EDF ENERGY HOLDINGS LIMITED

Registered Number 06930266

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2022

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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 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 in the UK, the country's largest low-carbon electricity producer, is to help Britain achieve Net Zero. In June 2019 the UK became the first major country in the world to legislate for a Net Zero target for emissions by 2050, making a legally-binding commitment to achieve a balance between the amount of greenhouse gasses produced and the amount removed from the atmosphere. EDF in the UK does this by leading the transition to a decarbonised energy system in its seven business areas: Generation of electricity in the UK and delivering decommissioning responsibilities, Customers: the supply of electricity and gas and energy solutions to domestic and business customers, Nuclear Construction: building a new nuclear power station at Hinkley Point, in partnership with China General Nuclear Corporation (CGN), Nuclear Development: developing further new nuclear power stations, Renewables: through EDF Renewables UK, which is a subsidiary of EDF SA and a joint venture (JV) between EDF Energy and EDF Renewables, technical services, energy and low-carbon solutions at customer sites through Imtech, a JV with Dalkia and Electric Mobility industry through Pod point.

EDF Energy in the UK simultaneously supports the UK in achieving its Net Zero ambitions and contributes to key pillars of EDF Group's CAP 2030 strategy – generation of zero carbon electricity and helping its customers to achieve Net Zero. For EDF Group, fighting climate change is based on two levers: energy efficiency and energy decarbonisation. The strategy focuses on three pillars: innovation for customers, low carbon and international growth.

EDF Energy in the UK contributes to EDF group's greenhouse gas emissions reduction targets and carbon intensity trajectory. The Sustainable Business Update explains the progress and plans of the business to help Britain achieve Net Zero and meet wider sustainability objectives. In line with UK Procurement Policy Note (PPN06/21), in summer 2022 EDF Energy published a carbon reduction plan covering certain emissions categories to 2026. The Procurement Policy requires companies and organisations bidding on government contracts worth over £5 million to commit to achieving net-zero by 2050.

EDF Energy serves 3.7 million British homes and businesses. It is the largest supplier of businesses and the public sector in Great Britain (GB) and has been recognised as an industry leader for residential customer service by Citizens Advice. In addition to the supply of electricity and gas, EDF Energy supports its customers in Net Zero focused areas including electric mobility, low-carbon heating, micro generation, renewable power purchase agreements (PPAs), flexibility services and smart meters combined with data services.

Customers
A resilient and efficient operating model remains a key priority for the Customers business, ensuring EDF Energy will also help meet customers' future energy requirements – whether they are switching to an electric car or a heat pump for instance. To this end, EDF Energy is preparing to migrate its 3.6 million residential and SME customers onto Kraken Technologies' market-leading EnTech platform, starting in 2023.

Improving the energy efficiency of UK building stock and decarbonising heat are key contributors to the UK achieving Net Zero and reducing fossil fuel dependency. EDF Energy is working towards delivering on its regulatory obligations. It is a leader in energy efficiency installations through the Energy Company Obligation (ECO) scheme and is committed to the roll-out of smart meters to homes and small businesses, as part of the national programme.

STRATEGIC REPORT (continued)

In May 2022, EDF Energy agreed a partnership with CB Heating, a heat pump installer, to offer an end-to-end service for customers and support the decarbonisation of heating in the UK. EDF Energy, CB Heating and Daikin have partnered to create a new training academy opened in November 2022, set to train 4,000 heat pump installers a year to help the UK hit its target of 600,000 heat pumps by 2028.

Recent energy price increases, driven by global gas prices, are strongly impacting the UK operating and competitive environment. Wider inflationary pressures have created affordability challenges for customers. This has triggered unprecedented interventions by the UK Government with the introduction of additional taxes on generators and financial support for residential and business customers. EDF Energy has played its part in delivering these Government funded schemes designed to address the significant affordability challenge its customers face alongside EDF Energy funded support for struggling customers.

Generation

EDF Energy's key priority is to sustain safe, reliable and commercially viable operations. This includes supporting UK security of supply through the West Burton A coal power station, which was due to close in September 2022 but following a request from the UK Government, West Burton A has been made available to National Grid Electricity System Operator (ESO) for 6 months until 31st March 2023 as an emergency service. The site has been chosen by the UK Government to host the UK's first prototype fusion energy power plant, supporting EDF Energy's commitment to a just transition for the workforce and communities connected to coal.

Since its acquisition of the UK nuclear fleet in 2009, EDF Energy has invested £7 billion. Through sustained investment and careful stewardship all the Advanced Gas-cooled Reactor (AGR) stations have operated beyond their original 25-30 year design lives.

EDF Energy announced in March 2023 its intention to extend the end of generation for Heysham 1 and Hartlepool to 31 March 2026 with a +/- 1 year proviso. Further work is underway to assess a 20-year life extension to Sizewell B, to continue the provision of 3% of GBs electricity demand till 2055.

EDF Energy moved Dungeness B into the defueling phase from June 2021, and Hunterston B and Hinkley Point B in January 2022 and August 2022 respectively. The remaining four AGR nuclear power stations are currently due to close by 2028. EDF Energy is responsible for defueling all seven AGR power stations over the next 10+ years under an agreement with the UK Government signed in June 2021.

EDF Energy's UK fleet of existing nuclear power stations has been accountable for supplying around 15-20% of the country's power since the mid-1970s. Nuclear generation output in 2022 was 43.6TWh vs 41.7TWh in 2021 despite Hunterston B and Hinkley Point B having been moved onto the defueling phase.

In November 2022 the UK Government announced further details on this tax mechanism on infra-marginal rents from nuclear and renewable activities, the 'Electricity Generator Levy' (EGL). The EGL places a 45% levy on electricity generation receipt above £75/MWh generated between 1st January 2023 and 31st March 2028 and will apply to both EDF's operating UK nuclear assets as well as certain older renewable generators that are subsidised under the Renewable Obligation scheme.

The price levels seen in 2022 have further highlighted the need for continued investment in low-carbon electricity and technology to reduce the UK's reliance on fossil fuels, and the value of reliable, resilient suppliers such as EDF Energy.

Nuclear New Build

UK Government support for nuclear has been confirmed through the ambition to increase nuclear capacity to 24GW by 2050 and launch of the "Great British Nuclear" vehicle with EDF Energy supporting this work. In partnership with CGN, EDF Energy is building two new nuclear units (3.2GW capacity in total) at Hinkley Point in Somerset, based on the EPR technology. The halfway point in construction of Hinkley Point C, Britain's single biggest action against climate change, was passed in 2022. As well as major milestones on site, the plant's 57km connection to the National Grid is complete and the target of 1,000 apprenticeships achieved.

STRATEGIC REPORT (continued)

There are plans for a similar 3.2GW EPR project at Sizewell in Suffolk, reaching its biggest milestone to date with the UK Government's decision to invest c£700m in the project. The funding will support the project's continued development towards a Final Investment Decision. This announcement follows approval of the Development Consent Order in July 2022 and the introduction of new financing legislation for nuclear projects in March 2022. It will also allow CGN to exit the project. EDF Energy is also exploring models using nuclear to produce hydrogen and heat.

In addition, investigations are underway, with funding support from the UK Government, to assess Hartlepool as a site for high temperature gas reactors.

EDF Energy is committed to delivering nuclear excellence and working to preserve technical skills and capabilities during this transition period for the nuclear industry.

Section 172 (1) Statement

INTRODUCTION

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

This statement describes the actions taken by the directors to fulfil their responsibilities to promote the success of the Company in accordance with the Act for the financial year ending 2022. The directors have considered the following Section 172 factors:

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

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

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

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

The Company's Chief Executive Officer is the UK member of the EDF SA Group Executive Committee and the Director of Strategy & Corporate Affairs is the UK Executive Team representative for the EDF SA Group CSR Strategic Committee, which provides strategic management and coordination of all Corporate Social Responsibility (CSR) issues.

STRATEGIC REPORT (continued)

The Company is committed to sustainability and published a sustainable business update and datasheet in 2022 (available online). The update showcases the Company's commitment to operating as a responsible business and continued engagement with internal and external stakeholders. The directors are committed to the EDF UK policies aimed at protecting stakeholders (e.g. Health, Safety and Wellbeing, People, Ethics and business conduct, Environment, and Supply Chain). These are also available online.

Taking Decisions

Board of directors

The overriding objective of the Board is to provide a management framework, within which the Group is able to operate to the highest ethical and health and safety standards in order to preserve and enhance its investments and success in accordance with its duties to act in good faith to promote the success of the company. As such, the Board is responsible for providing proper stewardship of the Group, ensuring that the Group acts as a responsible business by pursuing sustainable growth, protecting shareholder value and fulfilling its fiscal and statutory obligations.

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

Board composition and training

The Board is comprised of a Chairman (which until December 2022 was an Independent Chairman (further details below)), two Executive directors (Chief Executive Officer (**CEO**) and Chief Financial Officer (**CFO**), EDF UK) and eight (8) Non-Executive Directors who are all representatives of the Ultimate Parent Company, EDF SA, with expertise in Finance, Legal, HR and Operations.

In addition to possessing wide-ranging expertise, there has been a considered effort to establish a diverse Board, including a balance of gender, ethnicity and social backgrounds. All changes to the Board composition, particularly appointments, are approved in accordance with the 'Politique Gouvernance des filiales' policy mandated by EDF SA for the worldwide EDF SA Group before being approved by the Company.

On appointment, directors are provided with the EDF UK Directors Training and Induction Manual which outlines their obligations as a director, including those in the Act, compliance, and EDF UK's corporate governance framework. Directors are encouraged to participate in bespoke training and are encouraged to update their skills and knowledge of the Group by meeting with senior management, visiting sites (such as the power stations and call centres), undertaking external training, and engaging with stakeholders across the business and its operations.

To ensure that potential conflicts of interest are identified and duly authorised, newly appointed directors are required to complete a Conflicts of Interest Questionnaire and sign a declaration to this effect. This information is collected by the Company Secretary. Directors are aware that new conflicts arising thereafter must be declared and authorised in advance by the board of directors or by the shareholders. In 2022, there were two resignations from the Board, one of which being the Independent Chairman following which the CEO, EDF UK, took up the dual role of Chairman of the Board from 2023. In September 2022, the French Government proposed Luc Remont as EDF SA's next CEO and Chairman to replace Jean-Bernard Levy who had held the position since 2014. This resulted in a subsequent change in composition on the Board with Jean-Bernard Levy resigning and Luc Remont being appointed in November 2022.

EDF UK recognises the importance of board evaluation and development. This constitutes good governance and is a valuable process in improving board performance, even where the board is composed of experienced directors. The continuous improvement of the Board and how it operates is critical to the success of EDF UK, with Board Self Assessments being carried out to summarise key strengths, areas for improvement and actions agreed and implemented.

STRATEGIC REPORT (continued)

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

The Board is scheduled to meet five (5) times a year (sitting at least once in each quarter) with an 18-month rolling pipeline of strategic, financial and statutory agenda items agreed by the CEO, EDF UK, and Company Secretary and up until December 2022 also in conjunction with the Independent Chairman.

Sub-Committees of the Board

In addition to scheduled meetings, the Board may meet on an ad hoc basis to meet the needs of the business. The Board utilises standing sub-committees to consider particular matters in detail. These current committees include:

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

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

The Board engages with further internal governance bodies within EDF UK, including the ET and EDF UK Risk Management Committee which reports to the Board annually on operational energy market risk management and defines the scope and risk limits within which each of the business units across the Group are authorised to operate.

Scope of the Board and Delegations of Authority

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

The Company uses Financial Authority Limits (**FALs**) (as detailed in the Group Corporate Governance Policy) and contract signatory authority mechanisms to control and provide oversight over the various financial commitments it enters into. The FALs of the CEO, EDF UK, are agreed with EDF SA and approved by the Board. The CEO, EDF UK, has the authority to delegate FALs to the ET (where appropriate / required to discharge the needs of each business unit) and to enable the ET to further cascade their FALs down to Leaders within their teams. In 2022, the FALs were reviewed at Board level, with amendments being approved in light of the ongoing, increased energy market volatility to ensure that decisions could be made at the right level of the organisation, in a timely manner and are specific enough to enable the business to undertake the relevant activities required.

STRATEGIC REPORT (continued)

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

- Requirements for governance bodies, their composition and Board member training;
- Financial Authority Limit (**FALs**) framework;
- The Policy Operating Framework; and
- Requirements for processes to facilitate the discharge of board duties, as well as to provide evidence of decision-making and stakeholders considered as part of that decision-making.

The Company has a stringent risk management culture through policies, reporting and internal audit and assurance enabling directors to make robust decisions concerning principal risks to the Group. The Group has developed a Risk Management, Internal Control, Business Continuity and Crisis Management Policy, which defines key standards that companies within the Group are required to achieve. The Company self-assesses against these standards, and the Group is audited against them to provide assurance that Group companies have an appropriate risk culture. The directors agree how these principal risks should be managed or mitigated to reduce the likelihood of their incidence or magnitude of their impact. These risks are set out in the "Principal risks and uncertainties" section of the Strategic Report.

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

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

Stakeholder Engagement

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

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

To ensure the strategy, objective and purpose of the Company is articulated and implemented throughout the organisation, the Group has a communications team to support the Company with issuing tailored communications to employees. Public and political opinion with regard to EDF UK is monitored and the team frequently engages with political parties and other stakeholders. The Company has a social media team who also have an active listening, response and monitoring strategy to gauge market perception of delivery of the strategy of the Company. These various forms of communications ensure the Company can feedback and improve on how the Company is constantly engaging with a broad range of stakeholders.

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

STRATEGIC REPORT (continued)

Employees and trade unions

The Group engages, informs and consults with its employees on matters affecting them and has regard to their interests in decision making. Employees who possess a diverse range of talents and perspectives, that feel engaged in their roles, are fundamental to the long-term success of the Company. The Group aims to provide a great place to work, by enhancing equity, diversity and inclusion for our colleagues and supply chain. In 2021, the Company started monitoring the diversity of senior leadership in terms of Gender, Ethnicity, Sexual Orientation and Disability. The Company is aiming for 50% of senior leaders to have one or more of these diverse characteristics by 2030 (2021: 20%). At the end of 2022, the Company was 26.7% diverse, with this statistic being continually being monitored and set to be reviewed again at the end of 2023.

Furthermore, the Company believes all harm is preventable and thus has an ambition to strive for zero harm at the workplace. This means ensuring workplaces are safe and healthy for everyone; both employees and anyone working on the Company's behalf. Through-out 2022, the Board has discussed the Company's Zero Harm ambition and considered the latest incident reports and statistics, engaging in dialogue to discuss how these latest statistics can be improved and what further training can be implemented through-out the business.

The Company and its customers have faced serious challenges during 2022 due to the impact of the current UK affordability and energy market crisis. The Board advised that the mental health and wellbeing of employees, particularly those in customer facing roles, should remain a top priority for management and as such, extra training has been provided to frontline staff in call centres currently facing an increased number of calls from customers as a direct result of the affordability and energy crisis.

Employee engagement mechanisms include:

- Formal and informal briefings, departmental meetings and regular reports in staff newsletters and on the Group intranet.
- Trade union and personal contract holder structures - Company Council, European Works Council, Corporate Social Responsibility Forum, strategy meetings, and business unit specific forums.
- Employee networks sponsored by senior management to provide diverse and inclusive environments for employee support, feedback and comment. They help build cultural awareness and understanding of identity, and how different demographic groups face different challenges.
- Diversity and Inclusion Strategy Group (**DISG**) chaired by the CEO reviews Group strategy and actions taken to promote Diversity and Inclusion (**D&I**). It discusses items raised via the employee networks to guide Company policy development.
- Regular employee surveys where senior leaders gather feedback on employee wellbeing which inform policy, for example the EDF Group Employee Engagement Survey discussed further below, see 'Stakeholder concerns identified'.
- EDF UK launched its Everyone's Welcome vison for being a positive, inclusive place to work. Following the launch of such, and after engagement with employee networks, EDF UK then issued a Standards of Behaviour statement in September 2021. The statement outlines the Company's expectation that all EDF UK employees have access to a respectful working environment and that behaviour which is not in line with the Everyone's Welcome vision will not be tolerated.
- The Company has worked closely with the employee networks during 2022, to redesign physical spaces to ensure they meet the needs of employees. The company also launched "Alongside You"— a support hub for Mental Health and Well-being to bring together resources to support employees through the pandemic and during the current energy market crisis.

STRATEGIC REPORT (continued)

Communities and environment

The Board is committed to social responsibility, community engagement and environmental sustainability as demonstrated in the Company's sustainable business update and policies (available online).

EDF UK supports a decarbonised future and is committed to leading the UK's transition to a safe, low-carbon energy system. As the UK's largest low-carbon generator, EDF UK is helping support the reduction in carbon emissions enacted by The Climate Change Act in 2008 and Paris Agreement on Climate Change. In addition to the supply of electricity and gas, EDF UK supports its customers in Net Zero focused areas including electric mobility, low-carbon heating, micro generation, renewable power purchase agreements, flexibility services and smart meters combined with data services.

The Company is significantly investing in low-carbon technologies, including nuclear, and through EDF Renewables UK, wind, solar and battery storage, and exploring emerging technologies such as clean hydrogen. The Board's decision to invest, acquire and develop new technologies, help shape and implement the overall strategy of the Company. The community and environment relating to the impact of construction and/or development remains a focus of the Board in decision making.

The new nuclear power station currently under construction at Hinkley Point C (HPC), and the UK Government's decision to invest and support the construction of nuclear power station at Sizewell C (SZC), has opened a new chapter in the UK's long-standing nuclear industry. HPC will make a major contribution to reduce carbon emissions in the UK and the electricity generated by the two EPR reactors will offset nine million tonnes of carbon dioxide emissions a year or 600 million tonnes over its 60-year lifespan. Following the Government Investment Decision (**GID**) taking place in November 2022, SZC will aim to generate enough low-carbon electricity to supply six million homes and will avoid around nine million tonnes of carbon emissions each year by replacing fossil-fuel power. Further to this, SZC will also create thousands of local jobs and opportunities for businesses and individuals in the community, across East Suffolk. The Company understands the evident disruption that SZC will cause in the building and creation of the nuclear power station and the SZC team has continuously engaged with the local area through-out this process in order to better understand how they can work together and support the local community. There will undoubtedly be trade-offs as the project develops, to which the Board of Directors understand and are already ensuring measures are being implemented to mitigate against such. The development of SZC means balancing the needs of the community, whilst also prioritising a timely commencement for SZC which is vital in Britain achieving its Net Zero strategy and to reduce the risk of delays and increased costs as a result of such are limited as much as possible.

The latest HPC Socio-economic Impact Report (available online) demonstrates that the project is meeting its ambitious targets to deliver a lasting legacy. For SZC, the Company, guided by the Board, has worked closely with numerous external stakeholders including local councils, emergency services, Natural England and Office for Nuclear Regulation to complete the Development Consent Order that was approved in July 2022. The Board continues to receive regular updates on the project and continues to oversee decision making within the SZC project.

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

Suppliers

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

STRATEGIC REPORT (continued)

The Company also aims to integrate sustainability into the supply chain by assessing how prospective suppliers bring social value to the community and implement environmental and social policies.

Day-to-day decisions on supply chain matters are largely taken at a business unit level. The Board oversees key decisions and is regularly updated on key contract negotiations, for example, in relation to the SZC project. Particularly, in 2022, the Board was updated on some of the difficulties experienced with supplier negotiations which have become increasingly prominent in light of the current challenges of affordability and inflation which has had a knock-on effect on the SZC supply chain. This dialogue provides the Board with an opportunity to give direction to the Group on how to overcome difficulties and key considerations for such negotiations.

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

In 2021, the Board approved a deal to build on EDF UK's industry-leading customer service by licencing the cutting-edge Kraken energy technology platform. The licensing agreement will see EDF UK use Kraken to manage its customer accounts in the UK and further develop its home heat and EV offerings. The move to Kraken's dynamic platform will allow EDF UK to grow and quickly adapt to rapid changes in the energy industry. Following implementation, EDF UK employees will be able to access the state-of-the-art, intuitive and easily adaptable Kraken platform to further improve customer service and drive new ways of working across customer operations. The platform also allows the Company to adapt to future energy requirements as it helps customers tackle climate change. Regular updates regarding the Kraken migration were presented to the Board during 2022 by the Managing Director, Customers, EDF UK. At the start of 2022 the use of Kraken began to be actively planned for, with 200 call centre advisors being early adopters of the system and beginning training, ahead of the full platform launch and customer migration in 2023. The introduction of the platform will represent a significant change in the way EDF UK's Customers Business operates.

Other stakeholders

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

The Company and wider Group also engages directly with central government (including officials within the Department for Business Energy and Industrial Strategy, the Department for Environment, Food and Rural Affairs and HM Treasury) and industry and environmental regulators (such as Ofgem, the Environment Agency and the Scottish Environmental Protection Agency). Through-out 2022, there has been significant engagement with HM Treasury, with HM Treasury playing a much larger role in the energy industry, both from a generation side and customers perspective; they have become an increasingly important stakeholder for the Company. Engagement with political and regulatory stakeholders supports better understanding of EDF UK's business and influences the policy and the operating environment. Direct engagement with these stakeholders is supplemented by our participation in trade associations.

Throughout the affordability and energy price crisis in late 2021 and 2022, EDF UK has worked closely with the energy regulator, Ofgem, and the Government to secure additional support for households to manage the increased cost of energy which complements the help EDF UK already provides to its customers. The energy market requires longer-term reform to reduce the risk of future crises and the Board ensures that EDF UK is leading on this matter, by participating in and encouraging our smart meter roll-out, driving faster switching capabilities and utilising half hourly settlements, these are all important developments to build the necessary foundations of a market fit for the future.

STRATEGIC REPORT (continued)

Over the course of 2022, the Company has faced significant challenges in balancing the interests and needs of various stakeholders, in light of the ongoing energy crisis. The Company, along with all suppliers, are struggling in the face of unprecedented energy market conditions with global gas prices having increased by 500% over the past year. Over the course of the year, the energy market has seen around 30 energy suppliers fail, to which the Company has had to step in to help more than 500,000 customers, at a significant financial cost to the Company.

As an energy supplier and a business, who work hard to turn a profit, EDF has had to increase tariff prices to implement Ofgem's price caps, whilst also recognising that the subsequent bill increases won't be welcome news for customers. Further increases to the Price Cap has also meant increased contact to our customer services teams, which the Company has recognised has been tough on frontline staff. Taking each stakeholder into account and balancing their individual needs has been subject to ongoing discussion at Board meetings through-out 2022. This is in addition to mitigating against further financial impact to the Company to ensure that the Company can overcome such financial pressures to enable it to become competitive in the market again in the long-term.

Stakeholder concerns identified

Each business unit is responsible for engagement with relevant stakeholders, evaluating feedback and escalating information (where relevant) to the Board for consideration and to aid its principal decision making. The Board maintains an open dialogue with the business units and in 2022 a number of focused, topical, board papers were presented to the Board. Where key stakeholder concerns are raised in these "deep dive" board papers the directors are able to take decisions and provide guidance on any areas where key stakeholder concerns have been raised.

The Board considers employee views through the annual 'My EDF' survey, which canvasses employee opinion, at a local level and within the EDF SA Group. The survey identifies areas of satisfaction and opportunities for improvement to help inform priorities within the Group. The Board considers the results of all employee engagement surveys as a good barometer of the workforce's confidence in the Group's strategic direction, optimism in the future and career opportunities. The results are used to support the setting of Company strategy, realign Company purposes / values (where identified as being required) and define individual team objectives to help deliver the purpose and strategy.

Further to this, the Company has a second survey, 'MyVoice', which allows employees to have the opportunity to share their experiences at work. This allows employees to bring forward their ideas on different aspects of the business; from improving office spaces, to employee wellbeing. Additionally, a few times a year the company hosts a question-and-answer session with the managing director of the EDF Customers business, who also forms part of this Board. This encourages transparency and openness between directors and stakeholders and gives employees the opportunity to raise any concerns they might have.

During 2021, after meaningful engagement with the Trade Union and Pensions Trustees, EDF UK took the decision to consolidate its three pension schemes into one pension scheme (the Scheme). The consolidation work has continued into 2022 and has been overseen by the Board who, after considering the impact of the proposal, approved the activity on the basis that it would materially improve the long-term benefit to its members. Throughout the consolidation process, EDF UK engaged with Scheme members to ensure those affected had a sound understanding of the impact of the changes. The affected members were given numerous opportunities to raise questions during webinar sessions and through a dedicated email mailbox with frequently asked queries addressed in FAQ documents published on the Company intranet.

The Board continues to monitor the ongoing cost-of-living and energy market crisis, and in considering such, the Company has established a CARE Framework. This aims to develop new customer solutions to help support households through the ongoing volatility in the market. The concept for such was created in January 2021 and has continued into 2022 with training being provided to all customer facing teams to help advisors provide effective support and advice to customers facing financial hardship. The objective of such is to help support both employees and customers to aid business continuity and growth, whilst promoting and placing emphasis on accessible support and wellbeing.

