EDF ENERGY HOLDINGS LIMITED

Registered Number 06930266

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2015

CONTENTS

Page:

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STRATEGIC REPORT

Principal activities

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

Long-term strategy

The vision for EDF Energy for 2030 starts with customers and their needs. Hence our strategy, which aims at ensuring a sustainable long-term business, is focused on supporting the transition to a lower-carbon economy through generation of safe, reliable and affordable low-carbon electricity, and meeting customer needs in an efficient, simple and responsible way, enabling customers to control their energy usage. All of our actions are underpinned by a focus on improving cost efficiency across the business.

In its customer-facing business, EDF Energy aims to be the energy partner of choice for residential and business customers, helping them to make the most of their energy consumption and production and of their increasingly connected, smart homes – and similarly connected public buildings, communities and cities – whilst providing excellent service and convenience. Through innovation and digitalisation, EDF Energy seeks to help customers control and save energy and to deliver attractive low-carbon solutions thus ensuring a competitive offering to customers is maintained in a rapidly evolving market.

In Generation, EDF Energy seeks to create value through continued operational excellence of existing assets and by developing a portfolio of new investments. This includes leading the revival of nuclear new build in the UK. In partnership with China General Nuclear Corporation (CGN), EDF Energy plans to build two new nuclear units at Hinkley Point in Somerset, and to work together to develop further new nuclear proposals at Sizewell in Suffolk and Bradwell in Essex. EDF Energy is also continuing to develop new renewable generation (mainly onshore wind) projects and maintains consideration of options for new, flexible gas-fired generation.

EDF Energy aims to secure value from its existing nuclear, coal and gas assets through continued safe and reliable generation. A key strategic programme is securing lifetime extensions for existing nuclear plant, when safe and commercially viable, to allow the UK to continue to benefit from nuclear energy until new low-carbon capacity can come online at scale. This will also provide ongoing nuclear employment opportunities and support the maintenance of skills in the UK nuclear industry. In January 2015, EDF Energy confirmed a ten year life extension for Dungeness B nuclear power station to 2028. Other important strategic actions concerning the company’s generation fleet include optimising the lifetime value of coal generation capacity, against the backdrop of recent UK Government announcements to close all coal fleet by 2025 and optimising the operations of the West Burton B Combined Cycle Gas Turbine (CCGT) power station.

EDF Energy is organised into three main business units: Generation, Customers, and Nuclear New Build.

Key performance indicators

In 2015, we continued to measure progress against our key ambitions. Our key company ambitions and related measures for 2015 were:

- **Zero Harm** - Measured through the total recordable incident rate “TRIR” (the number of fatalities, lost time incidents, medical treatments and restricted work injuries per 1,000,000 hours worked) – covers both employees and contractors. Each incident is equally weighted – thus the total result is the sum of all TRIR incidents in the year (per 1,000,000 hours worked in the year).

- **Best and Most Trusted for Customers** – Measured through our Trust Index – a combination of customer survey, complaints monitoring and service levels across our Business to Customers (“B2C”) and Business to Business (“B2B”) businesses. Each (of the 9) measures is given a minimum, an on target and a maximum performance level (equated to 50, 100 and 150 respectively) and the final trust index score is a weighted average of the performances of each measure (and so also has a target of 100).

- **People to be a Force for Good -** Measured through results of our annual employee engagement survey from a subset of 12 questions called the “High Performance Index” (HPI). The questions

STRATEGIC REPORT continued

used relate to topics on which high performing companies are differentiated from others and for which comparative norm data exists**.** The responses against each of the 12 questions are then averaged to produce a total % result.

- **Safe, Secure and Responsible Nuclear Electricity –** Measured though Nuclear Generation Target Achievements – TRIR, HPI, Controllable Costs, Nuclear Output, Ignition Events and Lifetime Management of Plant. Note both the TRIR and HPI measures cover our nuclear and coal, gas and renewable business areas. Each (of the 6) measures is given a minimum, an on target and a maximum performance level (equated to 50, 100 and 150 respectively) and the final trust index score is a weighted average of the performances of each measure (and so also has a target of 100).
- **Power Society Without Costing the Earth** – Measured through Nuclear New Build target achievements - this includes TRIR, HPI, Hinkley Point C Budget, and Milestone Achievements - actions relating to progress on procurement, engineering, construction, project control and consultations for our new build project. Each (of the 4) measures is given a minimum, an on target and a maximum performance level (equated to 50, 100 and 150 respectively) and the final trust index score is a weighted average of the performances of each measure (and so also has a target of 100).
- **Strong Financial and Ethical Performance** - Measured through (a) Profit before depreciation, amortisation, tax and finance costs (b) net cash from operating activities.

The results for 2015 and 2014 were:

Ambition	**Measure**	**2015**	**2014**
Zero Harm	TRIR (per 1,000,000hrs)	0.67	0.95
Best and Most Trusted for Customers	Trust Index	88	53
People to be a Force for Good	High Performing Index (%)	67	68
Safe, Secure and Responsible Nuclear Electricity (*)	Nuclear Generation Target Achievements (Index)	150	94
Power Society Without Costing the Earth (*)	Nuclear New Build Target Achievements (Index)	119	105
Strong Financial and Ethical Performance	Profit before depreciation, amortisation, tax and finance costs (£m)	1,624	1,523
	Net cash from operating activities (£m)	2,053	1,545

(*) This ambition is measured as an index of several measures. Achievement of the target level in each measure would result in a score of 100. The 2015 scores indicate that, on average, the performance during the year was better than target for both Nuclear New Build and Nuclear Generation.

Results

The loss for the year before taxation amounted to £296m (2014: profit of £564m). The loss for the year after taxation was a loss of £154m (2014: profit of £466m), driven by the impairment of generation assets. Dividends of £189m were paid to the parent company, EDF Energy (UK) Limited during the year (2014: £424m).

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

Coal, Gas and Renewable Generation

In 2015, Cottam and West Burton A coal-fired power plants generated 15.7TWh of electricity. Although lower than the 19.8Twh generated in 2014, this represents a good performance in a year of lower dark spreads, two major outages and a number of unplanned losses, notably at Cottam power station. West Burton B CCGT generated 6.2TWh (2014: 4.8TWh), driven by strong availability performance and improved market spark spreads.

STRATEGIC REPORT continued

The coal plant strategy has been developed to provide flexible generation and meet EDF Energy's obligations of plant availability under the Capacity Market Auction held in 2014. The coal plants secured a capacity agreement of three years starting 2018 for seven of eight coal units at the clearing price of £19.40/kW/year (2012 prices). West Burton A Unit 3 participated in the 2015 Auction but did not secure a contract. During 2015, an impairment was taken on the coal plants of £432m and on the CCGT plant of £157m, see note 15 for further details.

The decision regarding the Industrial Emissions Directive (IED) route has been taken and from 1 January 2016 both coal plants will operate under the UK Transitional National Plan (TNP) which requires coal power stations to comply with additional annual emissions limits for nitrogen oxides, sulphur dioxide and dust.

West Burton B CCGT was successful in the 2014 Auction and was awarded a 1 year contract for 2018-2019 at the clearing price of £19.40/kW/year (2012 prices). A further 1 year contract was secured in the 2015 Auction round for 2019-2020 at a lower clearing price of £18.00/kW/year (2014/15 prices). The same applies to the two Open Cycle Gas Turbine (“OCGT”) units at West Burton A.

EDF Energy operates two fast cycle gas storage facilities in Cheshire. Hole House was purchased from EDF Trading in April 2014; the asset is fully operational with a total working gas capacity of c.18 million therms. Hill Top Farm became commercially operational in mid January 2015 with three cavities. The remaining two cavities are being developed and are scheduled to come on-line by mid next year. In 2015 integration of these gas storage activities into a single asset commenced and is continuing through 2016. During 2015, an impairment was taken on the gas storage facilities of £207m, see note 15 for further details.

Through EDF Energy Renewables (EDF ER), a joint venture between EDF Energy and EDF Énergies Nouvelles, EDF Energy is developing its own onshore and offshore production assets. In addition, EDF Energy has signed power purchase agreements with renewable generators and supports independent developers. This ensures a balanced approach for compliance with its Renewables Obligations (RO) and the provision of renewable electricity to its customer base.

EDF ER currently operates 31 wind farm sites with a total generation capacity of 599MW. In 2015, EDF ER brought into commercial operation three onshore windfarms: Burnhead Moss (26MW), Rhodders (12.3MW) and Park Spring (8.6MW). In addition, EDF ER acquired during 2015 the development rights to build a windfarm at Corriemoillie (more than 45MW) and at Dorenell, which at 177MW is one of the largest onshore wind projects due to be built in Scotland.

EDF ER's pipeline of projects in the construction phase includes 19.2MW windfarm at Pearie Law and 18MW windfarm at Beck Burn, both of which are onshore. They are expected to begin operation during 2016 and 2017 respectively.

As part of the 80% sale of Glass Moor II, Rusholme and Green Rigg windfarms to China General Nuclear Power Corporation, which completed in 2014, EDF ER continues to provide asset management and operation and maintenance activities for the wind farms.

EDF ER also has joint ventures in the renewables field with AMEC Foster Wheeler, a construction group, to develop a c.130MW windfarm near Stornoway on the Isle of Lewis in Scotland.

Nuclear Generation

EDF Energy owns and operates eight nuclear power stations in the UK with a total capacity of 8.9 GW. Seven of the eight nuclear power stations are Advanced Gas-Cooled Reactor (“AGR”) power stations and the eighth is a Pressurised Water Reactor (“PWR”) power station.

Output from the nuclear generation fleet for 2015 was 60.6TWh, which was 4.4TWh higher than 2014 nuclear output of 56.3TWh. The increase principally reflects lower unplanned losses across the fleet.

During 2015, a programme of planned outages was carried out on the nuclear generation fleet. Statutory outages were completed on Dungeness B Reactor 2, Heysham 1 Reactor 2, Heysham 2 Reactor 7, Hinkley Point B Reactor 4, Hunterston B Reactor 3 and Torness Reactor 2.

Following the discovery of a defect in a boiler spine on Heysham 1 Reactor 1 in 2014, all four reactors at Heysham 1 and Hartlepool have been operating at reduced load to manage boiler temperatures in the affected area and in the case of Heysham 1 Reactor 1 has been operating at reduced load while isolating the defective part of it.

STRATEGIC REPORT continued

During 2015, modifications were carried out to the boiler cooling on all four reactors to allow a return to full load. The boiler temperature constraint has now been substantially lifted on three of the four reactors while the fourth has yet to return to service following its modifications. Heysham 1 Reactor 1 continues to operate on three out of four boiler quadrants, until the completion of the planned repair.

The AGRs were designed with a nominal 25 year lifetime, and Sizewell B with a 40 year lifetime. However, with the aggregation of technical information, and operational and safety experience, it has been possible to revise the expected AGR lifetimes. Prior to EDF Energy ownership, the AGRs had been extended by an average of 10 years, and it has been EDF Energy's intention, where possible and economic, to seek further lifetime extensions. This may require additional investment in the plant, and requires technical, safety, and economic justifications to be made; and since it may result in increasing the nuclear liabilities, the consent of the Nuclear Decommissioning Authority (“NDA”).

During EDF Energy ownership, the AGRs have been extended by an average of 8 years. The most recent extensions were declared in February 2016. Hartlepool and Heysham 1 were extended by a further five years, and Heysham 2 and Torness were extended by seven years.

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

The power generated by the generation fleet is sold via the Optimisation division within EDF Energy’s customers business. Since April 2010, 20% of the output from nuclear generation is separately sold to Centrica under the agreements made at the time of the Centrica transactions. The remaining 80% is sold to Optimisation 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.

Optimisation and hedging

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

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

Over and above its own generation, EDF Energy also sources electricity through export power supplied from power purchase agreements which are mainly with renewable and CHP generators. In 2015, EDF Energy acquired approximately 6.5TWh through this channel.

For delivery in 2015, EDF Energy’s net position on the wholesale market was a sale of approximately 24.3TWh (including structured trades). In 2015, EDF Energy sold approximately 83.3TWh and bought 59.0TWh.

Coal and gas contracts (physical and financial) and CO_2 emissions rights are entered into by EDF Energy to hedge the requirements of its power plants and gas consumers.

Purchases are based on coal and gas asset generation forecasts and target coal stock levels. In 2015, c.49% of EDF Energy's coal deliveries were from international suppliers and sourced through EDF Trading.

Customer Supply

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

EDF Energy sells energy to two major customer segments: residential customers, described as the Business to Customers segment (B2C); and business customers, described as the Business to Business segment (B2B). The size of business customers ranges from large industrial businesses to small privately owned businesses. EDF Energy adopts different risk management strategies for B2C and B2B.

STRATEGIC REPORT continued

B2C

During the year, EDF Energy supplied 13.7TWh of electricity (2014: 14.5TWh) and supplied 27.6TWh of gas (2014: 27.7TWh) for the B2C segment. As at 31 December 2015 (recorded at 4 January 2016), EDF Energy had 3.3 million electricity accounts and 2.0 million gas accounts on this segment, compared to 3.3 million electricity accounts and 2.1 million gas accounts in 2014.

The residential market has been exceptionally competitive in 2015, driven by steep falls in wholesale energy costs that has allowed new and smaller suppliers to offer a series of cheaper short term fixed priced tariffs. EDF Energy constantly reviews its prices to ensure that its tariffs attract new customers and offer good value to existing ones. During 2015 EDF Energy has continued to expand its portfolio of fixed price Blue tariffs, backed by low carbon nuclear generation. EDF Energy currently has 2.6 million product accounts on Blue tariffs.

Some larger suppliers have responded to the increasingly competitive market by attempting to segment their customer base through white label offers and/or collective switches, the existence of which have not been notified to existing customers. The regulator has now clamped down on both of these practices to ensure that any cheaper tariff offered by a supplier is flagged to existing customers.

UK energy suppliers are mandated to deliver the Government's Smart Metering Programme which requires all reasonable steps to be taken to deploy smart electricity and gas meters to 100% of residential and small business customers by the end of 2020.

The programme will require EDF Energy's supply business to install an estimated 5.5 million meters, including communications hubs and in-home displays, to all of its domestic and small business customers. This means that at the peak of the mass roll-out, around 1.5 million smart meters are planned to be installed annually, a four-fold increase on the current planned volume of expired meter renewals each year. This is the biggest programme in the Customers business over the next few years. EDF Energy aims to deliver its obligation more effectively than its competitors, and to maximize the enduring benefit in order to transform the customer relationship. It has already commenced smart meter installations and is piloting operations using the first generation of compliant smart meters. This is ahead of a steady ramp up in volume and the years of mass roll-out which are from 2017 onwards.

B2C Customer Services had an excellent 2015, delivering an improved level of service across all channels, reducing complaints, improving advisor recommendation scores, quality assurance and maintaining back office control. Our Advisor Recommendation Score (derived from a post-call customer survey) has been increasing steadily and is now +53. Out of 19 suppliers, we have moved from fifth to second in the Citizens' Advice Complaints League Table. The Telephony Average Speed of Answer is currently 2 minutes 9 seconds for the year with 52% of calls being answered within 60 seconds. Self-serve continues to improve with 68.2% of all transactions being self-serve in 2015.

B2B

In 2015 B2B retained its leadership position in volume, supplying a total of 35.0TWh of electricity; 1.8TWh to 182,382 Small and Medium Enterprise ("SME") accounts and 33.2TWh to 113,409 Industrial and Commercial ("I&C") accounts, reflecting an overall B2B market share of 19.3%. This is compared to 2014, supplying a total of 36.7 TWh of electricity; 1.8TWh to 184,101 B2B Small and Medium Enterprise ("SME") accounts and 34.9 TWh to 130,852 B2B Industrial and Commercial ("I&C") accounts. The business continues to be well established in the large, national and multi-site customer segments.

Competition across all sectors remains fierce. This is demonstrated by the continued erosion of the combined market shares of large suppliers by smaller entrants and the increasing influence of third party intermediaries. This resulted in pressure on pure energy supply margins for business contracts. In addition, the UK government announced the removal of the exemption from the Climate Change Levy for renewable electricity from 1 August 2015. This will have significant implication on I&C margins for 2016 although is expected to deliver a more rational market for future years.

STRATEGIC REPORT continued

Nuclear New Build

EDF Energy aims to build up to four new EPR Pressurised Water Reactor ("EPR") nuclear reactors in the UK: twin reactors at Hinkley Point and possibly further twin reactors at Sizewell. The plans are conditional on the necessary consents being received and a robust investment framework being in place.

Safety is a key focus of the EPR design and for the NNB business unit. The same EPR technology is already being deployed at the new nuclear power station being constructed by EDF at Flamanville in France and at Taishan in China. Using the same technology, adapted for UK requirements, will enable the efficiencies that come with standardisation of design in the construction and operation of a series of plants to be realised.

EDF Energy has also agreed Head of Terms for the development of a further new nuclear project in the UK at Bradwell B in Essex.

Hinkley Point C (HPC)

The HPC project is well advanced. It has achieved planning consent, design approval for the EPR reactor and a nuclear site licence has been granted. There is a well-developed supply chain with identified preferred bidders who are already heavily involved in construction planning. Training for skills needed is underway and industrial agreements with trade unions are in place.

EDF will be the “responsible designer” for the HPC project, with a central role in the design and engineering of the power station.

As announced on 21 October 2015, total construction costs to first operation are forecast to be £18bn nominal. The construction costs have remained stable in real terms since they were announced, in October 2013.

Final terms for contracts with a number of key suppliers for HPC have also been agreed:

- Areva NP (Nuclear steam supply system, instrumentation and control)
- Alstom France (turbines) and Alstom UK (services during operations)
- Bouygues TP/Laing O’Rourke (main civil works)
- BAM Nuttal/Kier Infrastructure (earthworks)

A number of selected contractors are being engaged on Early Contractor Involvement (“ECI”) activities, including inputting into the HPC engineering and pre-construction planning teams to help de-risk the project and facilitate delivery of the construction schedule. Procurement also continues on other critical path contracts such as key installation and equipment supply contracts for the main site.

