EDF ENERGY HOLDINGS LIMITED

Registered Number 06930266

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2011

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DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 31 December 2011.

Principal activity and review of the business

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 fired, gas and renewable generation. The Group is also involved in the construction of new build nuclear assets. On 29 October 2010, the Group disposed of its public and private distribution networks operations, and these activities have been accounted for as discontinued operations in the financial statements in 2010.

Results and dividends

The profit for the year before taxation, associate, discontinued operations and disposal of subsidiaries, amounted to £627m (2010: loss of £217m) and after taxation, associates, discontinued operations and disposal of subsidiaries to a profit of £651m (2010: profit of £440m.) Dividends of £592m were paid during the year (2010: £nil).

EDF Energy Holdings Limited has two operating segments. These are "Energy Sourcing and Customer Supply" and "Nuclear Generation". The principal activities of these segments are:

- Energy Sourcing and Customer Supply; the provision and supply of electricity and gas to commercial, residential and industrial customers, the provision of services relating to energy, including purchasing of fuel for power generation and the generation of electricity;

- Nuclear: the operation of eight nuclear power stations in the UK with a combined capacity of 8,700 megawatts and delivery of the new generation of nuclear plants in line with the Group's global programme of producing safe, affordable, reliable, low-carbon production of electricity in the UK.

A summary of the key financial results are set out in the table below and are discussed in this section.

	Revenue		Operating profit/ (loss)	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Energy Sourcing and Customer Supply	**5,846**	6,418	**521**	144
Nuclear	**2,229**	2,227	**320**	344
Other and eliminations	**(704)**	(426)	**(39)**	(371)
Group	**7,371**	8,219	**802**	117

DIRECTORS' REPORT continued

Energy Sourcing and Customer Supply

Energy Sourcing and Customer Supply ("ESCS") has the responsibility of maximising the long-term value of EDF Energy's residential and business customer portfolios, fossil-fired and renewable generation assets and optimisation of the company's exposure to energy markets, within an agreed risk mandate, and employs around 8,000 people.

ESCS optimises EDF Energy's wholesale market risks centrally and takes advantage of the benefits of combining energy sourcing and customer supply activities from all EDF Energy business units involved in the production of electricity.

Energy Sourcing

Thermal Generation

The part of EDF Energy's generation business that is held within ESCS comprises two fossil fuel generation power plants in the UK with a total generation capacity of 4.1 GW, namely:

- Cottam: located in Nottinghamshire, Cottam is a coal-fired power plant with a capacity of 2,008 MW generated by four units. The final unit was commissioned in 1970; and
- West Burton: located in Nottinghamshire, West Burton is a coal-fired power plant consisting of four coal-fired units and two 20 MW OCGTs ("Open-Cycle Gas Turbines"), with a total capacity of 2,052 MW. The final unit was commissioned in 1970.

In addition, EDF Energy is constructing a new Combined Cycle Gas Turbine ("CCGT") plant at West Burton (1,305 MW) which is expected to start commercial operations gradually across 2012

In 2009, in order to obtain approval from the European Commission of the acquisition of British Energy, the Group agreed to divest its interest in Sutton Bridge, a gas-fired power station. As part of the divestment, Sutton Bridge is currently operating under ring-fenced arrangements. Sutton Bridge operates under a Capacity and Tolling Agreement. As a consequence of the divestment commitment, EDF Energy put in place a new arrangement by which a third-party toller receives the benefit of the plant's output and any associated benefits or liabilities.

Nuclear Generation

The power generated by the Nuclear Generation fleet is sold through intra-group transactions between Nuclear Generation and ESCS. Since April 2010, 20% of the generation output from Nuclear Generation is sold to Centrica under the agreements made at the time of its acquisition of a 20% stake in the Nuclear Generation business in 2009.

Renewables

Through EDF Energy Renewables ("EDF ER"), a joint venture between EDF Energy and EDF Energies Nouvelles, a wholly-owned subsidiary of EDF S.A., EDF Energy is developing its own onshore and offshore assets and signing power purchase agreements with renewable generators, supporting independent developers to ensure a balanced approach for compliance with its Renewables Obligation ("RO") and the provision of renewable electricity to its customer base. During 2011, the renewables operational portfolio increased by 6.5 MW, with the Fairfield wind farm that commenced operation in the first quarter of 2011. At the end of 2011 EDF ER operated 20 wind farms with a total capacity of 268 MW. These are primarily located in the north of England and Scotland.

In addition, EDF ER has 242 MW of capacity under development. This includes two onshore wind farms, Fallago Rig and Green Rigg and EDF ER's first offshore wind farm, Teesside. This wind farm will have an installed total capacity of 62 MW and is scheduled to enter commercial operation towards the end of 2012.

Electricity procurement

Over and above its own generation, EDF Energy buys electricity through wholesale purchase contracts and through contracts with other generators. EDF Energy also enters into coal, gas and carbon contracts. In order to reduce the Group's exposure to gas wholesale markets, EDF Energy has developed, and is in the process of delivering, fast cycle gas storage facilities.

DIRECTORS' REPORT continued

Customer Supply

EDF Energy sells power to two major customer segments – residential, described as the Business to Customer segment ("B2C") and business customers, described as the Business to Business segment ("B2B") with the size of business customers ranging from large industrial businesses to small privately owned businesses. EDF Energy adopts different risk management strategies for B2C and B2B. As at the end of December 2011, EDF Energy had 4.0 million customers and 5.8 million customer accounts. During the year it supplied 17.0 TWh of electricity to 3.5 million B2C accounts and 231,037 B2B SME accounts and 35.8 TWh of electricity to 114,502 B2B Major Business accounts. It also had 1.9 million B2C gas customer accounts and supplied 25.4 TWh of gas to these customers in 2011. While EDF Energy's B2C and B2B SME customers are primarily located in London, the South-East and the South-West of England, its B2B Major Business customers have sites throughout the country.

B2C tariffs tend to follow the overall trend of commodity prices over the long-term but do not reflect their short-term volatility. As a result, a hedging strategy that efficiently smoothes market volatility is regarded as a key competitive factor for all electricity and gas suppliers in the UK market.

Following the winter price freeze implemented in November 2010 and a steep increase in gas and electricity wholesale prices, EDF Energy was the last major supplier to announce a price increase for standard domestic residential prices in March 2011 that saw prices rise by an average of 6.5% for gas customers and 7.5% for electricity customers. As the last of the major UK suppliers to implement a price change, its customers benefited from lower prices through the winter when energy consumption was at its highest.