STRATEGIC REPORT (continued)

In addition, the Company acknowledges that its employees have faced serious challenges during 2022 due to the cost-of-living crisis. Through constructive negotiations with our Trade Unions, the Company were able to offer additional support by bringing forward part of pay deals and one-off payments, along with online resources for employees to access. Discussions of a cost-of-living support package for employees had been discussed with the Board through-out the year, with the Chief People Officer keeping the Board apprised of developments and support packages being developed.

Other reporting

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

Approved by the Board of Directors on 28/04/23 and signed on its behalf by:

Robert Guyler
Director

STRATEGIC REPORT (continued)

Key performance indicators

In 2022, we continued to measure progress against our key ambitions. Our key Group ambitions and related measures for 2022 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.
- **Engagement Index -** The Engagement index is measured using our annual employee engagement survey which is based on a set of 6 questions. The responses against each of the 6 questions are then averaged to produce a total % result.
- **Leadership Index -** The leadership index is measured using our annual employee engagement survey which is based on a set of 7 questions called the "Leadership Index". The responses against each of the 7 questions are then averaged to produce a total % result. This indicator has been replaced in 2022.
- **Diversity Index -** This is a new KPI added in 2022. This indicator is measured using the percentage of Senior Leadership Team having one or more diverse characteristic. Diverse Characteristic includes Gender, Ethnicity, Sexual Orientation, Disability

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. This indicator was removed in 2022.
- **HPC milestones -** HPC developed a series of key milestones for delivery in 2022 relating to progress on procurement, construction, project control and consultations for our new build project.
- **HPC engineering -** HPC developed key metrics to measure the achievements and progress of the Engineering works. Metrics are: a) Delivery of HO2 for MEH, b) Supplier Feedback and c) I&C Design Delivery.
- **HPC Productivity -** This KPI was added in 2022 which is one of the three Main Civil Quantities: Concrete (m3).
- **Outage duration –**This relates to the outage duration during the year. This indicator was removed in 2022.

STRATEGIC REPORT (continued)

- **Decommissioning – Fleet Flask –** This KPI was added in 2022. This metric measures our ability to meet the agreed flask (containers used to transport AGR fuel from EDF sites to long-term storage site) transportation plans.

- **Customers smart installs** – This metric measures the volume of smart meter installs in 2022.

- **Customers Reputation –** This indicator is based on the quarterly result by Citizens Advice for each energy supplier's performance. The score is awarded out of a 5 and covers ease of contact, complaints, clear bills, switching and customer guarantees.

A minimum, a target and a maximum performance level is given, and each milestone is weighted equally.

The results for 2022 and 2021 for the Group wide KPIs presented to the Remuneration Committee were:

Ambition	**Measure**	**2022**	2021
Social	TRIR [1] (per 1,000,000hrs)	0.70	0.71
	RIDDOR accident frequency rate (HPC site only; per 100,000hr) [6]	-	0.062
	Diversity (%)	26.7	N/A
	Engagement index (%)	76	73
	Leadership index (%)	N/A	75
Financial [2]	Earnings before interest, tax, depreciation, and amortisation (£m)	1,125	(21)
	Operating cash flow [2] [3] (£m)	1,143	(238)

The results for 2022 and 2021 for the business specific KPIs presented to the Remuneration Committee were:

	Measure	**2022**	2021
Business	HPC budget (£m)	N/A	3,890
	HPC Milestones	20	19.5
	HPC Engineering	118	28
	HPC Productivity – Concrete [4]	140	131
	Outage duration	N/A	568
	Decommissioning – Fleet Flask [5]	80	N/A
	Customers Reputation (Citizen's Advice)	1st	2nd
	Customers Smart Installs	563	457

(1) Excludes HPC site performance

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

(3) Operating cash flow excludes Nuclear New Build results

(4) One of three main civil quantities, used as measured of HPC Productivity

(5) Decommissioning measure for Generation. Measures of Schedule adherence for the transport of AGR fuel containers from EDF sites to their long-term storage.

(6) In November 2022 - a Bylor supervisor sustained a fatal crush injury whilst working on a platform near to the Nuclear Island. As a result of the incident – the Executive Team made the decision to reflect a score of zero against the RIDDOR metric.

Results

The loss for the year before taxation amounted to £79m (2021: loss of £1,779m). The loss for the year after taxation was £265m (2021: loss of £1,728m). Dividends of £nil (2021: £185m) were paid to the parent company, EDF Energy (UK) Limited and dividends of £75m (2021: £1m) were paid to the non-controlling interest during the year.

STRATEGIC REPORT (continued)

Group sales for the year amounted to £13,700m, an increase of 57%. Group net assets have increased from £28,127m to £28,262, an increase of 0%. Operating profit before depreciation, amortisation and impairment has increased in comparison to 2021. Although not an IFRS financial performance indicator, we have used Operating profit before depreciation, amortisation and impairment as a measure of financial performance as it forms part of the EDF Group's KPI.

The Group's increase in Operating profit before depreciation, amortisation and impairment results from a stronger operational performance in the nuclear fleet (increase in nuclear output despite finishing generation at Hunterston B and Hinkley Point B) and higher realised prices. The customers' business is impacted as the cost of buying the energy for residential customers was higher than the prices set under the caps imposed on Standard Variable Tariffs. Business in the commercial segment saw an increase in the number of customers supplied with energy.

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

Review of the business

Generation

Nuclear Generation

EDF Energy owns eight nuclear power stations in the UK (15 reactors) of which three (six reactors) have been moved to defueling operations. The total generating capacity was 7.3GW at the start of 2022 and 5.9GW at the end. Centrica plc. (Centrica) holds a 20% shareholding in Lake Acquisitions Limited, the parent company in which the nuclear generation assets sit (except Nuclear New Build).

Dungeness B was moved to defueling operations in 2021 and Hunterston B and Hinkley Point B from January 2022 and August 2022 respectively as previously planned.

Nuclear generation fleet technology

Seven of the eight nuclear power stations are 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.

Safety and radiological protection

Nuclear safety is EDF Energy's overriding priority. In 2022, 2 events on the International Nuclear Event Scale (INES scale) were recorded, both of which were rated at Level 1 (anomaly).

EDF Energy operates to strict procedures to minimise and control the radiation doses received by employees and contractors at all of EDF Energy's existing nuclear power stations. In 2022, the average individual dose received by all workers on EDF Energy's existing nuclear sites was approximately 0.022mSv. The highest individual dose received in 2022 was 2.7mSv, with the legal dose limit being 20mSv per year.

Lifetime of power stations

The actual lifetime of each power station is determined primarily by the technical and economic practicability of supporting its safety case. This is assessed at each statutory outage for the following operating period through inspection, maintenance, testing and assessment of plant performance. Following the outage, consent is required from the 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 AGR fleet 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.

STRATEGIC REPORT (continued)

Since British Energy was acquired by EDF, the AGR lifetimes have been extended by an average of six years. Although the long-term operation project is progressing, the useful economic life of Sizewell B has been reassessed and extended by 20 years to 2055 based on the operations to date, an international benchmark and the modern design of Sizewell B.

Operational review of the existing nuclear generation fleet

The nuclear generation fleet produced 43.6TWh during 2022, 1.9TWh more than 2021 (41.7TWh). The increase in output is largely due to:

- two statutory outages carried out in 2022, on Heysham 1 Reactor 2 and Torness Reactor 2, versus five in 2021;
- unplanned losses in 2021 resulting from the suspension of on-load refueling at Heysham 2 & Torness, and a thermal sleeve repair at Sizewell B and securing a boiler tube leak safety case at Hartlepool; partly offset by
- the end of operational life of Hinkley Point B (on 1 August 2022) and Hunterston B (on 7 January 2022) as previously planned.

Following suspension of On-load refuelling in 2021 on all four reactors at Heysham 2 and Torness, the decision was taken in 2022 to continue off load refuelling for the remainder of their operational lives. Subsequently, Hartlepool and Heysham 1 operating life was extended post year-end. See note 42 further for details.

Thermal generation and gas storage

The Cottam Power Plant closed on 30 September 2019 after more than 50 years of being in service. The decision to close the station was made following market changes together with a drive to actively remove carbon from the power generation process.

Currently plans are progressing well with the decommissioning work and the likely timescale for completion of demolition is Q4 2025.

The West Burton A Power Station entered into partial decommissioning on 1st October 2021, reducing the available units from 4 to 2 (reducing Capacity from 1,987MW to 1,000MW). West Burton A previously announced that it would close on 30 September 2022 and go into full decommissioning however following a request from Government in April 2022, it was agreed that West Burton A would remain open for a further 6 months until 31 March 2023. The decision to close the station is in line with EDF's commitment to contribute to Net Zero. In 2022, West Burton A generated 0.1TWh of electricity, 0.4TWh less generation than last year mainly due to the strategic decision to reduce current coal stock and be a station of last resort in preparation for its closure.

The West Burton B CCGT power plant was sold on 31 August 2021. EDF Energy now provides West Burton B with a route-to-market service whereby EDF Energy provides access to forward hedging and prompt optimisation services on behalf of the asset.

EDF Energy also operates a mid-cycle gas storage facility 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 requirements for some significant investment to the plant. Decommissioning work is progressing well, it is expected to be complete by Q4 2024.

<u>Customers</u>

The Customer Business is responsible for the supply of gas and electricity and related services to residential and business customers across Great Britain and the wholesale market optimisation of EDF Energy's generation and customer assets.

The size of business customers ranges from large public sector contracts to small privately-owned businesses. EDF Energy adopts different risk management strategies for residential and business customers.

EDF Energy is the UK leader in energy efficiency installations, through the Energy Company Obligation Scheme (ECO).

STRATEGIC REPORT (continued)

EDF Energy remains committed to its Smart Meter installation programme and 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.

Residential customers

EDF Energy supplied 11.231TWh of electricity and 28.288TWh of gas for the residential segment in 2022. As at 31 December 2022, EDF Energy had 3.244 million electricity accounts and 2.266 million gas accounts. The 2022 churn at 3% showed a decrease compared to 2021 (at 17%), driven by the Energy Crisis. EDF Energy's residential customers market share decreased from 10.5% in 2021 to 10.4% at the end of October in 2022.

Given the current cost of living crisis is now being accompanied with a forecast economic downturn until the end of 2024, there remains significant concern over the affordability of energy bills for customers. Therefore, EDF Energy is highly engaged with the UK Government and Ofgem to review issues such as supplier resilience, the future of the Default Tariff Cap methodology and Government support for consumers.

Energy Crisis

During 2021 gas and power wholesale prices in the UK rose significantly, driven by lower gas storage levels following a cold winter, delays to the Nordstream II gas pipeline certification, high gas demand in Asia and an unplanned interconnector outage between UK-France. In 2021, EDF Energy was appointed as SoLR for several failed suppliers and during 2022 has successfully completed its industry mutualization levy claim, with the highest initial claim acceptance rate of any energy supplier (>90% claimed costs initially approved by Ofgem).

Throughout 2022 energy prices remained high for Winter 2022, due to restricted Russian gas supplies into Europe, low Nuclear generation availability in France and lost LNG cargoes as a result of several processing plant outages. The Government has therefore had to bring in a number of support schemes for domestic and non-domestic consumers to address the affordability challenges presented by such sustained high prices. These support schemes have shielded customers from some of the impact of the ongoing Energy Crisis.

However, EDF Energy still faces significant risk to its hedging strategy due to uncertainties around customer demand responses to the cost of living crisis, and the speed with which the market for Fixed contracts re-opens. There is also volatility risk due to an unseasonably warm start to the Winter and the significantly lower Government support levels for business customers after 31 March 2023. Furthermore, there is additional risk of bad debt due to customer affordability issues and increasing business customer insolvency risk whilst energy costs remain high. EDF Energy is engaged very actively with the Regulator, UK Government and other stakeholders in the discussions on the market regulations reform and how to support customers through 2023 and beyond on the journey to Net Zero.

Non-residential customers

In 2022, the non-residential segment supplied a total of 33.327TWh of electricity, of which 2.13TWh was supplied to 241k small business customers ("SME") and 30.29TWh to 11.8k medium and 5.2k large business customers ("EBS"). The business customer electricity market in the UK is 157.9TWh in total, making EDF Energy the largest supplier to business customers by volume.

The industry has recovered from the Covid-19 demand reduction seen in 2020. Whilst the UK non-residential electricity segment has seen an increase of 0.3TWh in the 6 months from 30 April 2021, a volume increase of 1.7TWh YoY was seen for EDF Energy non-residential electricity segment in 2022.

In SME, managing the risks which have arisen from the pandemic has been the primary focus for much of 2020 and 2021. Steps were taken to price-in additional risk, increase credit restrictions and limit winning higher risk sectors in order to protect EDF Energy's position. Despite this, SME has developed its channels as customer numbers grew 9% in electricity this year.

EDF Energy's Medium Business segment have continued its focus on the number of meters, which has increased by 45% since the start of the year.

STRATEGIC REPORT (continued)

In the Large Business segment, the continuation of a targeted new-business approach has led to the successful acquisitions of 14 new customers in 2022, with 2 exceeding 100GWh. Additionally, 23 Large Business contracts have been renewed.

In the Public Sector, EDF Energy have supplied 17TWh over several large contracts including Crown Commercial Services, Network Rail and Scottish Procurement.

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

Wholesale Market Services

General principles

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 Market Services (WMS) Division's purpose is to manage the wholesale market risk in one place within pre-defined risk limits and control framework. It provides an interface with the wholesale markets, via EDF Trading. WMS also provides modelling services to the whole of EDF Energy, as well as negotiating and managing asset backed commercial structures with third parties including providing route to market and optimization agreements for producers.

Electricity sales and procurement

Since April 2010, 20% of the output from nuclear generation is separately sold to Centrica, the minority shareholder of the current nuclear fleet, under the agreements entered into with Centrica. The remaining 80% is sold internally under the same transfer price as used for the transaction with Centrica, based on published market prices, smoothed over forward electricity prices where liquidity allows.

Over and above its own generation, EDF Energy also sources electricity through export power supplied from power purchase agreements which are mainly with renewable and CHP producers. In 2022, EDF Energy acquired approximately 8.1TWh through this channel.

EDF Energy'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. EDF Energy's Battery Flexibility Services have secured an additional 273MW in the year for contracts between 7 and 12 years in length.

For delivery in 2022, EDF Energy's net position on the wholesale market was a sale of approximately 1.6TWh (including structured trades). In 2022, EDF Energy sold approximately 31.6TWh and bought 30TWh.

Gas, coal and carbon rights procurement

Coal and gas contracts (physical and financial) and CO2 emissions rights are entered into 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 2022, EDF Energy's coal deliveries totaled c.131kt, as part of the National Grid Extension contract for West Burton A to provide security of supply throughout Winter-22.

Pod Point

Pod Point was successfully floated on the London Stock Exchange on 4 November 2021 raising £105 million of third-party financing to fund future growth in the UK electric vehicle market. EDF has retained a 53.83% stake in Pod Point following the IPO.

In 2022, Pod Point installed 68,693 Plug-in-Vehicles (PiV). These sales were achieved amid supply chain issues and slowing growth in the EV market.

STRATEGIC REPORT (continued)

Nuclear New Build

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

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

Hinkley Point C (HPC)

EDF Energy's share in HPC is 66.5%, with CGN owning the remaining 33.5%.

As with any project of this scope, the project presents very important risks in terms of schedule and budget overruns at completion of the project.

- Progress of the BusinessOn Unit 1, Liner Ring 3 has been lifted onto the Reactor Building and MEH work on the Dome has been completed. All cranes for the U1 Turbine Hall have been delivered to storage (including the 300t crane), ready for installation.
- The two 3.5km intake tunnels and 1.8km outfall tunnel have been completed. The six intake and outfall heads have been successfully placed on the seabed.
- In April, the Simulator Building was opened, allowing training of future reactor operators.
- The progress of the Civil works is over 50% complete.
- On Unit 2, work on the Reactor Building's + 5.15 slab has commenced.
- Manufacturing of key equipment is progressing: the Unit 1 Reactor Pressure Vessel has finished manufacture, and the polar crane beams have been delivered to site.

Project Costs and Timeline

The project's targets in terms of schedule and cost at completion from the last project review to date were announced updated on 19 May 2022:

- the start of electricity generation from Unit 1 is targeted for June 2027, compared to end-2025 as initially announced in 2016;
- the project completion costs are estimated, in this review, in a range of £25 to £26 billion (in 2015 sterling) corresponding to £31 to 32[1] billion in nominal based on the inflation indexes available at end-2021;
- the risk of delay to Commercial Operations Date (COD) remains assessed at c. 15 months for each Unit, assuming in particular the absence of a new pandemic wave and no additional effects of the war in Ukraine.
- As the project's total financing needs exceed the contractual commitment of the shareholders, shareholders will be asked to provide additional equity on a voluntary basis in 2023.

The schedule and cost of electromechanical works and of final testing were not reviewed at this stage of the project's lifecycle.

At the end of 2022, the actual costs excluding interim interest held at EDF SA level for the project as a whole stood at £18.7 billion (at nominal values), or $£_{2015}$16.1 billion.

Exchanges with the UK Office for Nuclear regulation (ONR)

ONR continues comprehensive Regulatory oversight of the HPC Project, including the governance, control and management arrangements.

In Q4 2022, ONR approved, as part of its flexible permissioning regime, the End of Manufacture and release for transit of the RPV (Reactor Pressure Vessel) from Framatome, St Marcel. Looking forward, permissioning agreement will be needed from ONR for the Installation of the RPV.

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.

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[1] Based on inflation indexes as of 30 June 2022, the estimated nominal cost at completion could reach £32.7 billion. The real cost remains unchanged.

STRATEGIC REPORT (continued)

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, for each respective unit, commencing from either the target start date or end of the target commissioning window (as defined in the CfD), whichever is the earlier.

From the plant's start date, if the reference price at which the producer sells electricity on the market is lower than the strike price set under the terms of the contract, the producer 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 Contract for Difference are:

- the strike price for HPC is set at £$_{2012}$92.50/MWh. The strike price will be reduced to £$_{2012}$89.50/MWh, if the Sizewell C project reaches a positive FID, with further compensation from Sizewell C to HPC in order to share first of a kind costs of EPR across both UK projects, payable on the later of 31 December 2025 and a positive FID for the Sizewell project;
- the strike price is fully indexed to UK inflation through the Consumer Price Index (CPI);
- the term of the exercise of the mechanism is 35 years; in case of a delay to Unit 1 leading to its commercial commissioning after 1 May 2029 or a delay of Unit 2 leading to its commercial commissioning after 31 November 2029, the corresponding 35-year term of the exercise would be decreased commensurately with the deadline overrun;

Moreover, any delay in the commercial commissioning of Unit 1 beyond 31 October 2036, enables (but does not oblige) the UK Government to terminate the agreement, unless this date is postponed pursuant to the terms of the agreement. The project has some additional protection against certain unfavorable regulatory and legislative changes; provision has also been made to review the costs (up or down depending on the assumptions used) in the fifteenth and twenty fifth years, and to review certain conditions for the costs corresponding to decommissioning and waste management operations (Funding Decommissioning Programme).

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

Funded Decommissioning Programme (FDP)

Contracts for the Funded Decommissioning Programme (FDP) of HPC 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

Sizewell C is a project to construct a nuclear power station with two EPR reactors at Sizewell in Suffolk, England. The Sizewell C power plant is expected to have a total capacity of 3.26 GW, providing electricity to 6 million households for around 60 years. The project is based on a replication strategy from HPC, replicating as much as possible the HPC design and the HPC supply chain. Sizewell C will benefit from feedback and experience from HPC as well as a developed UK supply chain, providing more certainty over schedule and costs.

Various schemes are being analysed to facilitate the replication of the HPC project on the Sizewell C project, and thus to strengthen its industrial efficiency. Depending on the schemes, the risk of non-compatibility with the project's deconsolidation objective could significantly increase.

STRATEGIC REPORT (continued)

UK government's decision to back Sizewell C's development

The UK Government has expressed the intention to reach a Final Investment Decision on at least one large-scale nuclear power station this Parliament, i.e., before 24 January 2025, subject to value for money and all relevant approvals. This objective was first set out in the Energy White Paper in 2020 and has since been included in the government's Net Zero and British Energy Security Strategies.

In January 2022, the UK Government indirectly provided £100 million of government funding to the Sizewell C project development by payment to EDF in exchange for an option over the site land or over EDF's shares in the project company. This option will remain in place until Final Investment Decision date with the right for the UK Government to exercise the option only triggered before a Final Investment Decision if EDF decides not to proceed with the project.

On 29 November 2022, the UK Government announced its decision to directly invest c. £700m in Sizewell C to support the project's continued development and to gradually increase its shareholding through 2023 until it reaches parity with EDF as a 50% shareholder, in view of an expected FID in 2024. As at 31 December 2022, the UK Government holds a 32% shareholding in the project, with EDF owning the remaining 68%.

The UK Government's investment also led to China General Nuclear's (CGN) exit from the Sizewell C project. CGN held a 20% shareholding in the project until 28 November 2022 and remains a shareholder in the Hinkley Point C project.

Regulation model and risk sharing mechanism

In March 2022, new legislation came into effect (Nuclear Energy (Financing) Act) introducing a Regulated Asset Base (RAB) model as an option to finance future nuclear projects. The RAB model is a tried and tested funding model that has already been used in the UK to finance other major infrastructure such as water, gas and electricity networks. Under this model a company receives a licence from an economic regulator to charge a regulated price in exchange for providing the infrastructure.

The Sizewell C project was designated in November 2022 as eligible to benefit from the RAB model. Such a funding model has never been implemented in the UK for a single asset project of this nature and scale.

Under the RAB model, the project would receive an allowed revenue from the start of the construction phase, which would be funded by electricity suppliers being charged the cost of the project as users of the electricity system. The regulator would set an allowed revenue level for the project to recover costs (construction and operation), provide a return on the capital investment, complemented with an incentive regulation framework to deliver the project. The recovery of development costs incurred prior to the GID date via the RAB model remains to be confirmed.

In addition to the RAB, the Sizewell C project would be granted a Government Support Package (GSP) that would protect investors and debt holders from some high-impact risk events.

The combination of the RAB and GSP aims to share the project's construction and operating risks between consumers, taxpayers and investors and to lower the cost of financing.

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

Financing of the project

The financing terms of the project are not defined at this stage.

Consents, permits and licensing

In July 2022, the UK Government approved Development Consent Order (DCO), giving its go ahead to start building the power station. A request for judicial review has been launched and a hearing is scheduled to take place in March 2023.

In July 2022, the Office for Nuclear Regulation (ONR) concluded that the Sizewell C application to be granted a Nuclear Site Licence has met almost all the regulatory requirements set out in regulatory guidance, with a limited number of forward actions to be closed out. The Nuclear Site License is expected to be formally granted at Final Investment Decision date.

The Principal Environmental Permits to operate the future power station have reached a "Minded to Grant" position from the Environment Agency.

STRATEGIC REPORT (continued)

EDF's involvement after Final Investment Decision

At the date of Final Investment Decision, EDF plans to reduce its shareholding in the project to no more than 19.99%, and to deconsolidate the project from the Group's financial statements (including in the calculation of the economic indebtedness by the rating agencies).

Subject to Final Investment Decision, EDF will supply the UK EPR design, some key nuclear equipment through Framatome, the steam turbines (in the context of GE Steam Power's buyout by EDF), the fuel assemblies at least for the first fuel cycles as well as associated services to the Sizewell C project.

Final investment decision

The power plant's construction remains subject to the Final Investment Decision. EDF and the UK Government are working together to finalise the remaining steps and prepare the project for further investment.

EDF's ability to make the Final Investment Decision and contribute to the funding of the construction phase depends on the fulfilment of some conditions including:

- securing project financing which relies, among others, on the terms of the regulation framework and is exposed to the changes in the macroeconomic environment;
- the ability of EDF to deconsolidate the project in the Group's financial statements from Final Investment Decision date (including in the calculation of the economic indebtedness by the rating agencies);
- a return on capital expected by EDF as an investor of up to 19,99% in line with its investment policy;
- the granting of the remaining required consents, in particular subsidy control clearance;
- the finalization of the government support package (GSP);
- an agreement with the UK government on the base case estimate at completion and schedule;
- the finalisation of the key EDF contracts to be signed at Final Investment Decision date.

EDF's financial commitment to fund the Sizewell project until Final Investment Decision date is subject to an equity cap, without any obligation to fund the project beyond the funding cap;

Failure to meet these conditions would result in the Group not making a Final Investment Decision. In particular, an investment decision taken while EDF's ability to deconsolidate the project is not assured would strongly penalize the Group.

Should EDF decide not to take a Final Investment Decision, the UK Government would have a right to exercise an option over the land or over EDF's shares in Sizewell C.

Bradwell B

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

- obtain the design certification in the UK of the Chinese HPR1000 reactor developed by CGN (UK Hualong Pressurised Water Reactor – UK HPR1000). This process is supervised by a joint venture ("General Nuclear Systems Limited" or GNSL) currently owned at 66.5% by CGN and 33.5% by EDF;
- develop a nuclear power plant at Bradwell-on-Sea in Essex, England, using the UK HPR1000 technology. This process is led by a joint venture ("Bradwell Power Holding Company Limited" or BRB) currently owned at 66.5% by CGN and 33.5% by EDF.

