49 MW battery at West Burton B in Nottinghamshire. See note 44 for further information on these events after the balance sheet date.

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 CO₂ 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 £75m at 31 December 2020 (2019: £62m) 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 £72m at 31 December 2020 (2019: £33m).

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 £679m million is recognised at 31 December 2020 (2019: £777m) relating to the obligations for renewable energy certificates to be surrendered at that date (see note 28). At 31 December 2020, £192m (2019: £147m) 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.

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).

STRATEGIC REPORT (continued)

Our approach to Human Rights

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

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

Our approach to Anti-fraud and Anti-bribery

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

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

Going concern

The Group manages its capital through focusing on its net debt which comprises borrowings (note 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 (note 42) 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



Robert Guyler
Director

29 April 2021

DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 31 December 2020.

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 (appointed 2 March 2020)
Cedric Lewandowski (resigned 1 March 2020)

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.

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.

DIRECTORS' REPORT (continued)

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

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

Fuel Type	kWh	tCO ₂ e
Scope 1 – Combustion of fuel for transport purposes	27,398,566	7,004
Scope 1 – Combustion of gas	1,343,279	247
Scope 2 – Purchased electricity	1,801,514,613	420,005
Scope 3 – Business Travel emissions	2,905,054	720
Total	1,833,161,512	427,976

Energy Intensity Ratio

Our energy intensity ratio for SECR purposes is tCO₂e/GWh of energy used. Our total carbon intensity by GWh of energy used for 2020 is 233 tCO₂e/GWh

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:

DIRECTORS' REPORT (continued)

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 kgCO₂e.

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.

- Heysham 1 - a monetary value was provided from fuel invoices which was then converted using the AA fuel price average for 2020, £1.1740 per litre.

- Cottam – the amount of fuel used for on-site vehicle is not split out from fuel used for generators and plant. Estimated has been based on West Burton A vehicle average (3%).

The total amount of fuel used in litres is multiplied by the fuel conversion factor to calculate the kgCO₂e.

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 kgCO₂e.

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 kgCO₂e.

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 2020 BEIS managed assets vehicles, average car, unknown fuel conversion factor to calculate the total kgCO₂e.

The distance in miles is multiplied by the 2020 BEIS SECR kWh pass & delivery vehs, 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/tCO₂e. This is calculated using the average HMRC data for 2020 of £0.11 per mile.

DIRECTORS' REPORT (continued)

Dividends

Dividends of £nil (2019: £nil) were paid to the parent company and dividends of £60m (2019: £nil) were paid to the non-controlling interest during the year.

Political contributions

During the year, the Group made no political contributions (2019: £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.

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.

DIRECTORS' REPORT (continued)

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 2021 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

A handwritten signature in black ink, appearing to read 'R. Guyler', written in a cursive style.

Robert Guyler
Director

29 April 2021

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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



Robert Guyler
Director

29 April 2021

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 company's affairs as at 31 December 2020 and of its loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheet;
- the consolidated and parent company statement 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 17 of the parent company financial statements.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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 framework[s] that the company 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 [including relevant internal specialists such as tax, valuations, pensions, IT, forensic and industry specialists] 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, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; 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 (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
29 April 2021

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

	<i>Note</i>	2020 £m	2019 £m
Revenue	4	8,074	8,172
Fuel, energy and related purchases	6	(5,258)	(5,544)
<hr/>			
Gross margin		2,816	2,628
Materials and contracting costs		(294)	(398)
Personnel expenses	8	(819)	(813)
Other operating expenses		(1,005)	(740)
Other operating income		2	3
<hr/>			
Operating profit before depreciation, amortisation and impairment		700	680
Gain on derivative commodity contracts	5	16	26
Depreciation and amortisation	5	(998)	(881)
Impairment of non-current assets	5, 16	(568)	(111)
Exceptional restructuring costs	11	(18)	(12)
Other losses		(1)	-
<hr/>			
Loss before tax and finance costs		(869)	(298)
Investment income	9	287	369
Finance costs	10	(342)	(455)
<hr/>			
Loss before tax		(924)	(384)
Taxation on loss on ordinary activities	12	9	63
Share of (loss)/ profit of associates	20	(6)	187
<hr/>			
Loss for the year		(921)	(134)
<hr/>			
Loss attributable to:			
Equity holders of the parent	39	(831)	(124)
Non-controlling interest	31	(90)	(10)
<hr/>			
		(921)	(134)

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	<i>Note</i>	2020 £m	2019 £m
Loss for the year		(921)	(134)
<hr/>			
Items from continuing activities that will not be reclassified subsequently to profit or loss:			
Net actuarial gains on defined benefit pensions	41	251	56
Income tax effect		(67)	(8)
Items from continuing activities that may be reclassified subsequently to profit or loss:			
Net gains/(losses) on cash flow hedges:			
Gains/(losses) on cash flow hedges	38	-	371
Income tax effect		(3)	(64)
Net cost of hedging:			
Cost of hedging	38	2	10
Income tax effect		-	-
Net gains/(losses) on available for sale assets:			
Gains/(losses) on available for sale assets		1	-
Income tax effect		-	-
<hr/>			
Total comprehensive (expense)/income		(737)	231
Total comprehensive income attributable to:			
Equity holders of the Company		(705)	212
Non-controlling interest	31	(32)	19
<hr/>			
		(737)	231
<hr/>			

The income tax effect on defined benefit pensions includes a deferred tax charge of £77m (2019: charge of £21m) and a current tax credit of £10m (2019: credit of £13m).

The net gain on cash flow hedges includes a deferred tax charge of £3m (2019: charge of £64m).

**CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2020**

	<i>Note</i>	2020 £m	2019 £m
Non-current assets			
Goodwill	14	6,785	6,722
Intangible assets	17	587	562
Property, plant and equipment	18	17,730	15,422
Right-of-use assets	32	76	202
Financial assets	19	607	507
Interest in associates	20	516	502
NLF and Nuclear Liabilities receivable	21	11,372	11,072
Post-employment benefits asset	41	1,551	1,061
Derivative financial instruments	27	52	64
		39,276	36,114
Current assets			
Cash and cash equivalents	22	2,254	978
Inventories	23	2,411	2,396
Financial assets	19	28	-
Trade and other receivables	24	1,780	2,171
Derivative financial instruments	27	264	128
NLF and Nuclear Liabilities receivable	21	346	246
Current tax asset		-	28
		7,083	5,947
Total assets		46,359	42,061
Current liabilities			
Other liabilities	25	(2,646)	(2,491)
Borrowings	26	(10)	-
Derivative financial instruments	27	(179)	(168)
Short-term provisions	28	(1,273)	(870)
Obligations under leases	32	(15)	(16)
Current tax liability		(25)	-
		(4,148)	(3,545)
Net current assets		2,935	2,402
Total assets less current liabilities		42,211	38,516
Non-current liabilities			
Other liabilities	25	(549)	(663)
Borrowings	26	(845)	(703)
Derivative financial instruments	27	(58)	(12)
Long-term provisions	28	(12,722)	(12,325)
Deferred tax liability	30	(1,092)	(1,058)
Obligations under leases	32	(73)	(186)
Post-employment benefits provision	41	(377)	(176)
		(15,716)	(15,123)
Total liabilities		(19,864)	(18,668)
Net assets		26,495	23,393

**CONSOLIDATED BALANCE SHEET (continued)
AT 31 DECEMBER 2020**

	<i>Note</i>	2020 £m	2019 £m
Equity			
Share capital	34	9,631	6,824
Share premium reserve	35	199	-
Capital reserve	36	9	9
Merger reserve	37	(2)	(2)
Hedging reserve	38	32	33
Retained earnings	39	9,800	10,505
Equity attributable to equity holders of the Company		19,669	17,369
Non-controlling interest	31	6,826	6,024
Total equity		26,495	23,393

The accounts of EDF Energy Holdings Limited (registered number: 06930266) on pages 41 to 108 were approved by the Board of Directors and were signed on its behalf by:



Robert Guyler
Director

29 April 2021

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

	<i>Note</i>	2020 £m	2019 £m
Net cash from operating activities	40	1,978	1,122
Investing activities			
Purchase of property, plant and equipment		(3,060)	(3,037)
Purchase of carbon and renewable obligation certificates	17	(1,077)	(837)
Purchase of other intangible assets	17	(52)	(44)
Disposal of property, plant and equipment		-	6
Transfer from short term investment to financial asset		(10)	-
Deferred consideration on disposal		-	76
Loans to parent company	19	(80)	(81)
Capital contribution to associates		(27)	(31)
Interest received		27	14
Dividends received	20	10	98
Loan to associates		(39)	-
Loan repayment from associates		3	-
Transfer of EDF Development Company Limited		167	-
Cash transferred to Group due to acquisitions		3	-
Acquisitions of Pod Point	15	(87)	-
Investment in associate		(7)	-
Net cash used in investing activities		(4,229)	(3,836)
Financing activities			
Dividends paid to non-controlling interests	13	(60)	-
Repayment of obligations under leases	32	(17)	(40)
Proceeds received from borrowings in the year		31	-
Proceeds on share issue to parent undertakings	34	2,721	1,650
Capital contribution from non-controlling interest	31	887	845
Interest paid		(35)	(19)
Net cash generated from financing activities		3,527	2,436
Net (decrease)/increase in cash and cash equivalents		1,276	(278)
Cash and cash equivalents at 1 January		978	1,253
Effect of foreign exchange rates		-	3
Cash and cash equivalents at 31 December	22	2,254	978

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital £m	Share premium reserve	Capital reserve £m	Hedging reserve £m	Merger reserve £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
At 31 December 2018	10,174	-	9	(284)	(2)	5,609	15,506	5,160	20,666
Loss for the year	-	-	-	-	-	(123)	(123)	(10)	(133)
Other comprehensive income for the year	-	-	-	317	-	19	336	29	365
Total comprehensive (loss)/ income for the year	-	-	-	317	-	(104)	213	19	232
Issue of capital	1,650	-	-	-	-	-	1,650	845	2,495
Capital reduction	(5,000)	-	-	-	-	5,000	-	-	-
At 31 December 2019	6,824	-	9	33	(2)	10,505	17,369	6,024	23,393
Loss for the year	-	-	-	-	-	(831)	(831)	(90)	(921)
Other comprehensive (loss)/income for the year	-	-	-	(1)	-	126	125	58	183
Total comprehensive (loss) / income for the year	-	-	-	(1)	-	(705)	(706)	(32)	(738)
Equity dividends paid	-	-	-	-	-	-	-	(60)	(60)
Issue of capital	2,807	199	-	-	-	-	3,006	887	3,893
NCI recognised on Pod Point Acquisition	-	-	-	-	-	-	-	7	7
At 31 December 2020	9,631	199	9	32	(2)	9,800	19,669	6,826	26,495

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 36. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation. These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value at the end of each reporting period as explained in the accounting policies in note 2. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

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

Adoption of new and revised International Financial Reporting Standards

The following standards and amendments to IFRSs became effective for the period beginning on 1 January 2020 and did not have a material impact on the consolidated financial statements:

- Interest Rate Benchmark Reform - Amendments to IFRS 9 and IFRS 7 (phase 1).

The current benchmark interest rates (IBOR - Interbank Offered Rates) will be replaced by new alternative benchmarks (Risk Free Rates), some of which will take effect in 2021. This reform is particularly likely to affect certain commercial contracts (e.g. late payment penalties on supplier or customer contracts) and financial instruments (loans and receivables, borrowings, valuation of leases, derivatives). The principal rates affected by the reform that are used by the Group are Euribor and Libor GBP.

The IASB has published several amendments to IFRS 9 and IFRS 7 that limit the impacts of the interest rate benchmark reform for issuers. The amendments to IFRS 9 and IFRS 7 for phase 1 of the reform, adopted on 15 January 2020 by European union and applicable since 1 January 2020, allow continuation of hedge accounting until the transition to the new interest rates is effective, and result in no impact on the Group’s 2020 financial statements.

- Covid-19-Related Rent Concessions - Amendment to IFRS 16

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of Covid-19,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a Covid-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the Covid-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 and only if all of the following conditions are met:

- a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- c) There is no substantive change to other terms and conditions of the lease.

- Definition of a business - Amendments to IFRS 3

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

- Definition of material - Amendments to IAS 1 and IAS 8

The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

The following standards and amendments to IFRSs become effective for the periods beginning on 1 January 2021:

- Interest rate benchmark reform – Amendments to IFRS 9, IFRS 7, IFRS 4 and IFRS 16 (Phase 2)

The amendments to IFRS 9, IFRS 7, IFRS 4 and IFRS 16 for phase 2 of this reform applicable for financial years beginning on or after 1 January 2021 (with retrospective application). They state that in the event of modification of contractual terms as a direct consequence of the interest rate benchmark reform, and in application of paragraph B5.4.5 of IFRS 9, there is no immediate impact on profit and loss for the year.

The Group continues to identify all instruments for each reference interest rate that could be affected by this reform and the requirement response. At the year-end the Group has not identified any events requiring early application, even partial, of the phase 2 amendments.