The project team is continuing the pre-development site preparation and enabling works to prepare the construction site ahead of the main construction works that will follow when a final investment decision is taken. These works include the construction of roundabouts and temporary construction roads to give access to the site for machinery needed for the main construction phase; remediation and enabling works for the earthworks, water management works, and the construction of office buildings and worker welfare facilities.

Contractual and industrial aspects have been thoroughly examined, including by independent experts. A detailed review of the risks conducted at the end of 2015 established that all risks were identified and that they could be overcome through the implementation of a series of recommendations; whose implementation has already begun. Other risk analyses will take place throughout the project, which is usual for projects of this magnitude.

First operation of HPC is scheduled to be achieved in 2025. EDF Energy’s current investment programme to safely extend the lives of its existing power stations contributes to maintaining a secure supply of low-carbon electricity for the UK prior to HPC coming on-line.

As announced on 21 October 2015, NNB and the Department of Energy and Climate Change (“DECC”) have agreed the full terms of the Contract for Difference ("CfD") for HPC, which had already been approved by the European Commission in October 2014 following a 12 month investigation. The CfD will mean that from the plant’s start date, if the reference price at which the generator sells electricity on the market is lower than the strike price set under the terms of the contract, the generator will receive an additional payment and if the reference price is higher than the strike price, the generator will be liable for

STRATEGIC REPORT continued

the difference. The key elements of the CfD are:

- The "strike price" for HPC is set at £92.50/MWh (at 2012 prices) or £89.50/MWh if the Sizewell C planned power station goes ahead. There will be a payment from Sizewell C to HPC equivalent to £3/MWh upon a final investment decision being taken with respect to Sizewell C reflecting the fact that the first of a kind costs of EPR reactors are shared across the HPC and Sizewell C sites.
- The strike price is fully indexed to inflation through the Consumer Price Index.
- The contract will last for 35 years from the earlier of the reactor's start date and the end of its target commissioning window.
- The project will be protected from certain changes in law.
- If savings are achieved in the construction of the HPC project, these will be shared with consumers through a lower strike price.

As announced on 21 October 2015, under the Strategic Investment Agreement signed by EDF and China General Nuclear Power Corporation (CGN), EDF's share in HPC will be 66.5% with CGN's share being 33.5%. Without reducing this initial stake below 50%, EDF intends to bring other investors into the project in due course.

The project will also benefit from the Government's Infrastructure Guarantee Scheme. The availability of the initial £2bn of the scheme was announced by the Chancellor in September 2015.

Operators of new nuclear power stations are required under the Energy Act 2008 to have a Funded Decommissioning Programme ("FDP") in place and approved by the Secretary of State before nuclear safety related construction begins. The overall objective of the FDP is to ensure that operators make prudent provision for:

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

A preliminary version of the FDP was formally submitted in draft form to DECC in March 2012. There have been a series of subsequent discussions with DECC and their advisers, including the independent Nuclear Liabilities Financing Assurance Board. NNB and DECC agreed the full terms of the FDP in 2015 and the final version was approved by the Secretary of State on 21 October 2015.

On 9 October 2015, the European Commission approved the pricing methodology for the UK's waste transfer contract scheme which will apply to HPC as part of the FDP. This innovative scheme means that the full costs of decommissioning and waste management associated with new nuclear power stations are set aside during generation.

A final investment decision on HPC will only be taken by the Group once the following steps have been completed:

- finalisation of the long form equity documentation with CGN, based on the Head of Terms agreed on 21 October 2015;
- finalisation by EDF of its financing plan;
- approval by the boards of EDF and CGN; and
- clearance by merger control and other governmental authorities in China and Europe.

Sizewell C

As announced on 21 October 2015, EDF and CGN have signed a Head of Terms for an agreement in principle to develop the Sizewell C project in Suffolk to a final investment decision with a view to building and operating two EPRs at the site. During the development phase, EDF will take an 80% share with CGN taking a 20% share.

The Sizewell C project development continues to make good progress. As part of the planning process, EDF's initial proposals for Sizewell C were published in November 2012 and the first round of formal consultation with local communities has already taken place. Work has continued to prepare for the launch of the second formal stage of consultation with local communities and stakeholders. This is expected in 2016, once a final investment decision has been taken for HPC. Structured informal engagement with the local authorities and other statutory consultees continues on a wide range of topics including environmental matters, education and skills.

STRATEGIC REPORT continued

Ground investigations, transport and environmental studies have helped refine the project's transport and accommodation strategies and the understanding of the engineering requirements for the development. These studies are also being used to support the nuclear site licence and environmental permits applications, which are at an early stage of development.

Discussions will commence in 2016 on the majority of the permanent and construction land and option agreements for leases of the preferred Park and Ride sites have been secured. Work has begun to acquire the land that has been identified for accommodation and for transport infrastructure.

In April 2015, 67 hectares of land was acquired close to Sizewell C, to develop a wetland habitat to compensate for any potential land taken from the close by local protected site (Site of Special Scientific Interest - Sizewell Marshes). Good progress was made on these works throughout the rest of 2015.

Bradwell B

EDF and CGN have also signed a Heads of Terms for an agreement in principle to seek the regulatory approval (via the Generic Design Assessment process), from the UK nuclear safety regulator, for a UK version of the third generation HPR1000 reactor called Hualong. This UK version will be based on CGN’s Fangchenggang Plant Unit 3/4 in China, the reference plant for the UK-adapted Hualong design. Under the terms of the agreement, a joint venture company will undertake and manage the Generic Design Assessment process.

CGN and EDF have signed a Heads of Terms for an agreement in principle to develop the UK-adapted Hualong reactor technology approved by the UK regulator through the Generic Design Assessment process to a final investment decision with a view to building and operating such a reactor at Bradwell B in Essex. During the development phase, CGN will take a 66.5 % share and EDF will take a 33.5% share.

The UK’s robust nuclear regulation ensures that all developers and operators of reactors and nuclear plants must demonstrate that they meet strict compliance requirements for safety and security.

Regulatory environment

In June 2014, the Competition and Markets Authority (CMA) commenced its investigation into the “supply and acquisition of energy in Great Britain”. The CMA is the UK’s economy-wide competition and consumer authority with a primary duty “to promote competition for the benefit of consumers, both within and outside the UK”.

In July 2015, the CMA published its Provisional Findings report, together with a Notice of Possible Remedies. The Provisional Findings report listed the features that the CMA had provisionally found as giving rise to adverse effects on competition (AECs) in the electricity and gas markets. The Notice of Possible Remedies set out possible actions that the CMA could take to remedy, mitigate or prevent the AECs it had provisionally identified (and the resulting detrimental effect on consumers). The CMA noted 9 AECs and identified 18 possible remedies in total. The possible remedies largely focused on the retail and regulatory framework, and in particular considered measures to improve customer engagement in the domestic and microbusiness markets.

The CMA published two further updates to the Provisional findings report and Notice of Possible Remedies:

- On 26 October 2015, the CMA published a Supplemental Notice of Possible Remedies which invited comments on a further possible remedy to encourage customer engagement by prohibiting the use of evergreen tariffs.
- On 16 December 2015, the CMA published an Addendum to provisional findings. The CMA stated that upon further consideration, it has provisionally found that a combination of features in the prepayment segment of the domestic retail supply of gas and electricity gives rise to an AEC. Alongside this document, the CMA published a Second supplemental notice of possible remedies. This sets out four additional possible remedies that the CMA may introduce to address the AEC it has provisionally identified in the Addendum.

STRATEGIC REPORT continued

On 21 September 2015, the CMA announced an extension to its statutory investigation deadline by six months from 25 December 2015 to 25 June 2016. It stated that this was necessary to allow sufficient time to take full and proper account of any comments received from stakeholders in response to the provisional findings and to reach a fully reasoned final decision. In March 2016, the CMA published a summary of its provisional decision on remedies. The Group will carefully review all of the proposed remedies and continue to provide constructive feedback as the CMA reaches its final conclusions with the final report expected to be published in June 2016.

Electricity Market Reform (EMR)

The three most significant elements of EMR are the carbon price floor, introduced under the Finance Act 2011, the Capacity Market and Contracts for Difference, introduced under the Energy Act 2013.

The carbon price floor, which sets the price that fossil-fired generators pay for their carbon emissions is an important driver of the profitability of low carbon generation such as EDF Energy's nuclear and renewable plants. The "carbon price support rate" that underpins the carbon price floor was capped in the Budget 2014 on 19 March 2014 at £18/tonne of CO_2 for the four years 2016/17 to 2019/20.

The Capacity Market 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. The second capacity auction for delivery of capacity from October 2019 took place in December 2015 resulting in capacity agreements for 46,354MW of de-rated capacity at a price of £18/kW (in 2014/15 prices). EDF Energy's eight nuclear power stations, West Burton B CCGT plant and the open cycle gas turbines at West Burton A secured capacity agreements in the December 2014 auction for the period October 2018-September 2019 at a price of £19.40/kW and in the December 2015 auction for October 2019-September 2020 at a price of £18/kW. The four coal-fired units at Cottam and three of the four coal-fired units at West Burton A secured capacity agreements in the December 2014 auction for the three year period October 2018 – September 2021 at a price of £19.40/kW. Unit 3 at West Burton A failed to secure a capacity agreement in both the December 2014 and December 2015 auctions.

Contracts for Difference are expected to support investment new low carbon generation including the Hinkley Point C project. Results of the first Allocation Round (auction) for CfDs were announced in February 2015 with contracts awarded to 27 renewable energy projects, most of which were onshore or offshore windfarms. EDF Energy has subsequently acquired one of the successful projects from this auction, Dorenell Wind Farm, a 177MW onshore windfarm development, which was awarded a CfD with a strike price of £82.50/MWh (in 2012 prices). The Government has said that it will hold up to three further CfD auctions by 2020, the first of these to be in 2016, and that these will support further development of offshore wind, conditional on the achievement of cost reductions.

Principal risks and uncertainties

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

Financial risks

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

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 risks mandate.

STRATEGIC REPORT continued

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

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 failure to deliver effectively the investment benefit. The ability of the Company to pursue its investment portfolio, particularly Hinkley Point C is dependent on a robust investment framework and the appropriate funding being in place. Each project of this nature follows specific project management practices including local governance procedures. All significant projects are also subject to central monitoring reviews.

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

Political and regulatory risk
Political risk arises in relation to public acceptance of building new nuclear power stations, and specifically around obtaining and maintaining the relevant licences and consents to build, operate and decommission our current and planned generating assets. Management is engaged with local residents, regulators and politicians in addressing the safety needs but also the need to meet the current and future national energy demand. The industry has been subject to significant changes to the Energy and Retail Market regulation and through the strong political and media attention on the cost of living debate including focus on the affordability of energy. Dedicated programmes are in place to manage the delivery of Smart Meters and ECO and we continue to liaise with DECC to ensure the full implications of these initiatives are understood.

In June 2014, Ofgem referred the energy market to the Competition and Markets Authority (CMA) for a full investigation expected to last until mid-2016. The CMA is conducting a comprehensive and independent examination of both wholesale and retail markets (covering supply to domestic and small business customers). It is assessing whether there are any features that prevent, restrict or distort competition and, if so, what actions might be required to remedy them. EDF Energy is fully co-operating with the CMA investigation.

A referendum on the UK's membership of the EU will be held in June 2016 and a vote to exit could have consequences for EDF Energy. EDF Energy is considering what these could be and what mitigating actions could be taken.

Nuclear liabilities risk
The Group's nuclear liabilities are in respect of costs for the management of spent fuel, nuclear decommissioning and other uncontracted nuclear liabilities. The Government has provided an indemnity to cover liabilities for spent AGR fuel loaded prior to the British Energy restructuring effective date of 14 January 2005 and in relation to qualifying uncontracted nuclear and decommissioning liabilities. The Government will also indemnify any future funding shortfall of the NLF (nuclear liabilities fund). The Group continues to be responsible for funding certain excluded or non-qualifying nuclear liabilities (if any) and will not be compensated or indemnified by the NLF and the Secretary of State in relation to such liabilities. At 31 December 2015, the Group did not have any excluded or non-qualifying nuclear liabilities.

STRATEGIC REPORT continued

Retirement benefit obligations risk
EDF Energy has three defined benefit pension schemes. Low interest rates, and changes in demographic factors have led scheme liabilities to grow at a faster rate than assets, resulting in actuarial deficits that have led to increased pension expense and cash contributions. EDF Energy and the pension scheme trustees keep investment risk under review, concentrating on prudent asset allocation and liability hedging. A pension benefit reform has been implemented effective from 1 January 2016 to reduce the actuarial deficit and the required cash costs. See note 39 for more details of pension risks.

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

The Fukushima accident has significantly increased the focus on safety of Nuclear Power Generation. Another serious incident at a nuclear plant would further damage the reputation of the nuclear industry. EDF Energy has fully implemented the post Fukushima recommendations of the regulator in full.

Cyber risk
Cyber security threats are increasing in magnitude, sophistication, and pace. The impact of a cyber security incident can significantly damage business operations, profit and brand. EDF Energy has invested in technology to protect itself from such threats.

Supplier risk
EDF Energy is reliant on a number of specialist suppliers, especially in the area of nuclear fuel fabrication and storage and nuclear plant maintenance. 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 effective 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.

STRATEGIC REPORT continued

Going concern

The Group manages its capital through focusing on its net debt which comprises borrowings (note 26), including finance lease obligations, accrued interest and derivative liabilities relating to debt instruments, less cash and cash equivalents. Given that the Group is a wholly-owned subsidiary, any change in capital structure is often achieved via additional borrowings from its ultimate parent company or other companies within the EDF S.A. group, although the Group has facilities available from third party bond issues.

After making enquiries and reviewing cash flow forecasts and available facilities (note 40) for at least the next 12 months, the Directors have formed a judgement, at the time of approving the consolidated financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. This judgement has been formed taking into account the principal risks and uncertainties that the Group faces and which have been outlined in more detail 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
10 May 2016

DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 31 December 2015.

Directors and their interests

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

Jean-Bernard Lévy (Chairman)	(appointed 4 February 2015)
Vincent de Rivaz	
Simone Rossi	(resigned 23 February 2015)
Robert Guyler	(appointed 6 May 2015)
Marianne Laigneau	
Alain Tchernonog	(resigned 2 February 2015)
Hervé Machenaud	
Thomas Piquemal	(resigned 7 March 2016)
Pierre Todorov	(appointed 4 February 2015)
Henri Lafontaine	

Robert Guyler is employed by and has a service contract with EDF Energy plc. Vincent de Rivaz is remunerated for services to the Company. The remaining Directors are employed by the ultimate parent company, Electricité de France SA ("EDF SA").

There are no contracts of significance during or at the end of the financial year in which a Director of the Company has a material interest. None of the Directors who held office during or at the end of the financial year had any interests in the shares of the Company or any Group company that are required to be disclosed in accordance with the Companies Act 2006.

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

Dividends

Dividends of £189m were paid to the parent company during the year (2014: £424m).

The Group determines its dividend payout for the year based on a percentage of its non recurring income from the previous year. The dividend which is ultimately paid out of the UK takes into account the financing commitments of EDF Energy (UK) Limited, the immediate parent company, as well as the Group's dividend payment.

Political contributions

During the year, the Group made no political contributions (2014: £nil).

Future developments

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

Use of financial instruments

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

DIRECTORS' REPORT continued

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.

EDF Energy is a UK group and all Group profits and losses are appropriately taxed or relieved in the UK, regardless of where individual entities were originally incorporated. In addition, the Group seeks to pay the right amount of tax at the right time according to both the letter and spirit of UK tax laws.

The Group chooses to discuss significant transactions with HMRC in advance of their completion, where it feels the tax treatment is uncertain.

Employee involvement

The Group keeps its employees informed on matters affecting them. This is carried out in a number of ways, including formal and informal briefings, departmental meetings and regular reports in staff newsletters and on the Group intranet.

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.

DIRECTORS' REPORT continued

Auditor

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

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

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

It is noted that Deloitte LLP, as appointed by the members, are deemed to be re-appointed as the auditor to the Company for the financial year ending 31 December 2016 in accordance with the provisions of Section 487(2) of the Companies Act 2006 and that the Directors have been authorised to fix the remuneration of the auditor.

On behalf of the Board

Robert Guyler
Director
10 May 2016

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 Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS101 "Reduced Disclosure Framework". Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

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

In preparing the Group 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 Group'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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

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

We have audited the financial statements of EDF Energy Holdings Limited for the year ended 31 December 2015 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated and Company Statements of Changes in Equity and the related notes 1 to 42 of the consolidated financial statements and 1 to 15 of the parent Company financial statements. The financial reporting framework that has been applied in the preparation of the consolidated financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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.

Respective responsibilities of Directors and Auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2015 and of the Group's loss and the parent company's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters:

where the Companies Act 2006 requires us to report to you 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.