Across the industry as a result of further significant increases in wholesale energy prices, a second round of price changes began in the UK market in the second half of 2011. On 15 September 2011, EDF Energy announced price increases of (on average) 15.4% for gas customers and 4.5% for electricity customers. These price changes, implemented on 10 November 2011, were the last and lowest increase of any major supplier and EDF Energy remained the cheapest dual fuel supplier for standard variable tariffs, hence protecting its customers as much as possible from the impact of wholesale price movements.

Nuclear

The Nuclear operations encompass the operation of the existing fleet of nuclear power stations and the nuclear new build project. EDF Energy owns and operates eight nuclear power stations ("Nuclear Generation fleet") in the UK with a total capacity of 8.7 GW. EDF Energy aims to build two to four new nuclear reactors in the UK; a twin at Hinkley Point and possibly a further twin at Sizewell. The plans are conditional on the necessary consents being received and a robust investment framework being in place. Centrica has a 20% equity stake in the nuclear new build project.

In 2010, the Eggborough power station was sold in line with commitments made to the EU to divest the station, following the acquisition of the nuclear generation business by the Group. This led to profit on sale of £35m. In November 2009, a 20% equity stake in the Nuclear business was sold to GB Gas Holdings Limited "Centrica" as well as a contract to sell 20% of the generation to Centrica.

Seven of the eight nuclear power stations are Advanced Gas-Cooled Reactor ("AGR") power stations (Dungeness B, Hartlepool, Heysham 1, Heysham 2, Hinkley Point B, Hunterston B and Torness) and the eighth is a Pressurised Water Reactor ("PWR") power station (Sizewell B). Each of the AGR power stations has two reactors and two turbines; the PWR has one reactor and two turbines.

The operation of nuclear power stations is subject to extensive regulation in a number of areas, including regulation of nuclear safety and security (in particular, in relation to the construction, operation and decommissioning of nuclear installations and the protection of workers and the public against ionising radiations), regulation of the electricity market and environmental regulation.

DIRECTORS' REPORT continued

Impact on Nuclear Generation of Events at Fukushima

Following the events in Japan at the Fukushima Dai-ichi nuclear plant, a team of over 70 people has been mobilised to address issues arising from events at Fukushima in March 2011. So far EDF Energy has completed evaluations required by the World Association of Nuclear Operators ("WANO"), responded to the Office of Nuclear Regulation ("ONR") (formerly the Nuclear Installations Inspectorate ("NII")) recommendations and responded to the European Union ("EU") Stress Test. Within the scope of the Stress Test examinations, no shortfalls in the operational safety cases for the existing nuclear stations have been identified. Nevertheless, a number of opportunities for resilience enhancements have been identified for which timescales are being developed. EDF Energy's Stress Test response was released to the general public on 4 January 2012. EDF Energy continues to respond to questions arising from these assessments and to monitor relevant events in Japan and around the world.

Operational review of the Nuclear Generation fleet

Output from the Nuclear Generation fleet for the year ended 31 December 2011 was 55.8 TWh, which meets the performance objective of consistently achieving nuclear output above 55 TWh and which was 7.5 TWh higher than nuclear output of 48.3 TWh for the year to 31 December 2010. The increase principally reflects lower output in 2010 due to extended outages attributable to the pressure vessel cooling water leak on Dungeness B Reactor 21, the standpipe repair on Heysham 2 Reactor 8 and the pressuriser heater repairs at Sizewell B.

During the year ended 31 December 2011, a programme of planned outages was carried out on the Nuclear Generation fleet. Statutory outages were completed at Hartlepool Reactor 1, Heysham 2 Reactor 7, Hunterston B Reactor 4 and Sizewell B. The 2011 statutory outage at Hinkley Point B Reactor 4 was completed on 4 January 2012. This programme of outages reflects the continued focus on investment to improve the long-term reliability and safe operation of the Nuclear Generation fleet by proactively targeting investment designed to deliver equipment reliability and to reduce the risk of future losses.

Safety Performance

In operating nuclear facilities, EDF Energy has no greater responsibility than to protect the public, the environment and its employees from the potentially adverse effects of the technology. Having a strong safety culture embedded in the organisation is crucial to achieving these goals.

The actual and potential significance of individual nuclear events is measured against the International Nuclear Event Scale ("INES"). These are categorised between Level 1, which is an anomaly with no impact on the safety of the general public or workforce, and Level 7 which represents a major accident. During the year ended 31 December 2011, EDF Energy had no nuclear events rated higher than INES Level 1 and 19 INES Level 1 events.

Planning Progress

Consent to carry out some site enabling work, including remediation of land contamination, was granted by Somerset County Council in January 2011. EDF Energy submitted planning applications to carry out more extensive site preparation works and the construction of a temporary jetty to the relevant authorities in late 2010. The local authority carried out consultation on the application for site preparation, and subsequently sought further information from EDF Energy. Following a further consultation, West Somerset Council approved the application in July 2011.

EDF Energy had completed its second stage of consultation on its preferred proposals for Hinkley Point C ("HPC") including proposals for associated developments to facilitate construction, in October 2010. An update consultation on changes to these proposals was carried out in February/March 2011, and a further consultation on highways improvements, mainly in the Bridgwater area, and changes to the proposals for associated development near Junction 24 of the M5 motorway was carried out in July/August 2011.

EDF Energy's plans for the HPC development were finalised after these consultations were completed, and an application for a Development Consent Order ("DCO") was submitted to the IPC on 31 October 2011. A detailed report on the consultation and a full Environmental Statement which describes the Environmental Impact Assessment that has been carried out accompanied the application for a DCO. Documents covering flood risk assessment and reports to inform a Habitats Regulations Assessment have also been submitted.

DIRECTORS' REPORT continued

During the third quarter of 2011, applications have been made to the Environment Agency for permits required for operational radioactive discharges under the Radioactive Substances Regulations, as well as permits for combustion activities and water discharge activities. The Environment Agency is required to undertake public consultation prior to granting these permits.

Generic Design Assessment

October saw the Health & Safety Executive ("HSE") issue its latest quarterly progress report on the Generic Design Assessment ("GDA") process. It follows publication of their GDA Issues and the Requesting Parties resolution plans in July. The only remaining resolution plans to be agreed is that necessary to address the Fukushima GDA issue; events in Fukushima had resulted in an additional GDA issue to take into account the lessons learnt. If resolution plans are judged credible, the ONR and Environment Agency ("EA") would consider provision of an Interim Design Acceptance Confirmation ("iDAC") and an Interim Statement of Design Acceptability ("iSODA") and expect to be in a position to do this by the end of 2011. They reaffirmed that no Nuclear Island safety related construction will be allowed until all of the GDA Issues relating to that design have been addressed to their satisfaction and a final DAC and SODA had been issued. The report stated that they remained confident in the GDA process and that issues can be cleared well in advance of construction of new reactors.