Annual IFRS Improvement Process

- IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

- IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

- IAS 41 Agriculture

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

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

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

- IFRS 17 Insurance Contracts

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

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current

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

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

- Amendments to IFRS 3: Reference to the Conceptual Framework

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

- Amendments to IAS 16: Property, Plant and Equipment—Proceeds before Intended Use

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

- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract

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

2. Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company made up to 31 December each year. A list of main subsidiaries 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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

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

Parent company financial statements

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

Going concern

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 (note 42) 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

The Group received government grants in the year in relation to the furlough scheme. 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.

Taxation

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

Current tax

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

Deferred tax

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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:

Non-nuclear generation assets	- Up to 40 years
Advanced Gas-cooled Reactors (AGR) power stations	- 41 to 47 years
Pressurised Water Reactor ("PWR") power station	- 40 years
Overhaul of generation assets	- 4 years
Freehold land	- Not depreciated
Other buildings	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

-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.

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

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

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

condition. The Group must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

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

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

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

Leases

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Group as a Lessor

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

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

Investments in associates

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

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

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

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

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

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

Inventories

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

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

Fuel costs – nuclear front-end

Advanced Gas-cooled Reactors ("AGR")

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Pressurised Water Reactor (“PWR”)

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

Fuel costs – nuclear back end

AGR

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

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

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

PWR

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

Provisions

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Retirement benefit costs

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

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

Financial instruments

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

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

The effective interest method is a method of calculating the amortised cost of a financial liability or a financial asset and of allocating the interest expense over the relevant period. The effective interest rate ("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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.
- (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). Financial instruments include 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

The use of derivatives and other financial instruments is governed by the Group's policies and approved by appropriate management. The Group does not use derivatives and other financial instruments for speculative purposes. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as cash flow hedges. At inception of the hedge relationship, the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge, and on an on-going basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

EU Emissions trading scheme and Renewable Obligations Certificates

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

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

The Group is obliged to sell a specific fraction of electricity sales volume to its customers from renewable sources. This is achieved via generation from renewable sources or through purchase of Renewable Obligation Certificates ("ROCs"). Any purchased certificates are recognised at cost and included within intangible assets.

Any ROCs obtained directly through renewable generation are carried at nil cost but reduce the Group's outstanding obligations to supply certificates. The Group recognises a provision for its obligation to supply certificates, based on the energy it supplies to customers. The intangible assets are surrendered, and the provision is released at the end of the compliance period reflecting the consumption of economic benefit. As a result, no amortisation is recorded during the period.

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the Group's accounting policies

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

HPC – accounting for uncertain tax benefit of capital allowances

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

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 eight years. The last extensions were formally declared following NDA approval in February 2016. Hartlepool and Heysham 1 were extended by a further five years,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

and Heysham 2 and Torness were extended by seven years. Although the work has not yet been carried out to support the extension of Sizewell B, EDF Energy expects that it should be possible to extend it by c.20 years and accordingly the Directors will actively consider the useful economic life applied in the financial statements of Sizewell B going forward.

SZC – capitalisation of costs pre FID

It is the strategy of EDF to construct low carbon nuclear new build power stations in the UK using the EPR technology. This technology is already being deployed at the power stations at Flamanville in France, at Taishan in China and at HPC. Using the same technology, although adapted for UK regulatory requirements and site specifics, SZC will benefit from a series effect on standardisation of design, on construction and on operation. As a result of this replication approach, continued Shareholder investment and the Project achievements the Company has assessed it is appropriate to capitalise the pre-development costs £289.4m as property, plant and equipment. This is consistent with the approach that was adopted for HPC.

Key sources of estimation uncertainty

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

Revenue recognition

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

Revenue is valued at average pence per unit, and any unbilled revenue is treated as an unbilled debtor. This figure is adjusted based on a judgement of the likelihood of collecting the outstanding debt based on historical data. At the year-end, unbilled energy income for the supply business was £504m (2019: £657m). Further detail on revenue is disclosed in note 4.

Nuclear decommissioning provisions

The consolidated financial statements include provision for the full cost of decommissioning the Group's nuclear power stations. Provision is made on the basis of the latest technical assessments of the processes and methods likely to be used for decommissioning under the current regulatory regime. Expected future costs of decommissioning are monitored to ensure that the provision remains at an adequate level. Further information about decommissioning and spent nuclear fuel provisions can be found in note 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 £568m (2019: £111m) was recognised in the year mainly in relation to the nuclear and gas storage assets. Further detail on the assumptions used and sensitivity analysis in the calculation can be found in note 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Revenue

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

	2020 £m	2019 £m
Sales to external customers	8,073	8,170
Other revenue	1	2
Total revenue	8,074	8,172

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

	2020 £m	2019 £m
Revenue from energy supply contracts	7,764	7,991
Revenue from wholesale market optimisation and other	310	181
Total revenue	8,074	8,172

5. Loss for the year

Loss for the year was derived at after (crediting)/charging the following:

	2020 £m	2019 £m
Research and development costs	24	24
Personnel expenses (note 8)	819	813
Auditor's remuneration for audit services (see below)	2	2
Net foreign exchange (gains)/losses (note 9,10)	(16)	7
Impairment of property, plant and equipment (note 16,18)	560	111
Impairment of intangible assets (note 16,17)	1	-
Impairment of right of use assets (note 16, 32)	7	-
Amortisation of intangible assets (note 17)	150	80
Depreciation of property, plant and equipment (note 18)	837	789
Depreciation on right of use asset (note 32)	11	12
Cost of inventories recognised as expense (note 23)	661	444
(Gain) on derivative commodity contracts	(16)	(26)
(Gains) on derivative foreign exchange contracts (note 9)	(8)	-
Rental expense for leases exempt from IFRS 16	-	1
Movement in the expected credit loss (note 24)	49	37
Impairment losses recognised on trade receivables	87	50
Reversal of impairment losses recognised on trade receivables (note 24)	(3)	(2)

The analysis of Auditor's remuneration is as follows:

	2020 £m	2019 £m
Fees payable for the audit of the Company's and the Group's accounts	0.6	0.4
For the audit of the Company's subsidiaries pursuant to legislation	1.4	1.2
Total audit fees	2.0	1.6
Other assurance services	0.1	0.1
Other non-audit services	-	0.1
Total non-audit fees	0.1	0.2
Total fees	2.1	1.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Fuel, energy and related purchases

	2020	2019
	£m	£m
Purchase of energy	2,689	2,820
Distribution and transmission	1,561	1,597
Renewable obligation certificates	929	1,028
CO ₂ emission certificates	75	89
Other energy related purchases	4	9
Unwinding of nuclear fuel asset	-	1
Total fuel, energy and related purchases	5,258	5,554

7. Directors' remuneration

In 2020, 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.

	2020	2019
	£m	£m
Aggregate remuneration	2	2
Total remuneration	2	2

	2020	2019
	Number	Number
Members of defined benefit pension scheme	1	1

	2020	2019
	£m	£m
Remuneration payable to the highest paid Director was as follows:		
Aggregate remuneration	1	1
Total remuneration	1	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 2020.

The highest paid director is a member of the Company's defined benefit pension scheme and had accrued entitlements of £43,375 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:

	2020	2019
	£m	£m
Wages and salaries	645	649
Social security costs	76	76
Pension costs	238	208
Severance	1	(2)
Less: Capitalised costs	(141)	(118)
	819	813

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Personnel expenses (continued)

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

	2020 Number	2019 Number
Generation business unit	5,805	5,988
Customers business unit	4,194	4,463
Nuclear New Build business unit	963	905
Technical Services business unit	101	-
Corporate and Steering functions	698	695
	11,761	12,051

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

	2020 £m	2019 £m
Interest on bank deposit	8	12
Other finance income	3	7
Pension scheme interest	19	18
Foreign exchange gains	16	-
Unwinding of discount on NLF receivable	233	332
Fair value gains on foreign currency derivatives	8	-
Total investment income	287	369

10. Finance costs

	2020 £m	2019 £m
Interest on bank loans and overdrafts	12	5
Interest on bonds	25	25
Interest expense on leases	2	12
Unwinding of discount on provisions	70	72
Unwinding of discount on NLF payable	233	332
Fair value losses of foreign currency derivatives	-	13
Foreign exchange losses	-	7
Total finance costs	342	466
Less: Amounts capitalised	(1)	(11)
Reversal of previously capitalised interest	1	-
Total borrowing costs	342	455

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.

11. Restructuring costs

	2020 £m	2019 £m
Customers business unit	9	14
Generation business unit	15	11
Corporate and Steering function	(6)	(13)
Total restructuring costs	18	12

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Restructuring costs (continued)

In 2019, Customers business unit provided an additional £14m as a result of identifying additional headcount expected to be impacted during 2020. Coal and gas business unit provided £11m as a result of the closure of Cottam coal power station with headcount expected to be impacted during 2020 and into future years. £6m of the Corporate and Steering function provision was utilised and £7m was reversed without utilisation.

During the year, £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, these provisions are expected to be utilised in 2021.

12. Tax on loss on continuing ordinary activities

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

Current tax	2020	2019
	£m	£m
UK corporation tax	(21)	(34)
Adjustments in respect of previous years' reported tax charges	56	(4)
Total current tax (credit)/charge for the year	35	(38)
Deferred tax	2020	2019
	£m	£m
Current year credit	(140)	(27)
Adjustments in respect of previous years' reported tax charges	(9)	2
Effect of increased tax rate on opening liability	105	-
Total deferred tax credit for the year (note 30)	(44)	(25)
Income tax credit reported in consolidated income statement	(9)	(63)

(b) The tax on loss before tax for the year is higher than (2019: higher than) the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%).

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

	2020	2019
	£m	£m
Loss before tax	(924)	(384)
Tax at the UK corporation tax rate of 19.00% (2019: 19.00%)	(175)	(73)
Effect of:		
Non-deductible expenses and non-taxable income	14	9
Current year effect of deferred tax rate change	-	3
Impact of increased tax rate on opening deferred tax balance	105	-
Adjustment to prior-year corporation tax	56	(4)
Adjustment to prior-year deferred tax	(9)	2
Income tax credit reported in consolidated income statement	(9)	(63)

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

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

In the current year a deferred tax charge of £79m (2019: charge of £85m) has been recognised in equity. This consists of a charge of £77m (2019: charge of £21m) in respect of pension movements and a charge of £2m (2019: charge of £64m) which relates to fair value movements arising on derivative instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

A current tax credit of £10m (2019: credit of £13m) has also been recognised in equity in respect of pension movements.

The closing deferred tax balance at 31 December 2020 has been calculated at 19.00% (2019: 17.00%). This is the average tax rate at which the reversal of the net deferred tax liability is expected to occur.

Changes to the main rate of corporation tax were announced after the balance sheet date. The impact of the changes is disclosed as a post balance sheet event see note 44.

13. Dividends

	2020 £m	2019 £m
Amounts recognised as distributions to equity holders in the period:		
Dividends paid by subsidiary to non-controlling interests (note 31)	60	-
	60	-

In 2020, £60m of dividends were paid to non-controlling interests (2019: £nil). No dividends were paid to the Group's parent company.

14. Goodwill

	£m
Carrying amount	
At 31 December 2019	6,722
Acquisition of Pod Point	63
At 31 December 2020	6,785

Further information on Pod Point acquisition can be found in note 15. Details of the goodwill impairment test can be found in note 16.

15. Business combination

On 13 February 2020, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Business combination (continued)

The consideration paid is as follows:

	£m
Cash	86
Contingent consideration (i)	1
Total consideration	87

(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)
Fair value of identifiable net assets	31

(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
Goodwill	63

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

	2020	2019
	£m	£m
Impairment of property, plant and equipment	560	111
Impairment of right of use assets	7	-
Impairment of Intangible assets	1	-
	568	111

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Impairment of non-current assets (continued)

Impairment of property, plant and equipment

		2020 £m	2019 £m
Coal	- West Burton A	-	6
	- West Burton B	-	101
Gas Storage	- Hill Top	8	1
	- Hole House	-	3
Nuclear Generation		552	-
		560	111

In 2019, impairments were recognised in West Burton and Hill Top. The impairment recognised in West Burton A of £6m was due to expected plan closure of the site in 2021, reducing its carrying value to nil. The remaining impairment of £101m relating to West Burton B was predominantly driven by the longer-term view of spark spreads being lower than last year due to lower power price and higher gas price, bringing its carrying value down to recoverable value of £299m.

In 2019, challenging market conditions for gas storage facilities at Hill Top Farm and Hole House was an impairment trigger. A recoverable amount of £18m was calculated for Hill Top Farm based on value in use, against a carrying value of £19m resulting in an impairment of £1m. Additionally for Hole House, a negative value was calculated based on the value in use, resulting in an impairment of £3m, reducing its carrying value to nil.

During the year impairments were recognised in Hill Top, right of use assets and Nuclear Generation.

Hill Top

The impairment in Hill Top is due to the long term forecast for gas price volatility remaining depressed. A recoverable amount of £14m based on value in use was calculated for Hill Top resulting in an impairment of £8m recognised in the year. 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% (2019: 5.4%). A reduction of 0.5% to the discount rate reduces impairment by £1.1m and a 0.5% increase in the discount rate increases impairment by £0.7m.