The Generic Design Assessment (GDA) process for the UK HPR1000 reactor technology was successfully completed in February 2022 with the issuance of a Design Acceptance Confirmation (DAC) by the ONR and of a Statement of Design Acceptability (SoDA) by the Environment Agency.

The project has not seen any particular development since the GDA.

The project to build a nuclear power plant based on the UK HPR1000 technology reactor is unlikely to be implemented, mainly related to a lack of political support and local stakeholder support. Accordingly, the investment in the project Bradwell has been impaired in 2022 as it no longer certain that the project will go ahead.

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

STRATEGIC REPORT (continued)

Regulatory environment

Energy Bill Relief Scheme

In September 2022, the Government introduced the Energy Bill Relief Scheme (EBRS) to support businesses with their energy costs, in response to rising energy prices. Under the EBRS, the government is providing discounts on gas and electricity unit prices. The discount is calculated by comparing the estimated wholesale portion of the unit price a customer would be paying during winter 2022/2023 with a baseline 'government supported price' which is lower than currently expected wholesale prices this winter. The scheme runs from the 1 October 2022 until 31 March 2023. The support is applied to qualifying customers' bills automatically by energy suppliers who then recover the costs from government.

The Energy Bills Discount Scheme (EBDS) replaced the EBRS on the 1 April 2023. It will run for 12 months until 31 March 2024. It continues to provide support to business customers by providing a maximum per-unit discount of £6.97/MWh for gas and £19.61/MWh for electricity but these discounts will be relative to the wholesale prices being above a certain price threshold (£107/MWh for gas and £302/MWh for electricity). This will represent a significant decrease from the support in the EBRS. Vulnerable industries will receive a higher level of support, with maximum discounts of £40/MWh for gas and £89/MWh for electricity as well as higher price thresholds (£99/MWh for gas and £185/MWh for electricity).

Microbusiness Review

Following two years of work, Ofgem completed its microbusiness review in 2022. The review culminated in a number of reforms to the market for microbusiness customers aimed at improving customer protections. These measures came into effect on 1st October 2022.

Default Tariff Cap and Government Bill Support

Ofgem introduced a cap on default tariffs for residential customers on 1 January 2019. On 3 February 2022, Ofgem announced a 54% increase to the Default Tariff Cap, applicable from April 2022 for the following six months.

Ofgem later announced that the level of the Price Cap for 1 October 2022 to 31 December 2022 would be £3,549 for the average direct debit customer – an increase of 80% on the previous period, and that the Default Tariff Cap would be updated on a quarterly basis going forwards, rather than every six months. However, some supplier costs were not recoverable through the Standard Variable Tariff (SVT) calculation; in particular, it did not fully allow for the full recovery of energy costs relating to customers switching to SVT in Winter 2021.

To support British households, the Government introduced the Energy Bill Support Scheme (EBSS) under which it is providing a £400 non-repayable rebate to households to help with their energy bills over the 6 months from October 2022 to March 2023.

On 8 September 2022, in addition to the EBSS, the British government announced the Energy Price Guarantee (EPG), to take effect from 1 October 2022, to limit the amount an energy supplier can charge per unit of energy used so that a typical dual-fuel household would pay up to circa £2,500 per year. Households are expected to save around £900 over the winter period from 1 October 2022 to 31 March 2023. The British government has decided to extend the EPG from 1 April 2023 to 1 April 2024 although the typical household energy bill will increase to £3,000 from July 2023. Energy suppliers are fully compensated by the government for the savings provided to their customers under the EPG.

Retail energy market resilience

In April 2022 Ofgem introduced a market stabilization charge (MSC) and a ban on acquisition-only tariffs until the end of March 2023. Following consultation, in February 2023 Ofgem announced that these measures will be extended to March 2024.

The MSC is a requirement on all domestic suppliers acquiring a domestic customer to pay a charge to the losing supplier when wholesale prices fall below the relevant wholesale price cap index. The mechanism is intended to help reduce the risk of costly supplier failures and attempts to provide protection to those firms who hedge energy in advance for their customers so that they are not penalised should wholesale energy prices fall sharply. The MSC was triggered for the first time in November 2022.

STRATEGIC REPORT (continued)

In addition, during 2022, Ofgem also took steps to strengthen its milestone assessment framework for new and growing market entrants and increased the time period for assessment of new supply license applications.

In April 2023 Ofgem announced its decision to enshrine in licence the requirement for suppliers to ringfence their Renewable Obligation (RO) attributable to domestic supply and to enhance the existing Financial Responsibility Principle (FRP) set out in supplier licences. At the same time, Ofgem also announced a further statutory consultation on proposals to introduce the power to direct CCB ringfencing and a minimum capital requirement for all domestic suppliers which, if adopted, are currently proposed for 31 March 2025. The Group is assessing the impact of this new requirement.

ECO4 and Warm Home Discount

The third iteration of ECO scheme called ECO3 ended on 31 March 2022 and it was replaced in summer 2022 with the fourth iteration of the ECO scheme called ECO4. which will cover a four-year period until 31 of March 2026. Like ECO3, the ECO4 scheme places an obligation on larger suppliers to promote energy efficiency measures that help low income and vulnerable customers achieve notional bill savings.

Alongside this, government is introducing a parallel scheme called the Great British Insulation Scheme (GBIS) (formally ECO+), due to launch in summer 2023 and run until 31 March 2026. GBIS is designed to widen the eligibility criteria for households to be able benefit from energy efficient measures with the help from government grants when they do not meet the qualifying criteria to be able to benefit from the ECO4 scheme.

The government also confirmed this year that the Warm Home Discount (WHD) scheme would be extended for a further four years until winter 2025/2026. The level of support given to qualifying households under the scheme has been increased to £150 for eligible customers from winter 2022/2023.

Prepayment

Since the beginning of February 2023, EDF has not been installing prepayment meters under warrant, in line with Ofgem request for moratorium. Ofgem has requested that the moratorium remain in place until the end of May, at which point they will review again. We are working with Ofgem, government, suppliers and consumer groups to demonstrate procedures are fair and compliant.

Faster Switching

In July 2022, Ofgem completed its Faster Switching regulatory project to make switching suppliers faster, easier and more cost-effective for customers. Since 18 July 2022, customers now have the option of switching during or after their 14 day cooling-off and once decided, the total switching process from the old supplier to the new supplier should take place within five working days, whereas previously it could take up to 21 working days.

Electricity Generator Levy

The UK Government announced in the Autumn Statement on 17 November 2022, its intention to introduce an Electricity Generator Levy applicable to the revenues generated from renewable and nuclear sources. The Electricity Generator Levy will apply at the tax rate of 45% to electricity generation revenues, which will be determined by reference to revenue from sales exceeding a benchmark price of £75/MWh. Allowable costs are a limited set of exceptional costs including generation fuels, certain revenue sharing arrangements and the cost of buying back electricity from the grid to replace contracted output. The Electricity Generator Levy will apply from 1 January 2023 to 31 March 2028.

Smart Metering Policy

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

Since January 2022, there has been a new obligation on all suppliers to continue installing smart meters for the period until the end of December 2025. For this period suppliers will need to achieve annual minimum installation targets. The government has consulted on the annual minimum installation targets all suppliers will have to meet for the first two years: 2022 and 2023. These targets are challenging and there are real risks that suppliers will fail to achieve them, given that smart meters remain optional for customers. EDF Energy and other suppliers are working with government to develop future targets which strike the balance of completing smart meter roll out in a way that maintains pace, the correct technical standards and a positive customer experience.

STRATEGIC REPORT (continued)

EDF Energy remains committed to delivering smart meters to all residential and small business customers who want to benefit from this new technology. In 2022, EDF Energy has installed a further 563k smart meters and at the end of 2022, 54% of EDF Energy customers in scope for the rollout have smart meters. This meant that EDF Energy has installed a total of 2.9 million smart meters to date, despite several serious challenges, including a Covid-19 related pause of all smart meter installation activity.

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 March 2025.

The CM is intended to ensure security of electricity supply. Annual auctions are held to procure capacity four years ahead of delivery with a subsequent auction one year ahead of delivery; delivery years run from 1 October - 30 September. The CM continues to operate, although the inclusion of new emission limits means that unabated coal-fired generation will be unable to compete for capacity agreements for periods after 30 September 2024; the UK Government has also announced its intention to require unabated coal-fired generation to close by this date. The UK Government's five-year review of the CM, published in 2019, committed to retaining the CM as a guarantee of system reliability and to making further incremental improvements to its design. The UK Government's Energy White Paper, published in December 2020, confirmed that the next review will take place by 2024 and that UK Government intends that the mechanism will act in concert with other markets to incentivise investment in capacity.

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

In March 2022, new legislation came into effect (Nuclear Energy (Financing) Act) introducing a Regulated Asset Base (RAB) model as an option to finance future nuclear projects. (See Sizewell C paragraph)

Network Charging

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

STRATEGIC REPORT (continued)

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 41 for further details about the financial risks to which the Group is exposed.

Margin risk
Margin price risk arises from the necessity to forecast customer demand for gas and electricity effectively and to procure the various commodities at a price competitive enough to allow a favourable tariff proposition for our customers. EDF Energy has designed hedging strategies to manage this risk effectively. Exposure to movements in the price of electricity, gas and coal is partially mitigated by entering into contracts on the forward markets, and the exposure to fluctuations in the price of uranium is mitigated by entering into fixed price contracts. Risk management is monitored for the whole of EDF Energy, through sensitivity analysis; both per commodity and across commodities, in line with the Group's risk mandate. Margin risk also comes from the availability offered to customers to switch from fixed price contracts to SVT cap, which allow them to take benefit from the more attractive offer but the group cannot hedge properly.

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

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

During planned core inspections at Hunterston B Reactor 3 in 2018, a higher than expected number of cracked graphite bricks were observed. As a result, both Hunterston B reactors were shut down whilst graphite inspection outages were undertaken. The station returned to service in September 2020 following these outages and approval from the ONR for 2 operating cycles of 6 months. Reactor 3 ended power generation on 26 November 2021 and Reactor 4 on 7 January 2022 as previously planned.
Hinkley Point B Reactor 3 and 4 were shutdown following planned graphite inspections in 2020.The station had received the approval to return to service in March 2021 for reactor 3 and April 2021 for reactor 4. Reactor 3 ended power generation on 6 July 2022 and Reactor 4 on 1 August 2022.
Dungeness B reactor 2 was shut down during 2018 for a planned statutory outage and reactor 21 was shut down in 2018 for common statutory outage work. These outages were extended to address a number of issues discovered during the outages. On 7 June 2021, it was announced that the station would not return to service and would be moved to defueling operations with immediate effect.

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

STRATEGIC REPORT (continued)

Health and safety risk

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

Political and regulatory risk

Political risk arises in relation to public acceptance of building new nuclear power stations, and specifically around obtaining and maintaining the relevant licences and consents to build, operate and decommission our current and planned generating assets. Management is engaged with local residents, regulators and politicians in addressing the safety needs but also the need to meet the current and future national energy demand. The Secretary of State granted development consent for Sizewell C on 20 July 2022 and the government's support for the project was further confirmed by its decision on 29 November 2022 to commit £700m to the project, becoming a 50% shareholder in the project.

The industry has been subject to significant changes to energy and retail market regulation and through the strong political and media attention on the cost of living including focus on the affordability of energy; this attention intensified in 2022 with the extreme rise in wholesale prices following the Russian invasion of Ukraine. The Domestic Gas and Electricity (Tariff Cap) Bill, implemented in 2018 continues to apply but prices for residential customers are also affected by government support through the Energy Price Guarantee. Prices for industrial and commercial customers have also been supported through the Energy Bills Relief Scheme, to be superseded on 1 April 2023 by the Energy Bills Discount Scheme. Further decisions by government and Ofgem could have further impact on the profitability of our Customers business. In response to high UK wholesale market prices, in November 2022 the UK Government announced an 'Electricity Generator Levy', which places a 45% tax on electricity generation income above £75/MWh generated between 1st January 2023 and 31st March 2028 (5.25 yrs) and will apply to both EDF's operating UK nuclear assets as well as renewable and biomass generation not generated under a Contract for Difference with the Low Carbon Contracts Company Limited.. A dedicated programme is in place to manage the delivery of Smart Meters and we continue to liaise with government to ensure the full implications of this initiative are understood.

Carbon Pricing

As the largest producer of low-carbon electricity in the country, EDF Energy benefits over the long term from the increase in the wholesale power price as a result of the application of a carbon price to the carbon emissions of fossil fuelled generation. Electricity producers in Great Britain are subject to two main carbon pricing mechanisms, the UK Emissions Trading System (UK ETS) and the UK's Carbon Price Support tax set at £18/tonne until March 2025.

Nuclear liabilities risk

The Group's nuclear liabilities are in respect of costs for the management of spent fuel, nuclear decommissioning and other uncontracted nuclear liabilities. The UK Government has provided an indemnity to cover liabilities for spent AGR fuel loaded prior to the British Energy restructuring effective date of 14 January 2005 and in relation to qualifying uncontracted nuclear and decommissioning liabilities. The UK Government will also indemnify any future funding shortfall of the NLF (Nuclear Liabilities Fund). The Group continues to be responsible for funding certain excluded or non-qualifying nuclear liabilities (if any) and will not be compensated or indemnified by the NLF and the Secretary of State in relation to such liabilities. On 23 June 2021 EDF and the UK government signed an update to the Restructuring Agreements. The changes and clarifications to the Agreements confirm the recovery of qualifying costs and stipulate that once the AGR stations have finished defueling under EDF Energy responsibility, they will transfer to the NDA which will be responsible for subsequent decommissioning activities.

STRATEGIC REPORT (continued)

Retirement benefit obligations risk
On 31 December 2021 the assets and liabilities of EDF Energy Generation and Supply (EEGS) and EDF Energy Pension Scheme (EEPS) were merged into British Energy Generation Group (BEGG) and BEGG was renamed EDF Group of the Electricity Supply Pension Scheme (EDFG). A significant reduction in real interest rates over the year together with a fall in the value growth assets have resulted in the consolidated pension schemes assets falling faster than liabilities, resulting in a significant reduction in the IAS 19 surplus in the year. Higher interest rates and closure to future accrual for most members have led to reduced pension cash expense for future accrual. EDF Energy and the Pension Scheme Trustees keep investment risk under review, concentrating on prudent asset allocation and liability hedging.

A revised Memorandum of Understanding (MoU) was agreed in 2021 as part of the negotiation around consolidation setting out a framework whereby EDF SA provides financial support in return for agreement on funding and investment/risk matters. See note 40 for more details of pension risks.

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

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

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

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

Climate-related risk
Risks and opportunities associated with climate change and the transition to a lower carbon economy are considered both strategically and operationally.

The purpose of EDF Energy is to help Britain Achieve Net Zero, which is aligned with the UK Government's commitment to net zero greenhouse gas emissions by 2050. The purpose is a UK articulation of the EDF Group raison d'être: to build a net zero energy future with electricity and innovative solutions and services, to help protect and nurture the environment and drive well-being and economic development. It underpins our strategy and decision-making, and helps our activities be compatible with achieving our objectives in a sustainable and fair way.

The alignment of strategy with the current UK Government's commitments means that decarbonisation is considered more of an opportunity than a risk. As the country's largest low-carbon electricity producer, UK policies designed to achieve Net Zero are opportunities to promote low-carbon electricity mix based on nuclear energy and renewables. Further details are described in Long-term strategy and the Section 172 (1) Statement.

STRATEGIC REPORT (continued)

Climate change has already started to and will continue to significantly impact on the frequency and intensity of natural hazards. Extreme weather such as high summer temperatures or flooding is predicted to become more common in the UK and if unmitigated, the associated physical risks are likely to impact EDF Energy's activities. EDF Energy business units are responsible for identification and management of risk associated with their business area, including the potential commercial impacts of climate-related risks on operations.

EDF Energy has a long history of acting to understand and mitigate physical risks from a changing climate on its existing and new nuclear assets and continues to assess risks and adequacy of measures considering evolving climate science. Climate risk associated with existing and new nuclear power stations is assessed using the UK Climate projections (UKCP latest version UKCP18) produced by the Met Office Hadley Centre Climate Programme. Safety cases for existing site licenses look at one in 10,000 year extreme weather and flooding events and over the life of the stations periodic safety reviews consider any needed updates to adaptation measures, based on continuously evolving climate science. Climate resilience is also integral to the design of new stations with studies undertaken as part of Development Consent Order applications and site license applications.

In line with wider EDF Group approach, EDF Energy / UK produced a high-level climate change adaptation plan in 2022 that is now integrated in the environmental management system.

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.

Investment strategy

In 2022, the Group continued its programme of investment into low carbon power generation through its HPC projects. In 2022, amounts capitalised in property, plant and equipment relating to HPC were £3,416m (2021: £3,202m) see note 17.

On 4 November 2021, Pod Point was successfully floated on the London Stock Exchange raising £105m of third-party financing to fund future growth in the fast growing UK electric vehicle market. EDF has retained a 53.83%stake in Pod Point following the IPO.

Divestment strategy

In March 2021, the Group announced the closure date for its last coal-fired power station. West Burton A will cease generation on 30th September 2022, allowing the station to meet its capacity market commitments until this date and meet the UK Governments deadline to close UK coal-fired power stations by 2024. However, following a request from Government in April 2022, it was agreed that West Burton A would remain open for a further 6 months until 31 March 2023.

On 31 August 2021 EDF sold its West Burton B power station and the associated battery storage asset to EIG.

Expenditure incurred specifically in response to environmental issues

*British Emissions Trading Scheme (UK ETS)*The European Union's Emissions Trading System (EU ETS) exists to fight climate change and reduce greenhouse gas emissions. Since Brexit, the United Kingdom has set up its own system (UK ETS - Emissions Trading Scheme). The UK ETS, which uses a bidding system, covers the same sectors as the EU ETS and operates under generally similar rules

This system, which has been incorporated into UK law, sets an annual cap on emissions. Businesses (including EDF Energy) receive or buy emission quotas, then the following year surrender to the European Commission a number of greenhouse gas emission rights corresponding to their emissions for the year elapsed. Fines are payable if there is a shortfall (110€ per tonne of CO_2 not covered by quotas, and an obligation to cover these amounts by quota the following year).

STRATEGIC REPORT (continued)

The volume of emissions by EDF Energy in 2022 stood at 0.1 million tonnes (2 million tonnes for 2021). Actual impacts of greenhouse gas emissions amounted to £8m (£30m in 2021) and are included in provisions. Greenhouse gas emissions are a component of intangible assets (see note 16) and had a net value of £76m at 31 December 2022 (2021: £76m).

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 £833m million is recognised at 31 December 2022 (2021: £821m) relating to the obligations for renewable energy certificates to be surrendered at that date (see note 27). At 31 December 2022, £262m (2021: £206m) of these obligations are covered by purchased certificates recorded in intangible assets (see note 16).

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 27 and 28.

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 27).

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 15).

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

Respect for human rights is fundamental to the sustainability of EDF Energy and the communities in which we operate. In our Group and across our supply chain, we are committed to ensuring that people are treated with dignity and respect and we abide and require our suppliers to comply with the principles of the UN Global Compact. Our commitment to ethical business practice is outlined in our Ethics & Business Conduct Policy. Our commitment to sustainable and responsible business, including steps we plan to take to further address social issues, including modern slavery, underpins the controls that we implement and enables us to comply with the French “loi de vigilance”, which requires EDF and its subsidiaries to identify and control risks to human rights and fundamental liberties, the health and safety of people and the environment that may arise from our business activities and those of our subcontractors and suppliers. Controls to mitigate human rights risks are reviewed annually as part of our annual internal control self-assessment process and are reviewed periodically by internal audit.

STRATEGIC REPORT (continued)

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

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

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

The Group seeks to ensure that sufficient financial headroom exists. It is the Group's policy to maintain committed facilities and/or available surplus cash. The Group manages its capital and supports its credit rating through focusing on its net debt which comprises borrowings (note 25), including lease obligations, accrued interest and derivative liabilities relating to debt instruments, less cash and cash equivalents. Given that the Group is a wholly-owned subsidiary, any change in capital structure is often achieved via additional borrowings or additional equity injected from its ultimate parent company or other companies within the EDF S.A. group, and available standing credit facilities with EDF S.A.

After making enquiries and reviewing cash flow forecasts and available facilities for at least the next 12 months (including subsequent events), together with consideration of the ongoing financing available through EDF S.A. which is expected to continue, 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

28 April 2023

DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 31 December 2022.

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:

Robert Guyler
Pierre Todorov
Xavier Girre
Veronique Lacour
Simone Rossi
Christophe Carval
Xavier Ursat
Sylvie Jehanno
Etienne Dutheil
Luc Remont (appointed 19 December 2022)
Jean-Bernard Lévy (Resigned 23 November 2022)
Colin Matthews (Resigned 12 December 2022)

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.

<u>Current year Energy Efficiency Measures</u>

During 2022, EDF has implemented a significant number of initiatives to improve energy efficiency and the key ones are summarised below.

HPC:

- Generators
  - All generators on site are managed within a permit system to ensure their number is optimal for the needs of the project.
  - We use a mix of hybrid and diesel generators.
  - A mapping system is used to chart where generators are in use and when their permit expires to ensure the most efficient generators are in use.
  - The electrical network is being expanded rapidly across site, removing the need for additional generators to supply power. Once an area is connected to the electrical network, power cables are to be connected within 3 months
- Sewage
  - The temporary sewage treatment works has been operational since February 2022, eliminating the need for tankers to remove liquid waste from site by road.

DIRECTORS' REPORT (continued)

- Lighting
  - Across site we are moving to installing timers on all external lights to minimise the amount of light pollution and energy consumption. In some areas, 97% of lights are on timers. Other areas are catching up but there is a timer shortage
- Vehicles
  - The Waste Consolidation Centre (WCC) allows us to process waste on site before it is transported off site for recycling. This maximises load consolidation and efficiency. Over 2022, on average, a ratio of 5 to 1 was achieved (5 loads in to the WCC, 1 load out), equating to a saving of 6,003,526 litres of fuel and a CO2 saving of 15,356 tCO2e.

Nuclear Fleet

The overriding contribution to Net Zero from Nuclear Generation, comes from safe, reliable, low carbon nuclear generation. However, as the Nuclear fleet ages, stations cease power generation and instead become waste production sites.

EDF now has three stations in end of generation. Hinkley Point B and Hunterston B started to defuel in 2022 and Dungeness B will start in June 2023. Heysham 1 and Hartlepool are set to enter defueling in 2024 (However EDF Energy announced in March 2023 its intention to extend the end of generation for Heysham 1 and Hartlepool to 31 March 2026 with a +/- 1 year proviso.), , Heysham 2 and Torness in 2028, and Sizewell B in 2035.

Across the fleet there are a number of projects ongoing such as tree planting. Stations are continuing to move to LED lighting, to introduce motion sensor lighting, to optimise onsite vehicles, to increase the electrical offsite fleet, and to reduce their chemical, gas and fuel inventory.

Specific examples from around the fleet include:

- Heysham 1
  - Returned to Full Power on Reactor 2. R2 was load limited following a number of fuel failures in 2016. Following the implementation of several countermeasures and ongoing fuel monitoring and improving condition, R2 was returned from 90% to 100% load in June/July this year.
  - No coastdowns performed on either reactor in 2022. This was another failed fuel countermeasure. Coastdowns limit auto rod withdrawal and introduce a tapered load reduction prior to planned shutdowns. The magnitude of lost generation will vary between each coast down and load profile, however, as an approximation, a coastdown is equal to approx. 1 day of nominal full power operation.
- Heysham 2
  - Reported defects on the station are at their lowest since 2017, this work impacts all areas of the site, creating a safer working environment both for industrial and environmental safety.
  - SF6 leaks fixed on station, and generator transformers on Unit 7, during station outage.
- Sizewell B
  - Central Chillers Commissioned with more energy efficient units and refrigerant gas, with zero Global Warming Potential (GWP).
  - The Administration building air conditioning units have been replaced with new energy efficient units using less refrigerant gas with lower GWP.
- Torness
  - 400 trees planted on land outside the fence; improvements focused on biodiversity and habitat diversification.
  - On site improvements have been made in reducing the F-gas inventory, resulting in a reduction of 450.25Te CO2 equivalent being held in systems.
- Hartlepool
  - Essential flooding safety case work completed, to enhancing the station's ability to withstand and recover from 'beyond design basis events, such as extreme natural disasters that could occur in the UK.
  - The Make-Up Water Treatment Plant (MUWTP) continuously produces high quality, demineralised water. Over the past 24 months it has benefited from £1million of investment. This work will prevent £200,000 of demineralised water being lost each year.