Timothy Biggs FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountant and Statutory Auditor
Deloitte LLP, London, UK
10 May 2016

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	**2015** **£m**	2014 Restated £m (i)
Revenue	4	**8,440**	8,567
Fuel, energy and related purchases	6	**(4,865)**	(4,991)
Gross margin		**3,575**	3,576
Materials and contracting costs		**(328)**	(336)
Personnel expenses	8	**(823)**	(822)
Other operating expenses		**(834)**	(937)
Other operating income		**34**	42
Operating profit		**1,624**	1,523
(Loss)/gain on derivative commodity contracts	5	**(32)**	36
Depreciation and amortisation	5	**(929)**	(810)
Impairment of non-current assets	5, *15*	**(896)**	(136)
Profit on disposal of investments		**-**	31
Restructuring costs	*11*	**(41)**	-
Gains arising on reform of pension benefits	*39*	**112**	-
(Loss)/profit before tax and finance costs		**(162)**	644
Investment income	9	**192**	328
Finance costs	*10*	**(320)**	(396)
Share of loss of associates	*19*	**(6)**	(12)
(Loss)/profit on ordinary activities before taxation		**(296)**	564
Taxation on (loss)/profit on ordinary activities	*12*	**142**	(98)
(Loss)/profit for the year		**(154)**	466
(Loss)/profit attributable to:			
Equity holders of the parent	*36*	**(306)**	343
Non-controlling interest	*31*	**152**	123
		(154)	466

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

(i) £408m of net power sales on the wholesale electricity markets (excluding trading activities) relating to the year ended 31 December 2014 have been reclassified from energy purchases to revenue.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	**2015 £m**	2014 £m
(Loss)/profit for the year		**(154)**	466
Items that will not be reclassified subsequently to profit or loss:			
Net actuarial gains on defined benefit pensions	*39*	**25**	60
Items that may be reclassified subsequently to profit or loss:			
Net gains on cash flow hedges	*37*	**184**	33
Net losses on available for sale assets		**(2)**	-
Total comprehensive income		**53**	559
Total comprehensive income attributable to:			
Equity holders of the Company		**(100)**	414
Non-controlling interest	*31*	**153**	145
		53	559

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2015

	Note	**2015**	2014
		£m	£m
Non-current assets			
Goodwill	*14*	**6,711**	6,723
Intangible assets	*16*	**891**	900
Property, plant and equipment	*17*	**9,648**	10,202
Other financial assets	*18*	**182**	618
Interest in associates	*19*	**46**	45
NLF and Nuclear Liabilities receivable	*21*	**6,339**	6,391
Post-employment benefits asset	*39*	**89**	-
Derivative financial instruments	*27*	**121**	103
		24,027	24,982
Current assets			
Inventories	*22*	**2,336**	2,349
Trade and other receivables	*23*	**1,439**	1,527
Cash and cash equivalents	*24*	**1,789**	1,585
Derivative financial instruments	*27*	**331**	198
NLF and Nuclear Liabilities receivable	*21*	**311**	321
		6,206	5,980
Total assets		**30,233**	30,962
Current liabilities			
Other liabilities	*25*	**(2,165)**	(2,391)
Borrowings	*26*	**(511)**	(11)
Derivative financial instruments	*27*	**(234)**	(256)
Short-term provisions	*28*	**(509)**	(532)
Obligations under finance lease	*32*	**(30)**	(30)
Current tax liability		**(41)**	(40)
		(3,490)	(3,260)
Non-current liabilities			
Other liabilities	*25*	**(1,156)**	(1,340)
Borrowings	*26*	**(710)**	(1,256)
Derivative financial instruments	*27*	**(151)**	(128)
Long-term provisions	*28*	**(6,473)**	(6,393)
Deferred tax liability	*30*	**(1,114)**	(1,314)
Obligations under finance lease	*32*	**(131)**	(156)
Post-employment benefits provision	*39*	**(121)**	(193)
		(9,856)	(10,780)
Total liabilities		**(13,346)**	(14,040)
Net assets		**16,887**	16,922

CONSOLIDATED BALANCE SHEET continued
AT 31 DECEMBER 2015

	Note	2015 £m	2014 £m
Equity			
Share capital	*33*	**13,914**	13,647
Share premium account	*34*	**273**	273
Capital reserve	*34*	**9**	9
Hedging reserve	*37*	**139**	(45)
Merger reserve	*35*	**(2)**	(2)
Retained earnings	*36*	**229**	702
Equity attributable to equity holders of the Company		**14,562**	14,584
Non-controlling interest	*31*	**2,325**	2,338
Total equity		**16,887**	16,922

The accounts of EDF Energy Holdings Limited (registered number: 06930266) on pages 20 to 104 were approved by the Board of Directors on 10 May 2016 and were signed on its behalf by:

Robert Guyler
Director

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £m	2014 £m
Net cash from operating activities	*38*	**2,053**	1,545
Investing activities			
Purchase of property, plant and equipment		**(1,305)**	(1,153)
Purchase of carbon and renewable obligation certificates		**(666)**	(545)
Purchase of other intangible assets		**(121)**	(109)
Proceeds from divestment of subsidiaries and joint arrangements (note 14)		**-**	56
Acquisition of subsidiary undertakings		**-**	(37)
Acquisition of joint arrangements		**-**	5
Loans to parent company		**(80)**	(80)
Decrease/(increase) in long term receivables		**503**	6
Interest received		**14**	13
Dividends received		**4**	-
Net cash used in investing activities		**(1,651)**	(1,844)
Financing activities			
Dividends paid to parent company		**(189)**	(424)
Dividends paid to non controlling interests		**(166)**	(130)
Repayment of obligations under finance leases		**(26)**	(23)
Interest element of finance lease rental payments		**(6)**	(7)
Repayment of borrowings		**(10)**	(8)
Proceeds on share issue to parent undertakings		**266**	596
Interest paid		**(47)**	(21)
NLF payments		**(9)**	-
Net cash used in financing activities		**(187)**	(17)
Net increase/(decrease) in cash and cash equivalents		**215**	(316)
Cash and cash equivalents at 1 January		**1,585**	1,901
Effect of foreign exchange rates		**(11)**	-
Cash and cash equivalents at 31 December	*24*	**1,789**	1,585

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Share premium £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 2013	**13,051**	**273**	**9**	**(78)**	**-**	**745**	**14,000**	**2,323**	**16,323**
Profit for the year	-	-	-	-	-	343	**343**	123	**466**
Other comprehensive income for the year	-	-	-	33	-	38	**71**	22	**93**
Total comprehensive income for the year	-	-	-	33	-	381	**414**	145	**559**
Equity dividends paid	-	-	-	-	-	(424)	**(424)**	(130)	**(554)**
Issue of capital	596	-	-	-	-	-	**596**	-	**596**
Acquisition of non controlling interest	-	-	-	-	(2)	-	**(2)**	-	**(2)**
At 31 December 2014	**13,647**	**273**	**9**	**(45)**	**(2)**	**702**	**14,584**	**2,338**	**16,922**
Profit/(loss) for the year	-	-	-	-	-	(306)	**(306)**	152	**(154)**
Other comprehensive income for the year	-	-	-	184	-	22	**206**	1	**207**
Total comprehensive (loss) / income for the year	-	-	-	184	-	(284)	**(100)**	153	**53**
Equity dividends paid	-	-	-	-	-	(189)	**(189)**	(166)	**(355)**
Issue of capital	267	-	-	-	-	-	**267**	-	**267**
At 31 December 2015	**13,914**	**273**	**9**	**139**	**(2)**	**229**	**14,562**	**2,325**	**16,887**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

EDF Energy Holdings Limited (the “Company” or the “parent company”) is a company incorporated and domiciled in the United Kingdom under the Companies Act. The address of the registered office is given 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 2-16. 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 adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments and contingent consideration that are measured at revalued amounts or fair values 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 share-based payment transactions that are in scope of IFRS 2, leasing transactions in scope of IAS17 and measurements which are similar to fair value but are not fair value such as value in use under IAS36.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

- Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

Adoption of new and revised International Financial Reporting Standards

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

- Amendments to IAS 19 Defined benefit plans- employee contributions
- Amendments to IAS 1: Disclosure initiative
- Annual improvements to IFRS 2012-2014 Cycle, 2010-2012 Cycle
- Amendments to IAS 27: Equity method in separate financial statements
- Amendments to IAS 16 and IAS 41: Bearer Plants
- Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. General information continued

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

- IFRS 9 Financial Instruments
- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- Amendments to IFRS 10, IFRS 12 and IAS 28: investment entities, applying the consolidation exemption
- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture.
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in joint ventures
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IAS 7: Disclosure Initiative

The Group has not yet analysed in detail the impact of the above standards but, with the exception of IFRS 15 and IFRS 16, do not expect adoption of these standards to have a significant impact on the financial statements.

Prior year restatement

The prior year Consolidated Income Statement has been restated for a grossing up transaction of £408m between Revenue and Fuel, energy and related purchases. This has no effect on Gross margin or the profit for the year. This follows a review of the methodology of elimination of trading between the generation and supply businesses, and the optimisation function. The new methodology represents a gross up of the net sale position between optimisation and the generation and supply businesses.

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.

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. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. 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.

2. Significant accounting policies continued

Basis of consolidation (continued)

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

EDF Energy Holdings Limited transitioned from previously extant UK GAAP to FRS 101 "Reduced Disclosure Framework" on 1 January 2014 in the Company Balance Sheet, Company Statement of Changes in Equity and related notes. These are presented in the Annual Report on pages 95 to 104 and have therefore been presented under FRS101. No income statement is presented for EDF Energy Holdings Limited in accordance with the exemptions allowed by the Companies Act 2006.

Going concern

The Group manages its capital through focusing on its net debt which comprises borrowings (note 26) including finance lease obligations and accrued interest, cash and cash equivalents and derivative liabilities relating to debt instruments. Given that the Group is a wholly-owned subsidiary, any changes in capital structure are often achieved via additional borrowings from its ultimate parent company or other companies within the EDF S.A. group, although the Group has facilities available for third party bond issues.

After making enquiries and reviewing cash flow forecasts and available facilities (note 40) for at least the next 12 months, the Directors have formed a judgement, at the time of approving the consolidated financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. This judgement has been formed taking into account the principal risks and uncertainties that the Group faces and which have been outlined in more detail in the Strategic report. For this reason the Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

Business combinations

Acquisitions of subsidiaries and businesses, other than those occurring under common control, are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

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.

Goodwill

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units or to a group of cash generating units, and these are tested for impairment annually or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit, or group of units, is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss is recognised immediately in the income statement and is not reversed in a subsequent period.

Contingent consideration

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

Investments in associates

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

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

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

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

Interest in joint operations

The Group's interests in its joint operations are accounted for by recognising a proportionate share of the joint operation's assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis.

Where the Group transacts with its jointly-controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint operation.

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue includes amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales-related taxes.

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 therms 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, to the extent that it is considered recoverable, based on historical data.

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.

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 useful life of the asset and charged to income as follows:

Non-nuclear generation assets	–	Up to 40 years
AGR power stations	–	5 to 14 years
PWR power station	–	26 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

Assets held under finance 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

Intangible assets

Brand

The brand is considered to have an indefinite useful economic life and hence is not amortised. It is tested annually for impairment (or more frequently as required) with an impairment recognised in the income statement in the year it arises.

IT software

IT software is initially recognised at cost and is amortised on a straight-line basis over a useful economic life of 3-8 years.

Impairment of tangible and intangible assets excluding goodwill

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

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

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

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 profit or loss.

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

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets until such time that the assets are substantially ready for their intended use. Qualifying assets are assets which take a substantial period of time to get ready for their intended use or sale.

In instances where the Group borrows funds specifically for the purpose of obtaining a qualifying asset, the borrowing costs incurred are the borrowing costs that are capitalised. In instances where the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, a capitalisation rate is applied based on the weighted average cost of general borrowings during the period.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

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 in AGR fuel, in respect of amounts 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 in the year.

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

PWR

Back-end fuel costs are based on wet storage in station ponds followed by dry storage and subsequent direct disposal of fuel. Back-end fuel costs comprise the estimated cost of this process at current prices discounted back to current value. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

Unburnt fuel at shutdown

Due to the nature of the nuclear fuel process there will be some unburnt fuel in the reactors at station closure. The costs of this unburnt fuel (final core) are fully provided 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 of £20m per annum 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 matched against back end fuel costs as the loaded tonnes are burned in the PWR reactor.

NLF and nuclear liabilities receivables

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

In principle, the recognised NLF receivable represents the aggregate value of the Nuclear Liabilities Fund and the Government indemnity such that the receivable equals the present value of the associated qualifying nuclear liabilities. The nature of the process, whereby the Company claims back from the NLF for qualifying liabilities, can cause small timing differences between the receivable and the nuclear liabilities at the balance sheet date.

The Government indemnity is also provided to cover services for spent AGR fuel loaded pre RED. The nuclear liabilities receivable is recognised in respect of the indemnity such that the receivable equals the present value of the associated qualifying nuclear liabilities.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

Nuclear liabilities

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

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 Company'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 of 3% per annum to take 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.

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.

EU Emissions trading scheme and Renewable Obligations Certificates

Purchased emissions allowances are initially recognised at cost (purchase price) within intangible assets. A liability is recognised when the level of emissions exceeds the level of allowances granted. The liability is measured at the cost of purchased allowances up to the level of purchased allowances held, and then at the market price of allowances ruling at the balance sheet date. Movements are recognised within operating profit. Forward contracts for the purchase or sale of emissions allowances are measured at fair value with gains and losses arising from changes in fair value recognised in the income statement or hedging reserve depending on whether cash flow hedging is applied.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

EU Emissions trading scheme and Renewable Obligations Certificates continued

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.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged in the income statement on a straight-line basis over the lease term. Assets held under finance leases are initially recognised as assets of the Group at their fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability, with charges being recognised directly in the income statement.

In compliance with interpretation IFRIC 4, the Group identifies agreements which do not have the legal form of a lease but which convey the right to use an asset or group of specific assets to the purchaser. The purchaser in such arrangements benefits from a substantial share of the asset's production, and payment is not dependent on production or market price.

Such arrangements are treated as leases, and analysed with reference to IAS 17 for classification as either operating or finance leases.

Taxation

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

Current tax
Current tax is calculated on taxable profits for the financial year, using tax rates that are in force during the year. Taxable profit differs from the accounting profit for the year because it excludes items of income or expense that are taxable or deductible in other financial years, as well as further excluding items that are never taxable or never 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 the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination, or differences relating to investments in subsidiaries, to the extent that they will probably not reverse in the foreseeable future are not provided for, in line with IAS 12.

Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply for the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged to equity, in which case the deferred tax is also dealt with in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

Retirement benefit costs

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

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

Cash and cash equivalents

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

Financial instruments

Financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instruments.

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

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

Financial assets

Financial assets are classified into the following specified categories: Financial assets at 'fair value through the profit or loss' (FVTPL); 'held to maturity' investments; 'available for sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the workplace.

2. Significant accounting policies continued

Financial assets at FVTPL

Financial assets are classified at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is held for trading if it has been acquired principally for the purpose of selling it in the near term; or if on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking; or it is a derivative which is not designated and effective as a hedging instrument.

A financial asset which is not held for trading may be designated as at FVTPL on initial recognition if such a designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or if it forms part of a group of financial assets and/or financial liabilities which is managed on a fair value basis in accordance with the Group's risk management strategy; or it is part of a contract which contains an embedded derivative.

Financial assets at FVTPL are stated at fair value with any gains or losses on remeasurement recognised in profit or loss.

Available for sale financial assets

Available for sale financial assets comprise non-consolidated equity investments. On initial recognition, available for sale financial assets are recorded at fair value plus transaction costs attributable to their acquisition. They are subsequently remeasured to fair value at each reporting date through other comprehensive income.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold until maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest rate method less any impairment.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables are initially measured at original invoice amount and are subsequently measured at fair value. An allowance is recognised in the income statement for irrecoverable amounts when there is evidence that the asset is impaired. The allowance is calculated as the difference between the carrying amount and the expected future cash flows from the asset.

Interest income is recognised by applying the effective interest rate except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets other than those at FVTPL are tested for impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the asset have been impacted.

De-recognition of financial assets

The Group de-recognises a financial asset when the contractual rights to the cashflows 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 profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

Financial liabilities and equity

Financial liabilities are classified according to the nature of the contractual obligations, and are based on the definition of liability. An equity instrument is a contract that evidences a residual interest in the assets of the Group.

Financial liabilities are classified as either financial liabilities ‘at FVTPL’ or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL. A financial liability is held for trading if it has been incurred principally for the purpose of repurchasing it in the near term; or if on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actually pattern of short-term profit taking; or it is a derivative which is not designated and effective as a hedging instrument.

A financial liability which is not held for trading may be designated as at FVTPL on initial recognition if such a designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or if it forms part of a group of financial assets and/or financial liabilities which is managed on a fair value basis in accordance with the Group’s risk management strategy; or it is part of a contract which contains an embedded derivative.

Financial assets at FVTPL are stated at fair value with any gains or losses on remeasurement recognised in profit or loss.

Other financial liabilities

Other financial liabilities include borrowings and trade and other payables and are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points pair 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 (where appropriate) a shorter period, to the net carrying amount on initial recognition).

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 and electricity), including FX forwards, interest rate swaps and forward sales and purchases of energy or commodities. Further details of derivative financial instruments are disclosed in note 40.

Forward sales and purchases of commodities and energy are considered to fall outside the scope of IAS 39 when the contract concerned is considered to qualify 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 IAS 39. This includes both financial and non-financial contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

Derivative financial instruments continued

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

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

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract, and the host contract is not carried at fair value with changes in fair value recognised in profit or loss.

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 Group classifies hedges in the following categories:

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss 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 profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the 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 profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

3. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, some critical accounting judgements have been applied by management and some balances are based on estimates.

Revenue recognition

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

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

Industry reconciliation process – fuel and energy purchases

The cost of electricity and gas purchases is reported in line with the latest settlement data provided by the industry system operators, which itself includes an inherent degree of estimation, depending on the maturity of that data. The industry reconciliation process allocates purchase volumes and associated settlement costs between suppliers based on a combination of estimated and metered customer consumption. Over time, as more actual reads become available and replace previous consumption estimates, the allocation of volumes and costs between suppliers is updated through the industry reconciliation process, and becomes continually more accurate as a result.

Provisions for impairment of receivables and inventories

Provisions are made against bad and doubtful debts, unbilled revenue and obsolete inventory. Provision against debtors is estimated based on applying a percentage provision rate to the aged debt book at the end of each period. The provision rates are based on the comparison of historical rates of collection compared to billing data. Any over-statement or under-statement of the provision is essentially a timing difference to the actual write-off level. Provision is made against inventory taking account of the age of the asset, using predefined formulae derived from actual experience.

Decommissioning provisions (non-nuclear stations)

The Group has provided for decommissioning its three non-nuclear power stations. These provisions are based on the experience of other companies within the EDF Group, adjusted for specific issues associated with each power station and are discounted to the present value of future payments. Expected future costs of decommissioning are monitored to ensure that the provision remains at an adequate level. Further information about decommissioning provisions can be found in note 28.

Decommissioning and spent nuclear fuel provisions

The consolidated financial statements include provision for the full cost of decommissioning the Group's nuclear power stations. Provision is made on the basis of the latest technical assessments of the processes and methods likely to be used for decommissioning under the current regulatory regime. Expected future costs of decommissioning are monitored to ensure that the provision remains at an adequate level. Further information about decommissioning and spent nuclear fuel provisions can be found in note 29.