Nuclear Site Licence

The HPC Nuclear Site Licence ("NSL") application was submitted on schedule to the ONR in July 2011. The application was subject to NNB due process, including a self-imposed company hold point, to ensure that the application was of an acceptable quality.

The ONR has now begun it NSL intervention whereby it assesses NNB's capability to be granted a NSL, including compliance inspections. This process culminates in a decision by the HM Chief Inspector on whether to grant. The NSL will provide the framework upon which future ONR permissions will be made.

Networks

The sale of the Networks business to Cheung Kong Group was completed on 29 October 2010, for an equity value of £3.2 billion (€3.7 billion). The Networks acquired by Cheung Kong Group operate three contiguous licensed distribution networks in London, the South-East and East of England, distributing 84TWh of electricity annually. The unregulated Networks business which provided services to a range of private networks, infrastructure projects and joint venture investment projects was also sold as part of the transaction.

Post balance sheet events

From the 1 January 2012, the Group has changed its accounting policy relating to pensions and has removed the corridor approach. From 1 January 2012, the actuarial gains and losses will be recognised directly in other comprehensive income.

On 16 February 2012, the Group announced its intention to increase the guidelines for plant lifetime extension for its AGR fleet from 5 to 7 years. The 7 years is a moderate confidence view of the AGR fleet using the best available information and management judgement about the technical potential of the fleet. The useful economic lives of the AGR assets have been adjusted from the date of the announcement, resulting in a decrease in the depreciation charge for 2012.

On the 2 April 2012, the Group issued 18.5m additional ordinary shares for consideration of £18.5m to its shareholder, EDF Energy (UK) Limited. The Group has used the proceeds from the issue to fund its 80% obligations relating to the cash call of NNB Holding Company Limited, a subsidiary undertaking.

On the 26 April 2012, the Group announced that it had formed a 50-50 joint venture with Eneco Wind UK Ltd (Eneco) and EDF Energy to hold the exclusive development rights to the Navitus Bay Offshore Wind Project, which is part of The Crown Estate Round 3 Offshore Wind Programme. The Crown Estate, owner of the seabed and a partner in the project, awarded the area (known as Zone 7), which is to the west of the Isle of Wight, to Eneco in 2009.

On the 21 June 2012, the Group announced an interim dividend of £280m to be paid to its shareholders. The dividend was paid on the 26 June 2012.

DIRECTORS' REPORT continued

UK Government electricity market reform and planning environment - Electricity Market Reform ("EMR")

In March 2011, the UK Government announced the introduction of a carbon price floor from 1 April 2013. From this date, supplies of fossil fuels used in large scale forms of electricity generation will become liable to a levy. Supplies will be charged at the relevant "carbon price support rate", depending on the average carbon content of the fossil fuel used. The carbon price floor was introduced as part of the Finance Act 2011, which received Royal Assent on 19 July 2011.

Following the Government's consultation on EMR in March 2011 and the policy overview issued in May 2012, the UK Government published a White Paper on 12 July 2011 that set out its position on how it intended to move forward in reforming the UK's electricity market. As well as confirming the arrangements for the carbon price floor, the White Paper focused on the three other policy elements of its EMR package: a feed-in tariff with Contracts for Difference ("CfD"); a capacity mechanism; and an Emissions Performance Standard ("EPS").

The Government published a draft Energy Bill in May 2012, and it aims to introduce the necessary legislation for the reforms in Autumn 2012, with Royal Assent expected in 2013. The implementation of the reforms will begin in 2013/14 but interim arrangements are being put in place now.

Long-term strategy and business objectives

In 2011, we continued to measure progress against our six key ambitions which were set in 2009.

Our key company measures were:

- Safe for All - Measured through the lost time incident rate (the number of incidents with a day or more off work per 1,000,000 hours worked)
- Customers' Choice – Measurement of our live on supply residential ("B2C") customer accounts
- Sustainable Performance - Measured against our sustainability commitments (comprising 15 measures)
- High Performing People - Measured through results of our annual employee engagement survey. The questions used relate to topics on which high performing companies are differentiated from the rest, and for which comparative norm data exists
- Shareholder's Expectations - Measured through (a) earnings before interest, tax, depreciation and amortisation (b) free cash flow
- Nuclear Generation – Measured though (a) Lifetime Extension of Plant and (b) EPR Project Schedule Delivery – action leading to the confirmation of the design acceptance for the first EPR. The Nuclear Generation score is based on an index calculated by assessing performance against various project milestones.

DIRECTORS' REPORT continued

The results for 2010 and 2011 were:

Ambition	Measure	2011	2010
Safe for All	LTI rate (per 1,000,000hrs)	**0.61**	1.12
Customers' Choice	B2C Product Account Numbers	**5,442**	5,133
Sustainable Performance	Delivery of company sustainability commitments (*)	**95.9***	101.1
High Performing People	High Performing People Index (%)	**61**	68
Nuclear Generation	Lifetime Extension of Plant	**145**	150
	EPR Project Schedule Delivery	**75**	110

Note that the 2010 performance includes Networks data.

Where the KPI has changed between periods and no directive comparative is possible, n/a is shown.

*Sustainable Performance in 2011 corresponds to 6 of 15 projects on target for that year, compared to 10 of 15 projects on target in 2010. The internal index is calculated through a weighted average of the various measures which are all scored based on level of progress against deliverables.

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.

Margin risk
Margin price risk arises from the necessity to effectively forecast customer demand for gas and electricity, and to adequately 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 is 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 and stop loss per commodity and across commodities, within the Group risks mandate.

Plant operating risk
Forced outages may be caused by the underperformance or automatic shutdown of one of our power generation plants, or other equipment and components including the IT systems used to operate the plant. The duration of forced outages is influenced by the lead time to design, manufacture and procure replacement components, carry out repairs and then get approval from regulatory bodies if required. This risk is mitigated by the extensive maintenance program carried out within the Group.