DIRECTORS' REPORT (continued)

End of Generation and Defueling sites

Following the end of generation, Dungeness (DNB), Hinkley Point B (HPB) and Hunterston (HNB):

- All have been working to reduce the quantity of oils and chemicals held on site, which are no longer required (HNB, DNB, HPB).
- Nitrogen consumption optimisation has helped an estimated saving of £18,000 per month and further optimisation will be continued while maintaining nuclear safety and regulatory compliance (HNB).
- Work on Planned Cessation of Main Cooling Water Pumps and Gas Circulator Main Motors has progressed in 2022 and continues into 2023 to identify the opportunity to stop using the station's Main Cooling Water Pumps and Gas Circulator Main Motors (except for warming up the reactor gas for defueling). This is possible as a result of the lesser plant demands following end of generation. Depending on the site and the number of pumps being retained in service, this could lead to a saving of around £9-10,000 per day (HNB, DNB, HPB).
- Return of unused nuclear fuel. New, unused nuclear fuel built at Dungeness B, but not used following announcement of early foreclosure, has been returned to the manufacturer for reuse across the fleet. This builds on work to recover ~£25million of new fuel and will have substantial non-financial benefits in the form of reduced environmental impact attributable to additional fuel processing or treating the fuel as irradiated. Work continues into 2023 to remove unused fuel from the reactors and return it to the manufacture (DNB).

West Burton A continues to investigate ways to reduce energy consumption even as it approaches the end of its operational life, including:

- Physical isolation of kit, which significantly reduces energy usage; and
- For the remaining operational units, we continue with our works power initiative, where items of plant are shut down where possible. Savings of approximately £1m were realised for the first half of 2022.

Gas storage:

- EV charging units were installed on site and fully commissioned during 2022,
- Arrangements were made to lease our first two electric site vehicles – however, due to market supply/demand, delivery is not scheduled until Q1 2023,
- We have also been exploring (with grant funding from BEIS) options for converting some of our natural gas storage cavities to compressed air energy storage facilities.

Cross Company

- LED upgrades continue to be rolled out across all locations, where possible.
- We continue to install Pod Point charging points across our sites for electric vehicles and are currently exceeding our EV100 commitment.
- As a result of Covid-19 and business efficiencies, we continue to review our office space and look for ways to improve efficiency. This includes reduction and optimisation of office space, much of which commenced in 2022 and continues into 2023.
- Energy Manager in place with programme of activities in place and a new Energy Management Platform up and running.
- Energy efficiency programme for Winter 2022 established and in place.

Prior year Energy Efficiency Measures

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

HPC

- As part of the construction of our new nuclear power station Hinkley Point C, we continually look for the most energy efficient practices and ways we can reduce energy consumption. A significant improvement has been as a result of increased connections to mains electricity supply across our vast construction site. This provides a direct electricity supply to site construction areas and

DIRECTORS' REPORT (continued)

reduces the number of diesel generators. We have removed over 100 diesel generators from site over the last year.

- We now have a permit system for delivering diesel generators to site which requires Director level approval for new units to site.
- More than half of the lighting towers used across site are now either solar or hybrid powered;
- Our sewage treatment plant is due to become operational in Q1 2022 and reduce the number of vehicles on the roads removing liquid waste; and
- We continue to increase the use of electric vehicles across the site activities.

Nuclear Fleet

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

DIRECTORS' REPORT (continued)

Cross Company

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

Breakdown of Emissions by Scope

Fuel Type	Consumption (kWh)			Emissions (tCO2e)		
	2020*	2021*	2022	2020*	2021*	2022
Scope 1: Combustion of fuel for transport purposes	31,298,278	36,565,304	37,132,303	8,425	9,833	9,554
Scope 1: Combustion of gas	1,692,161	1,668,234	1,176,307	311	306	215
Scope 2: Purchased electricity	1,801,097,528	1,326,734,485	1,308,948,332	419,908	281,706	253,124
Scope 3: Business Travel emissions	2,905,054	2,900,028	4,060,976	720	713	1,002
Total	**1,836,993,021**	**1,367,868,051**	**1,351,317,918**	**429,364**	**292,558**	**263,895**

* Previous years data has been adjusted to take into account actual electricity and gas consumption.

Our direct carbon emissions under Scope 1 in 2022 were 9,769 tonnes (2021: 10,139 tonnes) for gas consumption from our property, and fuel for transport. Our indirect carbon emissions for Scope 2 in 2022 amounted to 253,124 tonnes (2021: 281,706 tonnes) and come from electricity purchased and consumed across our offices and assets. Our Scope 3 carbon emissions in 2022 from business travel were 1,002 tonnes (2021: 713 tonnes).

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 2022 is 195 tCO2e/GWh, which is an improvement on the intensity ratio from 2021 of 213 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

The 'Buildings Electricity & Gas' includes all consumption from our EDF offices and is shown either as actual or estimated. We use a variety of tools to collate our energy data and comments have been added to this to align to the individual systems used. Where billing data could not be obtained, estimated kWh were used based on 12 months previous consumption. In total our estimated consumption was 328,207 kWh for electricity and 563,061 kWh for gas. Our actual consumption was 49,074,655 kWh for electricity and 613,246 kWh for gas.

Fleet Fuel

The '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 (9.98 for diesel and 9.022 for petrol) to calculate kWh.

Generation on-site fuel

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

The following assumptions have been made:

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

The total amount of fuel used in litres is multiplied by the fuel conversion factor to calculate the 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 Generation and Own Use

The 'Site Generation & Own Use' includes our gross electricity output from our power stations, our total own electricity consumption by our stations and a split of the electricity we import directly from the grid for our own 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

The '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 2022 BEIS managed assets vehicles, average car, unknown fuel conversion factor to calculate the total kgCO2e.

The distance in miles is multiplied by the 2022 BEIS SECR kWh pass & delivery vehicles, average car, unknown fuel conversion factor to calculate the total kWh.*Hire Car Expenses*

The 'Hire Car Expenses' includes all hire car refuelling data which is extracted from the Concur travel and expenses reporting system. Employees that use a hire car for company business are entitled to expense the fuel that is used to refuel the hire car. EDF then reimburse the employee.

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 HMRC data for 2022, using a factor of £0.15 per mile. All relevant unquoted consolidated subsidiaries of the group are included in the above report. The only exception to this is Pod Point Holdings plc, which EDF Holdings Limited has a majority share, and is part of the Customers Business. As a result of Pod Point being a quoted company, and therefore having different reporting requirements for SECR, a separate report has been presented below.

DIRECTORS' REPORT (continued)

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

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

Summary greenhouse gas emissions

Category	2022	2021
Direct emissions of tCO2e (Scope 1)	409	293
Indirect emissions of tCO2e (Scope 2)	41	6
Indirect emissions of tCO2e from supply chain (Scope 3)	18,774	13,553
Energy transferred across our network (GWh)	367	172
Total emissions gCO2e per kWh transferred energy	52	81
Total units installed and shipped	68,690	66,002
Total emissions kgCO2e per unit installed and shipped	280	210

Energy consumption

	2022 (MWh)	2021 (MWh)
Fuels for transportation		
Petrol	755	394
Diesel	760	698
Other / Unknown	65	25
Indirect energy		
Electricity (office)	15	17
	(100% renewable)	(100% renewable)
Electricity (fleet)	118	16
Heating (office)	48	92
	(100% renewable)	(100% renewable)
Total	1,761	1,242

For Pod Point, our Scope 1 emissions are mostly generated from the fuel used by our fleet. Our Scope 2 emissions include electricity and gas used in our London office, as well as any electric charging of our fleet.

Our Scope 3 is 98% of our CO2e emissions and includes everything else, from manufacturing, to logistics, to any third-party installation operations.

Target

We are reducing our Scope 1 emissions by moving our fleet to electric. vehicles. This year, we've reached 81% of our fleet being either a REX or BEV and aim to increase that number to 95% by the end of 2024.100% of the energy used in our office is on a renewable tariff (REGO backed). Our office also uses 100% biogas for heating.

DIRECTORS' REPORT (continued)

Dividends
Dividends of £nil (2021: £185m) were paid to the parent company and dividends of £75m (2021: £1m) were paid to the non-controlling interest during the year.

Political contributions
During the year, the Group made no political contributions (2021: £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 41.

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 "Stakeholder Engagement" – who are they and how do we engage with them on page 7.

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 43 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)

Deloitte LLP are auditors for the financial year ended 31 December 2022 and will be replaced by PwC LLP as the auditors of the Company for the financial year ending 31 December 2023 in accordance with the provisions of the Companies Act 2006. The Directors have been authorized to fix the remuneration of the auditors.

On behalf of the Board

Robert Guyler
Director

28 April 2023

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK-adopted International Accounting Standards, as endorsed by the UK Endorsement Board. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

•properly select and apply accounting policies;

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

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

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

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

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

On behalf of the Board

Robert Guyler
Director

28 April 2023

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

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of EDF Energy Holdings Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 44 of the consolidated financial statements and note 1 to 18 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, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

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

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

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. 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, internal audit and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group's business sector.

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

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

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

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our procedures performed to address it are described below:

- Unbilled revenue and receivables valuation: International Standards on Auditing (UK & Ireland) 240 requires us to presume there is a risk of fraud in revenue recognition. We consider the significant risk of material misstatement in revenue to be pinpointed to 'unbilled revenue' in the Customers business, which represents the estimated portion of energy consumed by customers where meter readings have not taken place and therefore this has not yet been billed. Our significant risk is pinpointed to the residential

and SME segments on the basis that these are most susceptible to material judgments and changes in assumptions. We have engaged with internal specialists and performed a recalculation of the unbilled revenue as at 31 December 2022.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

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

Anthony Matthews, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
28 April 2023

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	**2022 £m**	2021 £m
Revenue	4	13,700	8,720
Fuel, energy and related purchases	6	(10,733)	(6,705)
Gross profit		2,967	2,015
Materials and contracting costs		(867)	(767)
Personnel expenses	8	(666)	(869)
Other operating expenses		(342)	(421)
Other operating income		33	20
Operating profit/(loss) before depreciation, amortisation and impairment		1,125	(22)
Gain/(Loss) on derivative commodity contracts	5	(1)	1
Depreciation and amortisation	5	(781)	(928)
Net impairment of non-current assets	5; 15	(353)	(613)
Exceptional restructuring and other costs	11	(105)	(190)
Other gains		1	14
Loss before tax and finance costs		(114)	(1,738)
Investment income	9	1,893	846
Finance costs	10	(1,858)	(887)
Loss before tax		(79)	(1,779)
Taxation on profit/(loss) on ordinary activities	12	(188)	70
Share of gain/(loss) of associates	19	2	(19)
Loss for the year		(265)	(1,728)
Loss attributable to:			
Equity holders of the parent	38	(238)	(1,427)
Non-controlling interest	30	(27)	(301)
		(265)	(1,728)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	**2022** £m	2021 £m
Loss for the year		(265)	(1,728)
Items from continuing activities that will not be reclassified subsequently to profit or loss:			
Net actuarial gain/(loss) on defined benefit pensions	40	(1,808)	1,041
Income tax effect		441	(355)
Items from continuing activities that may be reclassified subsequently to profit or loss:			
Net gain/(loss) on cash flow hedges:			
Loss on cash flow hedges	37	(2,355)	(719)
Income tax effect		588	178
Net cost of hedging:			
Cost of hedging	37	(7)	-
Income tax effect		-	-
Net gain/(loss) on Fair Value Through Other Comprehensive Income:			
Gain/(Loss) on Fair Value Through Other Comprehensive Income		-	(1)
Income tax effect		-	-
Total comprehensive expense		(3,406)	(1,584)
Total comprehensive expense attributable to:			
Equity holders of the Company		(3,110)	(1,434)
Non-controlling interest	30	(296)	(150)
		(3,406)	(1,584)

The income tax effect on defined benefit pensions includes a deferred tax credit of £429m (2021: charge of £355m) and a current tax credit of £12m (2021: credit of £nil).

The net loss on cash flow hedges includes a deferred tax credit of £588m (2021: credit of £178m).

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2022

	Note	**2022 £m**	2021 £m
Non-current assets			
Goodwill	14	6,351	6,785
Intangible assets	16	560	560
Property, plant and equipment	17	23,094	19,646
Right-of-use assets	31	55	58
Financial assets	18	3,147	697
Interest in associates	19	372	525
NLF and Nuclear Liabilities receivable	20	11,075	12,592
Post-employment benefits asset	40	584	2,292
Derivative financial instruments	26	330	305
		45,568	43,460
Current assets			
Cash and cash equivalents	21	2,589	1,850
Inventories	22	1,689	2,094
Financial assets	18	-	3
Trade and other receivables	23	3,719	2,347
Derivative financial instruments	26	654	1,531
NLF and Nuclear Liabilities receivable	20	1,341	841
Current tax asset		-	17
		9,992	8,683
Total assets		55,560	52,143
Current liabilities			
Other liabilities	24	(5,247)	(3,078)
Borrowings	25	(1,263)	(108)
Derivative financial instruments	26	(3,502)	(1,808)
Provisions	27	(2,098)	(2,276)
Obligations under leases	31	(14)	(13)
Current tax liability		(113)	-
		(12,237)	(7,283)
Net current assets		(2,245)	1,400
Total assets less current liabilities		43,323	44,860
Non-current liabilities			
Other liabilities	24	(407)	(467)
Borrowings	25	(1,582)	(808)
Derivative financial instruments	26	(487)	(717)
Provisions	27	(11,926)	(13,435)
Deferred tax liability	29	(613)	(1,252)
Obligations under leases	31	(46)	(54)
		(15,061)	(16,733)
Total liabilities		(27,298)	(24,016)
Net assets		28,262	28,127

CONSOLIDATED BALANCE SHEET (continued)
AT 31 DECEMBER 2022

	Note	**2022** **£m**	2021 £m
Equity			
Share capital	33	14,081	11,795
Share premium reserve	34	199	199
Capital reserve	35	9	9
Merger reserve	36	(2)	(2)
Hedging reserve	37	(2,283)	(509)
Retained earnings	38	7,280	8,761
Equity attributable to equity holders of the Company		19,284	20,253
Non-controlling interest	30	8,978	7,874
Total equity		28,262	28,127

The accounts of EDF Energy Holdings Limited (registered number: 06930266) on pages 45 to 111 were approved by the Board of Directors and were signed on its behalf by:

Robert Guyler
Director

28 April 2023

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	**2022 £m**	2021 £m
Net cash from operating activities	39	2,821	930
Investing activities			
Purchase of property, plant and equipment		(3,968)	(3,771)
Proceeds from disposal of property, plant and equipment		1	301
Payments for carbon and renewable obligation certificates		(1,111)	(1,061)
Purchase of other intangible assets	16	(43)	(53)
Proceeds from disposal of intangible assets		1	-
Loans to parent company	18	(2,235)	(5)
Capital contribution to associates		-	(30)
Interest received		99	13
Loan to associates		(170)	(62)
Loan repayment from associates		-	1
Net cash used in investing activities		(7,426)	(4,667)
Financing activities			
Dividends paid to equity holders of parent	13	-	(185)
Dividends paid to non-controlling equity holders		(75)	(1)
Repayment of obligations under leases	31	(16)	(20)
Proceeds received from borrowings in the year		1,894	117
Repayment of borrowings		-	(8)
Proceeds on share issue to parent undertakings	33	2,287	2,164
Capital contribution from non-controlling interest		1,333	1,199
Interest paid		(79)	(38)
Transaction with non-controlling shareholders on Pod Point listing		-	105
Net cash generated from financing activities		5,344	3,333
Net increase/(decrease) in cash and cash equivalents		739	(404)
Cash and cash equivalents at 1 January 2022		1,850	2,254
Effect of foreign exchange rates			
Cash and cash equivalents at 31 December 2022	21	2,589	1,850

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital £m	Share premium reserve £m	Capital reserve £m	Hedging reserve £m	Merger reserve £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
At 31 December 2020	**9,631**	**199**	**9**	**32**	**(2)**	**9,800**	**19,669**	**6,826**	**26,495**
Loss for the year	-	-	-	-	-	(1,427)	(1,427)	(301)	(1,728)
Other comprehensive (loss)/ income for the year	-	-	-	(541)	-	534	(7)	151	144
Total comprehensive (loss)/ income for the year	-	-	-	(541)	-	(893)	(1,434)	(150)	(1,584)
Equity dividends paid	-	-	-	-	-	(185)	(185)	(1)	(186)
Issue of capital	2,164	-	-	-	-	-	2,164	1,124	3,288
Other changes in equity on listing of Pod Point (Note 30)	-	-	-	-	-	39	39	75	114
At 31 December 2021	**11,795**	**199**	**9**	**(509)**	**(2)**	**8,761**	**20,253**	**7,874**	**28,127**
Loss for the year	-	-	-	-	-	(238)	(238)	(27)	(265)
Other comprehensive (loss)/income for the year	-	-	-	(1,774)	-	(1,098)	(2,872)	(269)	(3,141)
Total comprehensive loss for the year	-	-	-	(1,774)	-	(1,336)	(3,110)	(296)	(3,406)
Equity dividends paid	-	-	-	-	-	-	-	(75)	(75)
Issue of capital	2,286	-	-	-	-	-	2,286	1,330	3,616
Other changes in equity (Note 30)	-	-	-	-	-	(145)	(145)	145	-
At 31 December 2022	**14,081**	**199**	**9**	**(2,283)**	**(2)**	**7,280**	**19,284**	**8,978**	**28,262**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

EDF Energy Holdings Limited (the “Company” or the “parent company”) is a private company limited by shares. It is incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company’s registered office is shown on page 1. The nature of the operations of EDF Energy Holdings Limited and its subsidiaries (the “Group”) and their principal activities are set out in the Strategic and Directors’ Reports on pages 2 to 40. 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 United Kingdom. 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.

The consolidated financial statements are presented in pounds and all values are rounded to the nearest millions (£000,000), except when otherwise indicated.

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 2022 and did not have a material impact on the consolidated financial statements:

Onerous Contracts Costs of Fulfilling a Contract Amendments to IAS 37

In May 2020, the International Accounting Standards Board (Board) issued *Onerous Contracts Cost of Fulfilling a Contract*, which made amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g. the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g. depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Group applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period. Prior to the application of the amendments, the Group had not identified any contracts as being onerous as the unavoidable costs under the contracts, which were the costs of fulfilling them, comprised only incremental costs directly related to the contracts. As a result of the amendments, certain other directly related costs have been included by the Group in determining the costs of fulfilling the contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The Group, therefore, recognised an onerous contract provision as at 1 January 2022, which increased as of 31 December 2022 (Note 27). In accordance with the transitional provisions, the Group applies the amendments to contracts for which it has not yet fulfilled all of its obligations, at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application) and has not restated its comparative information.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

In accordance with the transitional provisions, the Group applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there was business combination during the year and as such there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Group applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

Impact of climate change

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

New standards, amendments and interpretations published but not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions hence they have not been presented in detail in these financial statements.

Management is currently assessing the potential impact, if any, of the Amendments to IAS 12 'Income Taxes' which is effective from 1 January 2023.

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.

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 112 to 123 under FRS 101. No income statement is presented for EDF Energy Holdings Limited in accordance with the exemptions allowed by the Companies Act 2006.

Going concern

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The Group seeks to ensure that sufficient financial headroom exists. It is the Group's policy to maintain committed facilities and/or available surplus cash. The Group manages its capital and supports its credit rating through focusing on its net debt which comprises borrowings (note 25), including lease obligations, accrued interest and derivative liabilities relating to debt instruments, less cash and cash equivalents. Given that the Group is a wholly-owned subsidiary, any change in capital structure is often achieved via additional borrowings or additional equity injected from its ultimate parent company or other companies within the EDF S.A. group, and available standing credit facilities with EDF S.A.

After making enquiries and reviewing cash flow forecasts and available facilities for at least the next 12 months (including subsequent events), together with consideration of the ongoing financing available through EDF S.A. which is expected to continue, 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 and goodwill

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

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

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

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

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.

During the year the UK Government announced three new support schemes to provide support for customers during the cost-of-living crisis as follows: Energy Bill Support Scheme (EBSS), Energy Price Guarantee (EPG) scheme and Energy Bill Relief Scheme (EBRS).

The Group has determined that it is appropriate to apply the requirements of IFRS 15 ‘Revenue from Contracts with Customers’ where the Government is effectively settling a portion of customers’ energy bills. This is on the basis that the Group remains entitled to receive consideration for the supply of electricity and gas based on either the existing price cap structure or customers’ fixed or variable priced contracts and the transaction price is unchanged. The trade receivable arising from the supply of energy is settled both by the customer, and the Government. The Group observes that the alternative application of IAS 20 ‘Government Grants’ would have resulted in a similar accounting outcome.

Government grants

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

Taxation

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

<u>Current tax</u>
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.

<u>Deferred tax</u>
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

Foreign currency translation

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

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

Intangible assets

Intangible assets are initially recognised at cost and are 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	-2-4 years
Customer relationship	-15 years
Brand	-20 years

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

Property, plant and equipment

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Non-nuclear generation assets	– Up to 40 years
Advanced Gas-cooled Reactors (AGR) power stations	– 40 to 41 years
Pressurised Water Reactor ("PWR") power station	– 60 years
Overhaul of generation assets	– 4 years
Freehold land	– Not depreciated
Other buildings	
-freehold	– Up to 40 years
-leasehold	– Lower of lease period or 40 years
Vehicles and mobile plant	– 5 to 10 years
Fixtures and equipment	– 3 to 8 years
Other plant and equipment	– 18 months to 5 years

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

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

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

Disposal

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

Impairment of non-current assets

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

Recoverable amount is the higher of the fair value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Leases

Group as a Lessee

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

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

Right-of-use asset

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

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

Lease Liabilities

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

Group as a Lessor

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

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

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate less any impairment in the value of individual investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Losses of the associates in excess of the Group's interest in those associates are not recognised, only to the extent that the Group has not incurred legal or constructive obligations, or made payments on behalf of the associate.

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

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

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

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

Inventories

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

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

Fuel costs – nuclear front-end

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

Pressurised Water Reactor ("PWR")
All front-end fuel costs are variable and are capitalised into inventory and subsequently charged to the consolidated income statement in proportion to the amount of fuel burnt.

Fuel costs – nuclear back end

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

PWR

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

Provisions

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

Unburnt fuel at shutdown

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

Nuclear Liabilities Fund (“NLF”) funding arrangements

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

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

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

NLF and nuclear liabilities receivables

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

In principle, the recognised NLF receivable represents the aggregate value of the Nuclear Liabilities Fund and the UK Government indemnity such that the receivable equals the present value of the associated qualifying nuclear liabilities. The nature of the process, whereby the Group claims back from the NLF for qualifying liabilities, can cause small timing differences between the receivable and the nuclear liabilities at the balance sheet date.
The UK Government indemnity is also provided to cover services for spent AGR fuel loaded pre RED. The nuclear liabilities receivable is recognised in respect of the indemnity such that the receivable equals the present value of the associated qualifying nuclear liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The NLF receivable and the nuclear liabilities receivable are stated in the balance sheet at current price levels, discounted to take account of the timing of payments. Each period the financing charges in the income statement include the revalorisation of these receivables required to match the revalorisation of the nuclear liabilities.

Nuclear liabilities

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

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

Back end fuel costs

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

Decommissioning of nuclear power stations

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

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

Onerous contracts provision

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

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

Retirement benefit costs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Financial instruments

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

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

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

Financial assets

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

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

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

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

Recognition of expected credit losses

The Group recognises a loss allowance for expected credit losses (ECLs) on a financial asset that is measured at amortised cost. The Group applies IFRS 9's simplified approach to measure expected credit losses on trade receivables, using provision matrices established on the basis of credit loss histories. The expected credit losses are assessed considering all reasonable and supportable information, including that which is forward-looking. The amount of credit losses (or reversal) is recognised in profit or loss, as an impairment gain or loss at the reporting date.

De-recognition of financial assets

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

Financial liabilities and equity

Financial liabilities are subsequently measured at amortised cost using the effective interest rate method, except for:

(a) financial liabilities at fair value through profit or loss – these include derivatives that are liabilities which are subsequently measured at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

Derivative financial instruments

The Group enters into financial instruments to manage its exposure to fluctuations in foreign exchange rates, interest rates and commodity prices (including gas, coal, carbon certificates and electricity), including FX forwards, interest rate swaps, cross currency swaps and forward sales and purchases of energy or commodities. Further details of derivative financial instruments are disclosed in note 41

Forward sales and purchases of commodities and energy are considered to fall outside the scope of IFRS 9 when the contract concerned qualifies as "own use". This is demonstrated to be the case when the following conditions have been met:

- a physical delivery takes place under all such contracts;
- the volumes purchased or sold under the contracts correspond to the Group's operating requirements; and
- the contracts are not considered as written options as defined by the standard.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Hedge accounting

The Group designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as cash flow hedges.
At inception of the hedge relationship, the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge, and on an on-going basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.
The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

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

Cash flow hedges

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprises cash at bank and in hand, including short term deposits with a maturity date of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value from the date of acquisition and restricted cash. The Group operates a cash concentration arrangement which physically offsets cash balances and overdrafts between subsidiary companies.