Pension deficit

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

3. Critical accounting judgements and key sources of estimation uncertainty continued

Goodwill and asset impairment

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

Fair value measurement

Some of the Group's assets and liabilities, principally derivative financial instruments, are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or liability, the Group uses market-observable data to the extent that it is available. Where level 1 inputs are not available, the Group uses valuation techniques to determine fair values which are based on observable market data.

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

4. Revenue

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

	Year ended 2015 £m	Year ended 2014 £m restated
Sales of goods and services	**8,436**	8,563
Other revenue	**4**	4
	8,440	8,567
Investment revenue (note 9)	**14**	14
Total revenue	**8,454**	8,581

Prior year sales of goods and services has been restated for a grossing up of transactions of £408m between Revenue and Fuel, energy and related purchases. This has no effect on Gross margin or the profit for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

5. (Loss)/profit for the year

(Loss)/profit for the year has been arrived at after charging/(crediting) the following gains and losses:	**2015 £m**	2014 £m
Research and development costs	**37**	38
Personnel expenses (note 8)	**823**	822
Auditor's remuneration for audit services (see below)	**2**	2
Auditor's remuneration for non-audit services (see below)	**2**	1
Net foreign exchange losses (note 10)	**19**	7
Impairment of property, plant and equipment (note 15)	**796**	136
Impairment of intangible assets (note 15)	**100**	-
Amortisation of intangible assets (note 16)	**73**	51
Depreciation of property, plant and equipment (note 17)	**856**	759
Cost of inventories recognised as expense (2014 restated, see note 4)	**903**	1,015
Losses/(gains) on derivative commodity contracts	**32**	(36)
Losses/(gains) on derivative foreign exchange contracts (note 9,10)	**7**	(11)
Operating lease rentals	**21**	24
Movement in bad debt provision (note 23)	**(28)**	(4)
Impairment losses recognised on trade receivables	**84**	67
Reversal of impairment losses recognised on trade receivables	**(1)**	(3)

The analysis of Auditor's remuneration is as follows:

	2015 £m	2014 £m
Fees payable to the Company's auditor for the audit of the Company's and the Group's accounts	**0.4**	0.4
For the audit of the Company's subsidiaries pursuant to legislation	**1.1**	1.1
Total audit fees	**1.5**	1.5
Other assurance services	**0.1**	0.1
Tax advisory	**0.3**	0.5
Other services	**-**	0.1
Advisory services regarding NNB	**1.4**	0.6
Total non audit fees	**1.8**	1.3
Total fees	**3.3**	2.8

6. Fuel, energy and related purchases

	2015 £m	2014 £m restated
Purchase of energy	**2,752**	2,751
Distribution and transmission	**1,449**	1,561
Carbon certificates	**74**	118
Renewable obligation certificates	**534**	481
Unwinding of nuclear fuel asset	**45**	66
Other energy related purchases	**11**	14
Total fuel, energy and related purchases	**4,865**	4,991

Prior year purchase of energy has been restated for a grossing up of transactions of £408m between Revenue and Fuel, energy and related purchases. This has no effect on Gross margin or the profit for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

7. Directors' remuneration

Two of the Directors receive remuneration for services to the Group and their remuneration is disclosed below, including Vincent de Rivaz who is employed by the parent Company. The remaining Directors are remunerated by the parent company and do not receive any emoluments for services to the Group.

	2015 £m	2014 £m
Aggregate remuneration	**1.1**	1.3
Amounts receivable under long-term incentive schemes	**0.3**	0.3
Total remuneration excluding expatriate related benefits	**1.4**	1.6
Expatriate related benefits	**0.4**	0.5
Total remuneration	**1.8**	2.1

	2015 Number	2014 Number
Members of defined benefit pension scheme	**1**	1

	2015 £m	2014 £m
Remuneration payable to the highest paid Director was as follows:		
Aggregate remuneration	**0.7**	0.6
Amounts receivable under long-term incentive schemes	**0.2**	0.3
Total remuneration excluding expatriate related benefits	**0.9**	0.9
Expatriate related benefits	**0.4**	0.3
Total remuneration	**1.3**	1.2

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

The remuneration of all Directors disclosed above will also be included in the financial statements of EDF Energy plc for the year ended 31 December 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

8. Personnel expenses

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

	2015 £m	2014 £m
Wages and salaries	**675**	691
Social security costs	**62**	67
Pension costs (note 39)	**211**	189
Severance	**-**	8
Less capitalised cost	**(125)**	(133)
	823	822

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

	2015 Number	2014 Number
Generation business unit	**6,549**	6,371
Customers business unit	**6,402**	7,302
Nuclear New Build business unit	**449**	410
Corporate and Steering functions	**891**	950
	14,291	15,033

9. Investment income

	2015 £m	2014 £m
Interest on bank deposits	**9**	9
Other finance income	**6**	5
Provision against other finance income	**(1)**	-
Total investment revenue	**14**	14
Fair value gains of foreign currency derivatives	**-**	11
Unwinding of discount on NLF receivable	**178**	303
Total other investment income	**178**	314
Total investment income	**192**	328

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

10. Finance costs

	2015 £m	2014 £m
Interest on bank loans and overdrafts	**21**	15
Interest on bonds	**25**	25
Finance charges payable under finance leases	**6**	6
Finance lease model adjustment	**-**	(27)
Unwinding of discount on provisions (note 28)	**196**	284
Unwinding of discount on NLF payable	**44**	82
Pension scheme interest (note 39)	**10**	17
Fair value losses of foreign currency derivatives	**7**	-
Other interest	**1**	-
Foreign exchange losses	**19**	7
Total finance cost	**329**	409
Less: amounts included in the cost of qualifying assets	**(9)**	(13)
Total borrowing costs	**320**	396

Finance costs included in the cost of qualifying assets are calculated with reference to the €800m Eurobond, see note 26.

11. Restructuring costs

	2015 £m	2014 £m
Customers business unit	**36**	-
Corporate and Steering functions	**5**	-
Total restructuring costs	**41**	-

During 2015, the Company took steps to increase efficiency, with specific initiatives such as the Finance efficiency programme, Future HR project and continued cost reduction. These efficiency plans will result in the Company operating with fewer people in both the Customers business and the Corporate and Steering Functions. As a result of these steps, restructuring costs of £41m were recognised during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

12. Tax on profit on continuing ordinary activities

(a) Analysis of tax charge / (credit) in the year

Current tax	**2015 £m**	2014 £m
UK corporation tax on loss / profits made in the year	**131**	186
Adjustments in respect of previous years' reported tax charges	**(13)**	(49)
Total current tax charge for the year	**118**	137

Deferred tax	**2015 £m**	2014 £m
Current year credit	**(146)**	(51)
Adjustments in respect of previous years' reported tax charges	**1**	12
Effect of decreased tax rate on opening liability	**(115)**	-
Total deferred tax credit for the year (note 29)	**(260)**	(39)
Income tax (credit)/charge reported in consolidated income statement (note 12(b))	**(142)**	98

The adjustments to previous years' reported current and deferred tax charges relate primarily to the release of provisions for uncertain tax positions which have now been agreed with HMRC.

As explained in (c), the tax rate at which deferred tax is recognised has reduced from 20.0% to 18.3% due to enacted reductions of the tax rate in future years and this results in the credit of £115m shown above.

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

	2015 £m	2014 £m
(Loss) / Profit before tax	**(296)**	564
Tax at the UK corporation tax rate of 20.25% (2014: 21.50%)	**(60)**	121
Effect of:		
Non-deductible expenses and non-taxable income	**30**	9
Current year effect of deferred tax rate change	**15**	5
Decreased tax rate on opening deferred tax liability	**(115)**	-
Adjustment to prior-year corporation tax	**(13)**	(49)
Adjustment to prior-year deferred tax	**1**	12
Income tax (credit) /charge reported in consolidated income statement	**(142)**	98

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

12. Tax on profit on continuing ordinary activities continued

Reconciliation of current UK corporation tax on (loss)/profit made in the year:

	2015 £m	2014 £m
(Loss)/profit before tax	**(296)**	564
Expected tax at the UK corporation tax rate of 20.25% (2014: 21.50%)	**(60)**	121
Adjusted for:		
Permanent differences:		
- Non-taxable gains on sale of subsidiary	**-**	(7)
- Non-qualifying depreciation	**3**	3
- Impairment of assets not qualifying for capital allowances	**21**	4
- Other permanent differences	**7**	9
Temporary differences:		
-Qualifying depreciation	**185**	170
-Impairment of assets qualifying for capital allowances	**161**	25
-Capital allowances	**(185)**	(152)
-Movement in provisions	**6**	1
-Mark to market financial instruments (only taxed/relieved on realisation)	**-**	(10)
-Amortisation of fair value adjustments on business acquisitions	**9**	14
-Movement in pension provisions	**(16)**	6
-Other temporary differences	**-**	2
Current UK corporation tax on loss / profits made in the year (note 12(a))	**131**	186
Current year effective corporation tax rate	**(44.3)%**	33.0%

UK tax law exempts some forms of income from tax and denies relief for some forms of expense in this financial year. The impact of the income and expense may be deferred until future financial years.

Permanent differences are expenses that are not deductible and income that is not taxable in the calculation of corporation tax in this financial year or any other financial year.

Temporary differences are differences between accounting profit and taxable profit other than permanent differences; for example timing differences. Timing differences are expenditure or income that are recognised in the calculation of corporation tax in one financial year and are recognised in the accounts in a different financial year. The recognition in the accounts may be before or after the financial year in which the expenditure or income is recognised in the calculation of corporation tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

12. Tax on profit on continuing ordinary activities continued

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

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

In the current year a deferred tax charge of £60m (2014: £38m) has been recognised in reserves. This consists of a charge of £18m (2014: £30m) in respect of pension movements and a charge of £42m (2014: £9m) which relates to fair value movements arising on derivative instruments.

A current tax credit of £10m (2014: £16m) has also been recognised in reserves. This consists solely of a credit of £10m (2014: £16m) in respect of pension movements.

Changes to the main rate of corporation tax were announced in The Finance Act 2013. These comprised a reduction in the main rate of corporation tax for the financial year beginning 1 April 2014 from 23% to 21% and a further reduction for the financial year beginning 1 April 2015 from 21% to 20%.

Further changes to the main rate of corporation tax were announced in Finance Act 2015. These comprised a reduction in the main rate of corporation tax for the financial year beginning 1 April 2017 from 20% to 19% and a further reduction for the financial year beginning 1 April 2020 from 19% to 18%.

The deferred tax liability at 31 December 2015 has been calculated at 18.3% (31 December 2014: 20%). This is the average tax rate at which the reversal of the deferred tax liability is expected to occur. The impact of this reduction to 18.3% is that the opening deferred tax liability is reduced by £112m, which is recognised as a credit of £115m to the consolidated income statement and a charge of £3m to reserves.

In the March 2016 Budget, the Government announced a reduction in the main rate of corporation tax for the financial year beginning 1 April 2020 to 17%. This reduction was not substantively enacted by the balance sheet date and so is not reflected in these financial statements.

(d) The total UK tax contribution in the year is analysed below by type of tax:

	2015 £m	2014 £m (restated)
Taxes collected on behalf of the Government:		
VAT collected on sales (output VAT)	**838**	1,767
VAT paid on taxable purchases (input VAT)	**(1,025)**	(1,881)
PAYE & employees' NIC	**194**	196
Climate change levy (CCL)	**56**	32
Total taxes collected on behalf of the Government	**63**	114
Taxes borne by the Group:	**2015 £m**	2014 £m
Corporation tax payments made in respect of the year	**49**	61
Corporation tax payments made in respect of prior years	**53**	42
Corporation tax (refunds) received in respect of prior years	**(43)**	(33)
Employers' NIC	**67**	68
Business rates	**102**	70
Carbon price support	**227**	147
Other	**1**	1
Total taxes borne by the Group	**456**	356

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

12. Tax on profit on continuing ordinary activities continued

For VAT reporting purposes, EDF Energy are required to self-account for output VAT on wholesale energy purchases and the purchase of some goods and services from outside the UK; an equal amount of input VAT is recoverable, giving a net VAT position of nil. This charge has been excluded from the output VAT and input VAT shown above. One of the values removed relates to the Domestic Reverse Charge which was implemented in June 2014 and as a result of the change in VAT treatment of wholesale fuel and power there has been a material reduction in the VAT incurred on purchases and collected on sales.

Neither VAT nor CCL currently have a significant impact on the Group's operating profit. The Group recovers the majority of VAT paid on its taxable purchases and collects VAT on behalf of the Government from its residential customers at the prescribed rate of 5% and from its business customers at up to 20%, depending on usage and entitlement to reliefs of a business. The difference in recovery and collection rates resulted in a net VAT repayment due back to the Group from HMRC, as a refund of taxes already paid by the Group on purchases, as reflected in the table above.

An indication of the net VAT income to the UK exchequer as a result of EDF Energy's economic activity is the input VAT that business customers cannot fully reclaim and the VAT paid on the bills of residential customers, as a residential customer cannot reclaim this VAT from the UK exchequer. In 2015, the VAT paid on the bills of residential customers was £160m (2014: £164m) and is included within VAT collected on sales above.

CCL is a levy collected by the Group, on behalf of the Government, and is chargeable on the VAT inclusive supply of gas and electricity to business customers. This value has increased partly due to the annual rate rise and partly due to the removal of the Climate Change Levy exemption for Renewable Generation.

The carbon price support is a tax on fossil fuels used to generate electricity, which came into effect on 1 April 2013. This has increased substantially compared to the prior year as a result of the annual rate increase.

The current year corporation tax expense (note 12(a)) and the total cash corporation tax paid (above) in each financial year are different, principally because the cash paid in respect of the UK corporation tax charge for a financial year is in quarterly instalments which straddle two consecutive financial years. For example, the cash paid in 2015 in respect of corporation tax comprised the final two quarterly instalments in respect of 2014 and the first two quarterly instalments in respect of 2015.

Where differences of view arise with HMRC with regard to the interpretation and application of tax law, the Group may prudently cover these risks via cash payments to HMRC. Where resolution of these differences in a subsequent period gives rise to repayments of the corporation tax paid, these amounts are included above, within 'Corporation tax (refunds) received in respect of prior years'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

12. Tax on profit on continuing ordinary activities continued

An analysis of how the UK corporation tax on profits made in the year (note 12(a)) will be settled is shown below:

Breakdown of current year corporation tax payable

	2015 £m	2014 £m
UK corporation tax on profits made in year (note 12 (a))	**131**	186
UK corporation tax relief on costs charged to reserves (note 12(c))	**(10)**	(16)
Net current year corporation tax payable	**121**	170
Corporation tax payments made in respect of the year	**49**	61
Corporation tax payments to be made in the following year	**32**	57
Payments to be made for current year losses surrendered from associated EDF companies not included within these financial statements	**40**	52
Net current year corporation tax payable	**121**	170

UK tax laws allow the transfer of current year corporation tax losses between companies within a group, to relieve profits arising within the current year in the same tax group, via group relief. Payments for group relief are typically made at the statutory tax rate.

13. Dividends

	2015 £m	2014 £m
Amounts recognised as distributions to equity holders in the period:		
Interim dividends paid to parent company (note 36)	**189**	424
Interim dividends paid by subsidiary to non-controlling interests (note 31)	**166**	130
	355	554

The interim dividends to the parent company represents 1.4p per Ordinary share (2014: 3.1p).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

14. Goodwill

	£m
Carrying amount	
At 31 December 2013	6,769
Acquisition	1
Change in value of CVR instrument	(47)
At 31 December 2014	6,723
Change in value of CVR instrument	(12)
At 31 December 2015	**6,711**

15. Impairment of non-current assets

Breakdown of impairments recognised

	2015 £m	2014 £m
Coal	**432**	-
Gas Storage	**207**	44
CCGT	**157**	92
Brand	**100**	-
	896	136

In 2014, the impairment of property, plant and equipment relates to the CCGT plant at West Burton and the gas storage facilities at Hill Top Farm.

In 2015, an impairment test was performed for the CCGT station due to the lack of market reaction to plant closures in recent months which was considered as an impairment trigger. For CCGT, a recoverable amount of £549m was calculated based on the value in use compared to a carrying value of £706m, which resulted in an impairment of £157m. The fair value was estimated based on discounted cash flows over its expected useful life. The main assumptions used for the calculation were the discount rate and forward power and gas prices. The discount rate was derived from an after-tax rate of 6.7% (2014: 6.7%).

For the Cottam and West Burton coal stations, the falling dark spreads in the forward market together with the lack of market reaction to plant closures in recent months, were viewed as impairment triggers and an impairment test was performed for the coal plants. For the coal stations, a recoverable amount of £89m was calculated based on the value in use, against a carrying value of £521m which resulted in an impairment of £432m. The cash flow forecasts were based on the budgeted projections of spreads, output, costs and capital expenditure. The discount rate was derived from an after-tax rate of 6.7% (2014: 6.7%).

A reduction in gas price volatility was considered as an impairment trigger for the gas storage facilities at Hill Top Farm and Hole House. For Hill Top Farm, a recoverable amount of £14m was calculated based on the value in use, against a carrying value of £179m which results in an impairment of £165m. For Hole House, a recoverable amount of zero was calculated based on the value in use, against a carrying value of £42m which results in an impairment of £42m. The main assumptions used for the calculation were the discount rate and forward power and gas prices and volatility of forward gas prices. . The discount rate was derived from an after-tax rate of 6.5% (2014: 6.5%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

15. Impairment of non-current assets continued

Impairment testing of goodwill

Goodwill is tested for impairment based on a single group of cash generating units comprising substantially all of the Group's business. This is in line with the integrated generator/supplier model used by the Group.

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

The principal assumptions used for the discounted cash flow are the discount rate, the growth rate, forward power prices, generation output as well as assumptions around the construction of a twin EPR at Hinkley Point C.

An estimated growth rate of 1.5%-3.2% (2014: 2.4%) is used, other than for finite life generation assets, which is based on current information and industry norms and is the rate used in the Group's four-year medium-term plans and long-term plans. The estimated fair value less costs to sell is based on post-tax discounted cash flows, using a discount rate derived from an after-tax rate of 6.7% for goodwill (2014: 6.7%). This discount rate is a weighted average cost of capital based EDF SA's cost of capital for UK activities.