Foreign currency risk
The Group's exposure to foreign currency risk mainly relates to the currency exposure on the service of interest and capital on US dollar- and euro-denominated debt, the purchase of energy and EU emissions certificates and other foreign currency-denominated purchases in relation to the CCGT and NNB construction. The Group's policy is to hedge/fix known currency exposures as they arise. The US dollar and euro currency swap agreements fix the sterling equivalent that will be required to service the interest and capital repayments of foreign currency debt instruments. The Group enters into forward currency purchase contracts to fix the sterling price for future foreign currency-denominated transactions.

DIRECTORS' REPORT continued

Credit risk

The Group's credit risk is primarily attributable to its trade receivables and amounts recoverable under long-term contracts. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Risk of loss is monitored through establishment of approved counterparties, maximum counterparty limits and minimum credit ratings.

The current economic environment increases the risk of our customers failing to pay their debts; however this risk is mitigated because the Group has no significant concentration of credit risk and has exposure spread over a large number of external counterparties and customers. Due to the nature of the Group's trading with other EDF Group companies, there are large trading balances with other Group companies; however these are not considered to be a risk because of parent company financial support.

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, a confidential helpline has been set up for the use of anyone within the organisation to help eradicate unsafe practices and safeguard our employees.

Political and regulatory risk

Political risk and public acceptance of building new nuclear power stations, and specifically around obtaining the relevant licences and consents to build, operate and decommission its EPRs at its designated sites. Management are engaged with local residents, regulators and politicians in addressing the safety needs and the need to meet the current and future national energy demand. The Group is also impacted by regulation including the Electricity Market Reforms.

Retirement benefit obligations

EDF Energy has three defined benefit pension schemes. Low interest rates, the decline in the equity markets and changes in demographic factors have produced actuarial deficits which have led to increased pension expense and cash contributions. Interest rates, equity markets and demographic factors among others, may lead to higher pension costs, cash contributions and scheme deficits in the future. EDF Energy and the pension scheme trustees keep investment risk under review, concentrating on prudent asset allocation.

Interest rate risk

The Group's exposure to interest rate fluctuations on its borrowings and deposits is managed principally through the use of fixed rate debt instruments and swap agreements. The Group's policy is to use derivatives to reduce exposure to short-term interest rates and not for speculative purposes.

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 provides an indemnity to cover liabilities for spent AGR fuel loaded prior to the restructuring effective date of 14 January 2005, "RED", 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 2011, the Group did not have any excluded or non-qualifying nuclear liabilities.

DIRECTORS' REPORT continued

Directors and their interests

Directors who held office during the year and subsequently were as follows:

Henry Proglio (Chairman)
Vincent de Rivaz
Simone Rossi
Marianne Laigneau
Pierre Lederer
Hervé Machenaud
Thomas Piquemal
Alain Tchernonog
Gerard Wolf

Simone Rossi is employed by and had a service contract with EDF Energy plc. Vincent de Rivaz is employed by and has service contracts with the ultimate parent company Electricité de France S.A. ("EDF S.A.")

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 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.

Political and charitable contributions

During the year, the Group made various charitable contributions totalling £2m (2010: £3m) and no political contributions (2010: £nil).

Creditors' payment policy

The Group's current policy concerning the payment of its trade creditors and other suppliers is to:

- settle the terms of payment with those creditors/suppliers when agreeing the terms of each transaction;

- ensure that those creditors/suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and

- pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payments to creditors/suppliers for revenue and capital supplies of goods and services without exception. At 31 December 2011, the Group had an average of 38 days (2010: 35 days) purchases outstanding in its trade creditors.

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.

DIRECTORS' REPORT continued

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, 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.

Going concern

The Group manages its capital through focusing on its net debt which comprises borrowings (note 28) 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 26) 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 Directors' report. For this reason the Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

Auditor

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

1. so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and

2. the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company'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 on 4 May 2011 are deemed to be re-appointed as the auditor to the Company for the financial year ending 31 December 2012 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

Simone Rossi
Director
26 July 2012

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). 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 judgments 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 Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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.

By order of the Board

Simone Rossi
Director

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 2011 which include the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheets, the Consolidated Cash Flow Statements, the Consolidated Statements of Changes in Equity and the related notes 1 to 45. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

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 2011 and of the Group'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; 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 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:

Under the Companies Act 2006 we are required 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 to be audited 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.

Bevan Whitehead (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Deloitte LLP, London
26 July 2012

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 £m	2010 £m
Continuing operations			
Revenue	*4*	**7,371**	8,219
Fuel, energy and related purchases	*6*	**(4,166)**	(4,978)
Gross margin		**3,205**	3,241
Materials and contracting costs		**(293)**	(327)
Personnel expenses	*8*	**(836)**	(829)
Other operating expenses		**(550)**	(610)
Other operating income		**74**	2
Profit before depreciation, amortisation, tax and finance costs		**1,600**	1,477
Gains/(losses) on derivative commodity contracts	*5*	**44**	(58)
Depreciation and amortisation	*5*	**(842)**	(1,302)
Operating profit		**802**	117
Investment revenue	*4, 9*	**615**	259
Finance costs	*10*	**(790)**	(593)
Profit/(loss) before taxation and associate		**627**	(217)
Taxation	*11*	**22**	166
Profit/(loss) before associate		**649**	(51)
Share of profit of associate	*19*	**1**	10
Profit/(loss) for the year from continuing operations		**650**	(41)
Profit for the year from discontinued operations	*14*	**-**	446
Profit on disposal of subsidiary	*14*	**1**	35
Profit for the year		**651**	440
Profit attributable to:			
Equity holders of the parent	*37*	**544**	410
Non-controlling interest	*33*	**107**	30
		651	440

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	**2011** **£m**	2010 £m
Profit for the year		**651**	440
Net (losses)/gains on cash flow hedges	*38*	**(258)**	599
Deferred taxation on cash flow hedges	*38*	**66**	(166)
Total comprehensive income		**459**	873
Total comprehensive income attributable to:			
Equity holders of the Company		**352**	843
Non controlling interests	*33*	**107**	30
		459	873

CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2011

	Note	**2011 £m**	2010 £m	2009 £m
Non-current assets				
Goodwill	*15*	**6,884**	6,845	6,936
Other intangible assets	*17*	**679**	728	938
Property, plant and equipment	*18*	**9,709**	9,432	15,920
Interest in associate	*19*	**21**	24	21
Long term receivables		**-**	-	6
NLF and Nuclear Liabilities receivable	*21*	**5,778**	5,464	5,460
Post-employment benefits asset	*40*	**215**	153	96
Derivative financial instruments	*30*	**166**	129	154
Finance lease receivable	*22*	**-**	-	353
		23,452	22,775	29,884
Current assets				
Inventories	*24*	**2,060**	2,049	2,098
Trade and other receivables	*25*	**1,371**	1,938	2,002
Cash and cash equivalents	*26*	**1,784**	3,080	1,023
Derivative financial instruments	*30*	**51**	161	324
NLF and Nuclear Liabilities receivable	*21*	**243**	228	222
Finance lease receivable	*22*	**-**	-	46
		5,509	7,456	5,715
Assets held for sale	*13*	**-**	-	366
Total assets		**28,961**	30,231	35,965
Current liabilities				
Other liabilities	*27*	**(1,676)**	(2,108)	(2,679)
Borrowings	*28*	**(32)**	(33)	(1,354)
Derivative financial instruments	*30*	**(208)**	(89)	(579)
Short-term provisions	*31*	**(407)**	(645)	(868)
Obligations under finance lease	*34*	**(36)**	(36)	(35)
Current tax liability		**(27)**	(36)	(18)
		(2,386)	(2,947)	(5,533)
Non current liabilities				
Other liabilities	*27*	**(2,039)**	(1,903)	(2,009)
Borrowings	*28*	**(895)**	(1,593)	(4,205)
Derivative financial instruments	*30*	**(114)**	(93)	(178)
Long-term provisions	*31*	**(5,227)**	(4,952)	(5,103)
Deferred tax liability	*32*	**(1,824)**	(2,061)	(3,146)
Obligations under finance lease	*34*	**(238)**	(250)	(259)
Post-employment benefits provision	*40*	**(41)**	(36)	(111)
		(10,378)	(10,888)	(15,011)
Liabilities held for sale	*13*	**-**	-	(87)
Total liabilities		**(12,764)**	(13,835)	(20,631)
Net assets		**16,197**	16,396	15,334

CONSOLIDATED BALANCE SHEETS continued
AT 31 DECEMBER 2011

	Note	**2011 £m**	2010 £m	2009 £m
Equity				
Share capital	*35*	**12,388**	12,388	12,167
Share premium account	*36*	**273**	273	273
Capital reserve	*36*	**9**	9	9
Hedging reserve	*38*	**(104)**	88	(345)
Retained earnings	*37*	**1,123**	1,171	761
Equity attributable to equity holders of the Company		**13,689**	13,929	12,865
Non-controlling interest	*33*	**2,508**	2,467	2,469
Total equity		**16,197**	16,396	15,334

The accounts of EDF Energy Holdings Limited (registered number: 06930266) on pages 15 to 82 were approved by the Board of Directors on 26 July 2012 and were signed on its behalf by:

Simone Rossi
Director

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

		GROUP	
	Notes	**2011 £m**	2010 £m
Net cash from continuing operating activities	*39*	**1,419**	1,449
Net cash from discontinued operating activities	*39*	**-**	714
Investing activities			
Purchase of property, plant and equipment		**(991)**	(826)
Purchase of carbon and renewable obligation certificates		**(205)**	(431)
Purchase of other intangible assets		**(75)**	(83)
Proceeds from sale of property, plant and equipment		**13**	-
Proceeds from disposal of subsidiary		**(17)**	3,090
Interest element of finance lease rental payments		**(15)**	(17)
Dividends received from investments		**4**	7
Interest received		**30**	3
Net cash (used in)/from continuing investing activities		**(1,256)**	1,743
Net cash used in discontinued investing activities		**-**	(630)
Financing activities			
Dividends paid		**(712)**	(83)
Repayment of obligations under finance leases		**(12)**	(26)
Repayment of borrowings		**(720)**	(1,188)
Issue of borrowings		**33**	78
Proceeds on share issue to non controlling interest		**54**	55
Interest paid		**(102)**	(55)
Capital increase		**-**	221
Net cash used in continuing financing activities		**(1,459)**	(998)
Net cash used in discontinued financing activities		**-**	(221)
Net (decrease)/increase in cash and cash equivalents		**(1,296)**	2,057
Cash and cash equivalents at 1 January		**3,080**	1,023
Cash and cash equivalents at 31 December	26	**1,784**	3,080

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Capital reserve	Hedging reserve	Retained earnings	Non-controlling interest	Total equity
	£m	£m	£m	£m	£m	£m	£m
At 1 January 2010	**12,167**	**273**	**9**	**(345)**	**761**	**2,469**	**15,334**
Profit for the year	-	-	-	-	410	30	**440**
Other comprehensive gain for the year	-	-	-	433	-	-	**433**
Total comprehensive income for the year	-	-	-	433	410	30	**873**
Equity dividends paid	-	-	-	-	-	(83)	**(83)**
Injection of capital	221	-	-	-	-	55	**276**
Disposal of subsidiary	-	-	-	-	-	(4)	**(4)**
At 1 January 2011	**12,388**	**273**	**9**	**88**	**1,171**	**2,467**	**16,396**
Profit for the year	-	-	-	-	544	107	**651**
Other comprehensive loss for the year	-	-	-	(192)	-	-	**(192)**
Total comprehensive (loss)/income for the year	-	-	-	(192)	544	107	**459**
Equity dividends paid	-	-	-	-	(592)	(120)	**(712)**
Injection of capital	-	-	-	-	-	54	**54**
At 31 December 2011	**12,388**	**273**	**9**	**(104)**	**1,123**	**2,508**	**16,197**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

EDF Energy Holdings Limited (the "Company" or the "parent company") is a company incorporated in Great Britain 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 Directors' Report on pages 2 – 11. 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

In the current year the Group has adopted all applicable IFRS and Interpretations which have been endorsed by the EU (IFRS) and which are relevant to its operations and effective for accounting periods beginning on 1 January 2011. The financial statements have been prepared in accordance with IFRS for the first time and comparative information has been presented on a consistent basis where relevant (see also below). The Group has adopted IFRS after its ultimate parent company transitioned to IFRS and has therefore elected to measure its assets and liabilities based on its parent's date of transition to IFRS. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in note 43.

These financial statements have been prepared under the historical cost convention, except for derivative financial instruments, contingent consideration, and assets and liabilities which were acquired as part of a business combination.