Emissions trading scheme and Renewable Obligations Certificates

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the Group's accounting policies

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

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

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

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

It is the strategy of EDF to construct low carbon nuclear new build power stations in the UK using the EPR technology. This technology is already being deployed at the power stations at Flamanville in France, at Taishan in China and at Hinkley Point C (HPC). Using the same technology, although adapted for UK regulatory requirements and site specifics, SZC will benefit from a series effect on standardisation of design, on construction and on operation. As a result of this replication approach, continued Shareholder investment and the Project achievements the Company feel it is appropriate to capitalise the pre-development costs of £715.9m as property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Key sources of estimation uncertainty

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

Revenue recognition
Revenue includes an estimate of the sales value of units supplied to customers between the date of the last meter reading and the year end. This is calculated by reference to data received through the third party settlement systems, as described further below, together with estimates of consumption not yet processed through settlements and selling price estimates. These estimates are sensitive to the assumptions used in determining the portion of sales not billed and based on actual meter readings at the reporting date. A change in these assumptions of 2% would impact revenue by £24m.

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 £1,205m (2021: £797m). 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 28. 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 40.

Goodwill and fixed 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 £353m (2021: £613m) was recognised in the year. Further detail on the assumptions used and sensitivity analysis in the calculation can be found in note 15.

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 expectation.

As explained in the strategic report, the AGRs were designed with a nominal 25-year lifetime, and Sizewell B with a 40 year lifetime. However, with the aggregation of technical information, and operational and safety experience, it has been possible to revise the expected AGR lifetimes. Prior to EDF Energy ownership, the AGRs had been extended by an average of 10 years. Since British Energy was acquired by EDF, the AGRs have been further extended by an average of six years. The last extensions were formally declared following NDA approval in February 2016. Hartlepool and Heysham 1 were extended by a further five years, and Heysham 2 and Torness were extended by seven years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Following a lifetime review in December 2021, the end of generation of Heysham 1 and Hartlepool remain as March 2024 (subsequently, Hartlepool and Heysham 1 operating life was extended post year-end. See note 43 further for details) and the end of generation of Heysham 2 and Torness have been brought forward to March 2028 to reflect knowledge and experience on graphite behaviour.

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

4. Revenue

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

	2022 £m	2021 £m
Sales to external customers (i)	13,700	8,715
Other revenue	-	5
Total revenue	13,700	8,720

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

	2022 £m	2021 £m
Revenue from energy supply contracts	13,684	8,720
Revenue from wholesale market optimisation and other	16	-
Total revenue	13,700	8,720

(i) Since the beginning of the EBSS scheme on 1 October 2022, the Group has received funding of £650m from the Government. £223m of this balance primarily relates to funding received in December and is disclosed as restricted cash and a corresponding liability is recognised on the Group's balance sheet until the EBSS support is applied to customer accounts in January 2023, see note 21 for further details.

Further, the Group has recognised £825 million of revenue from the Government since the beginning of the EPG and EBRS scheme on 1 October 2022, of which a total of £226 million is recognised as a trade receivable on the balance sheet at the year-end date. See note 23 for further details.

5. Profit for the year

	2022 £m	2021 £m
Loss for the year was derived at after (crediting)/charging the following:		
Research and development costs	17	12
Personnel expenses (note 8)	666	869
Auditor's remuneration for audit services (see below)	3	3
Net foreign exchange losses/(gains) (note10)	4	7
Impairment of non- current asset (note 15)	353	613
Amortisation of intangible assets (note 16)	103	100
Depreciation of property, plant and equipment (note 17)	668	815
Depreciation of right-of-use asset (note 31)	10	13
Cost of inventories recognised as expense (note 22)	177	223
Loss/(Gain) on derivative commodity contracts	1	(1)
Fair value gains on foreign currency derivatives (note 9)	11	-
Movement in the expected credit loss (note 23)	122	38
Movement in onerous contract provision (note 27)	(35)	90
Impairment losses recognised on trade receivables	65	56
Reversal of impairment losses recognised on trade receivables (note 23)	(1)	(3)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Profit for the year (continued)

The analysis of Auditor's remuneration is as follows:

	2022 £m	2021 £m
Fees payable for the audit of the Company's and the Group's accounts	**0.7**	0.6
For the audit of the Company's subsidiaries pursuant to legislation	**2.6**	2.1
Total audit fees	**3.3**	**2.7**
Other assurance services	**-**	0.2
Other non-audit services	**0.2**	0.9
Total non-audit fees	**0.2**	1.1
Total fees	**3.5**	3.8

6. Fuel, energy and related purchases

	2022 £m	2021 £m
Purchase of energy	7,705	3,923
Distribution and transmission	1,986	1,723
Renewable obligation certificates	1,057	1,080
CO_2 emission certificates	29	62
Other energy related purchases	1	4
Industry levy claim (i)	(45)	(87)
Total fuel, energy and related purchases	10,733	6,705

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

7. Directors' remuneration

In 2022, 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.

	2022 £m	2021 £m
Aggregate remuneration	2	2
Total remuneration	2	2

	2022 Number	2021 Number
Members of defined benefit pension scheme	1	1

	2022 £m	2021 £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 2022.

The highest paid director is a member of the Company's defined benefit pension scheme and had accrued entitlements of £64,992 under the scheme at the end of the year. There is no accrued lump sum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Personnel expenses

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

	2022 £m	2021 £m
Wages and salaries	602	667
Social security costs	74	78
Pension costs	123	274
Less: Capitalised costs	(133)	(150)
	666	869

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

	2022 Number	2021 Number
Generation business unit	5,125	5,457
Customers business unit	3,510	4,000
Nuclear New Build business unit	1,263	1,157
Technical Services business unit	318	221
Corporate and Steering functions	693	681
	10,909	11,516

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

	2022 £m	2021 £m
Interest on bank deposit	79	6
Other finance income	26	5
Pension scheme interest	44	24
Unwinding of discount on NLF receivable	1,733	811
Fair value gains on foreign currency derivatives	11	-
Total investment income	1,893	846

10. Finance costs

	2022 £m	2021 £m
Interest on bank loans and overdrafts	37	15
Interest on bonds	25	25
Interest expense on leases	3	2
Unwinding of discount on provisions	33	25
Unwinding of discount on NLF payable	1,740	811
Fair value losses of foreign currency derivatives	-	4
Foreign exchange losses	4	7
Other interest costs	16	1
Total finance costs	1,858	890
Less: Amounts capitalised	-	(3)
Total financing costs	1,858	887

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Finance costs (continued)

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. Exceptional restructuring and other costs

	2022 **£m**	2021 £m
Customers business unit	-	33
Generation business unit	(32)	161
Corporate and Steering function	-	(4)
Nuclear New Build business Unit	137	-
Total exceptional restructuring and other costs	105	190

In 2021, £4m of the Corporate and Steering function provision was released without utilisation. Included in the Generation business unit costs are mainly non-recurring costs associated with Dungeness defueling amounting to £140m and West Burton A restructuring costs of £21m in line with its expected closure in 2022. In 2021, the customers business unit incurred £33m in order to drive down its operating costs and remain competitive by identifying efficiencies and synergies across its front line and back office teams.

In 2022, included in the Generation business unit costs are partial release of Capacity Market provision in respect of Dungeness £36m partly offset by increase in restructuring costs in line with station closure plans £4m.

In 2022, reflecting activities arising from the Nuclear New Build business unit, are one off expenses of £137m arising from the revised schedule for completion announced in May 2022. These have been incurred by the EDF Energy Holdings Group and are not eligible for capitalisation.

12. Tax on loss on ordinary activities

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

Current tax	**2022** **£m**	2021 £m
UK corporation tax	**(144)**	(81)
Adjustments in respect of previous years' reported tax charges	**(49)**	(20)
Total current tax (credit)/charge for the year	**(193)**	(101)
Deferred tax	**£m**	£m
Current year credit	**376**	(254)
Adjustments in respect of previous years' reported tax charges	**2**	4
Effect of increased tax rate on opening liability	**3**	281
Total deferred tax credit for the year	**381**	31
Income tax credit reported in consolidated income statement	**188**	(70)

(b) The tax on loss before tax for the year is higher than (2021: higher than) the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%).
The (credit) for the year can be reconciled to the (loss) in the income statement as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12.Tax on loss on ordinary activities (continued)

	2022 **£m**	2021 £m
Loss before tax	**(79)**	(1,779)
Tax at the UK corporation tax rate of 19.00% (2021: 19.00%)	**(15)**	(338)
Effect of:		
Non-deductible expenses and non-taxable income	**157**	68
Current year effect of deferred tax rate change	**90**	(65)
Impact of increased tax rate on opening deferred tax balance	**3**	281
Adjustment to prior-year corporation tax	**(49)**	(20)
Adjustment to prior-year deferred tax	**2**	4
Income tax credit reported in consolidated income statement	**188**	(70)

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

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

In the current year a deferred tax credit of £1,020 m (2021: charge of £178m) has been recognised in equity. This consists of a credit of £429m (2021: charge of £355m) in respect of pension movements and a credit of £588 m (2021: credit of £178m) which relates to fair value movements arising on derivative instruments.

A current tax credit of £12 m (2021: credit of £nil) has also been recognised in equity in respect of pension movements.

The closing deferred tax balance at 31 December 2022 has been calculated at 25.00% (2021: 25.19%). This is the average tax rate at which the reversal of the net deferred tax liability is expected to occur.

13. Dividends

	2022 **£m**	2021 £m
Amounts recognised as distributions to equity holders in the period:		
Dividends paid by subsidiary to non-controlling interests	75	1
Dividends paid to parent company	-	185
	75	186

The dividend paid by subsidiary to non-controlling interest pertaining to Nuclear Generation Business and Nuclear New Build Business units.

14. Goodwill

	£m
Carrying amount	
At 31 December 2021	6,785
Impairment	(434)
At 31 December 2022	**6,351**

Details of the goodwill impairment test can be found in note 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Impairment of non-current assets

Breakdown of impairments recognised

	2022 £m	2021 £m
Impairment of property, plant and equipment	(239)	613
Impairment of right of use assets	-	-
Impairment of Intangible assets		
Impairment of Interest in associates	158	
Impairment of Goodwill	434	-
	353	613

Impairment of property, plant and equipment

		2022 £m	2021 £m
Nuclear New Build - Land	-Bradwell	**-**	**103**
	- Hill Top	**-**	**3**
Gas Storage	- Thermal (centrally held assets)	**-**	**4**
Nuclear Generation			**503**
	- Torness land	103	
	- Reversal of impairment	(342)	
		(239)	**613**

During the year impairments were recognised and reversed in Nuclear Generation.

Nuclear Generation assets (plants in operation)

The recoverable value of EDF Energy's nuclear assets in operation is determined by discounting future cash flows over the assets' useful life.

This year saw the end of generation at Hunterston on 7 January 2022 and Hinkley Point B on 6 July 2022 (R4) and 1 August 2022 (R3), in accordance with the announcements made by the Group on 27 August 2020 and 19 November 2020 respectively. At 31 December 2022, the Nuclear assets CGU includes the Sizewell B PWR plant, assuming that it will remain in operation until 2055, the Torness and Heysham 2 AGR plants following the decision made in December 2021 to bring their estimated end of operations forward to March 2028, and the two AGR plants at Hartlepool and Heysham 1, which are scheduled to cease operations in 2024.

The prospects of a significant rise in forward market prices, even beyond the medium-term horizon, are partly mitigated by the new Electricity Generator Levy on low-carbon electricity producers introduced by the British Government (45% on revenues above £75/MWh between January 2023 and March 2028), and the increase in the discount rate. The test results confirm the durable rise in headroom, which is higher than in 2021. Consequently £342m was reversed from the impairment previously booked in June 2020 following generation difficulties and a significant drop in market prices. New impairment of £103m is also recognised in respect of Torness nonoperating land close to nuclear plants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Impairment of non-current assets (continued)

Over the market horizon (generally three years), the forward prices used in the impairment tests are the market prices observed at 31 December, including hedged positions, which were significantly higher than observed forward prices at 31 December 2021. Over the long-term horizon, these tests use price curves constructed analytically founded on assumptions and fundamental models of the supply-demand balance, in an annually updated scenario-building process that is subject to specific internal governance. The long-term scenarios established for electricity prices take account of the objectives of public energy and climate policies such as the Paris Agreement at worldwide level, Fit For 55 and RepowerEU at European Union level. The scenarios used mainly include high CO_2 prices supporting carbon-free electricity production in Europe, and a lower-carbon economy more generally through electrification of uses. The long-term price curves in the 2022 scenario follow an upward trend early in the horizon due to the effects of the current energy crisis, but in the longer term these effects dissipate and electricity prices are closer to those in the 2021 scenario.

The recoverable value of nuclear assets in operation is sensitive to price assumptions: all other things being equal, a +/-5% difference over the entire horizon of the scenario used for the impairment test would have an impact of +/-£500m on the test result. The nuclear output assumptions used also have a substantial influence on the calculation: all other things being equal, a +/-5% revision to forecasts over the entire horizon would result in a variation of +/-£700m in the recoverable value. In addition, a 50bp increase in the discount rate would lead to a decrease of around £200m in the recoverable value. Taken individually, none of these sensitivities is likely to generate a risk of impairment given the headroom that now exist, all other things being equal. No further reversals can arise at 31 December 2022 as all past impairments eligible for potential reversal have been reversed.

Customers assets
In 2022, the Sales and Supply segment was affected by the United Kingdom's energy market crisis, as it was unable to pass on the total increase in its sourcing costs to consumers, even though the cap on the Standard Variable Tariff (SVT) for domestic customers was raised successively by 54% in April, then 80% in October. In the end, the energy price crisis led the Department for Business, Energy & Industrial Strategy (BEIS) to launch an Energy Price Guarantee to protect consumers from the full impact of the rise in unit tariffs: the government will bear that cost above a threshold (currently set at £2,500 a year, but due to rise to £3,000 for the period 1 April 2023 – 1 April 2024). A similar mechanism, the Energy Bill Relief Scheme, exists for B2B consumers, but it covers more complex tariffs associated with that market and is scheduled to end on 31 March 2023. Domestic consumers in the United Kingdom have also benefited from other financial support from the government, including the Energy Bills Support Scheme providing a £400 discount to help consumers with their energy bills. The support measures introduced, principally funded by the State budget, thus had limited effects on the profitability of the Sales and Supply segment. Market shares were stable, with a lower churn rate in 2022. When compared to the book values held in the EDF Energy Holdings Limited consolidated accounts.

The recoverable value of the Sales and Supply segment is higher than in 2021 due to an improvement in EBITDA over the MTP horizon for B2C activities in particular, driven by a catch-up effect resulting from the energy crisis, because the SVTs used to set contract prices have been updated. This effect is mitigated by the increase in the WACC. In the long term, profit margin prospects are confirmed for the B2B and B2C activities and this segment remains relatively insensitive to price scenarios as wholesale energy costs are generally passed on to consumers over time.

Sensitivity analyses were conducted with major reductions in long-term margin rates and losses of market share. These analyses showed that this CGU is sensitive to these parameters, especially as it has few fixed assets (mainly information systems).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Impairment of non-current assets (continued)

Impairment of interest in associates

	2022	2021
	£m	£m
Bradwell Power Holding Company Limited	88	-
General Nuclear System Limited	70	-
	158	-

Investment in the project Bradwell owned 80% by CGN has been impaired in 2022 as it no longer certain that the project will go ahead. See note 19 for further details.

Impairment testing of goodwill

Goodwill (with a carrying amount of £6,351m, as of the end of 2022) 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. Future cash flows from these plants are determined by reference to the Contract for Difference (CfD) between the Group and the UK government. The CfD sets stable, predictable prices for EDF Energy for a period of 35 years from the date the two EPRs are first commissioned: if market prices fall below the CfD exercise price, EDF Energy will receive an additional payment. The CfD exercise price for HPC is set at £92.50/MWh (in 2012 sterling) and is indexed on UK inflation via the consumer price index (CPI). Thus, for the operation period under the CfD, future cash flows include a longterm 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 and a price assumption based on the CfD exercise price of £92.50/MWh (in 2012 sterling), which is considered the current best estimate of market price levels over this horizon.

The WACC determined for HPC is a hybrid rate that reflects the specificity of the cash flows being regulated by the CfD for 35 years, then exposed to market prices for the 25 subsequent years. The rate applicable to the project is 6.7% at 31 December 2022, 100bp higher than the 5.7% used in 2021. The WACC used to test EDF Energy goodwill takes account of the WACC applicable to each of the company's CGUs (HPC, Nuclear assets (plants in operation), Sales and Supply). Given the respective importance of cash flows from each CGU, the overall WACC for EDF Energy is also 6.7% at 31 December 2022, after 5.7% at 31 December 2021.

On 19 May 2022 the Group released a review of the schedule and cost for construction of the two nuclear reactors at Hinkley Point C. This review was conducted to update the project assumptions, notably due to the impact of Covid-19 restrictions and Brexit on the supply chain, and the challenges facing both operators and personnel as regards resources (see the Group press release of 19 May 2022, and note 10.6). The start of electricity generation by Unit 1 is now expected in June 2027 instead of June 2026 as previously (and June 2028 instead of June 2027 for Unit 2). The project completion costs are now estimated in the range of £25-£26 billion (in 2015 sterling), as opposed to the previous estimate of £22 - £23 billion (in 2015 sterling). This announcement also reported the risk of a further 15-month deferral of the commissioning date, resulting in a lower recoverable value estimated at £2.5 billion that was integrated into the project model.

Despite the greater headroom observed at the end of December 2022 in EDF Energy's other CGUs (Nuclear assets plants in operation, Sales and Supply), consideration of the revised value of the HPC project which was seriously affected by the higher discount rate led to recognition of partial impairment of £434 million on EDF Energy goodwill at 31 December 2022. The net book value of the HPC project in the EDF Energy accounts has headroom over its discounted cash flows and is not impaired.

16. Intangible assets

	Emissions trading 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 2020	**74**	**192**	**886**	**39**	**34**	**13**	**214**	**47**	**1,499**
Additions	76	912	8	-	23	-	-	22	**1,041**
Disposals	(74)	(898)	(12)	-	-	-	-	-	**(984)**
Transfers	-	-	30	-	-	-	-	(30)	**-**
Reclass	-	-	-	-	-	-	-	4	**4**
At 31 December 2021	**76**	**206**	**912**	**39**	**57**	**13**	**214**	**43**	**1,560**
Additions	-	1,163	12	-	21	-	-	10	1,206
Disposals	-	(1,107)	(13)	-	-	-	-	-	(1,120)
Transfers	-	-	38	-	-	-	-	(38)	-
Reclass	-	-	-	-	-	-	-	5	5
At 31 December 2022	**76**	**262**	**949**	**39**	**78**	**13**	**214**	**20**	**1,651**
Accumulated amortisation									
At 31 December 2020	**-**	**-**	**(661)**	**(37)**	**(12)**	**(1)**	**(201)**	**-**	**(912)**
Charge for the year	-	-	(82)	-	(16)	(2)	-	-	(100)
Disposals	-	-	12	-	-	-	-	-	12
At 31 December 2021	**-**	**-**	**(731)**	**(37)**	**(28)**	**(3)**	**(201)**	**-**	**(1,000)**
Charge for the year	-	-	(82)	-	(20)	(1)	-	-	(103)
Transfers	-	-	-	-	-	-	-	-	-
Disposals	-	-	12	-	-	-	-	-	12
At 31 December 2022	**-**	**-**	**(801)**	**(37)**	**(48)**	**(4)**	**(201)**	**-**	**(1,091)**
Carrying amount									
At 31 December 2021	76	206	181	2	29	10	13	43	560
At 31 December 2022	76	262	148	2	30	9	13	20	560

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 impairment can be found in note 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. 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 2020	**700**	**10**	**2,650**	**10,374**	**1,357**	**155**	**12,479**	**27,725**
Additions	-	-	4	-	-	3	3,764	3,771
Disposals	(155)	(1)	(1,052)	(922)	(299)	(11)	(29)	(2,469)
Revaluation of final core	-	-	-	(77)	-	-	-	(77)
Transfers	-	1	29	144	198	11	(383)	-
Reclass	-	-	1	-	-	-	(4)	(3)
At 31 December 2021	**545**	**10**	**1,632**	**9,519**	**1,256**	**158**	**15,827**	**28,947**
Additions	-	-	-	-	-	4	3,964	3,968
Disposals	-	-	(3)	(1,142)	(87)	(17)	-	(1,249)
Revaluation of final core	-	-	-	-	-	-	-	-
Transfers	-	1	-	124	163	5	(293)	-
Reclass	-	-	-	(87)	-	-	(3)	(90)
At 31 December 2022	545	11	1,629	8,414	1,332	150	19,495	31,576
Accumulated depreciation and impairment								
At 31 December 2020	**(232)**	**(8)**	**(2,566)**	**(6,325)**	**(737)**	**(122)**	**(5)**	**(9,995)**
Charge for year	(2)	-	(17)	(576)	(203)	(17)	-	(815)
Disposal	35	1	958	922	197	9	-	2,122
Impairment (note 15)	(223)	-	(7)	(383)	-	-	-	(613)
At 31 December 2021	**(422)**	**(7)**	**(1,632)**	**(6,362)**	**(743)**	**(130)**	**(5)**	**(9,301)**
Charge for year	(1)	-	-	(456)	(198)	(12)	-	(667)
Disposal	-	-	3	1,142	86	16	-	1,247
Reclass	-	-	(342)	342	-	-	-	-
Impairment (note 15)	(103)	-	342	-	-	-	-	239
At 31 December 2022	(526)	(7)	(1,629)	(5,335)	(855)	(126)	(5)	(8,482)
Carrying amount								
At 31 December 2021	123	3	-	3,157	513	28	15,822	19,646
At 31 December 2022	19	4	-	3,080	478	24	19,490	23,094

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. 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 £18,806m at 31 December 2022 (2021: £15,382m). The recoverability of the balance of assets in the course of construction relating to HPC at 31 December 2022 is dependent both upon the continuing availability of ongoing financing from EDF Energy or others and the forecast profitability of HPC, as disclosed in note 15.

The prospects of a significant rise in forward market prices, even beyond the medium-term horizon, are partly mitigated by the new Electricity Generator Levy on low-carbon electricity producers introduced by the British Government (45% on revenues above £75/MWh between January 2023 and March 2028), and the increase in the WACC. The test results confirm the durable rise in headroom, which is higher than in 2021. Consequently £342m was reversed from the impairment previously booked in June 2020 following generation difficulties and a significant drop in market prices.

New impairment of £103m is also recognised in respect of Torness non-operating land close to nuclear plants.

Emissions trading certificates and renewable obligation certificates are intangible assets related to environmental regulations. Climate and environmental issues are addressed in compliance with the UK regulatory system.

Capitalised borrowing costs

The amount of borrowing costs capitalised during the year ended 31 December 2022 was £0.3m (2021: £3.3m). The rate used to determine the amount of borrowing costs eligible for capitalisation is the EIR of each specific borrowing.

18. Financial assets

	Non-current		Current	
	2022	2021	**2022**	2021
Financial asset measured at fair value through OCI				
Interest in insurance fund	**-**	11	**-**	-
Loans receivable carried at amortised cost				
Loans to associates (i),(ii)	**347**	121	**-**	**3**
Loans to parent company (iii)	**2,800**	565	**-**	-
Loans to third party	**1**	1	**-**	-
Provision against loan to third party	**(1)**	(1)	**-**	-
Total financial assets	**3,147**	**697**	**-**	**3**

(i) In 2022, an additional £152.9m loan was advanced to EDF Energy Renewables Limited at 2% plus SONIA in relation to working capital funding.

(ii) In 2022, a further amount of £10m (€11.7m) was advanced to EDF Renewables Ireland at 3-month EURIBOR plus 2% in relation to any matters related to the advancement of future development in Ireland.

(iii) In 2022, an amount of £2,235m loan was advanced to EDF S.A at compounded daily SONIA plus 0.4644% as part of the financial support package given to the EDF Group of the Electricity Supply Pension Scheme (EDFG).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Interest in associates

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

	Energy Services Limited		**Bradwell Power Group**		**EDF Energy Renewables group**	
	2022	2021	**2022**	2021	**2022**	2021
	£m	£m	**£m**	£m	**£m**	£m
Non-current assets	**205**	145	**335**	326	**1,305**	1,100
Current assets	**289**	162	**8**	15	**511**	299
Non-current liabilities	**(23)**	(17)	**-**	-	**(599)**	(415)
Current liabilities	**(381)**	(209)	**(74)**	(80)	**(365)**	(187)
Net assets	**90**	81	**269**	261	**852**	797
Equity attributable to owners of the company	**45**	41	**179**	174	**250**	211
Non-controlling interest – Group share of equity	**45**	40	**90**	87	**322**	322
Non-controlling interest – Other	**-**	-	**-**	-	**280**	264
Sales	**693**	558	**4**	4	**259**	179
(Loss)/profit for the year	**10**	(1)	**-**	1	**72**	(12)
Group's share of (loss)/profit for the year	**5**	-	**-**	-	**-**	(18)
Dividend received from associate during the year	**-**	-	**-**	-	**-**	-

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**	
	2022	2021	**2022**	2021	**2022**	2021
	£m	£m	**£m**	£m	**£m**	£m
Net assets of associate	**90**	81	**269**	261	**852**	797
Group's ownership interest	**45**	41	**90**	87	**322**	322
Impairment of Associate (i)	**-**	-	**(88)**	-	**-**	-
Sale of EDF Renewable Services UK shares	**-**	-	**-**	-	**-**	-
Carrying amount of the Group's interest	**45**	41	**2**	87	**322**	322

Aggregate information of associates that are not individually material:

	2022	2021
	£m	£m
The Group's share of loss from operations	**(3)**	(1)
Aggregate carrying amount of the Group's interest in associates	**73**	75
Impairment of Associate (i)	**(70)**	-

Total of all associate balances:

	2022	2021
	£m	£m
The Group's share of profit/(loss) from operations	**2**	(19)
Aggregate carrying amount of the Group's interest in associates	**372**	525

(i) Investment in the project Bradwell owned 80% by CGN has been impaired in 2022 as it no longer certain that the project will go ahead.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Interest in associates (Continued)

Details of the Group's associates at 31 December 2022 are detailed below.