The assumptions regarding long term electricity prices in the United Kingdom take account of the need to develop new generation facilities to meet demand from 2020, especially due to the retirement of the coal-fired power stations, and an expected recovery in nuclear power by that time. The greenhouse gas emission quota prices used for the impairment tests reflect the impact of the energy market reforms such as the carbon price support.

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

The Group has conducted sensitivity analysis on the impairment test of goodwill based on its assessment of reasonably possible changes in the principal assumptions, pursuant to which the most significant other assumption was identified to be the discount rate and nuclear output. An increase in the discount rate to 7.2% across all cash flows included in the impairment test would still result in a recoverable amount in excess of the carrying value for goodwill. Likewise if the output assumption from the existing nuclear fleet is reduced from the long term plan assumptions to 60 TWh it would still result in a recoverable amount in excess of the carrying value for goodwill.

The recoverability of goodwill at 31 December 2015 is dependent upon the Group's recoverable amount, estimated by discounting future cash flows. The value in use is in turn dependent upon (i) forecast profitability of the nuclear generation which incorporates the extension of useful lives of existing nuclear reactors and customer supply businesses, as well as (ii) the forecast profitability of HPC and HPC achieving FID. The value in use incorporates the assumption that two new EPRs with a 60-year useful life will be commissioned at HPC. Projections for the plan to build two EPRs at the Hinkley Point site incorporate electricity sale prices based on 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

15. Impairment of non-current assets continued

On 21 October 2015, EDF and China General Nuclear Power Corporation ("CGN") signed a non-binding strategic investment agreement for the construction and operation of HPC. This will enable the project to move forward and lay the groundwork for a final investment decision ("FID"), which remains subject to the following conditions:

- Finalisation by EDF of the HPC financing plan and provision of guarantees by CGN regarding its own financing;
- Approvals by the Boards of Directors of EDF and of CGN.
- Clearance obtained from competition and merger control authorities as well as governmental authorities in China and in Europe (the approval of the European Commission and the Chinese Ministry of Commerce has been delivered on 10 March 2016 and 9 March 2016, respectively);
- Finalisation of all the contractual documentation based on the agreements signed 21 October 2015

Whilst HPC contributes significant value to the recoverable amount of the group, and is therefore fundamental to the recoverability of goodwill, the ultimate outcome and timing of completion of FID cannot be reliably determined at the date the financial statements are approved and authorised for issuance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

16. Intangible assets

	EU Emissions trading certificates £m	Renewable obligations certificates £m	IT software £m	Licence £m	Brand £m	Sales contracts £m	Total £m
Cost							
At 31 December 2013	205	112	610	38	200	4	**1,169**
Additions	118	427	109	-	-	**-**	**654**
Disposals	(205)	(416)	(29)	-	-	**-**	**(650)**
Unwinding of contract	-	-	-	-	-	(4)	**(4)**
At 31 December 2014	**118**	**123**	**690**	**38**	**200**	**-**	**1,169**
Additions	75	591	121	-	-	**-**	**786**
Disposals	(115)	(509)	(2)	-	-	**-**	**(627)**
At 31 December 2015	**78**	**205**	**809**	**38**	**200**	**-**	**1,330**
Amortisation							
At 31 December 2013	-	-	(242)	(5)	-	-	**(247)**
Charge for year	-	-	(50)	(1)	-	-	**(51)**
Disposals	-	-	29	-	-	-	**29**
At 31 December 2014	**-**	**-**	**(263)**	**(6)**	**-**	**-**	**(269)**
Charge for year	-	-	(72)	(1)		**-**	**(73)**
Impairment (note 15)	-	-	-	-	**(100)**	**-**	**(100)**
Disposals	-	-	3	-	**-**	**-**	**3**
At 31 December 2015	**-**	**-**	**(332)**	**(7)**	**(100)**	**-**	**(439)**
Carrying amount							
At 31 December 2015	**78**	**205**	**477**	**31**	**100**	**-**	**891**
At 31 December 2014	118	123	427	32	200	-	900

The disposal of the EU Emissions trading certificates and the renewable obligations certificates relates to the surrender of the certificates on the settlement date for the compliance period. The licence is a licence to develop and operate a gas storage facility.

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 2013	480	18	2,785	8,484	647	197	1,828	**14,439**
Additions	-	-	3	2	-	-	1,148	**1,153**
Transfers	3	3	209	289	444	33	(981)	**-**
Decommissioning	-	-	7	-	-	-	-	**7**
Divestment	-	-	(45)	-	-	-	-	**(45)**
Revaluation of final core provision	-	-	-	(11)	-	-	-	**(11)**
Disposals	-	-	(2)	(22)	(71)	(67)	-	**(162)**
Group restructure	2	-	33	-	60	-	2	**97**
At 31 December 2014	**485**	**21**	**2,990**	**8,742**	**1,080**	**163**	**1,997**	**15,478**
Additions	-	-	-	-	-	-	1,217	**1,217**
Transfers	31	6	155	221	250	27	(690)	**-**
Decommissioning	-	-	1	-	-	-	-	**1**
Revaluation of final core provision	-	-	-	(120)	-	-	-	**(120)**
Disposals	-	-	-	(25)	(198)	(10)	-	**(233)**
At 31 December 2015	**516**	**27**	**3,146**	**8,818**	**1,132**	**180**	**2,524**	**16,343**
Accumulated depreciation								
At 31 December 2013	(13)	(6)	(1,329)	(2,704)	(295)	(164)	-	**(4,511)**
Charge for year	(7)	(2)	(153)	(384)	(191)	(22)	-	**(759)**
Divestment	-	-	6	-	-	-	-	**6**
Impairment	-		(136)	-	-	-	-	**(136)**
Disposals	-	-	-	22	71	67	-	**160**
Group restructure	-	-	(14)	-	(22)	-	-	**(36)**
At 31 December 2014	**(20)**	**(8)**	**(1,626)**	**(3,066)**	**(437)**	**(119)**	**-**	**(5,276)**
Charge for year	(7)	(2)	(187)	(413)	(226)	(21)	-	**(856)**
Impairment (note 15)	-	-	(796)	-	-	-	-	**(796)**
Disposals	-	-	-	25	198	10	-	**233**
At 31 December 2015	**(27)**	**(10)**	**(2,609)**	**(3,454)**	**(465)**	**(130)**	**-**	**(6,695)**
Carrying amount								
At 31 December 2015	**489**	**17**	**537**	**5,364**	**667**	**50**	**2,524**	**9,648**
At 31 December 2014	465	13	1,364	5,676	643	44	1,997	10,202

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

17. Property, plant and equipment continued

The carrying amount of the Group's generation assets includes an amount of £49m (2014: £59m) in respect of assets held under finance leases.

During 2015, the Group carried out an impairment review of its Coal Plants, West Burton CCGT and Gas Storage facilities at Hill Top Farm and Hole House in light of falling power prices, dark spreads and gas volatility. This led to an impairment of £432m, £157m and £207m respectively being recognised in 2015 to bring the carrying value in line with the recoverable amount. See note 15 for further details.

Assets in the course of construction mainly relate to nuclear new build activities, of which the amount capitalised in relation to Hinkley Point C is £2,181m at 31 December 2015. The recoverability of the balance of assets in the course of construction relating to HPC at 31 December 2015 is dependent both upon the project achieving FID and the forecast profitability of HPC, as disclosed in note 15.

18. Financial assets

	Non-Current	**Current**	Non-Current	Current
	2015 £m	**2015 £m**	2014 £m	2014 £m
Available-for-sale investments				
Interest in insurance fund	**9**	**-**	11	-
Loans receivable at amortised cost				
Loan to associates	**8**	**-**	22	2
Loan to parent company	**160**	**-**	580	-
Loan to third party	**6**	**-**	5	-
Provision against loan to third party	**(1)**	**-**	-	-
Total financial assets	**182**	**-**	618	2

In 2015, an additional £80m loan was granted to EDF S.A. at 1 year LIBOR less 0.05 bp in relation to the BEGG pension deficit. Additionally, the terms of the loan granted to EDF SA changed in 2015 to that of a short term cash deposit, and is now reflected in note 24.

The current element of the loan to associates in 2014 is included within the trade receivables in note 23.

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 IFRSs.

	Fallago Rig Windfarm Limited	
	2015 £m	2014 £m
Non-current assets	**140**	152
Current assets	**21**	18
Non-current liabilities	**(7)**	(117)
Current liabilities	**(5)**	(3)
Net assets	**149**	50
Equity attributable to owners of the company	**134**	45
Non-controlling interest – Group share of equity	**15**	5
Sales	**42**	34
Profit for the year	**22**	15
Group's share of profit for the year	**2**	1
Dividend received from associate during the year	**3**	-

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

	Fallago Rig Windfarm Limited	
	2015 £m	2014 £m
Net assets of associate	**149**	50
Group's ownership interest	**15**	5
Goodwill	**17**	17
Carrying amount of the Group's interest	**32**	22

Aggregate information of associates that are not individually material:

	2015 £m	2014 £m
The Group's share of loss from operations	**(1)**	(1)
Impairment of associates	**(7)**	(11)
Aggregate carrying amount of the Group's interest in associates	**14**	23

Total of all associate balances:

	2015 £m	2014 £m
The Group's share of loss from operations	**(6)**	(12)
Aggregate carrying amount of the Group's interest in associates	**46**	45

19. Interest in associates continued

Details of the Group's associates at 31 December 2015 are as follows:

Name of associate	Place of incorporation and operation	Proportion of ownership of ordinary shares %	Proportion of voting power held %	Type
Scintilla Re	Luxembourg	20.0%	20.0%	Associate
Navitus Bay Development Limited	United Kingdom	25.5%	25.5%	Associate
Stornoway Wind Farm Limited	United Kingdom	50.0%	50.0%	Associate
Fallago Rig Windfarm Limited	United Kingdom	10.0%	10.0%	Associate
Green Rigg Windfarm Limited	United Kingdom	10.0%	10.0%	Associate
Rusholme Windfarm Limited	United Kingdom	10.0%	10.0%	Associate
Glass Moor II Windfarm Limited	United Kingdom	10.0%	10.0%	Associate
Barking Power Limited	United Kingdom	18.6%	25.0%	Associate

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

Barking Power Limited has a reporting date of 31 March. Fallago Rig Windfarm Limited has a reporting date of 30 June. In both cases, the financial information presented in these financial statements are aligned with the Group's financial year.

In 2015, an impairment of £7m was recognised against Navitus Bay included in investments in associates. In 2014, an impairment of £11m was recognised against Barking Power Limited, an associate.

During 2015, the majority shareholder of Barking Power Limited negotiated to buy the shares belonging to the third shareholder, which triggered the right for the Group to also sell its shares on the same basis. This valued the EDF Energy stake at £10.8m. The Group sold its shares in Barking Power Limited to ATCO Power Generation Limited on 9 March 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

20. Interests in joint operations

The Group has the following interests in joint operations at 31 December 2015:

Name of joint operation	Place of incorporation and operation	Proportion of ownership of ordinary shares %	Proportion of voting power held %
EDF Energy Renewables Limited (*)	United Kingdom	50.0%	50.0%
Braemore Wood Windfarm Limited (*)	United Kingdom	50.0%	50.0%
Royal Oak Windfarm Limited (*)	United Kingdom	50.0%	50.0%
Bicker Fen Windfarm Limited (*)	United Kingdom	50.0%	50.0%
Burnfoot Windfarm Limited (*)	United Kingdom	50.0%	50.0%
Fairfield Windfarm Limited (*)	United Kingdom	50.0%	50.0%
Boundary Lane Windfarm Limited (*)	United Kingdom	50.0%	50.0%
Walkway Windfarm Limited (*)	United Kingdom	50.0%	50.0%
Teesside Windfarm Limited (*)	United Kingdom	50.0%	50.0%
Longpark Windfarm Limited (*)	United Kingdom	50.0%	50.0%
Roade Windfarm Limited (*)	United Kingdom	50.0%	50.0%
Burnhead Moss Wind Farm Limited (*)	United Kingdom	50.0%	50.0%
EDF Energy Renewables Holdings Limited (*)	United Kingdom	50.0%	50.0%
Barmoor Wind Power Limited (*)	United Kingdom	50.0%	50.0%
Blyth Offshore Demonstrator Limited (*)	United Kingdom	50.0%	50.0%
Park Spring Wind Farm Limited (*)	United Kingdom	50.0%	50.0%
Corriemoillie Windfarm Limited (*)	United Kingdom	50.0%	50.0%
Dorenell Windfarm Limited (*)	United Kingdom	50.0%	50.0%
Beck Burn Windfarm Limited (*)	United Kingdom	50.0%	50.0%
Pearie Law Windfarm Limited (*)	United Kingdom	50.0%	50.0%
EDF EN Services UK Limited (*)	United Kingdom	50.0%	50.0%
Fenland Windfarms Limited (*)	United Kingdom	50.0%	50.0%
Cemmaes Windfarm Limited (*)	United Kingdom	50.0%	50.0%
Llangwyryfon Windfarm Limited (*)	United Kingdom	50.0%	50.0%
Great Orton Windfarm II Limited (*)	United Kingdom	50.0%	50.0%
Cold Northcott Windfarm Limited (*)	United Kingdom	50.0%	50.0%
First Windfarm Holdings Limited (*)	United Kingdom	50.0%	50.0%
High Hedley Hope Wind Limited (*)	United Kingdom	50.0%	50.0%
Cumbria Wind Farms Limited (*)	United Kingdom	50.0%	50.0%
Red Tile Wind Limited (*)	United Kingdom	50.0%	50.0%
Kirkheaton Wind Limited (*)	United Kingdom	37.5%	37.5%

(*) Joint operation with EDF Énergies Nouvelles, another subsidiary of EDF S.A.

The joint operations are all included within these consolidated accounts on a proportional consolidation basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

20. Interests in joint operations continued

The share of the assets, liabilities, revenue and expenses of the joint operations which are included in the consolidated financial statements are as follows:

	2015 £m	2014 £m
Non-current assets	**372**	304
Current assets	**60**	81
Total assets	**432**	385
Non-current liabilities	**(191)**	(181)
Current liabilities	**(97)**	(74)
Net assets	**144**	130
Revenue	**47**	40
Administrative expenses	**(33)**	(5)
Finance costs	**(12)**	(10)
Profit before income tax	**2**	25
Income tax credit/(charge)	**-**	(1)
Net profit	**2**	24

21. NLF and nuclear liabilities receivable

	2015 £m	2014 £m
Non current assets		
Nuclear liabilities receivable	**1,002**	1,164
NLF receivable	**5,337**	5,227
Total non current NLF and nuclear liabilities receivables	**6,339**	6,391
Current assets		
Nuclear liabilities receivable	**199**	217
NLF receivable	**112**	104
Total current NLF and nuclear liabilities receivables	**311**	321
Total NLF and nuclear liabilities receivables	**6,650**	6,712

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

22. Inventories

	2015 £m	2014 £m
Raw materials and consumables	**394**	422
Unburnt nuclear fuel	**1,635**	1,610
Other nuclear fuel and uranium	**297**	306
Work in progress	**10**	11
	2,336	2,349

23. Trade and other receivables

	2015 £m	2014 £m
Trade receivables (i)	**980**	1,036
Allowance for doubtful debts (ii)	**(136)**	(163)
Unbilled revenue	**436**	464
Loans to associates (note 18)	**-**	2
Other debtors	**94**	139
Advance payments	**65**	49
	1,439	1,527

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

ii. Movement in the allowance for doubtful debts:

	2015 £m	2014 £m
At 1 January	**163**	**167**
Amounts recovered during the year	**(1)**	(1)
Decrease in allowance recognised in profit or loss	**(26)**	(3)
At 31 December	**136**	163

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

23. Trade and other receivables continued

The ageing of overdue debt is as follow:

2015

Ageing	Gross trade receivables overdue £m	Allowance for doubtful debts £m	Net trade receivables overdue £m	Weighted average days
< 30 days	94	-	94	1
31-60 days	51	-	51	1
61-90 days	37	-	37	1
> 90 days	480	(136)	344	415
Total	**662**	**(136)**	**526**	**418**

2014

Ageing	Gross trade receivables overdue £m	Allowance for doubtful debts £m	Net trade receivables overdue £m	Weighted average days
< 30 days	97	-	97	3
31-60 days	43	-	43	0
61-91 days	35	-	35	2
> 90 days	374	(163)	211	335
Total	**549**	**(163)**	**386**	**340**

Provisions have been established against these balances to the extent that they are not considered recoverable, and in accordance with the Group's policy on bad debt provisioning. See note 40 for further details on bad debt provisions and credit risks.

24. Cash and cash equivalents

	2015 £m	2014 £m
Cash at bank and in hand	**76**	113
Short-term deposits	**10**	10
Short-term deposit with intermediate parent company	**400**	-
Cash pooling with intermediate parent company	**1,303**	1,462
	1,789	1,585

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods up to 12 months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is £1,789m (2014: £1,585m). EDF Energy plc, a subsidiary of the Group operates a collective net overdraft facility arrangement which permits the offset of cash balances and overdrafts between its subsidiary companies.

The Group cash balance includes £21m (2014: £12m) 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

25. Other liabilities

	2015 £m	2014 £m
Trade creditors	**1,202**	1,357
Other payables	**172**	193
Accruals	**580**	606
NLF liabilities	**12**	18
Nuclear liabilities (note 29)	**199**	217
Total other liabilities due within one year	**2,165**	2,391
Contingent consideration	**39**	51
Nuclear liabilities (note 29)	**1,002**	1,164
NLF liabilities	**103**	113
Unfunded pension scheme	**12**	12
Total other liabilities due after more than one year	**1,156**	1,340
Total other liabilities	**3,321**	3,731

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

The contingent consideration relates to the CVRs which were issued to Barclays Bank plc, who in turn issued Nuclear Power Notes to subscribing ex-shareholders of EDF Energy Nuclear Generation Group Ltd. They are measured at fair value, with any resulting gain or loss recognised against the goodwill associated with the acquisition.