Nuclear Generation assets (plants in operation)

The early closure of Hunterston and Hinkley Point B, the extended outages and potential change around RTS dates for Hinkley Point B and Dungeness, as well as the forward and long-term price decrease represent an impairment trigger for the nuclear power stations.

The recoverable value of existing nuclear assets (8 reactors: 7 Advanced Gas-cooled Reactors (AGRs) and one Pressurised Water Reactor (PWR)) is determined by discounting future cash flows over the assets' useful life, assuming a 20-year extension for the Sizewell B PWR plant, in line with Group strategy.

The test conducted at 30 June 2020 included lower nuclear output estimates for 2021 and 2022, intended to capture recent difficulties affecting generation and the risk of unscheduled outages and delays in bringing reactors back online during those two years. The updated nuclear output assumptions combined with the impact of declining electricity prices, in both the medium term and the long term, led to recognition of impairment of £552m.

The updated impairment test for the 2020 year-end incorporates the early shutdown decisions concerning Hunterston, to be closed no later than 7 January 2022, and Hinkley Point B, to be closed in July 2022. Following the test results, the impairment recorded at 30 June is maintained.

The result of sensitivity analysis on the impairment of nuclear assets demonstrate that a 2% reduction or increase in power price would increase or reduce the headroom by c. £260m. A reduction of 3% to output would decrease the recoverable amount by c. £340m and a reduction of 5% to output would decrease the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

recoverable value by c. £660m. A reduction of 0.5% to discount rate would increase the headroom by c. £310m and an increase of 0.5% to discount rate would decrease the value in use by c. £280m.

No further impairment was recognised a result of the updated impairment test.

Customers assets

Long-term margin assumptions were revised downwards in light of the Covid-19 pandemic, particularly for the B2B segment. The margins defined for the B2C segment already reflect the competitive and regulatory situation in the UK market, particularly the end of the cap on the Standard Variable Tariff in 2023. The impairment test was updated based on these revised assumptions and showed a recoverable value that had decreased by some 40% compared to 31 December 2019 and 20% compared to 30 June 2020 but remained higher than the carrying value tested. Sensitivity analyses were conducted with larger reductions in long-term margins and lower market share and this did not give rise to an impairment.

Impairment of right of use assets

	2020	2019
	£m	£m
Gas Storage		
- Hill Top	2	-
- Hole House	2	-
<u>Corporate and Steering Functions</u>	3	-
	7	-

During the year, 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

	2020	2019
	£m	£m
<u>Customers business unit</u>	1	-
	1	-

During the year, 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%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Impairment of non-current assets (continued)

Impairment testing of goodwill

Goodwill (with a carrying amount of £6,785m, as of the end of 2020) 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 £₂₀₁₂92.50/MWh (in real 2012 sterling) 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 at 31 December 2020 incorporates the latest estimates of the Hinkley Point C (HPC) project costs i.e. total project completion costs (excluding borrowing costs) of an estimated £22-23 billion (in 2015 sterling), instead of the estimate of £₂₀₁₅21.5-22.5 billion (in real 2015 sterling) from the previous cost revision of September 2019 and deferral of the delivery of reactor 1 to mid-2026. The range will depend on the effectiveness of action plans to be delivered in partnership with contractors, as the impairment test results lie in the middle of the range. The additional costs result from the detailed review of the costs and schedule, taking account of the impacts of the Covid-19 pandemic as currently assessed. EDF's projected rate of return (IRR) is now estimated at between 7.1% and 7.2% (compared to 7.6%-7.8% in the previous review).

Other assumptions included in the discounted cash flow are the discount rate, the growth rate, forward power prices, generation output and Customer supply long-term EBIT and market share. The estimated value in use is based on post-tax discounted cash flows, using a discount rate derived from an after-tax rate of 6.0% (2019: 6.0%). This discount rate is the Group weighted average cost of capital based on cost of capital for UK activities and the risk adjustment has been included in the relevant cash flow forecasts used in the discounted cashflow calculation.

On this basis and in view of the unfavourable effects on the recoverable value of existing nuclear assets, gas storage assets and the customers business explained above, there is still headroom between the recoverable value and the book value of EDF Energy at 31 December 2020.

The Group has conducted sensitivity analysis on the impairment test of goodwill based on its assessment of reasonably possible changes in the key sources of estimation and uncertainties:

- A 0.5% increase in the discount rate to 6.5% will not result in an impairment.
- For HPC, an increased risk of deferral of the Commercial Operation Date (COD), estimated at 15 months for Unit 1 and 9 months for Unit 2, along with an associated cost of around £0.7 billion (in 2015 sterling). This risk of deferral and the associated additional cost would reduce the impairment headroom resulting from the EDF Energy test by approximately 30%.

Additional sensitivity analyses were conducted on:

- The long-term inflation assumptions and long-term power price assumptions adopted for HPC revenue over the term of the CfD and beyond.
- A 0.5% reduction of customers long term EBIT from 1% to 0.5% with a debtor days increase of 5 days reduces Customers headroom by 9%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Impairment of non-current assets (continued)

- A reduction in B2B and B2C market share by 10% leads to a reduction in Customers headroom of approximately 4%

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

Sensitivity analysis was conducted for a breakeven scenario, using extremely pessimistic (although unlikely) assumptions, for example a 3-year deferral of the COD and an associated additional cost of £3 billion (in 2015 sterling). This scenario would result in the headroom reducing to £nil, all other assumptions being equal.

Although Brexit has no immediate impact on impairment tests of EDF Energy's assets since most cash flows (income, costs, investments) and assets are stated in pounds sterling and operations are in the UK, the longer-term consequences are still hard to predict. The Group will monitor movements in the rates of return demanded by investors and changes in fuel prices, CO2 prices and macro-economic data such as GDP growth, which could affect price curves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Intangible assets

	EU 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
Cost										
At 31 December 2018	72	-	122	833	38	-	-	200	108	1,373
Additions	-	-	836	-	1	15	-	-	29	881
Disposals	(39)	-	(811)	(13)	-	-	-	-	-	(863)
Transfers	-	-	-	50	-	-	-	-	(50)	-
Reclass	(33)	33	-	-	-	-	-	-	36	36
At 31 December 2019	-	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
At 31 December 2020	74	-	192	886	39	34	13	214	47	1,499
Amortisation										
At 31 December 2018	-	-	-	(562)	(37)	-	-	(200)	-	(799)
Charge for the year	-	-	-	(78)	-	(2)	-	-	-	(80)
Transfers	-	-	-	1	-	-	-	-	-	1
Disposals	-	-	-	13	-	-	-	-	-	13
At 31 December 2019	-	-	-	(626)	(37)	(2)	-	(200)	-	(865)
Charge for the year	-	-	-	(138)	-	(10)	(1)	(1)	-	(150)
Disposals	-	-	-	104	-	-	-	-	-	104
Impairment	-	-	-	(1)	-	-	-	-	-	(1)
At 31 December 2020	-	-	-	(661)	(37)	(12)	(1)	(201)	-	(912)
Carrying amount										
At 31 December 2019	-	33	147	244	2	13	-	-	123	562
At 31 December 2020	74	-	192	225	2	22	12	13	47	587

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. Property, plant and equipment

	Land and buildings £m	Network assets £m	Generation assets £m	Nuclear power stations £m	Other plant and equipment £m	Equipment and fittings £m	Assets in the course of construction £m	Total £m
Cost								
At 31 December 2018	651	7	2,733	9,607	1,198	186	7,150	21,532
Additions	-	-	-	-	-	-	3,077	3,077
Transfers	1	7	9	197	277	29	(520)	-
Reclass	-	-	2	-	-	-	(33)	(31)
Revaluation of final core provision	-	-	-	136	-	-	-	136
Transfer to ROU asset	(125)	-	-	-	-	(5)	-	(130)
Disposals	(3)	(5)	-	(17)	(183)	(30)	-	(238)
At 31 December 2019	524	9	2,744	9,923	1,292	180	9,674	24,346
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 limited transfer	51	-	-	-	-	-	-	51
At 31 December 2020	700	10	2,650	10,374	1,357	155	12,479	27,725
Accumulated depreciation								
At 31 December 2018	(41)	(6)	(2,706)	(4,752)	(596)	(151)	(3)	(8,255)
Charge for year	(5)	(2)	(30)	(507)	(225)	(20)	-	(789)
Reclass	(169)	-	172	-	(3)	-	-	-
Impairment (note 16)	(16)	-	(93)	-	-	-	(2)	(111)
Transfers	-	-	-	-	-	(1)	-	(1)
Disposals	3	-	-	17	182	30	-	232
At 31 December 2019	(228)	(8)	(2,657)	(5,242)	(642)	(142)	(5)	(8,924)
Charge for year	(4)	-	(25)	(545)	(243)	(20)	-	(837)
Disposal	-	-	124	14	148	40	-	326
Impairment (note 16)	-	-	(8)	(552)	-	-	-	(560)
At 31 December 2020	(232)	(8)	(2,566)	(6,325)	(737)	(122)	(5)	(9,995)
Carrying amount								
At 31 December 2019	296	1	87	4,681	650	38	9,669	15,422
At 31 December 2020	468	2	84	4,049	620	33	12,474	17,730

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 £12,167m at 31 December 2020 (2019: £9,396m). The recoverability of the balance of assets in the course of construction relating to HPC at 31 December 2020 is dependent both upon the forecast profitability of HPC, as disclosed in note 16.

Land of £125m transferred from right of use asset is owned by EDF Development Company Limited and leased out on a finance lease to NNB Generation Company (HPC) Limited. In 2019, EDF Development Company Limited was external to the Group and directly under EDF S.A. As a result, on transition to IFRS 16 the value of the Land was transferred from Property, plant and equipment to rights of use asset. During the year, 100% of the share capital of EDF Development Company Limited was acquired as a common control transaction. Therefore, the Lease agreement between EDF Development Company Limited and NNB Generation Company (HPC) Limited is now an intercompany lease which is eliminated on consolidation. As a result, value of the Land has been transferred from rights of use asset back to property, plant and equipment.

During the year, the Group recognised an impairment on its Gas Storage facility at Hill Top Farm due to the long term forecast for gas price volatility remaining depressed and on its nuclear power stations as a result of the extended outages and potential change around RTS dates for Hinkley Point B and Dungeness, as well as the forward and long term price decrease. This led to an impairment of £560m being recognised in 2020. See note 16 for further details.

Details of the revaluation of final core provision can be found in note 28.

Capitalised borrowing costs

The amount of borrowing costs capitalised during the year ended 31 December 2020 was £0.5m (2019: £11.1m). 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	
	2020	2019	2020	2019
Financial asset measured at fair value through OCI				
Interest in insurance fund	12	10	-	-
Loans receivable carried at amortised cost				
Loans to associates (i),(ii)	35	17	28	-
Loans to parent company (iii)	560	480	-	-
Loans to third party	1	1	-	-
Provision against loan to third party	(1)	(1)	-	-
Total financial assets	607	507	28	-

- (i) In 2020, an additional £20m loan was advanced to Energy Services at 1-year LIBOR plus 1.39% in relation to working capital funding.
- (ii) In 2020, an amount of £19.3m (€22.5m) was advanced to EDF Renewables Ireland at 3-month EURIBOR plus 1.50% in relation to any matters related to the advancement of future development in Ireland.
- (iii) In 2020, an amount of 80m loan was advanced to EDF S.A at 1-year LIBOR less 0.05% in relation to the BEGG pension deficit.

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.

	Energy Services Limited		Bradwell Power Holding Company Limited		EDF Energy Renewables group	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Non-current assets	142	122	311	248	1,110	1,106
Current assets	142	158	11	39	187	243
Non-current liabilities	(15)	(62)	-	-	(264)	(261)
Current liabilities	(189)	(118)	(112)	(100)	(75)	(74)
Net assets	80	100	210	187	958	1,014
Equity attributable to owners of the company	40	50	140	124	279	295
Non-controlling interest – Group share of equity	40	50	70	63	340	351
Non-controlling interest – Other	-	-	-	-	339	368
Sales	434	421	4	4	183	165
Profit/(loss) for the year	(23)	-	-	-	41	421
Group's share of profit for the year	(11)	-	-	-	6	188
Dividend received from associate during the year	-	-	-	-	10	98

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

	Energy Services Limited		Bradwell Power Holding Company Limited		EDF Energy Renewables group	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Net assets of associate	80	100	210	187	958	1,014
Group's ownership interest	40	50	70	63	347	351
Sale of EDF Renewable Services UK shares	-	-	-	-	(7)	-
Carrying amount of the Group's interest	40	50	70	63	340	351

Aggregate information of associates that are not individually material:

	2020 £m	2019 £m
The Group's share of profit/(loss) from operations	(1)	(1)
Aggregate carrying amount of the Group's interest in associates	66	38

Total of all associate balances:

	2020 £m	2019 £m
The Group's share of profit/(loss) from operations	(6)	187
Aggregate carrying amount of the Group's interest in associates	516	502

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. Interest in associates (continued)

Details of the Group's associates at 31 December 2020 are detailed below.