Name of associate	Principal Activity	Ownership Rights %	Voting Rights %
Lewis Wind Power Holdings Limited(1)	Holding company	24.5%	24.5%
Stornoway Wind Farm Limited(2)	Renewable energy generation	24.5%	24.5%
Clash Gour Windfarm Holdings Limited(1)	Holding company	49.0%	49.0%
Dallas Windfarm Limited(1)	Renewable energy generation	49.0%	49.0%
Altyre II Windfarm Limited(1)	Renewable energy generation	49.0%	49.0%
Dunphail Windfarm Limited(1)	Renewable energy generation	49.0%	49.0%
Dunphail II Windfarm Limited(1)	Renewable energy generation	49.0%	49.0%
Dunphail Windfarm Partnership LLP(1)	Renewable energy generation	49.0%	49.0%
EDF Energy Renewables Limited(10)	Renewable energy generation	49.0%	49.0%
Fallago Rig II Windfarm Limited(10)	Renewable energy generation	49.0%	49.0%
Braemore Wood Windfarm Limited(10)	Renewable energy generation	49.0%	49.0%
Neart Na Gaoithe Offshore Wind Limited(1)	Renewable energy generation	24.5%	24.5%
Rowan Onshore Windfarms Limited (10)	Renewable energy generation	24.9%	24.9%
Fairfield Windfarm Limited(10)	Renewable energy generation	24.9%	24.9%
Boundary Lane Windfarm Limited(10)	Renewable energy generation	24.9%	24.9%
Walkway Windfarm Limited(10)	Renewable energy generation	24.9%	24.9%
Teesside Windfarm Limited(10)	Renewable energy generation	24.9%	24.9%
EDF Renewables Solar limited(10)	Renewable energy generation	49.0%	49.0%
NNG Windfarm Holdings limited(1)	Renewable energy generation	24.5%	24.5%
Longpark Windfarm Limited(10)	Renewable energy generation	24.9%	24.9%
Roade Windfarm Limited(10)	Renewable energy generation	24.9%	24.9%
Burnhead Moss Wind Farm Limited(10)	Renewable energy generation	24.9%	24.9%
EDF Energy Renewables Holdings Limited (10)	Holding company	24.9%	24.9%
Barmoor Wind Power Limited(10)	Renewable energy generation	24.9%	24.9%
Park Spring Wind Farm Limited(10)	Renewable energy generation	24.9%	24.9%
Corriemoillie Windfarm Limited(10)	Renewable energy generation	24.9%	24.9%
Dorenell Windfarm Limited(10)	Renewable energy generation	24.9%	24.9%
Beck Burn Windfarm Limited(10)	Renewable energy generation	24.9%	24.9%
Pearie Law Windfarm Limited(10)	Renewable energy generation	24.9%	24.9%
Cemmaes Windfarm Limited(10)	Renewable energy generation	24.9%	24.9%
Llangwyryfon Windfarm Limited(10)	Renewable energy generation	24.9%	24.9%
Great Orton Windfarm II Limited(10)	Renewable energy generation	24.9%	24.9%
High Hedley Hope Wind Limited(10)	Renewable energy generation	24.9%	24.9%
Stranoch Windfarm Limited(10)	Renewable energy generation	49.0%	49.0%
EDF Energy Round 3 Isle of Wight Limited(10)	Renewable energy generation	49.0%	49.0%
EDF Renewables Community Investment Limited(10)	Renewable energy generation	24.9%	24.9%
Longfield Solar Energy Farm Limited(10)	Renewable energy generation	24.9%	24.9%
Porth Wen Solar Limited(10)	Renewable energy generation	24.9%	24.9%
Gwynt Glas Offshore Wind Farm Limited(10)	Renewable energy generation	44.0%	44.0%
Beechgreen Energy farm Limited (10)	Renewable energy generation	24.9%	24.9%
Pivot Power Limited(10)	Renewable energy generation	49.0%	49.0%
Pivot Power (Holding) Limited(10)	Renewable energy generation	49.0%	49.0%
Pivot Power Battery Co. Limited(10)	Renewable energy generation	49.0%	49.0%
Pivot Power Wire Co Limited(10)	Renewable energy generation	49.0%	49.0%
Pivoted Power LLP(10)	Renewable energy generation	49.0%	49.0%
Kirkheaton Wind Limited(10)	Renewable energy generation	24.9%	24.9%
EDF ER Development Limited(10)	Renewable energy generation	49.0%	49.0%
Camilty Windfarm Limited(10)	Renewable energy generation	49.0%	49.0%
Cloich Windfarm Limited(10)	Renewable energy generation	49.0%	49.0%
Heathland Windfarm Limited(10)	Renewable energy generation	49.0%	49.0%
Newcastleton Windfarm Limited(10)	Renewable energy generation	49.0%	49.0%
Tinnisburn Windfarm Limited(10)	Renewable energy generation	49.0%	49.0%
Wauchope Windfarm Limited(10)	Renewable energy generation	49.0%	49.0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Name of associate	Principal Activity	Ownership Rights %	Voting Rights %
West Benhar Windfarm Limited[10]	Renewable energy generation	49.0%	49.0%
Camilty Windfarm Partnership LLP[10]	Renewable energy generation	49.0%	49.0%
Cloich Windfarm Partnership LLP[10]	Renewable energy generation	49.0%	49.0%
Heathland Windfarm Partnership LLP[10]	Renewable energy generation	49.0%	49.0%
Newcastleton Windfarm Partnership LLP[10]	Renewable energy generation	49.0%	49.0%
Tinnisburn Windfarm Partnership LLP[10]	Renewable energy generation	49.0%	49.0%
Wauchope Windfarm Partnership LLP[10]	Renewable energy generation	49.0%	49.0%
West Benhar Windfarm Partnership LLP[10]	Renewable energy generation	49.0%	49.0%
EDF Renewables Ireland Ltd[12]	Renewable energy generation	49.0%	49.0%
EDF Renewables Ireland Energy farm Holdings Limited [12]	Renewable energy generation	24.5%	24.5%
Curraghmartin Solar Limited[12]	Renewable energy generation	24.5%	24.5%
Stamullen Solar Limited[12]	Renewable energy generation	24.5%	24.5%
TDC Community Solar Park Limited[12]	Renewable energy generation	24.5%	24.5%
Willville Solar Limited[12]	Renewable energy generation	24.5%	24.5%
Blusheens Solar Limited[12]	Renewable energy generation	24.5%	24.5%
Ballycarren Solar Limited[12]	Renewable energy generation	24.5%	24.5%
Coolroe Solar Limited[12]	Renewable energy generation	24.5%	24.5%
Burnfoot East Windfarm Limited [10]	Renewable energy generation	0%	49.0%
Red Tile Wind Limited [10]	Renewable energy generation	0%	49.0%
EDF ER Nominee Limited [10]	Renewable energy generation	0%	49.0%
EDF EN Services UK Limited [10]	Renewable energy generation	49.0%	49.0%
Ashgreen Energyfarm Limited[10]	Renewable energy generation	49.0%	-
EDF Renewables Hydrogen Limited[10]	Renewable energy generation	49.0%	-
Springwell Energyfarm Limited[10]	Renewable energy generation	30.6%	-
Custodian Energy Limited [10]	Renewable energy generation	25.0%	-
EDF Energy Services Limited	Development of generation and supply	50.0%	49.0%
The Barkantine Heat and Power Company Limited[3]	Generation and supply of heat and electricity	50.0%	49.0%
ESSCI Limited[3]	Development of generation and supply	50.0%	49.0%
ESSCI Engineering Services Limited[3]	Development of generation and supply	50.0%	49.0%
Imtech Engineering Services North Ltd[5]	Development of generation and supply	50.0%	49.0%
Imtech Engineering Services Central Ltd[4]	Development of generation and supply	50.0%	49.0%
Imtech Engineering Services London and South Ltd[3]	Development of generation and supply	50.0%	49.0%
Imtech Aqua Ltd[6]	Development of generation and supply	50.0%	49.0%
Imtech Aqua Building Services Ltd[6]	Development of generation and supply	50.0%	49.0%
Imtech Aqua Controls Ltd[6]	Development of generation and supply	50.0%	49.0%
Imtech Low Carbon Solutions Ltd[4]	Development of generation and supply	50.0%	49.0%
ESSCI Technical Facilities Management Limited[3]	Development of generation and supply	50.0%	49.0%
Inviron Holdings Limited[7]	Holding company	50.0%	49.0%
Imtech Inviron Limited[7]	Development of generation and supply	50.0%	49.0%
Inviron Property Limited[7]	Development of generation and supply	50.0%	49.0%
Imtech Aqua Maintenance Ltd[7]	Development of generation and supply	50.0%	49.0%
ESSCI Technical Services Limited[3]	Development of generation and supply	50.0%	49.0%
Capula Group Limited[8]	Development of generation and supply	50.0%	49.0%
Capula Limited[8]	Development of generation and supply	50.0%	49.0%
ESSCI Ireland Limited[3]	Development of generation and supply	50.0%	49.0%
Suir Engineering Limited [11]	Development of generation and supply	50.0%	49.0%
Suir Engineering Sweden AB (Sweden) [11]	Development of generation and supply	50.0%	49.0%
Imtech Suir Qatar LLC	Development of generation and supply	50.0%	49.0%
Breathe Energy Ltd[9]	Energy management services	50.0%	49.0%
Breathe Asset Management Services Ltd[9]	Management of energy assets	50.0%	49.0%
Bradwell Power Holding Company Limited[2]	Holding company	33.5%	33.5%
Bradwell Power Generation Company Limited[2]	Development of generation and supply	33.5%	33.5%
General Nuclear System Limited[2]	Development of generation and supply	33.5%	33.5%

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

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

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

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

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

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

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

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

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

(12) Registered Address: FLOOR 0, 1 WINDMILL LANE, DUBLIN D02 F206, CO. DUBLIN, DUBLIN, IRELAND

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

The associates are all held indirectly except EDF Energy Renewables Limited and included within these consolidated accounts.

20. NLF and nuclear liabilities receivable

	At 31 December 2022			At 31 December 2021		
	Current £m	**Non-Current £m**	**Total £m**	Current £m	Non-current £m	Total £m
Nuclear liabilities receivable	103	330	433	115	379	494
NLF receivable	1,238	10,745	11,983	726	12,213	12,939
Total NLF and Nuclear liabilities receivable	1,341	11,075	12,416	841	12,592	13,433

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.

21. Cash and cash equivalents

	2022 £m	2021 £m
Cash at bank and in hand	707	466
Restricted cash	223	-
Short-term deposits	33	933
Cash pooling with parent company	1,626	451
	2,589	1,850

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods up to 12 months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents equates to the carrying amount.

Restricted cash of £223m (2021: £Nil) represent funds received in advance under the Energy Bill Support Scheme as at 31 December 2022. The amount is held within a restricted bank account and the amount is not available to finance Group’s day-to day operations until rebate is provided to customers.

The Group cash balance includes £14m (2021: £15m) of cash which must be maintained as a minimum cash balance in some entities, in accordance with contractual obligations with financial institutions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. Inventories

	2022	2021
	£m	£m
Raw materials and consumables	275	232
Unburnt nuclear fuel	1,124	1,614
Other nuclear fuel and uranium	386	352
Work in progress	12	4
Provision on inventories of raw material	(108)	(108)
	1,689	2,094

The cost of inventories recognised as an expense during the year in respect of continuing operations was £177m (2021: £223m). The cost of inventories recognised as an expense has been increased by £12m (2021: £3m) in respect of the write-downs of inventory to net realisable value.

Inventories of £1,224m (2021: £1,669m) are expected to be held for a period of over 12 months largely relating to nuclear fuel inventory.

23. Trade and other receivables

	2022	2021
	£m	£m
Trade receivables (i)	2,351	1,642
Receivable from Government (ii)	226	-
Expected credit loss (iv)	(357)	(235)
Unbilled revenue (iii)	1,205	710
Other debtors	229	187
Value added tax debtor	8	-
Advance payments	56	42
Amounts owed by other group companies	1	1
	3,719	2,347

(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 0. 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 2022 was £505 m (2021: £498m).

(ii) This represent amount receivable in relation to the Energy Price Guarantee (EPG) and Energy Bill Relief Scheme (EBRS).

(iii) Unbilled revenue receivable is presented net of expected credit loss of £21m (2021: £12m).

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

	2022	2021
	£m	£m
At 1 January	235	197
Amounts recovered during the year	(1)	(3)
Increase in allowance recognised in the income statement	123	41
At 31 December	**357**	**235**

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. Trade and other receivables (continued)

The ageing of overdue debt is as follow:

2022

Ageing	Gross trade receivables overdue £m	Expected credit loss £m	Net trade receivables overdue £m
< 30 days	175	(68)	107
31-60 days	63	(11)	52
61-90 Days	49	(12)	37
> 90 days	672	(266)	406
Total	**959**	(357)	602

2021

Ageing	Gross trade receivables overdue £m	Expected credit loss £m	Net trade receivables overdue £m
< 30 days	122	(20)	102
31-60 days	59	(10)	49
61-91 Days	46	(9)	37
> 90 days	676	(196)	480
Total	903	(235)	668

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

24. Other liabilities

	2022 £m	2021 £m
Trade creditors (i)	3,944	2,157
Other payables	398	215
Value added tax creditor	-	30
Accruals	564	548
Contract liabilities (ii)	223	-
Nuclear liabilities (note 28)	103	115
NLF liabilities	15	13
Total other liabilities due within one year	5,247	3,078
Contingent consideration	1	1
Nuclear liabilities (note 28)	330	379
NLF liabilities	65	72
Unfunded pension scheme	11	15
Total other liabilities due after one year	407	467
Total other liabilities	5,654	3,545

(i) 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.

(ii) Contract liabilities of £223 Mn (2021: £nil) represent restricted funds received in advance under the Energy Bill Support Scheme (EBSS) for the month of January 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. Borrowings

	2022 **£m**	2021 £m
Current		
Bank overdraft	4	4
EDF SA loan (i)	549	104
€800m Eurobond due June 2023 (ii)	710	-
Total borrowings due within one year	1,263	108
Non-current		
€800m Eurobond (ii)	-	672
£101m Bradwell B land deposit (iii)	101	101
EDF Energy UK Loan (iv)	41	31
Triodos bank loan (v)	5	4
EDF SA Pension loan (vi)	1,335	-
HMG Grant for SZC (vii)	100	-
Total borrowings due after one year	1,582	808
Total borrowings	2,845	916

(i) On 31 March 2017 EDF SA entered into a £400m facility which has been renegotiated in subsequent years and increased in 2022 to a total of £1bn. The facility was extended on the 16 December 2022. The facility has an interest of 1.06% plus mid swap SONIA and matures on 18 December 2023.

(ii) On 27 June 2013 a ten-year Eurobond was entered into for €800m with fixed interest rate of 2.8% and which was subsequently swapped into a sterling bond of £682m with fixed interest payable at 3.6%. The bond is carried at the sterling equivalent of €800m at the balance sheet date.

(iii) On 1 March 2017, Bradwell B paid deposits of £21m to Northern Power Limited and £80m to EDF Energy Development Company Limited to purchase land. These deposits incur interest at a fixed rate of 3.76% per annum over a 30-year period and is unsecured. This deposit matures on 1 March 2047.

(iv) During 2022, EDF Energy UK advanced a further £10m (€11.7m) to the Group for the future development of EDF Renewables Ireland. This loan has annual interest at 3-month EURIBOR plus 2% and matures on 16 December 2025.

(v) Pod Point Asset One Ltd secured a loan with Triodas bank to support the installation of EV charge points. £3.5m received on 13 March 2021 has annual interest at 3.546% and matures on 31 December 2025. £1.2m received on 1 July 2022 has annual interest at 4.969% and matures on 30 December 2027.

(vi) During 2022, EDF SA provided a pension loan facility of £1,335m to the Group. This loan has annual interest at 2% and matures 2082.

(vii) During the year, HMG officially committed towards the SZC project on 29 November 2022. In the year 2022 £100m had been received as grant towards the SZC project.

26. Derivative financial instruments

Current	**2022** **£m**	2021 £m
Derivatives that are designated in a cash flow hedge		
- Commodity purchase contracts	(2,880)	(278)
- Cross currency swaps	27	-
Derivatives at fair value through profit and loss (FVTPL):		
- Commodity purchase contracts	(2)	4
- Foreign currency forward contracts	7	(3)
Total current derivative financial instruments	(2,848)	(277)
- Current assets	654	1,531
- Current liabilities	(3,502)	(1,808)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. Derivative financial instruments (continued)

Non-current		
Derivatives that are designated in a cash flow hedge		
- Commodity purchase contracts	(158)	(407)
- Cross currency swaps	-	(5)
Derivatives at fair value through profit and loss (FVTPL):		
- Foreign currency forward contracts	1	-
Total non-current derivative financial instruments	(157)	(412)
- Non-current assets	330	305
- Non-current liabilities	(487)	(717)

Further details of derivative financial instruments are provided in note 41. The change in fair value of derivatives related to commodity purchases classified at fair value through the income statement is separately disclosed on the face of the consolidated income statement.

27. Provisions for liabilities

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

	2021 £m	Arising in the year £m	Utilised in the year £m	Released in the year £m	Unwinding of discount £m	**2022 £m**
Obligations under UK emissions trading	30	8	(30)	-	-	8
Renewable obligation certificates	821	1,094	(1,082)	-	-	833
Decommissioning on non-nuclear stations	103	-	(10)	-	2	95
Restructuring costs	44	4	(17)	-	-	31
Nuclear liabilities (note 28)	12,906	-	(533)	(2,108)	1,656	11,921
Provision for unburnt fuel at station closure	1,545	-	(565)	-	22	1,002
Onerous contracts	96	4	(39)	-	-	61
Other contracts	166	15	(71)	(37)	-	73
	15,711	1,125	(2,347)	(2,145)	1,680	14,024

	At 31 December 2022			At 31 December 2021		
	Current £m	**Non-Current £m**	**Total £m**	Current £m	Non-current £m	Total £m
Obligations under UK emissions	8	-	8	30	-	30
Renewable obligation certificates	833	-	833	821	-	821
Decommissioning on non-nuclear stations	14	81	95	31	72	103
Restructuring costs	14	17	31	23	21	44
Nuclear liabilities (note 28)	1,119	10,802	11,921	641	12,265	12,906
Provision for unburnt fuel at station closure	-	1,002	1,002	497	1,048	1,545
Onerous contracts	59	2	61	92	4	96
Other contracts	51	22	73	141	25	166
	2,098	11,926	14,024	2,276	13,435	15,711

Provisions related to environmental scheme include: The provisions for obligations under UK emissions which represent the additional certificates required to cover the Group’s carbon emissions and will be utilised in 2023. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. Provisions for liabilities (Continued)

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 2047.

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 2023 and beyond. See note 11 for further information.

Onerous contract costs amounting to £39m were utilised in the current year.

Due to the nature of the nuclear fuel process, costs have been committed in relation to the unburnt fuel in the reactors at station closure. The costs of this unburnt fuel (final core) are fully provided for at the balance sheet date. The provision is based on a projected value per tonne of fuel remaining at closure, discounted back to the balance sheet date and recorded as a long-term provision. Any adjustment to the provision is recorded through property, plant and equipment and depreciated over remaining station life. A review of the provision was carried out in the year resulting in an decrease in the assumption of average unburnt reactor cores from 39.8% to 38.4%.

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

28. Nuclear liabilities

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

By virtue of these restructuring agreements:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. Nuclear liabilities (continued)

	Spent fuel £m	Radioactive waste – Transport & Disposal £m	Radioactive waste – Retrieval & Processing £m	Decomm-issioning £m	Total £m
At 31 December 2020	1,155	995	491	9,052	11,693
Charged to profit and loss account:					
Unwinding of the discount	83	67	33	609	792
Updated cash flows	84	122	9	1,032	1,247
Discount rate update	-	-	-	-	-
Operating costs	17	5	4	-	26
Payments in the period	(162)	-	-	(196)	(358)
At 31 December 2021	1,177	1,189	537	10,497	**13,400**
Charged to profit and loss account:					
Unwinding of the discount	166	154	68	1,352	1,740
Updated cash flows	103	85	(80)	88	196
Discount rate update	(184)	(485)	(195)	(1,481)	(2,345)
Operating costs	18	2	1	-	21
Payments in the period	(141)	-	-	(517)	(658)
At 31 December 2022	1,139	945	331	9,939	12,354

Nuclear liabilities are included in the balance sheet as follows:

	2022 £m	2021 £m
Other liabilities:		
- amounts due within one year (note 24)	103	115
- amounts due after more than one year (note 24)	330	379
Provision for liabilities (note 27)	11,921	12,906
	12,354	13,400

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. Nuclear liabilities (continued)

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.

The Integrated Plan (IP) 22 was approved by the Non-Nuclear Liabilities Assurance team (NLA) in December 2021, which updated the AGR defueling cost estimates previously submitted in 2020.
Phase 2 of the Decommissioning plan submission (DPS 21) was approved by the NLA in August 2022, which included updates for all the other decommissioning activities for the AGR plants, decommissioning of Sizewell B and an update to the Uncontracted Liability Discharge Plan (UCLDP).

The IP23 was approved by the NLA in December 2022, which updated the cost estimates from IP22 and DPS21, respectively.

The cost estimates from IP23 (based on NDA approved closure dates) together with the additional spent fuel management costs associated with Sizewell life extension from 2035 to 2055 form the basis of the nuclear liabilities as at 31st December 2022
As the decommissioning provision is sensitive to a number of different assumptions including timing, cost and discount rate, it is reasonably possible that changes in assumptions relating to these factors within the next year could materially affect the carrying amount of the provision, any changes to the qualifying liabilities would result in an equal movement to the NLF receivable.

Updated discount rate applicable to nuclear liabilities

During 2022, 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 1.9% used in 2021, to 2.9% used in 2022.

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**	**2022 Total £m**	2021 Total £m
Undiscounted	3,277	4,575	1,656	18,515	28,023	25,063
Discounted	1,480	990	341	9,944	12,755	13,672
Accrued to date	1,139	945	331	9,939	12,354	13,400

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. 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**	**2022 Total £m**	2021 Total £m
Within five years	486	66	26	5,291	5,869	4,597
6 – 10 years	257	299	90	3,206	3,852	4,141
11 – 25 years	465	163	23	2,034	2,685	2,622
26 – 50 years	1,067	546	151	1,715	3,479	2,636
51 years and over	1,002	3,501	1,366	6,269	12,138	11,067
	3,277	4,575	1,656	18,515	28,023	25,063

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

29. Deferred tax

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

	Accelerated tax depreciation £m	Retirement benefit obligations £m	Fair value of derivative instruments £m	Losse s £m	Other £m	**Total £m**
At 31 December 2020	**(1,021)**	**(220)**	**(10)**	**144**	**15**	**(1,092)**
Credit/(charge) to income:						
current year	(37)	1	1	287	2	254
adjustments in respect of previous years' reported tax charges	7	(1)	-	(13)	1	(6)
effect of increased tax rate on opening balance	(345)	7	(1)	56	2	(281)
Credit/(charge) to equity:						
current year	-	(279)	180	-	-	(99)
effect of increased tax rate on opening balance		(75)	(2)			(77)
Adjustments in respect of previous years' reported tax charges	-	(1)	-	-	-	(1)
Business acquisitions	50	-	-	-	-	50
At 31 December 2021	**(1,346)**	**(568)**	**168**	**474**	**20**	**(1,252)**

Credit/(charge) to income:						
current year	**(190)**	**(10)**	**1**	**(174)**	**(3)**	**(376)**
adjustments in respect of previous years' reported tax charges	**35**	**3**	**-**	**-**	**(40)**	**(2)**
effect of decreased tax rate on opening balance	**(5)**	**-**	**-**	**2**	**-**	**(3)**
Credit/(charge) to equity:						
current year	**-**	**435**	**591**	**-**	**-**	**1,026**
effect of decreased tax rate on opening balance	**-**	**(2)**	**1**	**-**	**-**	**(1)**
Adjustments in respect of previous years' reported tax charges	**-**	**(1)**	**(4)**	**-**	**-**	**(5)**
Business disposals	**-**	**-**	**-**	**-**	**-**	**-**
At 31 December 2022	**(1,506)**	**(143)**	**757**	**302**	**(23)**	**(613)**

The Group has unrecognised tax losses of £7m (2021: £7m). The losses give rise to a deferred tax asset of £2m (2021: £2m) which has not been recognised as it is uncertain whether future taxable profits will be available against which these losses can be utilised. These losses can however be carried forward indefinitely for offset against future profits, should they arise.