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 effective and therefore not adopted:

- IFRS 9 Financial instruments
- IFRS 10 Consolidated financial statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of interests in other entities
- IFRS 13 Fair value measurement
- IAS 27 Separate financial statements
- IAS 28 Investments in associates and joint ventures
- Amendments to IFRS 7 Financial Instruments Disclosures
- Amendments to IAS 12, Deferred tax: recovery of underlying assets
- Amendments to IFRS 1, Severe Hyperinflation and removal of fixed dates for first time adopters
- Amendments to IAS 1, Presentation of other items of Other comprehensive income
- Amendments to IAS 19, Employee benefits

With the exception of IFRS 11 and IAS 19, the Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group, except to provide some additional disclosure. IFRS 11 may have an impact on the method of accounting for the joint arrangements within the Group as IFRS11 replaces the proportional consolidation method with equity accounting for joint ventures. The full impact has not yet been assessed. The removal of the corridor approach as per the amendments to IAS19 will have a significant impact on the Group.

If the corridor had been removed in the 2011 financial statements, then net assets would have been £1,051m lower and retained profit would have been £26m higher (on a pre tax basis). The impact of the other amendments to IAS19 have not yet been assessed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and 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 is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

When the Group loses control of 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 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.

2. Significant accounting policies continued

Parent company financial statements

EDF Energy Holdings Limited, "the Company", has not adopted IFRS and has therefore compiled separate financial statements in accordance with United Kingdom generally accepted accounting practice (UK GAAP). These are presented in the Annual Report on pages 82 to 89. No income statement is presented for EDF Energy Holdings Limited in accordance with the exemptions allowed by the Companies Act 2006. The profit of the Company for the year ended 31 December 2011 was £562m (2010: £335m).

The company was incorporated in June 2009, and the Group was formed on the 30 June 2009 by a group reorganisation whereby the Company acquired the subsidiaries and investees of its parent, EDF Energy UK Limited, in exchange of the issue of shares of the Company. The reorganisation is outside the scope of IFRS 3. Accordingly, the formation of the group was accounted in the consolidated financial statements by including the assets and liabilities at their previous carrying amounts. No goodwill was recognised at this date as the Company had not participated in an acquisition. The difference between the aggregate carrying amounts of assets and liabilities at formation and the Company's share capital and other is recognised in the consolidated reserves.

Going concern

The Group manages its capital through focusing on its net debt which comprises borrowings (note 28) 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 26) 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 Directors' report. For this reason the Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

Business combinations

Acquisitions of subsidiaries and businesses 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.

2. Significant accounting policies continued

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 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 is less than the carrying amount of the unit, 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 contingent consideration is 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. They are measured at fair value, with any resulting gain or loss recognised against the goodwill which arose on the Nuclear Generation acquisition.

Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint 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 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 ventures

The Group's interests in its joint ventures are accounted for by proportionate consolidation, which involves recognising a proportionate share of the joint venture'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 venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

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).

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 period 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 -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.

Contributions received from third parties towards distribution network assets, are credited to the income statement as soon as the associated connection has taken place as long as there is no ongoing contractual obligation arising from the connection.

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.

2. Significant accounting policies continued

Property, plant and equipment continued

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.

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 over on a straight-line basis over a useful economic life of 3-8 years.

Contract asset

As part of the acquisition accounting exercise, legacy long-term power 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.

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 fair value less costs to sell and 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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2. Significant accounting policies continued

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.

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 an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, a capitalisation rate is applied based on the weighted average 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.

2. Significant accounting policies continued

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.

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. The unwind 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's obligations under these arrangements with the Secretary of State are guaranteed by certain companies within the Group.

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.

2. Significant accounting policies continued

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 at a long-term real rate of interest of 3% per annum to take account of the timing of payments. Each period the financing charges in the income statement include the revalorisation of these receivables required to match the revalorisation of the nuclear liabilities.

Nuclear liabilities

Nuclear liabilities represent provision for the Group's liabilities in respect of the costs of waste management of spent fuel and nuclear decommissioning. The provisions represent the Directors' best estimates of the costs expected to be incurred. They are calculated based on the latest technical evaluation of the processes and methods likely to be used in decommissioning, and reflect current engineering knowledge. The provisions are based on such commercial agreements as are currently in place, and reflect the Directors' understanding of the current Government policy and regulatory framework. Given that Government policy and the regulatory framework on which the Group's assumptions have been based may be 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. Each period 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.

2. Significant accounting policies continued

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

The Group recognises its free emissions allowances received under the National Allocation Plan at £nil cost. 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.

The Group is obliged to sell a specific ratio of electricity sales volume to its customers from renewable sources. This is achieved via generation from renewable sources or the through purchase of Renewable Obligation Certificates ("ROCs"). Any purchased certificates are recognised at cost and included within intangible assets. Any ROCs obtained directly through renewable generation are carried at £nil cost but reduce the Group's outstanding obligations to supply certificates. The Group recognises a provision for its obligation to supply certificates, based on the energy it supplies to customers. The intangible assets are surrendered, and the provision is released at the end of the compliance period reflecting the consumption of economic benefit. As a result, no amortisation is recorded during the period.

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 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.

When assets are leased out under a finance lease, the present value of the minimum lease payments is recognised as a receivable. Lease income is recognised over the term of the lease, on a straight-line basis, using the net investment method, which recognises a constant periodic rate of return. When assets are leased out under an operating lease, assets are carried on the balance sheet based on the nature of the asset.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

Taxation

The income tax expenses represent the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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 asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates that have been substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited to other comprehensive income, in which case the deferred tax is also dealt within other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is measured on an undiscounted basis.

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. Actuarial gains and losses are recognised using the 10% corridor method. An income or expense is recognised when the net cumulative unrecognised actuarial gains or losses for each individual plan at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation or the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plans. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised on the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

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.

Trade receivables

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and other short-term liquid investments which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

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.

Interest-bearing loans and borrowings

Interest-bearing bank loans and overdrafts are initially measured at proceeds received, net of direct issue costs. Foreign currency denominated bank loans and overdrafts are restated at closing exchange rates with any movements going through the income statement unless it is designated as a cash flow hedge. Any differences between the proceeds and the settlement/redemption of the borrowings are measured on an accrual basis and recognised over the life of the instrument.

Trade payables

Trade payables are measured at fair value.

Derivatives and other financial instruments and hedge accounting

The Group's activities expose it to fluctuations in foreign exchange rates, interest rates and commodity prices including sale and purchase prices of gas, coal and electricity.

The Group uses derivatives and other financial instruments to hedge its risks associated with price fluctuations relating to forecasted transactions and contractual obligations. Foreign currency risk arises from bonds which are denominated in foreign currencies and from foreign currency-denominated commodity purchases such as coal and carbon. The Group's policy is to hedge/fix known currency exposures through currency swap and forward agreements that fix the Sterling equivalent that will be required to service the contractual obligation.