Name of associate	Principal Activity	Ownership Rights %	Voting Rights %
Navitus Bay Development Limited ⁽¹⁾	Renewable energy generation	24.5%	24.5%
Lewis Wind Power Holdings Limited ⁽²⁾	Holding company	24.5%	24.5%
Stornoway Wind Farm Limited ⁽²⁾	Renewable energy generation	24.5%	24.5%
Uisenis Power Limited ⁽²⁾	Renewable energy generation	24.5%	24.5%
Clash Gour Holdings Limited ⁽⁶⁾	Holding company	49.0%	49.0%
Dallas Windfarm Limited ⁽⁶⁾	Renewable energy generation	49.0%	49.0%
Altyre II Windfarm Limited ⁽⁶⁾	Renewable energy generation	49.0%	49.0%
Dunphail Windfarm Limited ⁽⁶⁾	Renewable energy generation	49.0%	49.0%
Dunphail II Windfarm Limited ⁽⁶⁾	Renewable energy generation	49.0%	49.0%
Dunphail Windfarm Partnership LLP ⁽⁶⁾	Renewable energy generation	49.0%	49.0%
EDF Energy Renewables Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
Fallago Rig II Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
Braemore Wood Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
Burnfoot East Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
NNG Windfarm Holdings Limited ⁽⁶⁾	Holding company	49.0%	49.0%
Near Na Gaoithe Offshore Wind Limited ⁽⁶⁾	Renewable energy generation	49.0%	49.0%
Burnfoot Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
Fairfield Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
Boundary Lane Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
Walkway Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
Teesside Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
EDF Renewables Solar limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
NNG Windfarm Holdings ⁽⁶⁾	Renewable energy generation	24.5%	24.5%
Longpark Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
Road Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
Burnhead Moss Wind Farm Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
EDF Energy Renewables Holdings Limited ⁽¹⁵⁾	Holding company	24.9%	24.9%
Barmoor Wind Power Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
Park Spring Wind Farm Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
Corriemoillie Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
Dorenell Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
Beck Burn Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
Pearie Law Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
Cemmaes Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
Llangwryfon Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
Great Orton Windfarm II Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
High Hedley Hope Wind Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
First Windfarm Holdings Limited ⁽¹⁵⁾	Holding company	49.0%	49.0%
Stranoch Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
Red Tile Wind Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
Round 3 Isle of Wight Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
Kirkheaton Wind Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
EDF ER Development Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
South Clare Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
Mosscastle Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
EDF ER Nominee Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
Camilty Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
Cloich Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
Heathland Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
Newcastleton Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
The Mosses Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
Tinnisburn Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
Wauchope Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
West Benhar Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
Camilty Windfarm Partnership LLP ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Name of associate	Principal Activity	Ownership Rights %	Voting Rights %
Cloich Windfarm Partnership LLP ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
Heathland Windfarm Partnership LLP ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
Newcastleton Windfarm Partnership LLP ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
The Mosses Windfarm Partnership LLP ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
Tinnisburn Windfarm Partnership LLP ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
Wauchope Windfarm Partnership LLP ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
West Benhar Windfarm Partnership LLP ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
EDF Renewables Ireland Ltd	Renewable energy generation	49.0%	49.0%
EDF Energy Services Limited	Development of generation and supply	50.0%	49.0%
The Barkantine Heat and Power Company Limited ⁽⁷⁾	Generation and supply of heat and electricity	50.0%	49.0%
ESSCI Limited ⁽⁷⁾	Development of generation and supply	50.0%	49.0%
ESSCI Engineering Services Limited ⁽⁷⁾	Development of generation and supply	50.0%	49.0%
Imtech Engineering Services North Ltd ⁽⁹⁾	Development of generation and supply	50.0%	49.0%
Imtech Engineering Services Central Ltd ⁽⁸⁾	Development of generation and supply	50.0%	49.0%
Imtech Engineering Services London and South Ltd ⁽⁷⁾	Development of generation and supply	50.0%	49.0%
Imtech Aqua Ltd ⁽¹⁰⁾	Development of generation and supply	50.0%	49.0%
Imtech Aqua Building Services Ltd ⁽¹⁰⁾	Development of generation and supply	50.0%	49.0%
Imtech Aqua Controls Ltd ⁽¹⁰⁾	Development of generation and supply	50.0%	49.0%
Imtech Low Carbon Solutions Ltd ⁽⁸⁾	Development of generation and supply	50.0%	49.0%
ESSCI Technical Facilities Management Limited ⁽⁷⁾	Development of generation and supply	50.0%	49.0%
Inviron Holdings Limited ⁽¹¹⁾	Holding company	50.0%	49.0%
Imtech Inviron Limited ⁽¹¹⁾	Development of generation and supply	50.0%	49.0%
Inviron Property Limited ⁽¹¹⁾	Development of generation and supply	50.0%	49.0%
Imtech Aqua Maintenance Ltd ⁽¹¹⁾	Development of generation and supply	50.0%	49.0%
ESSCI Technical Services Limited ⁽⁷⁾	Development of generation and supply	50.0%	49.0%
Capula Group Limited ⁽¹²⁾	Development of generation and supply	50.0%	49.0%
Capula Limited ⁽¹²⁾	Development of generation and supply	50.0%	49.0%
ESSCI Ireland Limited ⁽⁷⁾	Development of generation and supply	50.0%	49.0%
Suir Engineering Limited ⁽¹³⁾	Development of generation and supply	50.0%	49.0%
Suir Engineering Sweden AB (Sweden) ⁽¹³⁾	Development of generation and supply	50.0%	49.0%
Imtech Suir Qatar LLC (Qatar) ⁽¹³⁾	Development of generation and supply	50.0%	49.0%
Breathe Energy Ltd ⁽¹⁴⁾	Energy management services	50.0%	49.0%
Breathe Asset Management Services Ltd ⁽¹⁴⁾	Management of energy assets	50.0%	49.0%
Bradwell Power Holding Company Limited ⁽⁵⁾	Holding company	33.5%	33.5%
Bradwell Power Generation Company Limited ⁽⁵⁾	Development of generation and supply	33.5%	33.5%
General Nuclear System Limited ⁽⁵⁾	Development of generation and supply	33.5%	33.5%

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. NLF and nuclear liabilities receivable

	At 31 December 2020			At 31 December 2019		
	Current £m	Non- Current £m	Total £m	Current £m	Non- current £m	Total £m
Nuclear liabilities receivable	128	455	583	147	563	710
NLF receivable	218	10,917	11,135	99	10,509	10,608
Total NLF and Nuclear liabilities receivable	346	11,372	11,718	246	11,072	11,318

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

	2020 £m	Restated 2019 £m
Cash at bank and in hand	77	66
Short-term deposits	1,226	452
Cash pooling with parent company	951	460
	2,254	978

In 2020 a review was undertaken into the nature of cash and cash equivalents held at 31 December 2019. Following this review, the above reported amounts for 2019 have been restated.

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods up to 12 months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is £2,254m (2019: £978m).

The Group cash balance includes £14m (2019: £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

	2020 £m	2019 £m
Raw materials and consumables	141	201
Unburnt nuclear fuel	1,843	1,549
Other nuclear fuel and uranium	422	646
Work in progress	5	-
	2,411	2,396

The cost of inventories recognised as an expense during the year in respect of continuing operations was £661m (2019: £444m). The cost of inventories recognised as an expense includes £26m (2019: £14m) in respect of write-downs of inventory to net realisable value and there has been no reversal of such write-downs.

Inventories of £1,891m (2019: £1,755m) are expected to be held for a period of over 12 months largely relating to nuclear fuel inventory.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. Trade and other receivables

	2020	2019
	£m	£m
Trade receivables (i)	1,193	1,329
Expected credit loss (iii)	(197)	(148)
Unbilled revenue (ii)	504	657
Other debtors	184	254
Advance payments	96	79
	1,780	2,171

(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 2020 was £527m (2019: £530m).

(ii) Unbilled revenue receivable is presented net of expected credit loss of £13m (2019: £7m).

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

	2020	2019
	£m	£m
At 1 January	148	111
Amounts recovered during the year	(3)	(2)
Increase in allowance recognised in the income statement	52	39
At 31 December	197	148

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:

2020

Ageing	Gross trade receivables overdue	Expected credit loss	Net trade receivables overdue
	£m	£m	£m
< 30 days	128	-	128
31-60 days	58	-	58
61-90 days	40	-	40
> 90 days	573	(197)	376
Total	799	(197)	602

2019

Ageing	Gross trade receivables overdue	Expected credit loss	Net trade receivables overdue
	£m	£m	£m
< 30 days	78	-	78
31-60 days	44	-	44
61-91 days	33	-	33
> 90 days	519	(148)	371
Total	674	(148)	526

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

	2020 £m	2019 £m
Trade creditors	1,646	1,524
Other payables	207	171
Value added tax creditor	122	9
Accruals	531	628
Nuclear liabilities	128	147
NLF liabilities	12	12
Total other liabilities due within one year	2,646	2,491
Contingent consideration	1	-
Nuclear liabilities (note 29)	455	563
NLF liabilities	79	88
Unfunded pension scheme	14	12
Total other liabilities due after one year	549	663
Total other liabilities	3,195	3,154

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

	2020 £m	2019 £m
Current		
Bank overdraft	10	-
Non-current		
€800m Eurobond due June 2023 (i)	720	680
£101m Bradwell B land deposit (ii)	101	22
EDF Energy UK Loan (iii)	19	-
Triodos bank loan (iv)	3	-
L&G Capital loan (v)	2	-
EDF Energy Pulse Croissance (vi)	-	1
Total borrowings	855	703

- (i) 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.
- (ii) 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.
- (iii) On 29 January 2020, EDF Energy UK advanced £19.3m (€22.5m) to the Group for the future development of EDF Renewables Ireland. This loan has annual interest at EURIBOR plus 1.50bps and matures on 29 January 2022.
- (iv) On 17 March 2020, Pod Point Asset One Ltd secured a loan with Triodos bank to support the installation of EV charge points. This loan has annual interest at 3.546% and matures on 31 December 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. Borrowings (continued)

- (v) 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.
- (vi) A loan of £1m from EDF Pulse Croissance (formerly EDF Nouveaux Business Holding SAS) was given to Hoppy Limited. This loan has annual interest at 6.275% and was repaid on 30 September 2020.

27. Derivative financial instruments

	2020 £m	2019 £m
Current		
Derivatives that are designated in a cash flow hedge		
- Commodity purchase contracts	80	(32)
- Cross currency swaps	2	-
- Foreign currency forward contracts	-	(4)
Derivatives at fair value through profit and loss (FVTPL):		
- Commodity purchase contracts	3	-
- Foreign currency forward contracts	-	(4)
Total current derivative financial instruments	85	(40)
- Current assets	264	128
- Current liabilities	(179)	(168)
Non-current		
Derivatives that are designated in a cash flow hedge		
- Commodity purchase contracts	(40)	48
- Cross currency swaps	35	9
- Foreign currency forward contracts	-	-
Derivatives at fair value through profit and loss (FVTPL):		
- Commodity purchase contracts	-	(4)
- Foreign currency forward contracts	(1)	(1)
Total non-current derivative financial instruments	(6)	52
- Non-current assets	52	64
- Non-current liabilities	(58)	(12)

28. Provisions for liabilities

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

	2019 £m	Arising in the year £m	Utilised in the year £m	Released in the year £m	Unwinding of discount £m	2020 £m
Obligations under EU emissions	62	75	(62)			75
Renewable obligation certificates	777	929	(1,027)			679
Decommissioning on non-nuclear stations	122		(10)		3	115
Restructuring costs	22	24	(6)	(6)		34
Nuclear liabilities (note 29)	10,584	376	(64)		214	11,110
Provision for unburnt fuel at station closure	1,609	281	-		63	1,953
Onerous contracts	1	9	(4)			6
Other contracts	18	12	(6)	(1)		23
	13,195	1,706	(1,179)	(7)	280	13,995

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. Provisions for liabilities (continued)

	At 31 December 2019			At 31 December 2020		
	Current £m	Non- Current £m	Total £m	Current £m	Non- current £m	Total £m
Obligations under EU emissions	62	-	62	75	-	75
Renewable obligation certificates	777	-	777	679	-	679
Decommissioning on non-nuclear stations	-	122	122	20	95	115
Restructuring costs	12	10	22	32	2	34
Nuclear liabilities (note 29)	-	10,584	10,584	194	10,916	11,110
Provision for unburnt fuel at station closure	-	1,609	1,609	255	1,698	1,953
Onerous contracts	1	-	1	2	4	6
Other contracts	18	-	18	16	7	23
	870	12,325	13,195	1,273	12,722	13,995

The provisions for obligations under EU emissions represent the additional certificates required to cover the Group's carbon emissions and will be utilised in 2021. 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.

Due to the nature of the nuclear fuel process there will be some unburnt fuel in the reactors at station closure. The costs of this unburnt fuel (final core) are fully provided for at the balance sheet date. The provision is based on a projected value per tonne of fuel remaining at closure, discounted back to the balance sheet date and recorded as a long-term provision. Any adjustment to the provision is recorded through property, plant and equipment and depreciated over remaining station life. A review of the provision was carried out in the year resulting in a decrease in the assumption of average unburnt reactor cores from 38.3% to 38.1%. This led to a £4m decrease in the provision for unburnt fuel in the year.