26. Borrowings

	2015 £m	2014 £m
EDF Energy Renewables (i)	**11**	11
£500m bank loan due December 2016 (ii)	**500**	-
Total borrowings due within one year	**511**	11
€800m Eurobond due June 2023 (iii)	**587**	623
£500m bank loan due December 2016 (ii)	**-**	500
EDF Energy Renewables (i)	**123**	133
Total borrowings due within more than one year	**710**	1,256
Total borrowings	**1,221**	1,267

All borrowings are denominated in sterling and valued at amortised cost unless otherwise stated. With the exception of the EDF Energy Renewables borrowings, the borrowings are unsecured, see below.

(i) The renewable joint operation companies use loans in order to finance their investment in new windfarms. These loans have maturity dates between 2021 and 2031 and are a mix of both floating and fixed rate instruments. The interest payable on these loans is based on LIBOR 6 months plus margins between 2.15% and 3.00% for the floating rate instruments and between 5.4% and 6.7% for the fixed rate loans.

(ii) The £500m facility agreement was put in place with Lloyds Bank plc as part of the UK Government Lending Scheme on 19 December 2013. It was drawn in full on 20 December 2013 at an interest rate of LIBOR 3 months plus margin 0.2%, maturing in July 2015 with an option to extend for a further 17 months, which was exercised in December 2014. The facility is now due for full repayment in December 2016.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

27. Derivative financial instruments

	2015 £m	2014 £m
Current		
Derivatives that are designated as hedging instruments in a cash flow hedge:		
Commodity purchase contracts	**103**	**(79)**
Interest rate swap contracts	**(3)**	-
Foreign currency forward contracts	**-**	(6)
Derivatives at fair value through profit and loss (FVTPL):		
Commodity purchase contracts	**(9)**	23
Foreign currency forward contracts	**6**	4
Total current derivative financial instruments	**97**	(58)
Split by:		
Current assets	**331**	198
Current liabilities	**(234)**	(256)
Non-current		
Derivatives that are designated as hedging instruments in a cash flow hedge:		
Commodity purchase contracts	**66**	15
Interest rate swap contracts	**(1)**	(4)
Cross-currency interest rate swaps	**(78)**	(40)
Foreign currency forward contracts	**-**	(1)
Derivatives at fair value through profit and loss (FVTPL):		
Commodity purchase contracts	**(18)**	2
Foreign currency forward contracts	**1**	3
Total non-current derivative financial instruments	**(30)**	(25)
Split by:		
Non-current assets	**121**	103
Non-current liabilities	**(151)**	(128)
Total derivative financial instruments	**67**	(83)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

28. Provisions for liabilities

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

	At 31 December 2014	Utilised in the year	Released in the year	Arising during the year	Unwinding of discount	**At 31 December 2015**
	£m	£m	£m	£m	£m	**£m**
Obligations under EU emissions	118	(115)	-	74	-	**77**
Renewable obligation certificates	380	(509)	(1)	536	-	**406**
Decommissioning on non-nuclear assets	68	-	-	1	3	**72**
Restructuring costs	20	(10)	(5)	41	-	**46**
Nuclear (note 29)	5,295	(58)	-	30	137	**5,404**
Provision for unburnt fuel at station closure	1,030	(120)	-	-	56	**966**
Other costs	14	(4)	(1)	2	-	**11**
	6,925	(816)	(7)	684	196	**6,982**

The provisions have been split as follows:

	At 31 December 2015			At 31 December 2014		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	£m	**£m**	**£m**	£m	£m	£m
Obligations under EU emissions	**77**	**-**	**77**	118	-	118
Renewable obligation certificates	**406**	**-**	**406**	380	-	380
Decommissioning on non-nuclear assets	**-**	**72**	**72**	-	68	68
Restructuring	**15**	**31**	**46**	20	-	20
Nuclear	**-**	**5,404**	**5,404**	-	5,295	5,295
Provision for unburnt fuel at station closure	**-**	**966**	**966**	-	1,030	1,030
Other provisions	**11**	**-**	**11**	14	-	14
	509	**6,473**	**6,982**	532	6,393	6,925

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

28. Provisions for liabilities continued

The provisions for obligations under EU emissions represent the additional certificates required to cover the Group's carbon emissions. It is expected that this provision will be utilised in 2016 because the Group is required to provide carbon certificates on an annual basis.

The provision for renewable obligations certificates represents the additional certificates required to cover the Group's obligations to supply its customers with certain amounts of electricity which have been generated from renewable energy sources. This provision will be utilised in 2016.

The decommissioning provision is to provide for the future costs of decommissioning the non-nuclear generation assets including Cottam and West Burton power stations, and the wind farm assets. This provision has been calculated on a discounted basis with the discount unwound over the current remaining period to decommissioning, between 2019 and 2035. See note 29 for further information relating to the nuclear liability provisions.

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 2016. See note 11 for further information.

Due to the nature of the nuclear fuel process there will be some unburnt fuel in the reactors at station closure. The costs of this unburnt fuel (final core) are fully provided for at the balance sheet date. The provision is based on a projected value per tonne of fuel remaining at closure, discounted back to the balance sheet date and recorded as a long term provision. Any adjustment to the provision is recorded through property, plant and equipment and depreciated over remaining station life.

For details on the nuclear liabilities, see note 29.

29. Nuclear liabilities

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

By virtue of these restructuring agreements:

- the Nuclear Liabilities Fund ("NLF"), an independent trust set up by the UK Government as part of the restructuring, agreed (at the direction of the Secretary of State) to fund, to the extent of its assets: (i) qualifying uncontracted nuclear liabilities (including liabilities in connection with the management of spent fuel at the Sizewell B power station); and (ii) qualifying costs of decommissioning in relation to the existing nuclear power stations owned and operated by EDF Energy Nuclear Generation Limited;
- the Secretary of State agreed to fund: (i) qualifying uncontracted nuclear liabilities (including liabilities in connection with the management of spent fuel at the Sizewell B power station) and qualifying costs of decommissioning, in each case in relation to the existing nuclear power stations owned and operated by EDF Energy Nuclear Generation Limited, to the extent that they exceed the assets of NLF; and (ii) subject to a cap of £2,185 million (in December 2002 monetary values, adjusted accordingly), qualifying 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 Group is responsible for funding certain excluded or disqualified liabilities (mainly liabilities incurred in connection with 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 EDF Energy Nuclear Generation Group.

	Spent fuel £m	Radioactive waste £m	Decommissioning £m	Total £m
At 31 December 2013	1,812	875	3,929	**6,616**
Unwinding of the discount	88	40	175	**303**
Operating costs	5	3	-	**8**
Updated cash flows	29	-	-	**29**
Payments in the period	(280)	-	-	**(280)**
At 31 December 2014	1,654	918	4,104	**6,676**
Unwinding of the discount	50	25	103	**178**
Operating costs	5	3	-	**8**
Updated cash flows	22	-	-	**22**
Payments in the period	(279)	-	-	**(279)**
At 31 December 2015	1,452	946	4,207	**6,605**

Nuclear liabilities are included in the balance sheet as follows:

	2015 £m	2014 £m
Other liabilities:		
- amounts due within one year (note 25)	**199**	217
- amounts due after more than one year (note 25)	**1,002**	1,164
Provision for liabilities (see note 28)	**5,404**	5,295
	6,605	6,676

29. Nuclear liabilities continued

Spent fuel

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

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

Radioactive waste

Radioactive waste 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.

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.

Extension of accounting life

During 2015 or 2014 there were no amendments made to the accounting lives of the stations.

Updated cost estimates

During 2014, nuclear liabilities relating to spent fuel increased by £29m, reflecting latest available scope and schedule information regarding the Sizewell Dry Fuel Store project.

During 2015, nuclear liabilities relating to spent fuel increased by £22m, reflecting latest available scope and schedule information regarding the Sizewell Dry Fuel Store project.

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 £m**	**Decom-missioning £m**	**2015 Total £m**	2014 Total £m
Undiscounted	2,229	6,002	12,475	**20,706**	21,046
Discounted	1,512	991	4,207	**6,710**	6,788
Accrued to date	1,452	946	4,207	**6,605**	6,676

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

29. Nuclear liabilities continued

The difference between the undiscounted and discounted amounts reflect the fact that the costs concerned will not fall due for payment for a number of years. The differences between the discounted amounts and those accrued to date will be charged to the profit and loss account over the remaining station lives since they relate to future use of fuel. A discount rate of 3.0% pre tax real rate has been applied during 2015 and 2014.

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 £m**	**Decom-missioning £m**	**2015 Total £m**	2014 Total £m
Within five years	952	-	16	**968**	1,069
6 – 10 years	447	3	868	**1,318**	1,034
11 – 25 years	351	358	4,333	**5,042**	5,340
26 – 50 years	69	559	1,342	**1,970**	2,073
51 years and over	410	5,082	5,916	**11,408**	11,530
	2,229	6,002	12,475	**20,706**	21,046

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

30. Deferred tax

As disclosed in 12 b), the accounting profit is adjusted for permanent differences and temporary differences in order to calculate the corporation tax charge disclosed in the accounts. Temporary differences arise due to a difference in the carrying amount that an asset or liability is recognised at under accounting standards compared to the carrying amount for tax purposes. Deferred tax is recognised on the difference. The difference for each asset or liability varies over time and at some point in the future there will be no difference. The increase/reduction in the difference between the end of this financial year and the previous financial year is taken to the income statement or equity as a deferred tax charge/credit. Due to accounting standards, deferred tax has to be recognised on items that are disclosed in the accounts but that do not impact the Group's cash tax paid to HMRC, such as fair value adjustments booked on the acquisition of business.

The following are the major deferred tax (liabilities) and assets 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	Other £m	**Total £m**
At 31 December 2013	(1,330)	65	23	(67)	**(1,309)**
Reallocation:	(48)	-	-	48	**-**
Credit/(charge) to income:					
o current year	41	6	(9)	13	**51**
o adjustments in respect of previous years' reported tax charges	(11)	-	-	(1)	**(12)**
(Charge) to equity					
o current year	-	(30)	(8)	-	**(38)**
Acquisition of companies under common control (note 14)	(9)	-	-	-	**(9)**
Business disposals (note 13)	3	-	-	-	**3**
At 31 December 2014	**(1,354)**	**41**	**6**	**(7)**	**(1,314)**
Credit/(charge) to income:					
o current year	147	(15)	-	14	**146**
o adjustments in respect of previous years' reported tax charges	-	-	-	(1)	**(1)**
o effect of decreased tax rate on opening liability	115	(1)	-	1	**115**
(Charge) to equity					
o current year	-	(15)	(42)	-	**(57)**
o adjustments in respect of previous years' reported tax charges	-	-	-	-	**-**
o effect of decreased tax rate on opening liability	-	(3)	-	-	**(3)**
At 31 December 2015	**(1,092)**	**7**	**(36)**	**7**	**(1,114)**

30. Deferred tax continued

The Group has unrecognised tax losses of £10m (2014: £10m). The losses give rise to a deferred tax asset of £2m (2014: £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.

All deferred tax assets and liabilities have been offset since there is considered to be a legally enforceable right to do so. The following is the analysis of the deferred tax balances (before offset) for financial reporting purposes:

	2015	2014
	£m	£m
Deferred tax assets	**14**	46
Deferred tax liabilities	**(1,128)**	(1,360)
At 31 December	**(1,114)**	(1,314)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31. Non-controlling interest

The only material non-controlling interest in the Group is included in Lake Acquisitions Limited, whose principal activities take place in the United Kingdom. Lake Acquisitions Limited is 80% owned by the Group, which reflects the voting rights.

Summarised consolidated financial information in respect of Lake Acquisitions Limited and its subsidiaries is set out below. The summarised financial information below represents amounts before intra-group eliminations with the rest of the Group.

	2015	2014
	£m	£m
Non-current assets	**18,117**	18,545
Current assets	**2,723**	2,765
Total assets	**20,840**	21,310
Current liabilities	**821**	950
Non-current liabilities	**8,405**	8,678
Equity attributable to owners of the company	**11,614**	11,682
Total equity and liabilities	**20,840**	21,310
Sales	**3,220**	3,103
Profit for the year	**839**	623
Profit attributable to owners of the company	**590**	500
Profit attributable to the non-controlling interests	**152**	123
Profit for the year	**742**	623
Total other comprehensive income attributable to owners of the company	**(4)**	(86)
Total other comprehensive income attributable to the non-controlling interests	**(1)**	(22)
Total other comprehensive income for the year	**(5)**	(108)
Dividends paid to non-controlling interest	**(166)**	(130)
Net cash inflow from operating activities	**1,202**	1,072
Net cash outflow from investing activities	**(411)**	(500)
Net cash outflow from financing activities	**(830)**	(650)
Net cash outflow	**(39)**	(78)

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

	2015	2014
	£m	£m
Balance at beginning of year	**2,338**	2,323
Profit arising during the year	**152**	123
Other comprehensive income: actuarial gains on pension scheme, net of tax	1	22
Total comprehensive income	**153**	145
Dividends paid	**(166)**	(130)
Balance at end of year	**2,325**	2,338

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

32. Commitments

Capital and other commitments

At 31 December 2015, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £687m (2014: £802m).

At 31 December 2015, the Group had contracted to purchase power, gas and other fuel to the value of £2,982m (2014: £2,941m).

Operating lease commitments given

Future minimum rentals payable under non-cancellable operating leases relating to land and buildings as at 31 December are as follows:

	2015 £m	2014 £m
Within one year	**17**	15
After one year but not more than five years	**62**	49
More than five years	**90**	51
Future lease charges	**169**	115

Finance lease commitments

The Group has finance leases for various items of property, plant and machinery. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Minimum lease payments		**Present value of minimum lease payments**	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Within one year	**32**	31	**30**	30
After one year but not more than five years	**143**	138	**131**	124
More than five years	**-**	38	**-**	32
	175	207	**161**	186
Less: future finance charges	**(14)**	(21)		
Present value of minimum lease payments	**161**	186		

The Group's finance lease commitments relate to the Cottam power station which is accounted for as a finance lease with another company within the EDF S.A. group. The term ends in 2020 (with an option to extend) and had an effective interest rate of 1.6% per quarter at inception. Repayments under the lease are re-calculated quarterly and no arrangements have been entered into for contingent rental payments. Contingent rental payments of £6m (2014: £7m) were paid in the year. The lease is denominated in sterling, and there are no restrictions attached to this lease arrangement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

32. Commitments continued

Contingent liabilities

The Group has given letters of credit and guarantees to the value of £314m (2014: £211m) in relation to HMRC obligations, BEGG pension guarantees, performance of contractual obligations and credit support for energy trading and use of distribution systems. Various companies within the Group have given guarantees and an indemnity to the Secretary of State for Business, Innovation and Skills, and the Nuclear Liabilities Fund in respect of their compliance with, among other agreements, the Nuclear Liabilities Funding Agreement. They have also provided a debenture comprising fixed and floating charges in respect of any decommissioning default payment.

33. Share capital

Issued, called up and fully paid	**2015 Number**	2014 Number	**2015 £m**	2014 £m
Ordinary shares of £1.00 each	**13,913,777,252**	13,647,477,252	**13,914**	13,647

During 2015, 266,300,000 shares were authorised, issued and fully paid at par for consideration of £266m.

34. Capital reserves

	Share premium £m	**Capital reserve £m**	**Total £m**
At 31 December 2014	273	9	**282**
At 31 December 2015	273	9	**282**

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

35. Merger reserve

	2015 £m	2014 £m
At 31 December 2014	**(2)**	(2)
At 31 December 2015	**(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

36. Retained earnings

	2015 £m	2014 £m
Balance at start of year	**702**	745
(Loss)/profit for the year attributable to the equity holders of the parent	**(306)**	343
Dividends paid to parent company	**(189)**	(424)
Actuarial gains, net of tax	**24**	38
Losses on available-for-sale investments	**(2)**	-
Balance at end of year	**229**	702

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

37. Hedging reserve

	2015 £m	2014 £m
Balance at start of year	**(45)**	(78)
Net gains/(losses) arising on changes in fair value of instruments in a cash flow hedge:		
Commodity purchase contracts	**(82)**	(349)
Cross currency interest rate swaps	**(2)**	11
Foreign currency forward contracts	**16**	36
Interest rate swap contracts	**3**	(2)
Net gains/(losses) arising on changes in fair value of hedging instruments transferred to profit or loss:		
Commodity purchase contracts	**299**	364
Foreign currency forward contracts	**(8)**	(18)
Deferred tax on net losses in cash flow hedge	**(42)**	(9)
Total movement in year	**184**	33
Balance at end of year	**139**	(45)

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

	31 December 2015 £m	31 December 2014 £m
Less than one year	**85**	(85)
Between one to five years	**68**	14
More than five years	**17**	15
Total fair value losses on derivatives designated as effective cash flow hedges	**170**	(56)
Deferred taxation	**(31)**	11
Total	**139**	(45)

During the year a loss of £291m (2014: £347m) was recycled from the hedging reserve and included within fuel, energy and related purchases, in relation to contracts which had matured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

38. Notes to the cash flow statement

	2015 £m	2014 £m
Profit before taxation	**(296)**	564
Adjustments for:		
Loss/(gain) on derivatives (note 5)	**33**	(47)
Share of loss of associates	**6**	12
Depreciation (note 17)	**856**	759
Amortisation (note 16)	**73**	51
Impairment of non-current assets (note 15)	**896**	136
Utilisation of carbon and renewable obligations certificates	**624**	621
Finance costs	**128**	68
Profit on disposal of investments	**-**	(31)
Increase/(decrease) in provisions	**9**	(28)
(Decrease)/increase in post-employment benefits provision	**(84)**	10
Release of fair value adjustments on inventory	**45**	-
Operating cash flows before movements in working capital	**2,290**	2,115
Increase in inventories	**(33)**	(80)
Decrease in receivables	**86**	6
Decrease in payables	**(129)**	(141)
Cash generated by operations	**2,214**	1,900
Pension deficit payment	**(55)**	(74)
Income taxes paid	**(106)**	(281)
Net cash from operating activities	**2,053**	1,545

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

38. Notes to the cash flow statement continued

A reconciliation of the "income taxes" paid is shown below:

	2015 £m	2014 £m
Corporation tax payments made in respect of the year	**(49)**	(61)
Corporation tax payments made in respect of the previous year	**(53)**	(42)
Corporation tax refunds received in respect of prior years	**43**	33
Net payments to associated EDF companies for use of tax losses	**(47)**	(211)
Total corporation tax paid by the Group	**(106)**	(281)

A reconciliation of the net payments to associated EDF companies for use of tax losses is shown below:

	2015 £m	2014 £m
In respect of the year ended 2010 – EDF Energy Renewables	**-**	(2)
In respect of the year ended 2012 – EDF Energy (UK) Ltd	**-**	(108)
In respect of the year ended 2012 – EDF Energy Renewables	**(2)**	-
In respect of the year ended 2013 – EDF Energy (UK) Ltd	**-**	(72)
In respect of the year ended 2014 – EDF Energy (UK) Ltd	**(22)**	(29)
In respect of the year ended 2015 – EDF Energy (UK) Ltd	**(23)**	-
Total net payments to associated EDF companies for use of tax losses	**(47)**	(211)

EDF Energy (UK) Limited is the UK registered financing vehicle for the EDF Energy UK group. EDF Energy Renewables is a collection of UK registered joint operations with EDF EN UK Limited, a subsidiary of EDF EN S.A..