Commodity price risk arises from the forward purchases and forward sales of gas, coal, electricity and carbon. When commodity contracts have been entered into as part of the Group's normal business activity, the Group seeks to classify them as "own use" contracts and outside the scope of IAS 39. This is achieved when:

- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

Commodity 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.

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

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.

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

Hedge accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or 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.

Due to the vertically-integrated nature of the Group, the electricity demand from the retail business provides a natural hedge for the electricity procured from the generation business. Any residual exposure to movements in the price of electricity, gas or coal is mitigated by entering into contracts and hedging options on the forward markets. Risk of loss is mitigated through establishment of approved counterparties and maximum counterparty limits and minimum credit ratings.

Gains and losses on any contracts which have not been designated as cash flow hedges are credited/charged to the income statement in the period in which they arise.

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 fuel and energy purchases for commodity contracts, and investment revenue or finance costs for financing instruments.

Amounts previously recognised in other comprehensive income and accummulated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

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.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the income statement relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedge instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

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.

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 settlement systems 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 at the reporting date.

Revenue is valued at average pence per unit, and any unbilled revenue is treated as an unbilled debtor. Management adjusts this figure 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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

Provisions for impairment of receivables and inventories

Provisions are made against bad and doubtful debts, unbilled revenue and obsolete stock. 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 stock 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 31.

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.

Pensions and other post-employment benefits

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. Changes in assumptions could lead to additional actuarial gains and losses being recognised, if there is a breach of the corridor. Further information is available about pensions in note 40.

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 is based on the Group's medium-term plans and assumptions concerning discount rates. Further detail on the assumptions used in the calculation can be found in note 16.

Fair value of energy derivatives

The valuations of these derivatives are based, where available, on published forward price curves. Where published information is not available, valuation techniques have been used to determine fair values.

The Group estimates fair values for the commodity contracts using tradable contract prices quoted on the active market and using valuation techniques reflecting market views. These are then discounted using the published LIBOR curve for the time value of money and adjusted for counterparty credit risk.

The Group considers that the UK market for commodity contracts including gas and electricity is active for up to two to three years forward, with reliable broker quotes and published prices available, therefore in this active period commodity contracts are valued at forward market prices as at 31 December. Outside the active period where liquidity in the market is low due to the available range of contract quotes limited to seasonal contracts, a number of interpolation/extrapolation methods are used based on market expectations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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

The counterparty credit risk arising through the Group's energy trading activities is measured, monitored, mitigated 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 energy trading counterparties based on their public credit rating (or where a counterparty is not public 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.

The main market-based drivers are prices of power, gas, coal and EU emissions trading allowances, which are derived from future prices and from a long-term forecast.

Fair values for foreign exchange derivatives and for interest rate derivatives have been determined with reference to closing market prices at 31 December. The Group has designated certain foreign exchange derivatives as fair value hedges. In each case, the risk being hedged is foreign exchange risk.

The Group has designated certain power, gas and coal derivatives as cash flow hedges of forecast transactions. In each case the risk being hedged is commodity price risk.

4. Revenue

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

	Year ended 2011 £m	Year ended 2010 £m
Continuing operations		
Sales of goods and services	**7,366**	8,207
Property rental income	**5**	6
Other revenue	**-**	6
	7,371	8,219
Investment revenue (note 9)	**615**	259
Discontinued operations		
Sales (note 14)	**n/a**	925
Total revenue	**7,986**	9,403

Sales of goods and services include some element of uncertainty as a result of estimates in the calculation (see note 3). The estimates used can be validated after year-end, as updated information is received through the settlement process. Such process takes up to 14 months post year-end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

5. Profit for the year

Profit for the year for continuing operations has been arrived at after charging/(crediting) the following gains and losses:	**2011 £m**	2010 £m
Research and development costs	**24**	18
Staff costs (note 8)	**836**	829
Auditor's remuneration for audit services (see below)	**1**	2
Auditor's remuneration for non-audit services (see below)	**1**	2
Net foreign exchange (gains)/losses	**(10)**	5
Depreciation of property, plant and equipment (note 18)	**785**	1,263
Amortisation of intangible assets (note 17)	**57**	39
Cost of inventories recognised as expense	**515**	518
(Gains)/losses on derivative commodity contracts	**(44)**	58
(Gains)/losses on derivative foreign exchange contracts	**(11)**	16
Operating lease rentals	**18**	35
Profit on disposal of non-current assets	**3**	2
Movement in bad debt provision (note 25)	**12**	(62)
Impairment losses recognised on trade receivables	**77**	127
Reversal of impairment losses recognised on trade receivables	**(16)**	(15)

Profit for the year for discontinued operations has been arrived at after charging/(crediting) the following gains and losses:	**2011 £m**	2010 £m
Research and development costs	**-**	3
Staff costs	**-**	246
Net foreign exchange gains	**-**	(1)
Depreciation of property, plant and equipment (note 18)	**-**	296
Cost of inventories recognised as expense	**-**	67
Operating lease rentals	**-**	16
Movement in bad debt provision (note 25)	**-**	1
Impairment losses recognised on trade receivables	**-**	1

The analysis of Auditor's remuneration is as follows:

	2011 £m	2010 £m
Fees payable to the Company's auditor for the audit of the Company's and Group accounts	**0.4**	0.4
For the audit of the Company's subsidiaries pursuant to legislation	**1.0**	1.1
Total audit fees	**1.4**	1.5
Other assurance services	**0.2**	0.4
Tax	**0.2**	0.2
IT	**-**	0.1
Other services	**0.1**	0.2
Advisory services re nuclear decommissioning	**0.5**	1.1
Total non audit fees	**1.0**	2.0
Total fees	**2.4**	3.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

6. Fuel, energy and related purchases

	2011 £m	2010 £m
Purchase of energy	**2,588**	3,529
Distribution and transmission	**1,203**	968
Carbon certificates	**76**	248
Renewable obligation certificates	**141**	161
Unwinding of nuclear fuel asset	**172**	152
Utilisation of onerous contracts and other provisions	**(14)**	(80)
Total fuel, energy and related purchases	**4,166**	4,978

7. Directors' emoluments

Two of the Directors receive emoluments for services to the Group and their emoluments are disclosed below. The remaining Directors are remunerated by the parent company and do not receive any emoluments for services to the Group.