Provision for other costs 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;
- 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. Nuclear liabilities (continued)

contracted liabilities for the EDF Energy Nuclear Generation Group's spent fuel (including in particular liabilities for management of AGR waste from spent fuel loaded prior to 15 January 2005); and

- EDF Energy is responsible for funding certain excluded or disqualified liabilities (mainly liabilities incurred in connection with the event of an unsafe or careless operation of the power stations) and the potential associated obligations of its subsidiaries to the NLF and the Secretary of State are guaranteed by the principal members of the EENGG.

	Spent fuel £m	Radioactive waste – Transport & Disposal £m	Radioactive waste – Retrieval & Decomm- Processing £m	Decomm- issioning £m	Total £m
At 31 December 2018	1,309	665	330	5,937	8,241
Charged to profit and loss account:					
Unwinding of the discount	54	27	14	238	333
Updated cash flows	10	-	-	1,749	1,759
Discount rate update	72	202	106	759	1,139
Operating costs	11	2	3	-	16
Payments in the period	(177)	-	-	(17)	(194)
At 31 December 2019	1,279	896	453	8,666	11,294
Charged to profit and loss account:					
Unwinding of the discount	30	18	9	175	232
Updated cash flows	-	26	(1)	44	69
Discount rate update	17	52	27	198	294
Operating costs	12	3	3	-	18
Payments in the period	(183)	-	-	(31)	(214)
At 31 December 2020	1,155	995	491	9,052	11,693

Nuclear liabilities are included in the balance sheet as follows:

	2020 £m	2019 £m
Other liabilities:		
- amounts due within one year (note 25)	128	147
- amounts due after more than one year (note 25)	455	563
Provision for liabilities (note 28)	11,110	10,584
	11,693	11,294

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. Nuclear liabilities (continued)

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.

As explained above, EDF Energy has been in discussions since 2019 with the UK Government to agree changes and clarifications to the Restructuring Agreements, to provide for efficient recovery of qualifying costs and clarity that once the AGR stations have finished defueling, they will transfer to the Nuclear Decommissioning Authority (NDA) for subsequent decommissioning activities.

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. The NDA's response to the DPS 20 is expected as part of the conclusion in the discussions with the UK Government.

The second phase of the DPS 20 should take place late 2021 and will involve updates of all the other decommissioning activities for the AGR plants and decommissioning of Sizewell. At the same time, there will also be an update to the uncontracted liability discharge plan.

During 2020, EDF Energy announced the closure of Hunterston and Hinkley Point B AGR stations, to take place no later than 7 January 2022 and 15 July 2022 respectively. The impact of this assumption update is immaterial in the context of the decommissioning liability

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 2020, an assessment of long-term bond yields and inflationary assumptions resulted in a change to the discount rate used in the present value calculation of the liabilities from a real, pre-tax discount rate of 2.0% used in 2019, to 1.8% used in 2020.

Projected payment details

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

	Spent fuel £m	Radioactive waste – Transport & Disposal £m	Radioactive waste – Retrieval & Processing £m	Decomm- issioning £m	2020 Total £m	2019 Total £m
Undiscounted	2,084	3,348	1,685	16,340	23,457	23,652
Discounted	1,315	1,029	528	9,052	11,924	11,526
Accrued to date	1,155	995	491	9,052	11,693	11,294

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. Nuclear liabilities (continued)

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:

	Spent fuel £m	Radioactive waste – Transport & Disposal £m	Radioactive waste – Retrieval & Processing £m	Decomm- issioning £m	2020 Total £m	2019 Total £m
Within five years	629	3	-	2,129	2,761	1,749
6 – 10 years	278	119	26	2,469	2,892	3,236
11 – 25 years	300	238	60	4,290	4,888	5,627
26 – 50 years	146	232	115	1,034	1,527	1,567
51 years and over	731	2,756	1,484	6,418	11,389	11,473
	2,084	3,348	1,685	16,340	23,457	23,652

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
At 31 December 2018	(983)	(130)	55	47	13	(998)
<i>Credit/(charge) to income:</i>						
current year	(14)	2	1	39	(1)	27
adjustment in respect of previous years' reported tax charge	(10)	-	(1)	10	(1)	(2)
<i>Credit/(charge) to equity:</i>						
current year	-	(21)	(64)	-	-	(85)
At 31 December 2019	(1,007)	(149)	(9)	96	11	(1,058)
<i>Credit/(charge) to income:</i>						
current year	83	3	1	51	2	140
adjustments in respect of previous years' reported tax charges	21	1	-	(14)	1	9
effect of increased tax rate on opening balance	(119)	2	-	11	1	(105)
<i>Credit/(charge) to equity:</i>						
current year	-	(58)	(1)	-	-	(59)
effect of increased tax rate on opening balance	-	(19)	(1)	-	-	(20)
Business acquisitions	1	-	-	-	-	1
At 31 December 2020	(1,021)	(220)	(10)	144	15	(1,092)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. Deferred tax (continued)

The Group has unrecognised tax losses of £8m (2019: £8m). The losses give rise to a deferred tax asset of £2m (2019: £1m) which has not been recognised as it is uncertain whether future taxable profits will be available against which these losses can be utilised. These losses can however be carried forward indefinitely for offset against future profits, should they arise.

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

	2020	2019
	£m	£m
Deferred tax assets	159	106
Deferred tax liabilities	(1,251)	(1,164)
At 31 December	(1,092)	(1,058)

31. Non-controlling interest

Following the acquisition of Pod Point Holdings Limited, 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 Holdings Limited 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.

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.

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	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Non-current assets	20,964	21,957	12,330	9,552	292	186
Current assets	3,955	3,104	113	68	26	24
Total assets	24,919	25,061	12,443	9,620	318	210
Current liabilities	311	392	604	524	25	16
Non-current liabilities	13,253	12,911	408	220	-	-
Equity attributable to owners of the company	11,355	11,758	11,431	8,876	293	194
Total equity and liabilities	24,919	25,061	12,443	9,620	318	210
Turnover	2,748	2,463	1	1		
Profit/(Loss) attributable to owners of the company	(327)	(57)	(19)	10	-	-
Profit/(Loss) attributable to the non-controlling interests	(78)	(14)	(10)	4	-	-
Profit/(Loss) for the year	(405)	(71)	(29)	14		
Total other comprehensive income attributable to owners of the company	232	116	-	-	-	-
Total other comprehensive income attributable to the non-controlling interests	58	29	-	-	-	-
Total comprehensive income	290	145				
Dividends paid to non-controlling interests	60	-	-	-	-	-
Net cash inflow/(outflow) from operating activities	883	288	13	29	-	-
Net cash inflow/(outflow) from investing activities	(342)	(416)	(2,559)	(2,513)	(99)	(51)
Net cash inflow/(outflow) from financing activities	(301)	-	2,588	2,480	99	73
Net cash inflow/(outflow)	240	(128)	42	(4)		22

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. Non-controlling interests (continued)

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

	Lake Acquisitions Limited		NNB Holding Company (HPC) Limited		NNB Holding Company (SZC) Limited	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Balance at beginning of year	2,361	2,346	3,391	2,556	272	258
Profit/(loss) arising during the year	(78)	(14)	(10)	4	-	-
Other comprehensive income: actuarial gains on pension scheme, net of tax	58	29	-	-	-	-
Total comprehensive income	(20)	15	(10)	4	-	-
Capital injection	-	-	867	831	20	14
Dividends paid	(60)	-	-	-	-	-
Balance at end of year	2,281	2,361	4,248	3,391	292	272

Aggregate information of NCI that are not individually material:

	2020 £m	2019 £m
The NCI's share of loss from operations	(2)	-
Aggregate carrying amount of NCI	5	-

Total of all NCI balances:

	2020 £m	2019 £m
The NCI's share of profit / (loss) from operations	(90)	(10)
The NCI's share of other comprehensive income	58	29
Aggregate carrying amount of NCI	6,826	6,024

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 2.78% (2019: 2.68%).

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
Cost				
At 1 January 2019	139	62	14	215
Additions	-	1	1	2
Disposals	-	(2)	(1)	(3)
At 31 December 2019	139	61	14	214
Additions	-	16	3	19
Disposals	-	(2)	(2)	(4)
Transferred to PPE (i)	(125)	-	-	(125)
At 31 December 2020	14	75	15	104
Accumulated Depreciation				
At 1 January 2019	-	-	(1)	(1)
Charge for the year	(1)	(6)	(5)	(12)
Disposals	-	-	1	1
At 31 December 2019	(1)	(6)	(5)	(12)
Charge for the year	-	(6)	(5)	(11)
Disposals	-	1	1	2
Impairment	(3)	(4)	-	(7)
At 31 December 2020	(4)	(15)	(9)	(28)
Carrying amount				
At 31 December 2019	138	55	9	202
At 31 December 2020	10	60	6	76

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

	2020 £m	2019 £m
As at 1 January	202	227
Additions	21	6
Early terminations	-	(3)
Interest	2	12
Payments	(17)	(40)
Elimination of lease liability (i)	(120)	-
As at 31 December	88	202

- (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 being eliminated against the DevCo's £120m finance lease receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. Leases (continued)

	2020	2019
	£m	£m
Current	15	16
Non-current	73	186
Total	88	202

Further maturity analysis can be found in note 42.

The following are amounts recognised in profit or loss:

	2020	2019
	£m	£m
Depreciation expense for right-of-use assets	15	12
Capitalised depreciation expenses	(4)	-
Net depreciation expense	11	12
Interest expense of lease liabilities	2	12
Capitalised interest expense	-	(10)
Net interest expense of lease liabilities	2	2
Expense relating to short-term leases	-	1
Total amount recognised in income statement	13	15

Amounts recognised in the statement of Cash flows:

	2020	2019
	£m	£m
Total Cash outflows for leases	17	40

Low value and short-term leases

There were no low value or short-term leases as at 31 December 2020.

33. Commitments and contingent liabilities

Capital and other commitments

At 31 December 2020, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £6,619m (2019: £7,319m).

At 31 December 2020, the Group had entered into operating purchase commitments amounting to £549m (2019: £526m).

At 31 December 2020, the Group had contracted to purchase power, gas and other fuel to the value of £4,448m (2019: £4,062m).

Contingent liabilities

The Group has given letters of credit and guarantees to the value of £948m (2019: £730m) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. Share capital

Authorised, issued, called up and fully paid

	2020 Number	2019 Number	2020 £m	2019 £m
Ordinary shares of £1.00 each	9,630,568,149	6,823,889,122	9,631	6,824

In 2020, 2,721,020,000 shares were issued at par for consideration of £2,721m.

The Company also acquired 100% of the share capital of EDF Development Company Limited as a common control transaction. Ownership was achieved using a share for share exchange with the Company issuing 85,659,027 shares for a total value of £285m to EDF Energy (UK) Limited. An increase of £86m is recognised as share capital with the excess consideration above nominal value recognised in the share premium reserve.

In 2019, 1,649,200,051 shares were issued at par for consideration of £1,650m. In addition the number of issued shares were reduced by 5,000,000,000 shares with a value of £5,000m. The share capital reduction has been recognised in retained earnings.

35. Share premium

	2020 £m	2019 £m
Share premium reserve	199	-

Share premium of £199m is recognised on the issue of 85,659,027 shares to EDF Energy (UK) Limited. The shares are issued in consideration of the Company obtaining 100% of the share capital of EDF Development Company Limited.

36. Capital reserves

	2020 £m	2019 £m
Capital reserve	9	9

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

37. Merger reserve

	2020 £m	2019 £m
Merger reserve	(2)	(2)

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

38. Hedging reserve

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

	2020 £m	2019 £m
Cash flow hedging reserve	32	35
Cost of hedging reserve	-	(2)
Balance at end of year	32	33

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:

	2020 £m	2019 £m
Balance at start of year	33	(284)
Net gains/(losses) arising on changes in fair value:		
- Commodity purchase contracts	56	(60)
- Cross currency swaps	(12)	(21)
- Cost of hedging reserve	2	10
- Foreign currency forward contracts	(15)	(9)
Net gains/(losses) transferred to loss for the year:		
- Commodity purchase contracts	(41)	456
- Foreign currency forward contracts	12	5
Deferred tax on net losses in cash flow hedge	(3)	(64)
Total movement in the year	(1)	317
Balance at end of year	32	33

The hedging reserve represents the cumulative effective portion of gains or losses arising on changes in the fair value of hedging instruments designated as cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow 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:

	2020 £m	2019 £m
Less than one year	82	(24)
Between one to five years	(42)	48
More than five years	-	14
Total fair value gains/(losses) of instruments in a cash flow hedge:	40	38
Deferred taxation	(8)	(5)
Balance at end of year	32	33

During the year a loss of £28m (2019: £461m) 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

	2020 £m	2019 £m
Balance at start of year	10,505	5,609
Loss for the year attributable to the equity holders of the parent	(831)	(124)
Capital reduction	-	5,000
Actuarial gains, net of tax	125	20
Net gains on available for sale assets	1	-
Balance at end of year	9,800	10,505

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. Notes to the cash flow statement

	2020 £m	2019 £m
Loss before taxation	(924)	(384)
<i>Adjustments for:</i>		
Gain on derivatives	(16)	(26)
Depreciation (note 18, 32)	848	801
Amortisation (note 17)	150	80
Impairment of non-current assets (note 16)	568	111
Utilisation of CO ₂ emission certificates and renewable obligations certificates (note 17)	991	850
Finance costs	74	104
Other losses	1	-
Increase/(decrease) in provisions	(100)	87
Difference between pension funding contribution paid and pension cost charged	(214)	(185)
Release of fair value adjustments on inventory	-	1
Operating cash flows before movements in working capital	1,378	1,439
Increase in inventories	(15)	(5)
Increase in receivables	391	(403)
Increase in payables	174	43
Cash generated by operations	1,928	1,074
Income taxes received	50	48
Net cash from operating activities	1,978	1,122

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.