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

	2022	2021
	£m	£m
Deferred tax assets	**(1,651)**	662
Deferred tax liabilities	**1,038**	(1,914)
At 31 December	**(613)**	(1,252)

30. Non-controlling interest

Following the acquisition of Pod Point in 2020, there are three material and one immaterial non-controlling interest (NCI) in the Group. Lake Acquisitions Limited and NNB Holding Company (SZC) Limited are 80% owned by the Group. NNB Holding Company (HPC) Limited is 66.5% owned by the Group and Pod Point is 53.83% 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)

30. Non-controlling interests (continued)

	Lake Acquisitions Limited		**NNB Holding Company (HPC) Limited**		**NNB Holding Company (SZC) Limited**	
	2022	2021	**2022**	2021	**2022**	2021
	£m	£m	**£m**	£m	**£m**	£m
Non-current assets	**21,709**	21,666	**18,603**	15,529	**861**	448
Current assets	**2,778**	3,250	**109**	166	**129**	35
Total assets	**24,487**	24,916	**18,712**	15,695	**990**	483
Current liabilities	**420**	389	**564**	615	**57**	33
Non-current liabilities	**14,208**	13,740	**577**	465	**1**	-
Equity attributable to owners of the company	**9,859**	10,787	**17,571**	14,615	**932**	450
Total equity and liabilities	**24,487**	24,916	**18,712**	15,695	**990**	483
Turnover	**2,960**	1,584	**0**	1	**-**	-
Profit/(Loss) attributable to owners of the company	574	(1,056)	(321)	(67)	(2)	-
Profit/(Loss) attributable to the non-controlling interests	144	(264)	(161)	(34)	(1)	-
Profit/(Loss) for the year	**718**	(1,320)	**(482)**	(101)	**(3)**	-
Total other comprehensive income/(loss) attributable to owners of the company	**(1,075)**	608	**-**	-	**-**	-
Total other comprehensive income/loss) attributable to the non-controlling interests	**(269)**	151	**-**	-	**-**	-
Total comprehensive income/(loss)	**(1,344)**	759	**-**	-	**-**	-
Dividends paid to non-controlling interests	**60**	1	-	-	-	-
Net cash inflow/(outflow) from operating activities	**889**	70	(7)	(14)	-	-
Net cash inflow/(outflow) from investing activities	**(272)**	(353)	(3,509)	(3,187)	(251)	(146)
Net cash inflow/(outflow) from financing activities	**(302)**	(9)	3,439	3,254	341	157
Net cash (outflow)/inflow	**315**	(292)	**(77)**	53	**90**	11

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. 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	
	2022	2021	**2022**	2021	**2022**	2021
	£m	£m	**£m**	£m	**£m**	£m
Balance at beginning of year	**2,167**	2,281	**5,413**	4,248	**292**	292
Loss arising during the year	**144**	(264)	**(161)**	(34)	**(1)**	-
Other comprehensive income: actuarial gains on pension scheme, net of tax	(269)	151	**-**	-	**-**	-
Total comprehensive income	**(125)**	(113)	**(161)**	(34)	**(1)**	-
Acquisition of non-controlling interest	-	-	-	-	144	-
Capital injection	**-**	-	1,152	1,199	181	-
Dividends paid	**(60)**	(1)	**-**	-	**(15)**	-
Balance at end of year	**1,982**	2,167	**6,404**	5,413	**601**	292

Aggregate information of NCI that are not individually material:

	2022	**2021**
	£m	**£m**
The NCI's share of loss from operations	**(8.5)**	(3)
Aggregate carrying amount of NCI	**(9)**	2

Total of all NCI balances:

The NCI's share of loss from operations	**(27)**	(301)
The NCI's share of other comprehensive income	**(269)**	151
Aggregate carrying amount of NCI	**8,978**	7,874

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. 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 2.77% (2021: 2.70%).

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

	Land	Buildings	Other PPE (including vehicles)	Total
	£m	£m	£m	£m
Cost				
At 1 January 2021	**14**	**75**	**15**	**104**
Additions	-	16	1	17
Disposals	(3)	(27)	(5)	(35)
At 31 December 2021	**11**	**64**	**11**	**86**
Additions	2	6	6	14
Disposals	-	(4)	(5)	(9)
At 31 December 2022	**13**	**66**	**12**	**91**
Accumulated depreciation and impairment				
At 1 January 2021	**(4)**	**(15)**	**(9)**	**(28)**
Charge for the year	(2)	(9)	(2)	(13)
Disposals	3	5	5	13
Impairment				
At 31 December 2021	**(3)**	**(19)**	**(6)**	**(28)**
Charge for the year	(1)	(9)	(4)	(14)
Disposals	-	2	4	6
At 31 December 2022	**(4)**	(26)	(6)	**(36)**
Carrying amount				
At 31 December 2021	8	45	5	58
At 31 December 2022	**9**	**40**	**6**	**55**

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

	2022	2021
	£m	£m
As at 1 January	**67**	88
Additions	7	15
Early terminations	-	(18)
Interest	2	2
Payments	(16)	(20)
As at 31 December	60	67

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31.Leases (continued)

	2022	2021
	£m	£m
Current	14	13
Non-current	46	54
Total	60	67

Further maturity analysis can be found in note 41.

The following are amounts recognised in profit or loss:

	2022	2021
	£m	£m
Depreciation for right-of-use assets	**14**	16
Capitalised depreciation expenses	(4)	(3)
Net depreciation expense	10	13
Interest expense of lease liabilities	3	2
Capitalised interest expense	(1)	(1)
Net interest expense of lease liabilities	2	1
Expense relating to short-term leases	-	-
Total amount recognised in income statement	**12**	14

Amounts recognised in the statement of Cash flows:

	2022	2021
	£m	£m
Total Cash outflows for leases	16	20

Low value and short-term leases

There were no low value or short-term leases as at 31 December 2022.

32. Commitments and contingent liabilities

Capital and other commitments

At 31 December 2022, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £5,425m (2021: £6,377m). The 2021 amount for commitments of £6,377m included estimated contractual indexation of £960m which is now excluded from 31st December 2022 estimates.

At 31 December 2022, the Group had entered into operating purchase commitments amounting to £335m (2021: £335m).

At 31 December 2022, the Group had contracted to purchase power, gas and other fuel to the value of £17,393 (2021: £13,850m).

Contingent liabilities

The Group has given letters of credit and guarantees to the value of £851m (2021: £480m) 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. Commitments and contingent liabilities (continued)

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.

The amended and restated NLFA affirmed that EDF Energy Nuclear Generation Limited (ENGL) will carry out activities relating to the defueling of the stations. This includes preparation for defueling, some pre-deconstruction activities, as well as the development of the Transfer and Deconstruction Programme. ENGL will recover the qualifying costs generated by these activities from the NLF when the contractual conditions are met. Additionally, performance in the discharge of these liabilities is subject to an incentivisation mechanism, whereby if ENGL meets all of its targets, then it will in aggregate receive payments from the NLF of up to £100m (subject to indexation), or if it exceeds its targets, then aggregate penalty charges of up to £100m (subject to indexation) will be payable to the NLF.

The structure for the incentivisation penalty/receipt is based upon individual station targets/milestones as well as a fleet wide defueling target. ENGL will perform an annual assessment against these targets/milestones and will recognise a related asset / liability as and when appropriate based on expected performance.

33. Share capital

Authorised, issued, called up and fully paid

	2022 Number	2021 Number	**2022 £m**	2021 £m
Ordinary shares of £1.00 each	14,081,496,274	11,794,561,274	14,081	11,795

In 2022, 2,286,935,000 shares (2021: 2,163,993,125 shares) were issued at par for consideration of £2,287m (2021: £2,164m).

34. Share premium

	2022 £m	2021 £m
Share premium reserve	199	199

35. Capital reserves

	2022 £m	2021 £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.

36. Merger reserve

	2022 £m	2021 £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.

37. Hedging reserve

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

	2022 £m	2021 £m
Cash flow hedging reserve	(2,283)	(509)

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

	2022 £m	2021 £m
Balance at start of year	(509)	32
Net (losses)/gains arising on changes in fair value:		
- Commodity purchase contracts	(1,121)	(1,204)
- Cross currency swaps	1	5
- Cost of hedging reserve	(7)	-
- Foreign currency forward contracts	-	-
Net gains/(losses) transferred to loss for the year:		
- Commodity purchase contracts	(1,235)	477
- Foreign currency forward contracts	-	3
Deferred tax on net losses in cash flow hedge	588	178
Total movement in the year	(1,774)	(541)
Balance at end of year	(2,283)	(509)

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:

	2022 £m	2021 £m
Less than one year	(2,893)	(610)
Between one to five years	(146)	(77)
More than five years	-	-
Total fair value (losses)/gains of instruments in a cash flow hedge:	(3,039)	(687)
Deferred taxation	756	178
Balance at end of year	(2,283)	(509)

During the year a loss of £1,235m (2021: loss of £480m) was recycled from the hedging reserve and included within fuel, energy and related purchases and capital expenditure in relation to contracts which had matured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

38. Retained earnings

	2022 £m	2021 £m
Balance at start of year	8,761	9,800
Loss for the year attributable to the equity holders of the parent	(238)	(1,427)
Actuarial gains, net of tax	(1,098)	534
Dividends paid	-	(185)
Other changes in equity	(145)	39
Balance at end of year	7,280	8,761

39. Notes to the cash flow statement

	2022 £m	2021 £m
Loss before taxation	(79)	(1,779)
Adjustments for:		
Gain on derivatives	1	(1)
Depreciation (note 17, 31)	678	828
Amortisation (note 16)	103	100
Impairment of non-financial assets (note 15)	353	613
Loss on disposal of PPE	(1)	-
Utilisation of CO_2 emission certificates and renewable obligations certificates (note 16)	1,107	972
Net finance costs	(34)	41
Other (losses)/gains	-	(9)
Decrease in provisions	(745)	(24)
Exceptional costs	105	-
Difference between pension funding contribution paid and pension cost charged	(104)	(75)
Operating cash flows before movements in working capital	1,384	666
Decrease/(increase) in inventories	405	317
(Increase)/decrease in trade and other receivables	(1,339)	(567)
Increase in other liabilities	2,033	442
Cash generated by operations	2,483	858
Income taxes received	338	72
Net cash from operating activities	2,821	930

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. Notes to the cash flow statement (continued)

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 31)	Borrowings (note 25)	Total liabilities from financing activities
	£m	£m	£m
Balances at 31/12/2021	**67**	**916**	**983**
Increase	9	1,891	1,900
Decrease	(16)	-	(16)
Changes in scope of consolidation	-	-	-
Change in fair value	-	38	38
Balances at 31/12/2022	60	2,845	2,905

40. Retirement benefit schemes

Following the pension schemes consolidation in financial year 2021, the Group sponsored a single funded defined benefit pension scheme for qualifying UK employees - the EDF Group of the Electricity Supply Pension Scheme (EDFG). This scheme was administered by a separate board of Trustees which is legally separate from the Group.

Under the EDFG scheme, employees were in the final salary section and were entitled to annual pensions on retirement at ages 60 or 63 (depending on the date of joining the scheme), of 1/60th of pensionable salary for each year of service for the BEGG ESPS Final Salary section and1/80th 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 for the EEGS ESPS Final Salary section. Benefits are also paid on death or other events such as withdrawing from active service. All benefits were ultimately paid in accordance with the scheme rules.

The latest full actuarial valuations of the EDFG scheme was carried out by qualified actuaries at 31 March 2022. 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.

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 legacy deficit as well as additional contributions and contributions in respect of ongoing benefit accrual. The Group expects to make contributions amounting to £47m in 2023.

a) Risks associated with the pension scheme

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. Retirement benefit schemes (continued)

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 scheme's corporate bond holdings and an increase in the value of the scheme's matching portfolios (which are set to hedge changes in Gilt yields).

Inflation risk

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

Life expectancy

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

b) Risk management

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

c) Assumptions used in the valuation of the pension surplus

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

	2022 **% p.a**	2021 % p.a
Discount rate for service costs		
- legacy EEGS	**-**	1.90
- legacy EEPS	**-**	1.90
- EDFG (legacy BEGG)	**4.70**	1.90
Discount rate for defined benefit obligation		
- legacy EEGS	**-**	1.90
- legacy EEPS	**-**	1.90
- EDFG (legacy BEGG)	**4.75**	1.90
RPI inflation DBO assumption		
- legacy EEGS	**-**	2.95
- legacy EEPS	**-**	2.95
- EDFG (legacy BEGG)	**2.90**	2.95
RPI inflation Service Cost assumption		
- legacy EEGS	**-**	2.85
- legacy EEPS	**-**	2.85
- EDFG (legacy BEGG)	**2.85**	2.85
Rate of increase in salaries		
- legacy EEGS	**-**	2.70
- legacy EEPS	**-**	n/a
- EDFG (legacy BEGG)	**2.65**	2.70
Rate of increase of pensions in deferment		
- legacy EEGS	**-**	2.95
- legacy EEPS	**-**	2.20
- EDFG (legacy BEGG) Pre-2001 joiners	**2.95**	2.95
- EDFG (legacy BEGG) Post-2001 joiners	**2.75**	2.85

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. Retirement benefit schemes (continued)

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

Legacy EEGS	**2022**	2021
Life expectancy for current male pensioner aged 60	-	27
Life expectancy for current female pensioner aged 60	-	29
Life expectancy at 60 for future male pensioner currently aged 40	-	28
Life expectancy at 60 for future female pensioner currently aged 40	-	30

Legacy EEPS	**2022**	2021
Life expectancy for current male pensioner aged 65	-	23
Life expectancy for current female pensioner aged 65	-	25
Life expectancy at 65 for future male pensioner currently aged 45	-	24
Life expectancy at 65 for future female pensioner currently aged 45	-	26

EDFG (legacy BEGG)	**2022**	2021
Life expectancy for current male pensioner aged 60	27	27
Life expectancy for current female pensioner aged 60	29	29
Life expectancy at 60 for future male pensioner currently aged 40	28	28
Life expectancy at 60 for future female pensioner currently aged 40	30	30

Mortality assumptions have been determined based on standard mortality tables, specifically the SAPS S3 "All" tables for male members and SAPS S3 "Mid" tables for female members (2021: SAPS S3 standard tables). Future improvements in mortality rates are assumed to be in line with the CMI 2021 Core Projections Model subject to a 1.25%p.a long-term rate of improvement. Increasing the life expectancy by 1 year would increase the DBO at 31 December 2022 by approximately £260m. Reducing the life expectancy by 1 year would reduce the DBO at 31 December 2022 by approximately £260m.

d) Financial impact of defined benefit pension schemes

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

	2022 **£m**	2021 £m
Present value of defined benefit obligations (“DBO”)	(5,666)	(8,732)
Fair value of scheme assets	6,250	11,024
Surplus in scheme	**584**	**2,292**

There was an additional amount of £11m (2021: £15m) included within other liabilities that relate to unapproved pension scheme amounts. The movement of £4m is recognised in actuarial reserves.

The recognition of a surplus is determined by IAS 19 and applying IFRIC 14. The Group considers that under the Pension scheme rules, the Group has an unconditional right to a refund of surplus after all pension payments have been made. As such the surplus has been recognised as the amount that the Group has a right to receive as a refund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. Retirement benefit schemes (continued)

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

	Total 2022 £m	Total 2021 £m
Service cost	27	191
Past service cost (including curtailments)	-	(30)
Interest cost on DBO	162	145
Interest income on scheme assets	(206)	(169)
Total pension costs	**(17)**	**137**

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

	2022 £m	2021 £m
At 1 January	8,732	9,080
Current service cost	27	191
Interest cost on DBO	162	145
Actuarial (gains)/losses from change in demographic assumptions	(143)	(19)
Actuarial (gains)/losses from change in financial assumptions	(3,810)	(197)
Actuarial losses from experience	1,071	(90)
Net benefits paid	(374)	(351)
Contributions by employees	1	3
Past service cost (including curtailments)	-	(30)
At 31 December	**5,666**	**8,732**

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

	2022 £m	2021 £m
At 1 January	11,024	10,254
Interest income on scheme assets	206	169
Actuarial gains	(4,694)	737
Contributions by employer	87	212
Net benefits paid	(374)	(351)
Contributions by employees	1	3
At 31 December	**6,250**	**11,024**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. Retirement benefit schemes (continued)

e) Breakdown of scheme assets:

	2022 £m	2021 £m
Equities by region:		
United Kingdom	7	116
Europe	3	122
North America	11	654
Asia Pacific	1	86
Japan	2	92
Emerging Markets	1	55
Other	(1)	-
Total Equities:	**24**	**1,125**
Bonds by rating:		
AAA	175	271
AA	1,674	4,688
A	73	62
BBB	226	177
Non-investment grade	678	1,111
Private debt	225	197
Other	86	67
Total Bonds:	**3,137**	**6,573**
Real Estate	**630**	**751**
Private Equity	**541**	**493**
Systematic Multi-Asset Fund	**146**	**561**
Cash and derivatives	**1,546**	**1,221**
Other	**226**	**300**
	6,250	**11,024**

As at 31 December 2022, the scheme held repurchase transactions. The net value of these transactions is included in the value of bonds in the table above. The value of the funding obligation for the repurchase transactions is £2,628m at 31 December 2022 (2021: £548m).

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

The investment strategy is determined by the scheme trustees.

f) Profile of the pension scheme

Current year

The Defined Benefit Obligation (DBO) includes benefits for current employees, former employees and current pensioners. Broadly, about 10% of the DBO is attributable to current employees, 40% to deferred pensioners and 50% to current pensioners.

The scheme duration is an indicator of the weighted-average time until benefit payments are made. For the consolidated scheme as a whole, the duration is approximately 18 years.

Prior year

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. Retirement benefit schemes (continued)

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

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

	2022
Impact of a 25bp increase in discount rate	**-4.21%**
Impact of a 25bp decrease in discount rate	**4.00%**
Impact of a 25bp increase in inflation rate	**3.67%**
Impact of a 25bp decrease in inflation rate	**-3.74%**

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.

41. Financial Instruments

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

		31 December 2022			31 December 2021		
		Current	**Non-current**	**Total**	Current	Non-current	Total
	Note	**£m**	**£m**	**£m**	£m	£m	£m
Financial assets							
Derivatives at fair value through profit and loss:							
- Commodity purchase contracts		-	-	-	4	-	4
- Foreign currency forward contracts		8	1	9	-	-	-
Derivatives designated in cash flow hedge:							
- Commodity purchase contracts		619	329	948	1,527	305	1,832
- Foreign currency forward contracts		-	-	-	-	-	-
- Cross currency swap		27	-	27	-	-	-
Cash and cash equivalents (i)	21	2,589	-	2,589	1,850	-	1,850
Loan receivables at amortised cost (ii)		-	3,147	3,147	3	686	689
Trade and other receivables (iii)		3,651	-	3,651	2,305	-	2,305
Financial assets at fair value through other comprehensive income		-	-	-	-	11	11
NLF and Nuclear liabilities receivable	20	1,341	11,075	12,416	841	12,592	13,433

(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 approximates the carrying amounts since these loans are considered payable on demand from a market participant perspective even if no fixed repayment terms are set. Non-financial assets in note 23 have been excluded from the analysis above.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

41. Financial Instruments (continued)

		31 December 2022			31 December 2021		
		Current	**Non-current**	**Total**	Current	Non-current	Total
	Note	**£m**	**£m**	**£m**	£m	£m	£m
Financial liabilities							
Derivatives at fair value through profit and loss:							
- Commodity purchase contracts		(2)	-	(2)	-	-	-
- Foreign currency forward contracts		(1)	-	(1)	(3)	-	(3)
Derivatives designated in cash flow hedge:							
- Commodity purchase contracts		(3,495)	(491)	(3,986)	(1,805)	(712)	(2,517)
- Foreign currency forward contracts		-	-	-	-	(5)	(5)
Borrowings at amortised cost (iv)		(1,263)	(1,582)	(2,845)	(108)	(808)	(916)
Other liabilities at amortised cost (v)		(5,246)	(407)	(5,653)	(3,048)	(452)	(3,500)
Lease obligations	31	(14)	(46)	(60)	(13)	(54)	(67)
Contingent consideration (v)	24	-	(1)	(1)	(1)	-	(1)

(iv) The fair value of variable interest rate and borrowings approximates its carrying amount as the interest rates charged are considered marked related. The fair value of fixed interest rate borrowings does not approximate its carrying amount.

(v) The fair value of current other liabilities and contingent consideration approximates the carrying value due its relatively short maturity. Non-financial liabilities in note 24 have been excluded from the analysis above.

Derivatives at fair value through profit and loss reflect the change in fair value of those foreign currency forward contracts and commodity purchase forward contracts that are intended to reduce the level of foreign currency and price risk exposures. Derivatives designated in cash flow hedge reflect the change in fair value of those foreign currency forward contracts, commodity purchase forward contracts and a cross currency swap, designated as cash flow hedges to hedge highly probable forecast transactions. The line item of the consolidated balance sheet where the hedging instruments are reported is 'Derivative financial instruments'.

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)

41. Financial Instruments (continued)

	Notes	2022 £m	2021 £m
Level 2*			
Derivatives at fair value through profit and loss:			
- Commodity purchase contracts (i)	26	(2)	4
- Foreign currency forward contracts (ii)	26	8	(3)
Derivatives designated in cash flow hedge:			
- Commodity purchase contracts (i)	26	(3,038)	(685)
- Foreign currency forward contracts (ii)	26	-	-
- Cross currency swap (iii)	26	27	(5)
Level 3*			
Financial assets at fair value through other comprehensive income (iv)	18	-	11

*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				
		< 1 year	1-5 years	> 5 years	Total	Fair value £m
31 December 2022						
Electricity	Millions of MWh's	-	3	-	3	(2,455)
Gas	Millions of therms	667	58	-	725	(583)
31 December 2021						
Electricity	Millions of MWh's	(1)	(4)	-	(5)	(1,218)
Gas	Millions of therms	866	191	-	1,057	533

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)

41. Financial Instruments (continued)

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

		Assets	Liabilities	Fair value
31 December 2022		£m	£m	£m
Commodity purchase contracts	Commodity price risk	948	(3,989)	(3,041)
Cross currency swap	Foreign currency risk	27	-	27
31 December 2021				
Commodity purchase contracts	Commodity price risk	1,832	(2,517)	(685)
Cross currency swap	Foreign currency risk	-	(5)	(5)

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	
	2022	2021	**2022**	2021
	£m	£m	**£m**	£m
Increase/(Decrease) of 10% in electricity price	-	-	(246)	(122)
Increase/(Decrease) of 10% in gas price	-	-	(58)	53
Increase/(Decrease) of 10% CO_2 emission certificates price	-	-	-	-

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)

41. Financial Instruments (continued)

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

	2022	2021
	£m	£m
Floating rate borrowings	594	35
Fixed rate borrowings	2,251	881
Floating rate lease obligations	60	67

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

	2022	2021
Weighted average fixed interest rate %	2.5 %	4.1%
Weighted average floating interest rate %	4.1 %	2.3%

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 2022, the Group has one cross currency swap (2021: one). The fair value of the cross swap outstanding at 31 December 2022 was a liability of £27m (2021: £5m liability). If interest rates moved by 100bps the change in value of the derivative asset and the hedge reserve would be £0.1m lower (2021: £0.1m). If interest rates moved by 100bps, the Loss before tax would be £5.9m higher (2021: £0.3m higher loss).

g) Foreign currency risk management

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

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

	Notional amount to be received				Notional amount to be given				
	<1yr	1-5yrs	>5yrs	Total	<1yr	1-5yrs	>5yrs	Total	Fair value
	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 31 December 2022									
Foreign currency forwards	501	16	-	517	507	17	-	524	8
Cross currency swap	720	-	-	720	695	-	-	695	27
At 31 December 2021									
Foreign currency forwards	260	42	-	302	269	47	-	316	1
Cross currency swap	19	682	-	701	25	695	-	720	5

Sensitivity analysis

If exchange rates increased by 10%, the loss before tax would be £27m lower (2021: £15m higher loss). If exchange rates increased by 10% the hedge reserve would be £7m higher (2021: £67m lower).

41. Financial Instruments (continued)

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.

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.