39. Retirement benefit schemes

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

During 2015, the Group announced a reform of pension benefits, and, following a period of consultation, decided to introduce the changes with effect from 1 January 2016. A plan amendment gain of £112m has been recognised during 2015 relating to the introduction of a cap on pensionable salary for employees above a certain salary threshold across all three schemes. In the EEPS scheme, members who are below the salary cap at 1st April 2016 will automatically be transferred out of the defined benefit section of EEPS and into a career average revalued earnings ("CARE") scheme though they could voluntarily opt back into the EEPS final salary if they wish. The introduction of CARE was subject to the approval of the trustees which occurred on 4 January 2016, and hence no amendment gain was recognised during 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

39. Retirement benefit schemes continued

Under the BEGG, employees are entitles to annual pensions on retirement at ages 60, 63 or 65 (depending on the date of joining the scheme), of one-sixtieth of pensionable salary for each year of service. Under the EEGSG, employees are entitled to annual pensions on retirement at age 60 or 63 (again, depending on the date of joining the scheme, of one-eightieth of final pensionable salary for each year of service plus a lump sum of three-eightieths of final pensionable salary for each year of service. Under EEPS, employees are entitled to an annual pension at age 65 of between one-fiftieth and one-eightieth (depending on their level of contribution) of final pensionable salary for each year of service. All schemes also pay benefits on death or other events such as withdrawing from active service. All benefits are ultimately paid in accordance with the scheme rules. The new CARE section of the EEPS scheme means that employees will accrue benefits based on their average salary during their period of employment within EDF Energy, rather than based on their final salary at the end of their employment. This reduction in the level of benefits to be accrued is mitigated by the fact that they will be accruing at a rate of 1/60th of their average salary based on a 5% contribution rate, rather than the 1/80th of final salary based on a 5% contribution rate under the current EEPS final salary arrangements.

The latest full actuarial valuations of the EEGSG, EEPS and BEGG were carried out by qualified actuaries at 31 March 2013. 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 BEGG, EEGSG and EEPS were carried out by qualified actuaries as at 31 March 2013 and showed deficits of £720m, £123m, and £46m respectively. The Group pays contributions to repair this deficit and contributions in respect of ongoing benefit accrual. The estimated contributions expected to be paid by the Group to the pension schemes during 2016 amount to approximately £226m.

a) Risks associated with the pension schemes

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

Risk of asset volatility

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

Risk of changes in bond yields

A decrease in corporate bond yields will increase the value of the scheme liabilities for accounting purposes, although this would be partially offset by an increase in the value of the schemes' corporate bond holdings.

Inflation risk

The majority of the scheme's defined benefit obligations are linked to inflation and hence an increase in inflation rates will lead to an increase in liabilities. The majority of assets are unaffected or only loosely correlated with inflation and therefore an increase in inflation will increase the deficit.

Life expectancy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

39. Retirement benefit schemes continued

b) Assumptions used in the valuation of the pension deficit

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

	31 December 2015 % p.a	31 December 2014 % p.a
Discount rate		
- EEGSG	**3.9**	3.6
- EEPS	**4.0**	3.7
- BEGG	**3.9**	3.6
RPI inflation assumption and rate of increase in salaries		
- EEGSG	**3.1**	3.1
- EEPS	**3.2**	3.2
- BEGG	**3.1**	3.1
Rate of increase of pensions in deferment		
- EEGSG	**3.1**	3.1
- EEPS	**2.1**	2.1
- BEGG	**3.1**	3.1

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

EEGSG	**2015**	2014
Life expectancy for current male pensioner aged 60	**27**	27
Life expectancy for current female pensioner aged 60	**31**	30
Life expectancy for future male pensioner currently aged 40 from age 60	**29**	29
Life expectancy for future female pensioner currently aged 40 from age 60	**33**	32

EEPS	**2015**	2014
Life expectancy for current male pensioner aged 65	**23**	23
Life expectancy for current female pensioner aged 65	**25**	25
Life expectancy for future male pensioner currently aged 45 from age 65	**25**	24
Life expectancy for future female pensioner currently aged 45 from age 65	**27**	27

BEGG	**2015**	2014
Life expectancy for current male pensioner aged 60	**28**	28
Life expectancy for current female pensioner aged 60	**30**	30
Life expectancy for future male pensioner currently aged 40 from age 60	**30**	29
Life expectancy for future female pensioner currently aged 40 from age 60	**32**	32

Mortality assumptions have been determined based on standard mortality tables, specifically the SAPS S1 standard tables with scaling factors to reflect the experience analysis carried out as part of the 31 March 2013 triennial valuations. Future improvements in mortality rates are assumed to be in line with the CMI 2013 Core Projections subject to a 1.25% long-term rate of improvement. These assumptions are governed by IAS 19 and do not reflect the assumptions used by the independent actuary in the triennial valuation as at 31 March 2013, which determined the Group’s contributions for future years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

39. Retirement benefit schemes continued

c) Financial impact of defined benefit pension schemes

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

	BEGG 2015 £m	**EEGSG 2015 £m**	**EEPS 2015 £m**	**Total 2015 £m**	Total 2014 £m
Present value of defined benefit obligations ("DBO")	**(4,992)**	**(767)**	**(551)**	**(6,310)**	(6,416)
Fair value of scheme assets	**5,081**	**711**	**486**	**6,278**	6,223
Surplus/(deficit) in scheme	**89**	**(56)**	**(65)**	**(32)**	(193)

In addition to the pension provision recognised, there is an additional amount of £12m (2014: £12m) included within other liabilities which relates to unapproved pension scheme amounts.

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

	BEGG 2015 £m	**EEGSG 2015 £m**	**EEPS 2015 £m**	**Total 2015 £m**	Total 2014 £m
Current service cost	**132**	**19**	**60**	**211**	182
Interest cost on DBO	**187**	**27**	**19**	**233**	254
Interest income on scheme assets	**(184)**	**(25)**	**(14)**	**(223)**	(237)
Past service costs- amendments	**(93)**	**(3)**	**(16)**	**(112)**	-
Past service costs- curtailments	**-**	**-**	**-**	**-**	5
Total pension costs	**42**	**18**	**49**	**109**	204

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

	BEGG 2015 £m	**EEGSG 2015 £m**	**EEPS 2015 £m**	**Total 2015 £m**	Total 2014 £m
At 1 January	**5,133**	**753**	**530**	**6,416**	5,576
Current service cost	**132**	**19**	**60**	**211**	182
Past service cost- amendments	**(93)**	**(3)**	**(16)**	**(112)**	
Past service cost- curtailments	**-**	**-**	**-**	**-**	5
Interest cost on DBO	**187**	**27**	**19**	**233**	254
Actuarial losses from change in demographic assumptions	**-**	**-**	**-**	**-**	-
Actuarial losses from change in financial assumptions	**(201)**	**(28)**	**(37)**	**(266)**	581
Actuarial gains from experience	**3**	**20**	**2**	**25**	(6)
Net benefits paid	**(172)**	**(21)**	**(7)**	**(200)**	(179)
Contributions by employees	**3**	**-**	**-**	**3**	3
At 31 December	**4,992**	**767**	**551**	**(6,310)**	6,416

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

39. Retirement benefit schemes continued

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

	BEGG 2015 £m	**EEGSG 2015 £m**	**EEPS 2015 £m**	**Total 2015 £m**	Total 2014 £m
At 1 January	**5,109**	**695**	**419**	**6,223**	5,263
Interest income on scheme assets	**184**	**25**	**14**	**223**	237
Actuarial (losses)/gains	**(194)**	**(18)**	**3**	**(209)**	649
Contributions by employer	**151**	**30**	**57**	**238**	250
Net benefits paid	**(172)**	**(21)**	**(7)**	**(200)**	(179)
Contributions by employees	**3**	**-**	**-**	**3**	3
At 31 December	**5,081**	**711**	**486**	**6,278**	6,223

d) Breakdown of scheme assets

	BEGG 2015 £m	**EEGSG 2015 £m**	**EEPS 2015 £m**	**Total 2015 £m**	Total 2014 £m
Equities:					
Region: UK	**373**	**69**	**59**	**501**	578
Europe	**211**	**27**	**23**	**261**	321
North America	**587**	**82**	**45**	**714**	671
Asia Pacific	**112**	**26**	**14**	**152**	133
Japan	**227**	**26**	**13**	**266**	242
Emerging Markets	**198**	**33**	**18**	**249**	223
Bonds:					
Rating: AAA	**1,176**	**5**	**1**	**1,182**	1,693
AA	**42**	**171**	**68**	**281**	270
A	**99**	**23**	**7**	**129**	219
BBB	**206**	**37**	**8**	**251**	328
Non investment grade	**365**	**58**	**33**	**456**	429
Other	**284**	**24**	**39**	**347**	-
Property	**397**	**-**	**47**	**444**	389
Cash	**53**	**22**	**15**	**90**	46
Other	**751**	**108**	**96**	**955**	681
	5,081	**711**	**486**	**6,278**	6,223

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

39. Retirement benefit schemes continued

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

BEGG and EEGSG

A review of the investment strategy was conducted as part of the 2013 valuation and was agreed in mid 2014. The assets of the scheme are now allocated in two separate portfolios referred to as the matching portfolio and the growth portfolio. Within tolerances, the matching portfolio is supported by 25% of scheme assets while 75% of the assets are deployed in the growth portfolio. The matching portfolio now delivers interest rate and inflation hedging of 70% and 84% respectively on the technical provisions basis. Taken together the overall portfolio is designed to prudently deliver a Gilts plus 2.5% p.a. return over the long term without increasing risk from prior levels. Minor adjustments in the growth portfolio have been made over the last 6 months to target this objective while maintaining diversity.

EEPS

A review of the investment strategy was conducted as part of the 2013 valuation and was agreed in early 2015. The assets of the scheme are now allocated in two separate portfolios referred to as the matching portfolio and the growth portfolio. Within tolerances, the matching portfolio is supported by 25% of scheme assets while 75% of the assets are deployed in the growth portfolio. The timing and scale of the increase in the interest rate and inflation hedging is still being considered by the EEPS trustees. Taken together the overall portfolio is designed to prudently deliver a Gilts plus 2.5% p.a. return over the long term without increasing risk from prior levels. Adjustments in the growth portfolio will be made as the matching portfolio is established to target this objective while maintaining diversity.

e) Profile of the pension scheme

BEGG

Circa 51% of the BEGG liabilities are attributable to current employees, 6% to former employees and 43% to current pensioners. The weighted average time until benefits payments are made is 18 years which reflects the approximate split of the defined benefit obligation between current employees, deferred members and current pensioners.

EEGSG

Circa 78% of the EEGSG liabilities are attributable to current employees, 5% to former employees and 17% to current pensioners. For EEGS as a whole, the duration is approximately 17 years.

EEPS

Circa 77% of the EEPS liabilities are attributable to current employees, 19% to former employees and 4% to current pensioners. For EEPS as a whole, the duration is approximately 32 years.

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

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

%	**At 31 December 2015**
Impact of a 25bp increase/decrease in discount rate	**-4.8% to + 4.6%**
Impact of a 25bp increase/decrease in salary increase assumption	**+0.7% to -0.6%**
Impact of a 25bp increase/decrease in inflation rate	**+4.4% to -4.4%**

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.

40. Financial instruments

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

	2015 £m	2014 £m
Financial assets		
Cash and cash equivalents (note 24)	**1,789**	1,585
Derivative instruments held at fair value through P&L (note 27)	**25**	65
Derivative instruments in designated hedging relationships (note 27)	**427**	236
Loans and receivables	**1,654**	2,158
NLF and Nuclear liabilities receivable (note 21)	**6,650**	6,712
Available for sale financial assets (note 18)	**9**	11
Financial liabilities		
Derivative instruments held at fair value through P&L (note 27)	**(47)**	(33)
Derivative instruments in designated hedging relationships (note 27)	**(338)**	(351)
Borrowings and other liabilities at amortised cost	**(4,664)**	(4,947)
Finance lease liabilities	**(161)**	(186)
Contingent consideration for a business combination	**(39)**	(51)

Loans and receivables include trade and other receivables as well as long-term receivables and exclude other debtors and the provision for doubtful debts.

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

a) Financial risk management objectives

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

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

b) Capital risk management

The Group manages its capital through focusing on its net debt which comprises borrowings including finance lease obligations and accrued interest, less cash and cash equivalents (note 24) plus derivative liabilities. Given that the Group is a 100%-owned subsidiary, any changes in capital structure are generally achieved via additional borrowings from other companies within the EDF SA group or from capital injection from its immediate parent company.

The Group is not subject to any externally imposed capital requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

40. Financial instruments continued

c) Commodity price risk management

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

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

Risk management is monitored for the whole of EDF Energy, through sensitivity analysis; both per commodity and across commodities, in line with the Group's risks mandate. At a Group level, commodity price risk exposure is measured looking at sensitivity analysis.
If the purchase price of power had been 10% higher, and all the other variables remained constant, then the Group's profit before taxation would have been £5m higher (2014: £38m) and hedging reserves would have been £122m higher (2014: £136m).
If the purchase price of gas had been 10% higher, and all the other variables remained constant, then the Group's profit before taxation would have been £4m higher (2014: £1m) and hedging reserves would have been £32m higher (2014: £77m).
If the purchase price of coal had been 10% higher, and all the other variables remained constant, then the Group's profit before taxation would have been £4m lower (2014: £nil m) and hedging reserves would have been £nil m higher (2014: £19m).
If the purchase price of carbon had been 10% higher, and all the other variables remained constant, then the Group's profit before taxation would have been £nil m higher (2014: £nil m) and hedging reserves would have been £2m higher (2014: £12m).
If the purchase price of fuel oil had been 10% higher, and all the other variables remained constant, then the Group's profit before taxation would have been £nil m higher (2014: £nil m) and hedging reserves would have been £nil m higher (2014: £1m).

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

d) Interest rate risk management

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

Interest rate sensitivity

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

If the interest rates had been 100 basis points higher at the reporting date, and on the basis of the assumptions outlined above, then the Group's profit for the year would have been £21m higher (2014: £9m higher) as a result of changes in financial instrument valuations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

40. Financial instruments continued

Interest rate profile

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

	2015 £m	2014 £m
Floating rate borrowings	**566**	572
Fixed rate borrowings	**655**	695
Total borrowings (note 27)	**1,221**	1,267
Floating rate finance lease obligations (note 32)	**161**	186

Payments under the floating rate finance lease obligations are based on overnight LIBOR +200bps

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

	2015	2014
Weighted average fixed interest rate %	**4.1%**	4.1%
Weighted average floating interest rate %	**1.0%**	1.4%

At 31 December 2015, the Group had ten interest rate swaps (2014: eleven) and one cross currency interest rate swaps (2014: one). The fair value of the interest rate swaps outstanding at 31 December 2015 was a liability £3m (2014: £4m). The fair value of the cross-currency interest rate swaps outstanding at 31 December 2015 was a liability of £78m (2014: £40m). If interest rates moved by 100bps the change in value of the derivative asset and the hedging reserve would be £0.27m (2014 restated: £0.29m). If interest rates moved by 100bps, the profit before tax would be £6.4 lower (2014: £9m).

e) Foreign currency risk management

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

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

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

At 31 December 2015	**Notional amount to be received**				**Notional amount to be given**				
£m	<1yr	2-5yrs	>5yrs	Total	<1yr	2-5yrs	>5yrs	Total	**Fair value**
Foreign currency forwards	717	477	-	1,193	711	481	-	1,191	10
Cross currency swaps	17	66	628	711	25	100	744	869	(78)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

40. Financial instruments continued

At 31 December 2014	Notional amount to be received				Notional amount to be given				
£m	<1yr	2-5yrs	>5yrs	Total	<1yr	2-5yrs	>5yrs	Total	Fair value
Foreign currency forwards	1,028	220	-	1,248	1,033	219	-	1,252	-
Cross currency swaps	18	70	684	772	25	99	769	893	(40)

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

£m	**Liabilities**		**Assets**	
	2015	2014	**2015**	2014
EUR	**(201)**	(312)	**96**	296
USD	**(18)**	(24)	**4**	29

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

Sensitivity analysis

If the exchange rate had been 10% lower at the reporting date, there would have been an impact of £39.7m (2014: £101.5m) on the Group profit for the year. Pre-tax, the hedging reserve would have been £22.5m (2014: £nil). This excludes the exchange rate sensitivity on cross currency interest rate swaps.

f) Credit risk management

Counterparty and credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group has no significant concentration of external credit risk, with exposure spread over a large number of external counterparties and customers. Due to the nature of the Group's trading with other EDF SA 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 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

40. Financial instruments continued

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

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

	2015 £m	2014 £m
Guarantee provided by subsidiary relating to performance of contractual obligations	**87**	69
Guarantee relating to pension obligations	**160**	80
Guarantee relating to tax obligations	**1**	1

g) Liquidity risk management

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

At 31 December 2015, the Group had available £320m (2014: £320m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

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

At 31 December 2015	**0-30 days**	**30-90 days**	**3-6 months**	**6-12 months**	**1-2 yrs**	**2-5yrs**	**>5yrs**	**Total**
Obligations under finance lease	-	8	8	16	34	110	-	**176**
Borrowings	-	1	9	511	14	44	691	**1,270**
Other liabilities	982	749	254	63	61	142	583	**2,834**
Derivative and other financial instruments	265	90	(38)	(24)	(187)	223	803	**1,131**

At 31 December 2014	0-30 days	30-90 days	3-6 months	6-12 months	1-2 yrs	2-5yrs	>5yrs	Total
Obligations under finance lease	-	8	8	15	33	105	38	207
Borrowings	1	2	10	12	525	65	768	1,383
Other liabilities	1,069	896	66	58	3	1	21	2,114
Derivative and other financial instruments	320	337	117	225	(213)	126	815	1,727

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

40. Financial instruments continued

h) Fair values of assets and liabilities

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

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

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

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

	2015 £m	2014 £m
Level 2		
Derivative financial instruments		
Hedging instruments in a cash flow hedge	**(87)**	(115)
Instruments designated at FVTPL	**19**	32
Contingent consideration	**(39)**	(51)
Level 3		
Available for sale assets	**(9)**	(11)
Total	**(116)**	(145)

There have been no transfers between levels during the period.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

40. Financial instruments continued

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

	Carrying amount		Fair value	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Financial liabilities				
Borrowings and other liabilities	**4,703**	5,184	**4,747**	5,237

Financial liabilities measured at fair value are level 2 instruments and are valued using a discounted cash flow. Future cash flows are estimated based on forward rates (from observable rates at the end of the reporting period) and contract forward rates, discounted at rate that reflects the credit risk of the counterparties.