	Obligation under leases (note 32)	Borrowings (note 26)	Total liabilities from financing activities
	£m	£m	£m
Balances at 31/12/2019	202	703	905
Increase	23	34	57
Decrease	(17)	(1)	(18)
Changes in scope of consolidation	(120)	79	(41)
Change in fair value	-	40	40
Balances at 31/12/2019	88	855	943

41. Retirement benefit schemes

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

41. Retirement benefit schemes (continued)

Under the BEGG scheme, employees are either in the final salary section or a career average revalued earnings ("CARE") section. In the final salary section employees are entitled to annual pensions on retirement at ages 60, 63 or 65 (depending on the date of joining the scheme), of 1/60th of pensionable salary for each year of service. In the CARE section of BEGG the employees accrue benefits based on their average salary during their period of employment within EDF Energy.

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

The latest full actuarial valuations of the 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. In addition to the three funded pension schemes there is an unfunded pension scheme which is included in Other Liabilities (see note 25).

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

On 20 November 2020, The High Court handed down a second judgement relating to equalisation of member benefits for the gender effects of Guaranteed Minimum Pensions ("GMP"). The judgement confirmed that GMP equalisation was also required in respect of past transfers out. The further impact of GMP equalisation on the pension schemes has been evaluated at less than £1m. No allowance has been made for 2020 GMP ruling.

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 contributions paid by the Group to the pension schemes in the year amount to £252m (2019: £236m).

The Scheme's statutory funding objective is to hold sufficient and appropriate assets to cover its technical provisions. The current EEPS employer contribution rates are 23.0% (2019: 15.8%) for Final Salary and 22.1% (2019: 13.2%) for CARE. The current blended contribution rate for the BEGG and EEGS scheme is 43.6% (2019: 44.6%).

a) Risks associated with the pension schemes

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

Risk of asset volatility

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

Risk of changes in bond yields

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

41. Retirement benefit schemes (continued)

Inflation risk

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

Life expectancy

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

b) Assumptions used in the valuation of the pension surplus

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

	2020	2019
	% p.a	% p.a
Discount rate for service costs		
- EECS	1.45	2.15
- EEPS	1.45	2.20
- BEGG	1.45	2.25
Discount rate for defined benefit obligation		
- EECS	1.45	2.10
- EEPS	1.45	2.15
- BEGG	1.45	2.10
RPI inflation assumption and rate of increase in salaries		
- EECS	2.55	2.90
- EEPS	2.40	2.85
- BEGG	2.55	2.90
Rate of increase of pensions in deferment		
- EECS	2.55	2.90
- EEPS	1.95	1.75
- BEGG	2.55	2.90

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

EECS	2020	2019
Life expectancy for current male pensioner aged 60	27	27
Life expectancy for current female pensioner aged 60	29	29
Life expectancy at 60 for future male pensioner currently aged 40	28	28
Life expectancy at 60 for future female pensioner currently aged 40	30	31
<hr/>		
EEPS	2020	2019
Life expectancy for current male pensioner aged 65	23	22
Life expectancy for current female pensioner aged 65	25	24
Life expectancy at 65 for future male pensioner currently aged 45	24	23
Life expectancy at 65 for future female pensioner currently aged 45	26	25
<hr/>		
BEGG	2020	2019
Life expectancy for current male pensioner aged 60	27	26
Life expectancy for current female pensioner aged 60	29	29
Life expectancy at 60 for future male pensioner currently aged 40	28	28
Life expectancy at 60 for future female pensioner currently aged 40	30	30

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

41. Retirement benefit schemes (continued)

Mortality assumptions have been determined based on standard mortality tables, specifically the SAPS S3 standard tables (2019: SAPS S3 standard tables). Future improvements in mortality rates are assumed to be in line with the CMI 2019 Core Projections Model subject to a 1.25% long-term rate of improvement.

c) Financial impact of defined benefit pension schemes

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

	BEGG 2020 £m	EEGS 2020 £m	EEPS 2020 £m	Total 2020 £m	Total 2019 £m
Present value of defined benefit obligations ("DBO")	(6,386)	(1,206)	(1,488)	(9,080)	(8,229)
Fair value of scheme assets	7,718	1,425	1,111	10,254	9,114
Surplus/(deficit) in scheme	1,332	219	(377)	1,174	885

There was an additional amount of £14m (2019: £12m) included within other liabilities that relate to unapproved pension scheme amounts.

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

	BEGG 2020 £m	EEGS 2020 £m	EEPS 2020 £m	Total 2020 £m	Total 2019 £m
Current service cost	147	15	71	233	202
Interest cost on DBO	124	24	24	172	213
Interest income on scheme assets	(144)	(27)	(20)	(191)	(231)
Total pension costs	127	12	75	214	184

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

	BEGG 2020 £m	EEGS 2020 £m	EEPS 2020 £m	Total 2020 £m	Total 2019 £m
At 1 January	5,998	1,140	1,091	8,229	7,381
Current service cost	147	15	71	233	202
Interest cost on DBO	124	24	24	172	213
Actuarial gains from change in demographic assumptions	17	3	3	23	(218)
Actuarial (gains)/losses from change in financial assumptions	417	69	307	793	1,027
Actuarial losses from experience	(16)	(3)	-	(19)	(43)
Net benefits paid	(304)	(42)	(13)	(359)	(343)
Contributions by employees	3	-	5	8	10
At 31 December	6,386	1,206	1,488	9,080	8,229

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

	BEGG 2020 £m	EEGS 2020 £m	EEPS 2020 £m	Total 2020 £m	Total 2019 £m
At 1 January	6,929	1,270	915	9,114	8,159
Interest income on scheme assets	144	27	20	191	230
Actuarial (losses)/gains	796	138	114	1,048	822
Contributions by employer	150	32	70	252	236
Net benefits paid	(304)	(42)	(13)	(359)	(343)
Contributions by employees	3	-	5	8	10
At 31 December	7,718	1,425	1,111	10,254	9,114

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

41. Retirement benefit schemes (continued)

d) Breakdown of scheme assets:

	BEGG 2020 £m	EEGS 2020 £m	EEPS 2020 £m	Total 2020 £m	Total 2019 £m
Equities by region:					
United Kingdom	50	6	2	58	50
Europe	165	19	9	193	159
North America	554	89	26	669	639
Asia Pacific	40	5	2	47	42
Japan	68	10	4	82	77
Emerging Markets	15	1	44	60	37
Total Equities:	892	130	87	1,109	1,004
Bonds by rating:					
AAA	178	26	1	205	131
AA	3,049	763	409	4,221	3,377
A	115	32	5	152	117
BBB	322	81	12	415	281
Non-investment grade	801	160	95	1,056	917
Other	184	14	84	282	356
Total Bonds:	4,649	1,076	606	6,331	5,179
Real Estate	526	-	103	629	601
Cash and derivatives	223	25	115	363	377
Other	1,428	194	200	1,822	1,953
	7,718	1,425	1,111	10,254	9,114

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

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

BEGG and EECS

The assets of BEGG and EECS are allocated in two separate portfolios referred to as the matching portfolio and the growth portfolio. Within tolerances, the BEGG matching portfolio is now supported by 42% (2019: 40%) of scheme assets while 58% (2019: 60%) of the assets are deployed in the growth portfolio. The EECS matching growth split is now 50% (2019: 50%). The matching portfolio will deliver interest rate and inflation hedging for BEGG at the funding ratio on the technical provisions basis of 107% (2019: 93%-97%) and for EECS at the funding ratio on a self-sufficiency basis of 97% (2019: 93%-97%). Taken together the overall portfolio is designed today to prudently deliver for BEGG a Gilts plus c2.2% (2019: Gilts plus c2.0%) and for EECS c1.4% (2019: c1.4%) p.a. return over the long term. The Trustees continue to actively manage the growth portfolio to target this objective while maintaining diversification.

EEPS

The assets of the scheme are now allocated in two separate portfolios referred to as the matching portfolio and the growth portfolio. Within tolerances, the matching portfolio is now supported by 37% (2019: 30%) of scheme assets while 63% (2019: 70%) of the assets are deployed in the growth portfolio. The matching portfolio now delivers interest rate and inflation hedging of c84% (2019: 65%) on the technical provisions basis. Taken together the overall portfolio is designed to prudently deliver a Gilts plus c3.0% (2019: Gilts plus c3.0%) p.a. return over the long term without increasing risk from prior levels. The Trustees actively manage the growth portfolio to target this objective while maintaining diversification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

41. Retirement benefit schemes (continued)

e) Profile of the pension scheme

BEGG

Circa 45% (2019: 49%) of the BEGG liabilities are attributable to current employees, 5% (2019: 5%) to former employees and 50% (2019: 46%) to current pensioners. The weighted average time until benefits payments are made is 18 years which reflects the approximate split of the defined benefit obligation between current employees, deferred members and current pensioners.

EEGS

Circa 43% (2019: 61%) of the EEGS liabilities are attributable to current employees, 6% (2019: 5%) to former employees and 51% (2019: 34%) to current pensioners. For EEGS as a whole, the duration is approximately 18 years.

EEPS

Circa 57% (2019: 72%) of the EEPS liabilities are attributable to current employees, 38% (2019: 23%) to former employees and 5% (2019: 5%) to current pensioners. For EEPS as a whole, the duration is approximately 31 years.

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

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

	2020
Impact of a 25bp increase/decrease in discount rate	-5.3% to +6.0%
Impact of a 25bp increase/decrease in salary increase assumption	+0.3% to -0.1%
Impact of a 25bp increase/decrease in inflation rate	+5.4% to -4.3%

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.

42. Financial Instruments

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

	Note	31 December 2020			31 December 2019		
		Current	Non-current	Total	Current	Non-current	Total
		£m	£m	£m	£m	£m	£m
Financial assets							
Derivatives at fair value through profit and loss:							
- Commodity purchase contracts	27	3	-	3	2	-	2
- Foreign currency forward contracts	27	1	-	1	3	-	3
Derivatives designated in cash flow hedge:							
- Commodity purchase contracts	27	258	17	275	118	55	173
- Foreign currency forward contracts	27	-	-	-	5	-	5
- Cross currency swap	27	2	35	37	-	9	9
Cash and cash equivalents (i)	22	2,254	-	2,254	978	-	978
Loan receivables at amortised cost (ii)		28	596	624	-	497	497
Gross trade receivables (iii)		1,793	-	1,793	2,065	-	2,065
Available for sale financial assets		-	12	12	-	10	10
NLF and Nuclear liabilities receivable	21	346	11,372	11,718	246	11,072	11,318

- (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.
- (iii) The fair value of gross trade receivables measured at amortised cost approximate the carrying value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

42. Financial Instruments (continued)

	Note	31 December 2020			31 December 2019		
		Current £m	Non- current £m	Total £m	Current £m	Non- current £m	Total £m
Financial liabilities							
Derivatives at fair value through profit and loss:							
- Commodity purchase contracts	27	-	-	-	(2)	(5)	(7)
- Foreign currency forward contracts	27	(1)	(1)	(2)	(8)	(1)	(9)
Derivatives designated in cash flow hedge:							
- Commodity purchase contracts	27	(178)	(57)	(235)	(150)	(6)	(156)
- Foreign currency forward contracts	27	-	-	-	(7)	-	(7)
Borrowings at amortised cost (iv)		(10)	(845)	(855)	-	(703)	(703)
Other liabilities at amortised cost (v)	25	(2,646)	(548)	(3,194)	(2,491)	(663)	(3,154)
Lease obligations	32	(15)	(73)	(88)	(16)	(186)	(202)
Contingent consideration (v)	15,25	-	(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.

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'.

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

42. Financial Instruments (continued)

	Notes	2020 £m	2019 £m
Level 2*			
Derivatives at fair value through profit and loss:			
- Commodity purchase contracts (i)	27	3	(5)
- Foreign currency forward contracts (ii)	27	(1)	(6)
Derivatives designated in cash flow hedge:			
- Commodity purchase contracts (i)	27	40	17
- Foreign currency forward contracts (ii)	27	-	(2)
- Cross currency swap (iii)	27	37	9
Level 3*			
Available for sale assets (iv)	19	12	10

*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		
31 December 2020						
Electricity	Millions of MWh's	(7)	(6)	-	(13)	(66)
Gas	Millions of therms	765	116	-	881	106
CO ₂ emission certificates	Millions of tonnes	-	-	-	-	-
31 December 2019						
Electricity	Millions of MWh's	(12)	(10)	-	(22)	173
Gas	Millions of therms	789	95	-	884	(151)
CO ₂ emission certificates	Millions of tonnes	2	-	-	2	(5)

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.