	2022 **£m**	2021 £m
Guarantee provided by subsidiary relating to performance of contractual obligations	461	390
Guarantee relating to pension obligations	-	-
Guarantee relating to tax obligations	-	-

i) Liquidity risk management

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

Uncommitted borrowing facilities are maintained with several banking counterparties and EDF SA to meet the Group's normal and contingency funding requirements. On 31 December 2022, the Group had available £840m (2021: £1,096m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met representing both inter-group and external funding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

41. Financial Instruments (continued)

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

	0-30 days £m	30-90 days £m	3-6 months £m	6-12 months £m	1-2 years £m	2-5 years £m	> 5 years £m	Total £m
At 31 December 2022								
Commodity purchase contracts	(73)	(2,525)	(67)	(835)	(488)	-	-	(3,988)
Foreign currency forwards	(1)	-	-	-	-	-	-	(1)
Borrowings	(4)	-	-	(1,259)	-	(46)	(1,536)	(2,845)
Other liabilities	(499)	(485)	(48)	(4,215)	(117)	(279)	(11)	(5,654)
Lease obligations	(1)	(4)	(5)	(5)	(11)	(18)	(16)	(60)
Contingent consideration	-	-	-	-	(1)	-	-	(1)
At 31 December 2021								
Commodity purchase contracts	(47)	(951)	(6)	(802)	(674)	(37)	-	(2,517)
Foreign currency forwards	-	(3)	-	-	(5)	-	-	(8)
Borrowings	(4)	-	-	(104)	(672)	(35)	(101)	(916)
Other liabilities	(298)	(2,208)	(480)	(65)	(128)	(321)	-	(3,500)
Lease obligations	(1)	(2)	(5)	(5)	(14)	(30)	(10)	(67)
Contingent consideration	-	(1)	-	-	-	-	-	(1)

42. 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	**2022**	-	(329)	-
	2021	-	(218)	-
Transactions with other EDF S.A. Group companies	**2022**	-	(418)	(74)
	2021	-	(468)	(30)
Lease Commitments with EDF S.A. Group companies	**2022**	-	-	-
	2021	-	-	-
Derivatives with other EDF S.A Group companies	**2022**	3,189	(8,213)	-
	2021	1,934	(3,152)	-

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	**2022**	347	(153)
	2021	124	(149)
Transactions with other EDF S.A. Group companies	**2022**	4,969	(1,276)
	2021	1,941	(537)
Lease Commitments with EDF S.A. Group companies	**2022**	-	-
	2021	-	-
Derivatives with other EDF S.A Group companies	**2022**	991	(3,989)
	2021	1,837	(2,525)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

42. Related parties (Continued)

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 £2,741m (2021: £912m) and loans receivable from EDF S.A. companies of £2,800m (2021: £565m).

Transactions with key management personnel

	2022 £m	2021 £m
Short-term benefits	4.5	4.8
Post-employment benefits	1.6	0.3
Other long-term employee benefits	0.1	0.2
	6.2	**5.3**

Key management personnel comprise members of the Executive Committee, a total of eight individuals at 31 December 2022 (2021: nine). The Executive Committee is a cross-business unit committee of senior staff who take part in the decision-making for the Group.

43. Events after the balance sheet date

Generation asset life extension
In March 2023, the Company extended the operating life of its Hartlepool and Heysham 1 nuclear plants by two years to March 2026 (+/- 1 year), as a result of positive inspections of the graphite reactor cores during 2022. Previously both plants were due to end generation in March 2024.

Electricity Generator Levy
The Government has also announced plans for an Electricity Generator Levy as set out on page 24 above which has no impact on the 2022 accounts and will apply in 2023 and beyond.

Borrowings
Subsequent to the year-end, it has been agreed with EDF SA that the Eurobond of EUR 800m, which is due to mature in June 2023, will be replaced with a loan from EDF IG of up to EUR 800m via the immediate parent company EDF Energy (UK) Limited. Similarly, the cross currency swap will mature and be replaced in June 2023 via the immediate parent company EDF Energy (UK) Limited. Therefore, effective the date of maturity in June 2023, the Eurobond together with the cross currency swap will be replaced by the GBP loan which will be lent by EDF Energy (UK) Limited to the Group.

44. 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 2022, 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 2022

	Note	**2022 £m**	2021 £m
Non-current assets			
Financial Assets	8	442	68
Investments in subsidiary and associate undertakings	9	18,082	14,963
		18,524	15,031
Current assets			
Trade and other receivables	*10*	12	13
Cash and cash equivalents	*11*	192	1
		204	14
Total assets		18,728	15,045
Current liabilities			
Other liabilities	*12*	(1)	(2)
Borrowings	*13*	(549)	-
		(550)	(2)
Non-current liabilities			
Borrowings	*13*	(142)	(135)
		(142)	(135)
Total liabilities		(692)	(137)
Net current liabilities		(346)	12
Net assets		18,036	14,908
Equity			
Share capital	*14*	14,081	11,795
Share premium	*16*	199	199
Retained earnings		3,756	2,914
Total equity		18,036	14,908

The Company reported a Profit for the financial year ended 31 December 2022 of £842m (2021: loss of £2,089m).

The company financial statements of EDF Energy Holdings Limited, registered number 06930266, on pages 112 to 123 were approved by the Board of Directors and signed on its behalf by:

Robert Guyler
Director

28 April 2023

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital £m	Share premium £m	Retained earnings £m	**Total Shareholders' funds £m**
At 31 December 2020	9,631	199	5,188	**15,018**
Loss for the year	-	-	(2,089)	**(2,089)**
Dividend paid (note 15)	-	-	(185)	**(185)**
Shares issued (note 14)	2,164	-	-	**2,164**
At 31 December 2021	**11,795**	**199**	**2,914**	**14,908**
Profit for the year	-	-	842	**842**
Dividend paid (note 15)	-	-	-	**-**
Shares issued (note 14)	2,286	-	-	**2,286**
At 31 December 2022	**14,081**	**199**	**3,756**	**18,036**

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 polices which apply in preparing the Company financial statements for the year ended 31 December 2022.

Summary of significant accounting policies and key accounting estimates

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

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

Summary of disclosure exemptions

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

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

Where relevant, equivalent disclosures have been given in the group accounts which are available on the pages above.

Going concern

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

Income Statement

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

Investment in subsidiaries

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

The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Considerations in the assessment of control include:
- the purpose and design of the entity;
- what the relevant activities are and how decisions about those activities are made;
- whether the rights of the company give it the current ability to direct the relevant activities;
- whether the company is exposed, or has rights, to variable returns from its involvement with the entity; and
- whether the entity has the ability to use its power over the investee to affect the amount of the investor's returns.

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

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

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

Investments in associates

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

Investments in associates are accounted for at cost less, where appropriate, allowances for impairment.

Financial instruments

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

Cash and cash equivalents

Cash and cash equivalents comprises cash at bank and in hand, including short term deposits with a maturity date of three months or less from the date of acquisition, restricted cash and cash pooled with Group companies.

Share capital

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

2. Critical accounting judgement and key source of estimation uncertainty

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

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

Key sources of estimation uncertainty

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

Impairment of investment in subsidiary and associate undertakings

The Company performs impairment testing of investment in subsidiaries and associates where there is an indication of potential impairment. The impairment review involves a number of assumptions including discount rates and cash flow forecast. These assumptions are reviewed annually to ensure they are reliable. Further detail on impairment is disclosed in note 7.

Critical judgements in applying accounting policies

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

3. Operating loss

In 2022 an amount of £14,000 (2021: £10,000) 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 2022, amounts payable to Deloitte LLP by the Company in respect of non-audit services were £nil (2021: £nil).

The Company had no employees in 2022 (2021: none).

4. Directors' emoluments

None of the Directors received any remuneration for services to the Company during the year (2021: £nil).

5. Investment income

	2022 **£m**	2021 £m
Dividends received from subsidiaries	190	90
Interest receivable from other Group companies	10	1
	200	91

A dividend of £190m (2021: £90m) was received from EDF Energy Lake Limited.

6. Finance costs

	2022 **£m**	2021 £m
Interest payable on loans and facilities from other Group companies	169	2

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

7. Impairment

	2022	2021
	£m	£m
EDF Energy Lake Limited (i)	(853)	853
EDF Energy Limited	-	1,325
Northern Power Limited (ii)	42	-
Associates (iii)	157	-
	(654)	2,178

(i) In 2022, an impairment reversal of £853m was recognised as a result of the favourable energy prices during the year.

(ii) Northern Power Limited is holding the land of Bradwell project. Given that it is no longer certain that the project will go ahead, the investment in subsidiary has been impaired.

(iii) Investment in the project Bradwell 80% owned by CGN has been impaired in 2022 as it no longer certain that the project will go ahead.

8. Financial assets

	2022	2021
Non-current financial assets	**£m**	£m
Loans to subsidiaries	442	68

In 2022, a loan of £399m was advanced to EDF Energy Limited at an interest rate of 2% plus SONIA and a repayment date of 18 December 2023. In December 2022, a loan of £34.3m was repaid by EDF Energy Limited.

9. Investments in subsidiary and associate undertakings

	Subsidiaries	**Associates**	**Total**
Carrying value	**£m**	**£m**	**£m**
At 1 January 2021	**14,693**	**129**	**14,822**
Additions during the year	2,289	30	2,319
Impairment during the year	(2,178)	-	(2,178)
At 31 December 2021	**14,804**	**159**	**14,963**
Additions during the year	2,465	-	2,465
Impairment during the year	811	(157)	654
At 31 December 2022	**18,080**	**2**	**18,082**
Carrying Value			
At 31 December 2022	**18,080**	**2**	**18,082**
At 31 December 2021	14,804	159	14,963

The additions to investment in subsidiaries related to the subscription of £2,287m (2021: £2,163m) additional shares in EDF Energy Topco (NNB) Private Limited, and £178m (2021: £126m) shares in NNB Holding Company (SZC) Limited.

The principal subsidiary undertakings at 31 December 2022, which are incorporated in the United Kingdom and are registered and operate in England and Wales, or Scotland (unless otherwise stated), are as follows:

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

9. Investments in subsidiary and associate undertakings (continued)

Name of subsidiary	Principal activity	Holding %
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 Limited*[(2)]	Holding company	100%
BEGG Trustee Limited*	Dormant company	80%
Lochside Insurance Limited* (Guernsey)[(4)]	Insurance company	80%
EDF Energy Innovation Limited*	Provision of innovation services	80%
Cheshire Cavity Storage 1 Limited*	Gas storage facilities	100%
West Burton Property Limited*	Dormant company	100%
EDF Energy Limited	Sale of electricity	100%
EDF Energy Customers Limited*	Electricity retailing	100%
EDF Energy Lake Limited	Holding company	100%
EDF Energy ESPS Trustee Limited*	Dormant company	100%
EDF Energy (Thermal Generation) Limited*	Power generation	100%
EDF Energy (Gas Storage) Limited (formerly EDF Energy (Gas Storage Hole House) Limited)*	Gas storage facilities	100%
EDF Energy R&D UK Centre Limited	Research and development of generation and supply	100%
EDF Energy Pension Scheme Trustee Limited*	Dormant company	100%
EDF Development Company Limited	Ownership and management of land	100%
Northern Power Limited[(2)]	Power generation	100%
NNB Holding Company (SZC) Limited	Holding company	68%
NNB Generation Company (SZC) Limited*	Development of generation and supply	68%
EDF Energy (NNB) Limited (Hong Kong)[(3)]	Holding company	100%
EDF Energy Topco (NNB) Private Limited[(7)]	Holding company	100%
NNB Top Company HPC (B) Limited*	Holding company	100%
NNB Top Company HPC (A) Limited*	Holding company	100%
NNB Top Company HPC (C) Limited*	Holding company	100%
NNB Holding Company (HPC) Limited*	Holding company	66.5%
NNB Generation Company (HPC) Limited*	Development of generation and supply	66.5%
NNB Finance Company (HPC) Limited*	Financial activities	66.5%
EDF Energy (TSO) Limited	Technical services	100%
Pod Point Group Holdings PLC*	Holding company	53.83%
Pod Point Holding Limited*[(5)]	Holding company	53.83%
Pod Point Limited*[(5)]	Provision of charging infrastructure for electric vehicles	53.83%
Open Charge Limited*[(5)]	Financial activities	53.83%
Pod Point Asset One Limited*[(5)]	Provision of charging infrastructure assets for electric vehicles	53.83%
Pod Point Norge AS (Norway)*[(6)]	Dormant company	53.83%

*Indirectly held

(1) Registered Address: Javelin House, Building 1420, Charlton Court, Gloucester Business Park, Gloucester, England, GL3 4AE

(2) Registered Address: 6 Atlantic Quay Glasgow G2 8JB

(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

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

(6) Registered Address: Engebrets vei 3 0275 Oslo

(7) Registered Address: 112, Robinson Road, #05-01, Robinson 112, Singapore 068902

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

For the year ending 31 December 2022 the following subsidiaries of the Company were entitled to exemption from audit under Section 479A of the Companies Act 2006 relating to subsidiary companies:

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

9. Investments in subsidiary and associate undertakings (continued)

Company	Registration number
EDF Energy Lake Limited	09200461
Lake Acquisitions Limited	06612465
NNB Top Company HPC (C) Limited	13815312
NNB Top Company HPC (B) Limited	09284753
NNB Top Company HPC (A) Ltd	09284749
EDF Energy Nuclear Generation Group Limited	SC270184
EDF Development Company Limited	06222043
EDF Energy Innovation Limited	06999483
Northern Power Limited	SC155131

Details of the Company's associates at 31 December 2022 are detailed below.

Name of associate	Principal Activity	Ownership Rights %	Voting Rights %
Lewis Wind Power Holdings Limited[1]	Holding company	24.5%	24.5%
Stornoway Wind Farm Limited[1]	Renewable energy generation	24.5%	24.5%
Clash Gour Windfarm Holdings Limited[1]	Holding company	49.0%	49.0%
Dallas Windfarm Limited[1]	Renewable energy generation	49.0%	49.0%
Altyre II Windfarm Limited[1]	Renewable energy generation	49.0%	49.0%
Dunphail Windfarm Limited[1]	Renewable energy generation	49.0%	49.0%
Dunphail II Windfarm Limited[1]	Renewable energy generation	49.0%	49.0%
Dunphail Windfarm Partnership LLP[1]	Renewable energy generation	49.0%	49.0%
EDF Energy Renewables Limited[10]	Renewable energy generation	49.0%	49.0%
Fallago Rig II Windfarm Limited[10]	Renewable energy generation	49.0%	49.0%
Braemore Wood Windfarm Limited [10]	Renewable energy generation	49.0%	49.0%
NNG Windfarm Holdings Limited[1]	Holding company	24.5%	24.5%
Neart Na Gaoithe Offshore Wind Limited[1]	Renewable energy generation	24.5%	24.5%
Rowan Onshore Windfarm Limited [10]	Renewable energy generation	24.9%	24.9%
Fairfield Windfarm Limited[10]	Renewable energy generation	24.9%	24.9%
Boundary Lane Windfarm Limited[10]	Renewable energy generation	24.9%	24.9%
Walkway Windfarm Limited[10]	Renewable energy generation	24.5%	24.9%
Teesside Windfarm Limited[10]	Renewable energy generation	24.9%	24.9%
EDF Renewables Solar limited[10]	Renewable energy generation	49.0%	49.0%
Longpark Windfarm Limited[10]	Renewable energy generation	24.9%	24.9%
Roade Windfarm Limited[10]	Renewable energy generation	24.9%	24.9%
Burnhead Moss Wind Farm Limited[10]	Renewable energy generation	24.9%	24.9%
EDF Energy Renewables Holdings Limited [10]	Holding company	24.9%	24.9%
Barmoor Wind Power Limited[10]	Renewable energy generation	24.9%	24.9%
Park Spring Wind Farm Limited[10]	Renewable energy generation	24.9%	24.9%
Corriemoillie Windfarm Limited[10]	Renewable energy generation	24.9%	24.9%
Dorenell Windfarm Limited[10]	Renewable energy generation	24.9%	24.9%
Beck Burn Windfarm Limited[10]	Renewable energy generation	24.9%	24.9%
Pearie Law Windfarm Limited[10]	Renewable energy generation	24.9%	24.9%
Cemmaes Windfarm Limited[10]	Renewable energy generation	24.9%	24.9%
Llangwyryfon Windfarm Limited[10]	Renewable energy generation	24.9%	24.9%
Great Orton Windfarm II Limited[10]	Renewable energy generation	24.9%	24.9%
High Hedley Hope Wind Limited[10]	Renewable energy generation	24.9%	24.9%
Stranoch Windfarm Limited[10]	Renewable energy generation	49.0%	49.0%
EDF Energy Round 3 Isle of Wight Limited [10]	Renewable energy generation	49.0%	49.0%
EDF Renewables Community Investment Limited[10]	Renewable energy generation	24.5%	24.5%
Longfield Solar Energy Farm Limited[10]	Renewable energy generation	24.9%	24.9%
Porth Wen Solar Limited[10]	Renewable energy generation	24.9%	24.9%
Gwynt Glas Offshore Wind Farm Limited[10]	Renewable energy generation	44.0%	44.0%
Beechgreen Energyfarm Limited [10]	Renewable energy generation	24.9%	24.9%
Pivot Power Limited[10]	Renewable energy generation	49.0%	49.0%
Pivot Power (Holding) Limited[10]	Renewable energy generation	49.0%	49.0%
Pivot Power Battery Co. Limited[10]	Renewable energy generation	49.0%	49.0%
Pivot Power Wire Co Limited[10]	Renewable energy generation	49.0%	49.0%
Pivoted Power LLP[10]	Renewable energy generation	49.0%	49.0%

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

Name of associate	Principal Activity	Ownership Rights %	Voting Rights %
Kirkheaton Wind Limited[10]	Renewable energy generation	24.9%	24.9%
EDF ER Development Limited[10]	Renewable energy generation	49.0%	49.0%
Camilty Windfarm Limited[10]	Renewable energy generation	49.0%	49.0%
Cloich Windfarm Limited[10]	Renewable energy generation	49.0%	49.0%
Heathland Windfarm Limited[10]	Renewable energy generation	49.0%	49.0%
Newcastleton Windfarm Limited[10]	Renewable energy generation	49.0%	49.0%
Tinnisburn Windfarm Limited[10]	Renewable energy generation	49.0%	49.0%
Wauchope Windfarm Limited[10]	Renewable energy generation	49.0%	49.0%
West Benhar Windfarm Limited[10]	Renewable energy generation	49.0%	49.0%
Camilty Windfarm Partnership LLP[10]	Renewable energy generation	49.0%	49.0%
Cloich Windfarm Partnership LLP[10]	Renewable energy generation	49.0%	49.0%
Heathland Windfarm Partnership LLP[10]	Renewable energy generation	49.0%	49.0%
Newcastleton Windfarm Partnership LLP[10]	Renewable energy generation	49.0%	49.0%
Tinnisburn Windfarm Partnership LLP[10]	Renewable energy generation	49.0%	49.0%
Wauchope Windfarm Partnership LLP[10]	Renewable energy generation	49.0%	49.0%
West Benhar Windfarm Partnership LLP[10]	Renewable energy generation	49.0%	49.0%
EDF Renewables Ireland Ltd[12]	Renewable energy generation	49.0%	49.0%
EDF Renewables Ireland Energyfarm Holdings Limited[12]	Renewable energy generation	49.0%	49.0%
Curraghmartin Solar Limited[12]	Renewable energy generation	24.5%	24.5%
Stamullen Solar Limited[12]	Renewable energy generation	24.5%	24.5%
TDC Community Solar Park Limited[12]	Renewable energy generation	24.5%	24.5%
Willville Solar Limited[12]	Renewable energy generation	24.5%	24.5%
Blusheens Solar Limited[12]	Renewable energy generation	24.5%	24.5%
Ballycarren Solar Limited[12]	Renewable energy generation	24.5%	24.5%
Coolroe Solar Limited[12]	Renewable energy generation	24.5%	24.5%
Ashgreen Energyfarm Limited [10]	Renewable energy generation	49.0%	-
EDF Renewables Hydrogen Limited[10]	Renewable energy generation	49.0%	-
Springwell Energyfarm Limited[10]	Renewable energy generation	30.6.0%	-
Custodian Energy Limited [10]	Renewable energy generation	25.0%	-
Burnfoot East Windfarm Limited [10]	Renewable energy generation	0%	49.0%
Red Tile Wind Limited [10]	Renewable energy generation	0%	49.0%
EDF ER Nominee Limited [10]	Renewable energy generation	0%	49.0%
EDF EN Services UK Limited[10]	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[3]	Generation and supply of heat and electricity	50.0%	49.0%
ESSCI Limited[3]	Development of generation and supply	50.0%	49.0%
ESSCI Engineering Services Limited[3]	Development of generation and supply	50.0%	49.0%
Imtech Engineering Services North Ltd[5]	Development of generation and supply	50.0%	49.0%
Imtech Engineering Services Ltd[4]	Development of generation and supply	50.0%	49.0%
Imtech Engineering Services London and South Ltd[3]	Development of generation and supply	50.0%	49.0%
Imtech Aqua Ltd[6]	Development of generation and supply	50.0%	49.0%
Imtech Aqua Building Services Ltd[6]	Development of generation and supply	50.0%	49.0%
Imtech Aqua Controls Ltd[6]	Development of generation and supply	50.0%	49.0%
Imtech Low Carbon Solutions Ltd[4]	Development of generation and supply	50.0%	49.0%
ESSCI Technical Facilities Management Limited[3]	Development of generation and supply	50.0%	49.0%
Inviron Holdings Limited[7]	Holding company	50.0%	49.0%
Imtech Inviron Limited[7]	Development of generation and supply	50.0%	49.0%
Inviron Property Limited[7]	Development of generation and supply	50.0%	49.0%
Imtech Aqua Maintenance Ltd[7]	Development of generation and supply	50.0%	49.0%
ESSCI Technical Services Limited[3]	Development of generation and supply	50.0%	49.0%
Capula Group Limited[8]	Development of generation and supply	50.0%	49.0%
Capula Limited[8]	Development of generation and supply	50.0%	49.0%
ESSCI Ireland Limited[3]	Development of generation and supply	50.0%	49.0%
Suir Engineering Limited [11]	Development of generation and supply	50.0%	49.0%
Suir Engineering Sweden AB (Sweden) [11]	Development of generation and supply	50.0%	49.0%
Imtech Suir Qatar LLC (Qatar)	Development of generation and supply	50.0%	49.0%
Breathe Energy Ltd[9]	Energy management services	50.0%	49.0%
Breathe Asset Management Services Ltd[9]	Management of energy assets	50.0%	49.0%
Bradwell Power Holding Company Limited[2]	Holding company	33.5%	33.5%

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

Name of associate	Principal Activity	Ownership Rights %	Voting Rights %
Bradwell Power Generation Company Limited[(2)]	Development of generation and supply	33.5%	33.5%
General Nuclear System Limited[(2)]	Development of generation and supply	33.5%	33.5%

All associates are indirectly held.

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

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

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

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

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

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

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

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

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

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

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

(12) Registered Address: FLOOR 0, 1 WINDMILL LANE, DUBLIN D02 F206, CO. DUBLIN, DUBLIN, 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

	2022 £m	2021 £m
Amounts owed by other Group companies	12	13

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

11. Cash and cash equivalents

	2022 £m	2021 £m
Cash pooling with ultimate parent	192	1
	192	1

The Company participates in cash pooling with EDF S.A. The balance of cash pooled with the ultimate parent as at 31 December 2022 is £192 m (2021: £1m). Interest is earned on cash pool balance at a rate of overnight SONIA less 0.125%.

12. Other liabilities

	2022 £m	2021 £m
Accruals	1	2
	1	2

The Directors consider that the carrying amount of other liabilities approximates to their fair value.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

13. Borrowings

	2022	2021
Current borrowings	**£m**	£m
Loan from immediate parent	549	-
Non-current borrowings		
Loan from immediate parent	142	135
Total Borrowings	**691**	**135**

In 2022, a further loan of £445m (2021: £12m) was received from EDF SA Limited with an interest rate of 1.06% plus mid swap SONIA and matures on 18 December 2023. In 2022, EDF Energy (UK) Limited advanced a further £10m (€11.7m) to the Group for the future development of EDF Renewables Ireland. This loan has annual interest at 3-month EURIBOR plus 2% and matures on 16 December 2025. During the year, HMG officially committed towards the SZC project on 29 November 2022. In the year 2022 £100m had been received as grant towards the SZC project.

14. Share capital

Allotted, called up and fully paid	**2022 Number**	2021 Number	**2022 £m**	2021 £m
Ordinary shares of £1.00 each	**14,081,496,274**	11,794,561,274	**14,081**	11,795

In 2022, 2,286,935,000 shares (2021: 2,163,993,125 shares) were issued at par for consideration of £2,287m (2020: £2,164m).

15. Dividends

	2022 £m	2021 £m
Interim dividend	-	185

16. Share premium

	2022 £m	2021 £m
Share premium reserve	199	199

17. Related parties

The Company has taken advantage of the exemption in FRS 101 Reduced Disclosure Framework from disclosing transactions with other wholly owned members of the Group, which would otherwise be required for disclosure under IAS 24. During the year, interest of £11.9m (2021: £1.7m) was payable to the Company's ultimate parent EDF S.A. in relation to commitment fees on the available, undrawn facilities. Interest of £10.1m (2021: £1m) was received from EDF S.A. in relation to the cash pool.

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 2022, 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.