41. Related parties

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

		Sales to related parties £m (restated)	Purchases from related parties £m (restated)	Interest paid to related parties £m	Interest received from related parties £m
Joint operations:	**2015**	**-**	**(113)**	**-**	**2**
	2014	-	(87)	-	5
Associates:	**2015**	**-**	**(36)**	**-**	**-**
	2014	-	(19)	-	-
Transactions with other EDF S.A. group companies	**2015**	**1,064**	**(1,233)**	**(43)**	**16**
	2014	519	(1,318)	(20)	18
Finance lease commitment with EDF S.A. group*	**2015**	**-**	**-**	**(5)**	**-**
	2014	**-**	-	21	-

*This includes the finance lease model adjustment in 2014 (note 10).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

41. Related parties continued

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

		Amounts owed by related parties £m	Amounts owed to related parties £m
Joint operations:	**2015**	**115**	**-**
	2014	81	(25)
Associates:	**2015**	**8**	**-**
	2014	24	-
Transactions with other EDF S.A. group companies	**2015**	**1,923**	**(1,166)**
	2014	2,066	(1,320)
Finance lease commitment with EDF S.A. group companies	**2015**	**-**	**(161)**
	2014	-	(186)

EDF Energy Holdings Limited trades with other group companies which are part of the EDF S.A. group.

Sales and purchases from related parties are made at normal market prices. Outstanding balances at year end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables. The Group has not raised any provision for doubtful debts relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market value in which the related party operates.

The table above includes loans and bonds payable to other EDF subsidiaries of £701m (2014: £742m) and loans receivable from EDF SA companies of £560m (2014: £580m).

The Group enters into derivative contracts to purchase commodities at normal market prices with another EDF S.A. group company. The total trade value of outstanding contracts in the Group balance sheet was an asset of £1,023m (2014: asset of £437m).

Transactions with key management personnel

	2015 £m	2014 £m
Short-term benefits	**5.0**	5.2
Post-employment benefits	**0.2**	0.2
	5.2	5.4

Key management personnel comprise members of the Executive Committee, a total of seven individuals at 31 December 2015 (2014: seven). The Executive Committee is a cross-business unit committee of senior staff who take part in the decision-making for the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

42. Parent undertaking and controlling party

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

At 31 December 2015, Electricité de France SA (“EDF SA”), a company incorporated in France, is regarded by the Directors as the Company’s ultimate parent company and controlling party. This is the largest group for which consolidated financial statements are prepared. Copies of that company’s consolidated financial statements may be obtained from Electricité de France SA, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.

COMPANY BALANCE SHEET
AT 31 DECEMBER 2015

	Note	**2015 £m**	2014 £m
Non-current assets			
Investments in subsidiary undertakings	8	**14,330**	14,270
Financial assets	9	**-**	500
		14,330	14,770
Current assets			
Trade and other receivables	*10*	**198**	13
Cash and cash equivalents		**1,171**	253
		1,369	266
Total assets		**15,699**	15,036
Current liabilities			
Other liabilities	*11*	**(137)**	(137)
Borrowings	*12*	**(500)**	-
		(637)	(137)
Non-current liabilities			
Borrowings	*12*	**-**	(500)
		-	(500)
Total liabilities		**(637)**	(637)
Net assets		**15,062**	14,399
Equity			
Share capital	*13*	**13,914**	13,647
Share premium		**273**	273
Retained earnings		**875**	479
Total equity		**15,062**	14,399

The company financial statements of EDF Energy Holdings Limited, registered number 06930266, on pages 95 to 104 were approved by the Board of Directors on 10 May 2016 and were signed on its behalf by:

Robert Guyler
Director

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital £m	Share premium account £m	Profit and loss account £m	**Total Shareholders' funds £m**
At 31 December 2013	13,051	273	462	13,786
Profit for the year	-	-	441	441
Shares issued	596	-	-	596
Dividends paid	-	-	(424)	(424)
At 31 December 2014	13,647	273	479	14,399
Profit for the year	-	-	585	585
Shares issued	267	-	-	267
Dividends paid	-	-	(189)	(189)
At 31 December 2015	**13,914**	**273**	**875**	**15,062**

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

1. Accounting policies

The principal accounting policies are set out below. They have all been applied consistently throughout the year and the preceding period, noting that the Company transitioned to FRS101 on 1 January 2014, as detailed below.

Basis of preparation

These financial statements were prepared in accordance with FRS 101 Reduced Disclosure Framework. The Company transitioned from previously extant UK GAAP to FRS 101 on 1 January 2014. There were no adjustments arising from transition. The accounting policies which follow set out those polices which apply in preparing the financial statements for the year ended 31 December 2015.

Changes in accounting policy

Due to the transition to FRS 101, the Company has applied all Standards, Interpretations and Amendments effective at 1 January 2014.

Summary of disclosure exemptions

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

a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment;
b) The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67of IFRS 3 Business Combinations;
c) the requirements of paragraph 33 (c) of IFRS 5 Non current Assets Held for Sale and Discontinued Operations;
d) the requirements of IFRS 7 Financial Instruments: Disclosures;
e) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
f) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
(i) paragraph 79(a)(iv) of IAS 1;
(ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
(iii) paragraph 118(e) of IAS 38 Intangible Assets;
(iv) paragraphs 76 and 79(d) of IAS 40 Investment Property; and
(v) paragraph 50 of IAS 41 Agriculture;
g) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
h) the requirements of IAS 7 Statement of Cash Flows;
i) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
j) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
k) 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;
l) 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

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.

The profit of the Company for the year ended 31 December 2015 was £585m (2014: £441m).

Profit and loss account

No profit and loss account is presented for EDF Energy Holdings Limited in accordance with the exemptions allowed by the Companies Act 2006.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

Investments

Fixed asset investments are shown at cost less any provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

Cash and cash equivalents

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

Financial instruments

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

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Current tax
Current tax is calculated on taxable profits for the financial year, using tax rates that are in force during the year. Taxable profit differs from the accounting profit for the year because it excludes items of income or expense that are taxable or deductible in other financial years, as well as further excluding items that are never taxable or never 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 the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination, or differences relating to investments in subsidiaries, to the extent that they will probably not reverse in the foreseeable future are not provided for, in line with IAS 12.

Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply for the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged to equity, in which case the deferred tax is also dealt with in equity.

2 Critical accounting judgement and key source of estimation uncertainty

The Company performs impairment testing on 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 Company's assets and the unique and early stage nature of the Company's Nuclear New Build projects in particular, increases the level of uncertainty involved.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

3 Operating loss

In 2015, an amount of £6,000 (2014: £10,537) 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 2015, amounts payable to Deloitte LLP by the Company in respect of non-audit services were £nil (2014: £nil).

The Company had no employees in 2015 (2014: none).

4 Directors' emoluments

None of the Directors received any remuneration for services to the Company during the year (2014: £nil).

5 Investment income

	2015 £m	2014 £m
Income from investment	**584**	440
Other finance income	**4**	5
	588	445

6 Finance costs

	2015 £m	2014 £m
Interest payable on bank loans	**4**	4
	4	4

7 Dividends

	2015 £m	2014 £m
Interim dividends paid	**189**	424
	189	424

The interim dividends to the parent company represents 1.4p per Ordinary share (2014: 3.1p).

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

8 Investments in subsidiary undertakings

Cost and book value	**Shares £m**
At 31 December 2014	14,270
Additions during the year	60
At 31 December 2015	**14,330**

The additions during the year related to the subscription of £16.3m additional shares in NNB Holding Company (SZC) Limited, and the acquisition of Northern Power Limited from another Group company for £43.1m.

The principal subsidiary undertakings at 31 December 2015, which are incorporated in the United Kingdom and are registered and operate in England and Wales, or Scotland (unless otherwise stated), are as follows:

Name of subsidiary	**Proportion of ownership interest and voting power held %**	**Principal activity**
British Energy Bond Finance plc *	80%	Financial activities
British Energy Direct Limited *	100%	Sale of electricity
British Energy Finance Limited *	80%	Financial activities
British Energy Generation (UK) Limited *	80%	Holding company
EDF Energy Nuclear Generation Limited *	80%	Power generation
EDF Energy Nuclear Generation Group Limited *	80%	Holding company
British Energy Holdings Limited * (Canada)	80%	Holding company
British Energy International Holdings Limited *	80%	Holding company
British Energy Investment Limited *	80%	Investment company
British Energy Limited *	80%	Holding company
British Energy Renewables Limited *	80%	Renewable power generation
British Energy Trading and Sales Limited *	80%	Sale of electricity
British Energy Trading Services Limited *	80%	Sale of electricity
British Energy Technical Services Limited *	80%	Sale of electricity
British Energy Treasury Finance Limited *	80%	Financial activities
British Energy Trustees Limited *	80%	Financial activities
Bruce Hydro Inc * (Canada)	80%	Power generation
Bruce Power Operating Corp * (Canada)	80%	Power generation
EDF Energy Investments *	100%	Holding company
Cheshire Cavity Storage Group Limited *	100%	Holding company
Cheshire Cavity Storage 1 Limited *	100%	Provision of gas storage facilities

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

8 Investments in subsidiary undertakings continued

Name of subsidiary	Proportion of ownership interest and voting power held %	Principal activity
Deletepicnic Limited *	100%	Holding company
EDF Energy Dormant Holdings Limited *	100%	Holding company
EDF Energy plc *	100%	Sale of electricity
EDF Energy 1 Limited *	100%	Marketing and supply of electricity and gas
EDF Energy (Cottam Power) Limited *	100%	Provision and supply of electricity generation
EDF Energy Customers plc *	100%	Electricity retailing
EDF Energy (Energy Branch) plc *	100%	Investment in electricity generation
EDF Energy Fleet Services Limited *	100%	Transport services
EDF Energy Group Holdings plc	100%	Holding company
EDF Energy Lake Limited	100%	Holding company
EDF Energy (London Heat & Power) Limited *	100%	Generation and supply of electricity and heat
EDF Energy (Metro Holdings) Limited *	100%	Investment company
EDF Energy (Northern Offshore Wind) Limited*	100%	Development of generation and supply
EDF Energy (Projects) Limited *	100%	Investment company
EDF Energy (West Burton Power) Limited*	100%	Power generation
Eggborough Power (Holdings) Limited*	80%	Holding company
Hunterston Properties Limited*	100%	Property company
Jade Power Generation Limited *	100%	Power generation
EDF Energy Round 3 Isle of Wight Limited*	51%	Renewable power generation
Lake Acquisitions Limited	80%	Holding company
Lochside Energy Inc * (Canada)	80%	Financial activities
Lochside Insurance Limited * (Guernsey)	80%	Insurance company
NNB Holding Company (HPC) Limited	100%	Holding company
NNB Holding Company (SZC) Limited	100%	Holding company
NNB Top Company HPC (A) Limited	100%	Holding company
NNB Top Company HPC (B) Limited	100%	Holding company
NNB Holding Company (BRB) Limited	100%	Holding company
NNB Generation Company (SZC) Limited *	100%	Development of generation and supply
NNB Generation Company (HPC) Limited *	100%	Development of generation and supply
NNB Land Company Limited *	100%	Property company
Norfolk Offshore Wind Limited *	100%	Development of generation and supply
Northern Power Limited*	100%	Power generation
SEEBOARD Energy Limited*	100%	Energy supply
SEEBOARD Energy Gas Limited*	100%	Gas supply
Stornoway Wind Power Limited *	80%	Renewable power generation
Sutton Bridge Financing Limited* (Cayman Islands)	100%	Financial activities
The Barkantine Heat & Power Company Limited*	100%	Generation and supply of electricity and heat
West Burton Limited*	100%	Power generation
West Burton Property Limited*	100%	Investment company
Western Isles Renewables Limited*	80%	Renewable power generation

* Indirectly held

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

8 Investments in subsidiary undertakings continued

The associates and joint ventures at 31 December 2015, which are all held indirectly, and are registered and operate in England and Wales, are as follows:

	Percentage of ordinary shares held	Principal activity
Barking Power Limited	18.6%	Power generation
Scintilla Re	20.0%	Re-insurance
Fallago Rig Windfarm Limited	10.0%	Renewable energy generation
Trans4m Limited	25.0%	Engineering contractor
EDF Energy Renewables Limited	50.0%	Renewable energy generation
Boundary Lane Windfarm Limited	50.0%	Renewable energy generation
Braemore Wood Windfarm Limited	50.0%	Renewable energy generation
Glass Moor II Windfarm Limited	10.0%	Renewable energy generation
Green Rigg Windfarm Limited	10.0%	Renewable energy generation
Navitus Bay Development Limited	25.5%	Renewable energy generation
Royal Oak Windfarm Limited	50.0%	Renewable energy generation
Bicker Fen Windfarm Limited	50.0%	Renewable energy generation
Burnfoot Windfarm Limited	50.0%	Renewable energy generation
Fairfield Windfarm Limited	50.0%	Renewable energy generation
Rusholme Windfarm Limited	10.0%	Renewable energy generation
Walkway Windfarm Limited	50.0%	Renewable energy generation
Teesside Windfarm Limited	50.0%	Renewable energy generation
High Hedley Hope Wind Limited	50.0%	Renewable energy generation
Kirkheaton Wind Limited	37.5%	Renewable energy generation
Longpark Windfarm Limited	50.0%	Renewable energy generation
Stornoway Wind Farm Limited	25.0%	Renewable energy generation
Roade Windfarm Limited	50.0%	Renewable energy generation
Burnhead Moss Wind Farm Limited	50.0%	Renewable energy generation
Barmoor Wind Power Limited	50.0%	Renewable energy generation
Fenland Windfarms Limited	50.0%	Renewable energy generation
Cemmaes Windfarm Limited	50.0%	Renewable energy generation
Llangwyryfon Windfarm Limited	50.0%	Renewable energy generation
Great Orton Windfarm II Limited	50.0%	Renewable energy generation
Cold Northcott Windfarm Limited	50.0%	Renewable energy generation
First Windfarm Holdings Limited	50.0%	Renewable energy generation
EDF Energy Renewables Holdings Limited	50.0%	Renewable energy generation
Park Spring Wind Farm Limited	50.0%	Renewable energy generation
Blyth Offshore Demonstrator Limited	50.0%	Renewable energy generation
Corriemoillie Windfarm Limited	50.0%	Renewable energy generation
EDF EN Services UK Limited	50.0%	Renewable energy generation
Dorenell Windfarm Limited	50.0%	Renewable energy generation
Beck Burn Windfarm Limited	50.0%	Renewable energy generation
Pearie Law Windfarm Limited	50.0%	Renewable energy generation
Cumbria Wind Farms Limited	50.0%	Renewable energy generation

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

9 Financial assets

	2015 £m	2014 £m
Amounts owed by ultimate parent company	**-**	500
	-	500

The terms of the loan granted to EDF SA changed in 2015 to that of a deposit, and £400m is now reflected in cash and cash equivalents.

10 Trade and other receivables

	2015 £m	2014 £m
Amounts owed by other Group companies	**198**	12
Corporation tax (Group relief receivable)	**-**	1
	198	13

11 Other liabilities

	2015 £m	2014 £m
Amounts owed to other Group companies	**137**	137
	137	137

The amounts owed to other Group companies are non-interest bearing and are repayable on demand.

12 Borrowings

	2015 £m	2014 £m
£500m bank loan	**500**	-
Total borrowings due within one year	**500**	-
£500m bank loan	**-**	500
Total borrowings due within more than one year	**-**	500
Total borrowings	**500**	500

The £500m facility agreement was put in place with Lloyds Bank plc as part of the UK Government Lending Scheme on 19 December 2013. It was drawn in full on 20 December 2013 and pays an interest rate of LIBOR 3 months plus margin 0.2%. The loan originally matured in July 2015, however it had an option to extend for a further 17 months, which was executed in December 2014. The loan now has a maturity of December 2016.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

13 Share capital

Allotted, called up and fully paid	2015	2014	2015	2014
	Number	Number	£m	£m
Ordinary shares of £1.00 each	13,913,777,252	13,647,477,252	13,914	13,647

During 2015, 266,300,000 shares were issued at par for consideration of £266m.

14 Related parties

The Company has taken advantage of the exemption in FRS 101 Reduced Framework from disclosing transactions with other members of the group, which would otherwise be required for disclosure under IAS24.

15 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. Electricité de France SA is the smallest group for which consolidated financial statements are prepared, copies of which may be obtained from Electricité de France SA, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.

At 31 December 2015, Electricité de France SA, a company incorporated in France, is regarded by the Directors as the Company's ultimate parent company and controlling party. This is the largest group for which consolidated financial statements are prepared. Copies of that company's consolidated financial statements may be obtained from Electricité de France SA, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.