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
31 December 2020				
Commodity purchase contracts	Commodity price risk	275	(235)	40
Foreign currency forward contracts	Foreign currency risk	-	-	-
Cross currency swap	Foreign currency risk	37	-	37
31 December 2019				
Commodity purchase contracts	Commodity price risk	173	(156)	17
Foreign currency forward contracts	Foreign currency risk	5	(7)	(2)
Cross currency swap	Foreign currency risk	9	-	9

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	
	2020	2019	2020	2019
	£m	£m	£m	£m
Increase/(Decrease) of 10% in electricity price	-	2	(74)	93
Increase/(Decrease) of 10% in gas price	-	-	45	(29)
Increase/(Decrease) of 10% CO ₂ emission certificates price	(2)	-	-	(1)

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.

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:

	2020	2019
	£m	£m
Floating rate borrowings	29	-
Fixed rate borrowings	826	703
Floating rate lease obligations (note 32)	88	202

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

	2020	2019
Weighted average fixed interest rate %	3.6%	3.6%
Weighted average floating interest rate %	2.6%	2.7%

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 2020, the Group has one cross currency swap (2019: one). The fair value of the cross swap outstanding at 31 December 2020 was an asset of £37m (2019: £9m asset). If interest rates moved by 100bps the change in value of the derivative asset and the hedge reserve would be £1.3m (2019: £0.3m). If interest rates moved by 100bps, the loss before tax would be £7.3m higher (2019: £3.6m 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 £m
	<1yr	1-5yrs	>5yrs	Total	<1yr	1-5yrs	>5yrs	Total	
	£m	£m	£m	£m	£m	£m	£m	£m	
At 31 December 2020									
Foreign currency forwards	111	26	-	137	110	26	-	136	(1)
Cross currency swap	20	750	-	770	25	720	-	744	37
At 31 December 2019									
Foreign currency forwards	744	37	-	781	763	41	-	804	12
Cross currency swap	19	728	-	747	25	745	-	770	9

Sensitivity analysis

If exchange rates decreased by 10%, the loss before tax would be £1.6m higher (2019: £3.5m higher loss). If exchange rates decreased by 10% the hedge reserve would be £6.4m lower (2019: £3.1m 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.

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.

	2020	2019
	£m	£m
Guarantee provided by subsidiary relating to performance of contractual obligations	115	92
Guarantee relating to pension obligations	560	480
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.

Undrawn committed borrowing facilities are maintained with several banking counterparties and EDF SA to meet the Group's normal and contingency funding requirements. On 31 December 2020, the Group had available £840m (2019: £810m) 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	30-90 days	3-6 months	6-12 months	1-2 years	2-5 years	> 5 years	Total
	£m	£m	£m	£m	£m	£m	£m	£m
At 31 December 2020								
Commodity purchase contracts	(28)	(53)	(30)	(67)	(54)	(3)	-	(235)
Foreign currency forwards	-	-	-	(1)	(1)	-	-	(2)
Borrowings	(10)	-	-	-	(21)	(723)	(101)	(855)
Other liabilities	(448)	(1,608)	(455)	(135)	(140)	(394)	(14)	(3,194)
Lease obligations	(1)	(2)	(5)	(7)	(12)	(27)	(34)	(88)
Contingent consideration	-	-	-	-	(1)	-	-	(1)
At 31 December 2019								
Commodity purchase contracts	(93)	(59)	(11)	-	-	-	-	(163)
Foreign currency forwards	-	-	-	(15)	(1)	-	-	(16)
Borrowings	-	-	-	-	-	(681)	(22)	(703)
Other liabilities	(529)	(1,429)	(448)	(85)	(159)	(492)	(12)	(3,154)
Lease obligations	(1)	(2)	(5)	(8)	(12)	(36)	(138)	(202)
Contingent consideration	-	-	-	-	-	-	-	-

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:

		Sales to related parties £m	Purchases from related parties £m	Interest paid to related parties £m
Transactions with associates	2020	-	(188)	-
	2019	-	(181)	-
Transactions with other EDF S.A. Group companies	2020	-	(513)	(23)
	2019	-	(411)	(19)
Lease Commitments with EDF S.A. Group companies	2020	-	-	-
	2019	-	-	(10)
Derivatives with other EDF S.A Group companies	2020	292	(632)	-
	2019	205	(914)	-

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

		Amounts owed by related parties £m	Amounts owed to related parties £m
Transactions with associates	2020	63	(154)
	2019	17	(43)
Transactions with other EDF S.A. Group companies	2020	2,510	(880)
	2019	1,974	(923)
Lease Commitments with EDF S.A. Group companies	2020	-	-
	2019	-	(122)
Derivatives with other EDF S.A Group companies	2020	316	(238)
	2019	192	(179)

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 £840m (2019: £703m) and loans receivable from EDF S.A. companies of £560m (2019 £480m).

Transactions with key management personnel

	2020 £m	2019 £m
Short-term benefits	4.7	5.1
Post-employment benefits	0.2	0.2
Other long-term employee benefits	0.2	0.7
	5.1	6.0

Key management personnel comprise members of the Executive Committee, a total of nine individuals at 31 December 2020 (2019: ten). 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

Nuclear power station outages

Hinkley Point B

Both reactors at Hinkley point B were on extended outages for graphite inspections at the end of 2020. As of 17th March 2021, the Office for Nuclear Regulation (ONR) has provided EDF with permission for Reactors 3 and 4 at Hinkley Point B power station to return to service for a limited period of operation. Permission for Reactor 3 will allow it to operate to a core utilisation of 17.55 terawatt days, while permission for Reactor 4 is to operate to a core utilisation of 17.3 terawatt days, which equates to two periods of approximately six months operation for each reactor. Graphite core inspections will take place between each period of operation.

Hunterston

As of 13th April 2021, ONR has provided EDF with permission for Reactors 3 and 4 at Hunterston to return to service for a limited period of operation, approximately six months, this will be the power station's final period of operation before moving into the defueling phase.

Dungeness

Both reactors at Dungeness B are on extended outages for ongoing technical challenges and are expected to return to service on 2nd August 2021 and 23rd July 2021.

Sizewell B

On 16th April Sizewell B began a planned outage for refuelling and maintenance. It has recently been identified that some components will require additional work and therefore the outage has been extended by 3 months. The current expected return to services date is the end of August 2021.

Change in deferred tax rate

In the March 2021 Budget, it was announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2020 continue to be measured at a rate of 19%. The company is in the process of assessing the full impact of this announcement, but if the amended tax rate had been used, it is possible that the deferred tax liability would be materially higher.

Reform of pension benefits

On 24 February 2021, the Group concluded a statutory consultation around its provision of pension benefits and confirmed its intention to close its defined benefit pension schemes for future accrual with effect from 1 July 2021, except for those employees with protected rights. Impacted employees will have the option to extend defined benefit pension accrual until 31 December 2021 but receive a lower transition payment. On cessation to defined benefit accrual employees will have the option to join a defined contribution scheme with various tiers of contribution rates. Closing the defined benefit schemes will reduce future pension costs as employees transition to the defined contribution offering. As a consequence of the closure, the pension scheme surplus recognised on the Group's balance sheet will increase. Although future pension costs will be reduced the reform will result in significant transition payments being made to employees which will vary according to the date at which employees choose to move to the defined contribution arrangement, with payments planned in August 2021 and February 2022. Employee choices on the date of transition, and so scale of transition payment, will be made by mid June 2021.

West Burton A

In March 2021, the Group took the decision to confirm power generation would cease at West Burton A on 30 September 2022. This enables the power 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.

Sale of West Burton B

In April 2021, the Group announced it had reached an agreement with EIG to sell its 1,332 MW Combined Cycle Gas Turbine power station and 49 MW battery at West Burton B in Nottinghamshire. EIG is a leading institutional investor to the global energy sector specialising in private investments in energy and energy-related infrastructure. Both EDF and EIG aim to complete the transaction as soon as possible in 2021, subject to all applicable regulatory authorisations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Supplier of last resort

In January 2021, EDF was appointed by Ofgem to supply customers of Green Network Energy which ceased trading as of 27th January. EDF will take on Green Network Energy's 360,000 domestic customers and a smaller number of non-domestic customers and has agreed to protect any money customers may be owed.

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 2020, 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.

**COMPANY BALANCE SHEET
AT 31 DECEMBER 2020**

	<i>Note</i>	2020 £m	Restated 2019 £m
Non-current assets			
Financial Assets	8	24	80
Investments in subsidiary and associate undertakings	9	14,822	13,057
		14,846	13,137
Current assets			
Trade and other receivables	10	13	-
Cash and cash equivalents	11	179	118
		192	118
Total assets		15,038	13,255
Current liabilities			
Other liabilities	12	(1)	(149)
		(1)	(149)
Non-current liabilities			
Borrowings	13	(19)	-
		(19)	-
Total liabilities		(20)	(149)
Net current assets/(liabilities)		191	(31)
Net assets		15,018	13,106
Equity			
Share capital	14	9,631	6,824
Share premium	15	199	-
Retained earnings		5,188	6,282
Total equity		15,018	13,106

The Company reported a loss for the financial year ended 31 December 2020 of £1,094m (2019: loss of £598m).

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



Robert Guyler
Director

29 April 2021

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Share capital £m	Share premium £m	Retained earnings £m	Total Shareholders' funds £m
At 31 December 2018	10,175	-	1,904	12,079
Prior period adjustment (note 1)	-	-	(22)	(22)
At 31 December 2018 - restated	10,175	-	1,882	12,057
Loss for the year	-	-	(598)	(598)
Prior period adjustment (note 1)	-	-	(2)	(2)
Shares issued (note 14)	1,649	-	-	1,649
Capital Reduction	(5,000)	-	5,000	-
At 31 December 2019 - restated	6,824	-	6,282	13,106
Loss for the year	-	-	(1,094)	(1,094)
Shares issued (note 14)	2,807	199	-	3,006
At 31 December 2020	9,631	199	5,188	15,018

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 2020.

Prior period adjustment

In April 2020, following a review of the loan agreement between EDF Energy Limited (as lender) and EDF Energy Holdings Limited (as borrower), it was identified that interest on the loan had not been accounted for.

The interest on the loan accrued at 12 month LIBOR + 1% and was due on repayment of the loan. Following the prior period adjustment the loan and interest were settled fully in 2020.

The error above has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

	As originally reported £m	Prior period adjustment £m	As restated £m
Balance sheet as at 1 January 2019			
Current liabilities			
Other liabilities	(137)	(22)	(159)
Equity			
Retained earnings	(1,904)	22	(1,882)
<hr/>			
Balance sheet as at 31 December 2019			
Current liabilities			
Other liabilities	(125)	(24)	(149)
Equity			
Retained earnings	(6,306)	24	(6,282)
<hr/>			
Income statement for the year ended 31 December 2019			
Finance cost	-	2	2
<hr/>			

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

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.

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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

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.

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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

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 cashflow 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 Director's have made in the process of applying the accounting policies of the Company, that are deemed to have a significant effect on the amounts recognised in the financial statements.

3. Operating loss

In 2020 an amount of £8,064 (2019: £7,265) 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 (2019: £nil).

The Company had no employees in 2020 (2019: none).

4. Directors' emoluments

None of the Directors received any remuneration for services to the Company during the year (2019: £nil).

5. Investment income

	2020	2019
	£m	£m
Dividends received from subsidiaries	152	-
Interest receivable from other Group companies	3	3
	155	3

A dividend of £80m (2019: £nil) was received from EDF Energy Lake Limited and a dividend in specie of £72m (2019: £nil) was received from EDF Energy Limited.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

6. Finance costs

	2020	Restated 2019
	£m	£m
Interest payable on loans and facilities from other Group companies	2	1

7. Impairment

	2020	2019
	£m	£m
EDF Energy Lake Limited	1,247	469
EDF Energy Limited	-	132
	1,247	601

In 2020 an impairment test was performed for the nuclear generation business. The early closure of Hunterston and Hinkley Point B, the extended outages and potential change around RTS dates for Hinkley Point B and Dungeness, as well as the forward and long-term power price decrease represent an impairment trigger for the nuclear power stations.

This has resulted in an impairment of £1,247m in the Company's investment in EDF Energy Lake Limited reducing its carrying amount from £5,451m to £4,204m. The recoverable value of existing nuclear assets is determined by discounting future cash flows over the assets' useful life, assuming a 20-year extension for the Sizewell B PWR plant, in line with Group strategy. A 0.5% increase in discount rate from 6% to 6.5% leads to a £213m increase in impairment, while a decrease in discount rate of 0.5% reduces impairment by £235m.

In 2019 an impairment test was performed in for the nuclear generation business due to falling outputs combined with power prices which was considered to be an impairment trigger. This has resulted in an impairment of £469m in EDF Energy Lake Limited reducing its carrying amount from £5,920m to £5,451m. The recoverable value was estimated based on discounted cash flows over its expected useful life. The main assumptions used for the calculation were the discount rate of 6%, forward power prices and network grid costs. A 0.5% increase in discount rate from 6% to 6.5% leads to a £247m increase in impairment, while a decrease in discount rate of 0.5% reduces impairment by £272m.

In 2019 an impairment test was also performed for the investment in subsidiary in EDF Energy Limited due to the decrease in Customers' valuation and West Burton B valuation, reducing its carrying amount from £1,600m to £1,468m. The recoverable value was estimated based on discounted cash flows and estimated growth rate.

8. Financial assets

	2020	2019
	£m	£m
Non-current financial assets		
Loans to subsidiaries	24	80

The loan of £80m granted to EDF Lake Limited in 2019 was repaid fully in 2020.

In 2020, a loan of £19m (2019: £nil) was granted to EDF Energy Limited with an interest rate of 1.5% and repayment due in January 2022. A loan of £5m (2019: £nil) was also granted to EDF Energy (TSO) Limited at an interest rate of 0.97075% and repayment due in January 2022.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

9. Investments in subsidiary and associate undertakings

	Subsidiaries	Associates	Total
Carrying value	£m	£m	£m
At 1 January 2019	11,848	71	11,919
Additions during the year	1,708	31	1,739
Impairment during the year (note 7)	(601)	-	(601)
At 31 December 2019	12,955	102	13,057
Additions during the year	2,985	27	3,012
Impairment during the year (note 7)	(1,247)	-	(1,247)
At 31 December 2020	14,693	129	14,822
Carrying Value			
At 31 December 2020	14,693	129	14,822
At 31 December 2019	12,955	102	13,057

The additions to investment in subsidiaries related to the subscription of £1,721m (2019: £1,650m) additional shares in EDF Energy (NNB) Limited, £900m (2019: £nil) shares in EDF Energy Limited and £79m (2019: £58m) shares in NNB Holding Company (SZC) Limited. The Company also acquired 100% of the share capital of EDF Development Company Limited as a common control transaction amounting to £285m.

The additions to investments in associates related to £19m (2019: £18m) increase in General Nuclear System Limited and £8m (2019: £13m) increase in Bradwell Power Holding Company Limited.

The principal subsidiary undertakings at 31 December 2020, which are incorporated in the United Kingdom and are registered and operate in England and Wales, or Scotland (unless otherwise stated), are as follows:

Name of subsidiary	Principal activity	Holding %
British Energy Bond Finance Limited ^{*(2)}	Financial activities	80%
British Energy Generation (UK) Limited ^{*(2)}	Holding company	80%
EDF Energy Nuclear Generation Limited ^{*(1)}	Power generation	80%
EDF Energy Nuclear Generation Group Limited ^{*(2)}	Holding company	80%
Lake Acquisitions Limited*	Holding company	80%
British Energy International Holdings Limited ^{*(2)}	Holding company	80%
British Energy Limited ^{*(2)}	Holding company	80%
British Energy Trustees Limited ^{*(2)}	Dormant company	80%
BEGG Trustee Limited*	Dormant company	80%
Lochside Insurance Limited * (Guernsey) ⁽⁴⁾	Insurance company	80%
EDF Energy Innovation Limited*	Provision of innovation services	80%
Hoppy Limited*	Digital innovation system	100%
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 ⁽²⁾	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) ⁽³⁾	Holding company	100%
NNB Top Company HPC (B) Limited*	Holding company	100%

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

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%
EDF Energy EV Limited*	Holding company	77.5%
Pod Point Holding Limited ⁽⁵⁾	Holding company	77.5%
Pod Point Limited ⁽⁵⁾	Provision of charging infrastructure for electric vehicles	77.5%
Open Charge Limited ⁽⁵⁾	Financial activities	77.5%
Pod Point Asset One Limited ⁽⁵⁾	Provision of charging infrastructure assets for electric vehicles	77.5%
Pod Point Norge AS (Norway)⁽⁶⁾	Dormant company	77.5%

*Indirectly held

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

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

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

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

(7) Registered Address: 28-42 Banner Street Banner Street, London, England, EC1Y 8QE

(8) 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

In 2020 Cheshire Cavity Storage Group Limited, EDF Energy (Energy Branch) Limited, EDF Energy Fleet Services Limited and EDF Energy (Cottam Power) Limited were dissolved.

For the year ending 31 December 2020 the following subsidiaries of the Company were entitled to exemption from audit under Section 479A of the Companies Act 2006 relating to subsidiary companies:

Company	Registration number
British Energy International Holdings Limited	SC138614
EDF Energy Lake Limited	09200461
NNB Top Company HPC (B) Ltd	09284753
NNB Top Company HPC (A) Ltd	09284749
British Energy Limited	SC162273
EDF Energy Innovation Limited	06999483
Hoppy Limited	04049231

Details of the Company's associates at 31 December 2020 are detailed below.

Name of associate	Principal Activity	Ownership Rights %	Voting Rights %
Navitus Bay Development Limited ⁽¹⁾	Renewable energy generation	24.5%	24.5%
Lewis Wind Power Holdings Limited ⁽²⁾	Holding company	24.5%	24.5%
Stornoway Wind Farm Limited ⁽²⁾	Renewable energy generation	24.5%	24.5%
Uisenis Power Limited ⁽²⁾	Renewable energy generation	24.5%	24.5%
Clash Gour Holdings Limited ⁽⁶⁾	Holding company	49.0%	49.0%
Dallas Windfarm Limited ⁽⁶⁾	Renewable energy generation	49.0%	49.0%
Altyre II Windfarm Limited ⁽⁶⁾	Renewable energy generation	49.0%	49.0%
Dunphail Windfarm Limited ⁽⁶⁾	Renewable energy generation	49.0%	49.0%
Dunphail II Windfarm Limited ⁽⁶⁾	Renewable energy generation	49.0%	49.0%
Dunphail Windfarm Partnership LLP ⁽⁶⁾	Renewable energy generation	49.0%	49.0%
EDF Energy Renewables Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
Fallago Rig II Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
Braemore Wood Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
Burnfoot East Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
NNG Windfarm Holdings Limited ⁽⁶⁾	Holding company	49.0%	49.0%
Near Na Gaoithe Offshore Wind Limited ⁽⁶⁾	Renewable energy generation	49.0%	49.0%
Burnfoot Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
Fairfield Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
Boundary Lane Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

Name of associate	Principal Activity	Ownership Rights %	Voting Rights %
Walkway Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
Teesside Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
EDF Renewables Solar limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
NNG Windfarm Holdings ⁽⁶⁾	Renewable energy generation	24.5%	24.5%
Longpark Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
Roadie Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
Burnhead Moss Wind Farm Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
EDF Energy Renewables Holdings Limited ⁽¹⁵⁾	Holding company	24.9%	24.9%
Barmoor Wind Power Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
Park Spring Wind Farm Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
Corriemoillie Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
Dorenell Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
Beck Burn Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
Pearie Law Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
Cemmaes Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
Llangwryfon Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
Great Orton Windfarm II Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
High Hedley Hope Wind Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
First Windfarm Holdings Limited ⁽¹⁵⁾	Holding company	49.0%	49.0%
Stranoch Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
Red Tile Wind Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
Round 3 Isle of Wight Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
Kirkheaton Wind Limited ⁽¹⁵⁾	Renewable energy generation	24.9%	24.9%
EDF ER Development Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
South Clare Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
Mosscastle Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
EDF ER Nominee Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
Camilty Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
Cloich Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
Heathland Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
Newcastleton Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
The Mosses Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
Tinnisburn Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
Wauchope Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
West Benhar Windfarm Limited ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
Camilty Windfarm Partnership LLP ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
Cloich Windfarm Partnership LLP ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
Heathland Windfarm Partnership LLP ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
Newcastleton Windfarm Partnership LLP ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
The Mosses Windfarm Partnership LLP ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
Tinnisburn Windfarm Partnership LLP ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
Wauchope Windfarm Partnership LLP ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
West Benhar Windfarm Partnership LLP ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
EDF Renewables Ireland Ltd ⁽¹⁵⁾	Renewable energy generation	49.0%	49.0%
EDF Energy Services Limited	Development of generation and supply	50.0%	49.0%
The Barkantine Heat and Power Company Limited ⁽⁷⁾	Generation and supply of heat and electricity	50.0%	49.0%
ESSCI Limited ⁽⁷⁾	Development of generation and supply	50.0%	49.0%
ESSCI Engineering Services Limited ⁽⁷⁾	Development of generation and supply	50.0%	49.0%
Imtech Engineering Services North Ltd ⁽⁹⁾	Development of generation and supply	50.0%	49.0%
Imtech Engineering Services Central Ltd ⁽⁸⁾	Development of generation and supply	50.0%	49.0%
Imtech Engineering Services London and South Ltd ⁽⁷⁾	Development of generation and supply	50.0%	49.0%
Imtech Aqua Ltd ⁽¹⁰⁾	Development of generation and supply	50.0%	49.0%
Imtech Aqua Building Services Ltd ⁽¹⁰⁾	Development of generation and supply	50.0%	49.0%
Imtech Aqua Controls Ltd ⁽¹⁰⁾	Development of generation and supply	50.0%	49.0%
Imtech Low Carbon Solutions Ltd ⁽⁸⁾	Development of generation and supply	50.0%	49.0%
ESSCI Technical Facilities Management Limited ⁽⁷⁾	Development of generation and supply	50.0%	49.0%
Inviron Holdings Limited ⁽¹¹⁾	Holding company	50.0%	49.0%
Imtech Inviron Limited ⁽¹¹⁾	Development of generation and supply	50.0%	49.0%
Inviron Property Limited ⁽¹¹⁾	Development of generation and supply	50.0%	49.0%
Imtech Aqua Maintenance Ltd ⁽¹¹⁾	Development of generation and supply	50.0%	49.0%

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

Name of associate	Principal Activity	Ownership Rights %	Voting Rights %
ESSCI Technical Services Limited ⁽⁷⁾	Development of generation and supply	50.0%	49.0%
Capula Group Limited ⁽¹²⁾	Development of generation and supply	50.0%	49.0%
Capula Limited ⁽¹²⁾	Development of generation and supply	50.0%	49.0%
ESSCI Ireland Limited ⁽⁷⁾	Development of generation and supply	50.0%	49.0%
Suir Engineering Limited ⁽¹³⁾	Development of generation and supply	50.0%	49.0%
Suir Engineering Sweden AB (Sweden) ⁽¹³⁾	Development of generation and supply	50.0%	49.0%
Imtech Suir Qatar LLC (Qatar) ⁽¹³⁾	Development of generation and supply	50.0%	49.0%
Breathe Energy Ltd ⁽¹⁴⁾	Energy management services	50.0%	49.0%
Breathe Asset Management Services Ltd ⁽¹⁴⁾	Management of energy assets	50.0%	49.0%
Bradwell Power Holding Company Limited ⁽⁵⁾	Holding company	33.5%	33.5%
Bradwell Power Generation Company Limited ⁽⁵⁾	Development of generation and supply	33.5%	33.5%
General Nuclear System Limited ⁽⁵⁾	Development of generation and supply	33.5%	33.5%

All associates are indirectly held.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(16) 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

	2020	2019
	£m	£m
Amounts owed by other Group companies	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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

11. Cash and cash equivalents

	2020	2019
	£m	£m
Short term deposits	-	50
Cash pooling with ultimate parent	179	68
	179	118

In 2019 a short term deposit of £50m was placed with EDF S.A. earning an interest rate of 0.70363% and was repaid fully in January 2020.

The Company participates in cash pooling with EDF S.A. The balance of cash pooled with the ultimate parent as at 31 December 2020 is £179m (2019: £68m). Interest is earned on cash pool balance at a rate of overnight LIBOR less 0.125%.

12. Other liabilities

	2020	Restated 2019
	£m	£m
Amounts owed to other Group companies	-	149
Accruals	1	-
	1	149

The amounts owed to other Group companies were owed to EDF Energy Limited, a subsidiary of the Company and were fully repaid in 2020. The Directors consider that the carrying amount of other liabilities approximates to their fair value.

13. Borrowings

	2020	2019
Non-current borrowings	£m	£m
Loan from immediate parent	19	-

In 2020, a loan of £19m (2019: £nil) was received from EDF Energy (UK) Limited with an interest rate of 1.5% and repayment due in January 2022.

14. Share capital

	2020	2019	2020	2019
	Number	Number	£m	£m
Allotted, called up and fully paid				
Ordinary shares of £1.00 each	9,630,568,149	6,823,889,122	9,631	6,824

In 2020, 2,721,020,000 shares were issued at par for consideration of £2,721m.

The Company also acquired 100% of the share capital of EDF Development Company Limited as a common control transaction. Ownership was achieved using a share for share exchange with the Company issuing 85,659,027 shares for a total value of £285m to EDF Energy (UK) Limited. An increase of £86m is recognised as share capital with the excess consideration above nominal value recognised in the share premium reserve.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

15. Share premium

	2020 £m	2019 £m
Share premium reserve	199	-

Share premium of £199m is recognised on the issue of 85,659,027 shares to EDF Energy (UK) Limited. The shares are issued in consideration of the Company obtaining 100% of the share capital of EDF Development Company Limited.

16. 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 £1.9m (2019: £0.6m) was payable to the Company's ultimate parent EDF S.A. in relation to commitment fees on the available, undrawn facilities. Interest of £0.1m (2019: £0.3m) was received from EDF S.A. in relation to the cash pool.

17. Events after the balance sheet date

Details of events after the balance sheet date can be found in note 44 of the Group accounts.

18. 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 2020, 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.