	2011 £m	2010 £m
Emoluments	**3**	3

	2011 Number	2010 Number
Members of defined benefit pension scheme	**1**	0

	2011 £m	2010 £m
Emoluments payable to the highest paid Director were as follows:		
Aggregate emoluments	**2**	2

The aggregate emoluments payable to the highest paid Director include £0.4m (2010:£0.5m) of expatriate related costs incurred by the Company.

The remuneration of all Directors disclosed above is also included in the financial statements of EDF Energy plc for the year ended 31 December 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

8. Staff costs

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

	2011 £m	2010 £m
Wages and salaries	**669**	636
Social security costs	**67**	60
Pension costs (note 40)	**165**	171
Severance	**4**	3
Less capitalised cost	**(69)**	(41)
	836	829

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

	2011 Number	2010 Number
Networks business unit (*)	**-**	5,116
Nuclear generation business unit	**5,772**	5,669
Energy Sourcing and Customer Supply business unit	**8,120**	8,145
Corporate and Steering functions	**1,364**	1,468
Nuclear New Build business unit	**297**	159
	15,553	20,557

(*) Networks was sold on 29 October 2010, this is the average for the period prior to this date rather than the full-year average.

9. Investment revenue

	2011 £m	2010 £m
Interest on bank deposits	**13**	4
Unwinding of discount on fair value contracts (note 17)	**7**	9
Unwinding of discount on NLF receivable	**557**	240
Other finance income	**17**	6
Foreign exchange gains	**21**	-
Total investment revenue	**615**	259

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

10. Finance costs

	2011 £m	2010 £m
Interest on bank loans and overdrafts	**65**	78
Interest on bonds	**42**	49
Interest on other loans	**1**	18
Finance charges payable under finance leases	**15**	17
Unwinding of discount on provisions (note 31)	**108**	155
Foreign exchange losses	**-**	21
Unwinding of discount on NLF payable (note 29)	**557**	240
Pension scheme interest	**22**	32
Total finance cost	**810**	610
Less: amounts included in the cost of qualifying assets	**(20)**	(17)
Total borrowing costs	**790**	593

11. Tax on profit on continuing ordinary activities

(a) Analysis of tax charge in the year

Current tax	2011 £m	2010 £m
UK corporation tax	**207**	123
Adjustments in respect of previous years	**(58)**	(54)
Total current tax charge	**149**	69

Deferred tax	2011 £m	2010 £m
Current year	**(39)**	(161)
Adjustment in respect of previous years	**21**	7
Effect of decreased tax rate on opening liability	**(153)**	(81)
Total deferred tax credit (note 32)	**(171)**	(235)
Income tax credit reported in income statement (note 11(b))	**(22)**	(166)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

11. Tax on profit on continuing ordinary activities continued

(b) The charge for the year can be reconciled to the profit per the income statement as follows:

	2011 £m	2010 £m
Profit/(loss) before tax and associates	**627**	(217)
Tax at the UK corporation tax rate of 26.5% (2010: 28.0%)	**166**	(61)
Effect of:		
Non-deductible expenses and non-taxable income	**(1)**	17
Adjustment to prior-year corporation tax charge	**(58)**	(54)
Adjustment to prior-year deferred tax charge	**21**	7
Effect of decreased tax rate on opening deferred tax liability	**(153)**	(81)
Current year effect of deferred tax rate change	**3**	6
Income tax credit reported in income statement	**(22)**	(166)

For the year ended 31 December 2011, the effective rate of tax before special items, including share of associates' tax, was -3.5% (2010: 76.4%).

In the current year a deferred tax credit of £66m (2010: charge of £166m) has been recognised in equity which relates to gains arising on derivative instruments which have been included as cash flow hedges under IAS 39.

The Finance Act 2011 announced a reduction in the main rate of corporation tax for the financial year beginning 1 April 2011 from 27% to 26%. The Finance Act 2011 also announced a further reduction in the main rate of corporation tax for the financial year beginning 1 April 2012 from 26% to 25%. These laws were substantively enacted in the House of Commons prior to the balance sheet date and have therefore been reflected where appropriate in these financial statements.

In the 2012 Budget, the UK government announced an additional 1% decrease in the UK corporation tax rate to 24% with effect from 1 April 2012. The change was substantively enacted under the provisions of the Provisional Collection of Taxes Act 1968 on 27 March 2012. The impact of this change would be to reduce the deferred tax liability provided at 31 December 2011 by £73.0m with a corresponding deferred tax credit to the profit and loss account.

The 2012 Budget also announced a further reduction in the main rate of corporation tax for the financial year beginning 1 April 2013 from 24% to 23%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

12. Dividends

	2011 £m	2010 £m
Amounts recognised as distributions to equity holders in the period (note 37):		
Interim dividend paid to parent company	**592**	-
Interim dividend paid to non-controlling interests	**120**	83
	712	83

13. Assets and liabilities held for sale

Following the acquisition of British Energy in 2009, the Group resolved to dispose of the Eggborough coal fired power station following a commitment to the European Commission.

Following the restructuring of the British Energy group in 2005, the Eggborough Banks received an option to acquire the station. This option was to be exercised by 31 August 2009, with ownership transferred on 31 March 2010. Since the option was exercised and the operations were to be disposed of within 12 months of the balance sheet date, they classified as held for sale at 31 December 2009 and presented separately in that balance sheet. See note 14 for further detail relating to the sale.

	Year ended 31 December 2009 £m
Property, plant and equipment	251
Inventories	103
Trade and other receivables	4
Pension prepayment	2
Cash and cash equivalents	6
Total assets classified as held for sale	366
Trade and other payables	(17)
Deferred tax liabilities	(62)
Provisions	(8)
Total liabilities associated with assets classified as held for sale	(87)
Net assets of disposal group	279

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

14. Disposal of subsidiaries

Networks business

On 29 October 2010, the Group disposed of its subsidiaries whose primary business was the operation of networks, both public and private. The disposal resulted in a profit on disposal of £105m and the net profit attributable to discontinued operations was £341m, giving total profit on discontinued operations of £446m.

The results of the discontinued operations, which have been included in the 2010 consolidated income statement, were as follows:

	Year ended 31 December 2010 £m
Revenue	925
Expenses	(484)
Profit before tax	441
Attributable tax expense	(100)
Net profit attributable to discontinued operations (attributable to owners of the Group)	341

The book value of assets and liabilities sold as part of the networks sale are shown below:

	£'m
Goodwill (note 15)	**97**
Intangible assets (note 17)	**3**
Property, plant and equipment (note 18)	**6,422**
Inventory	**48**
Cash	**169**
Trade receivables	**121**
Pensions	**42**
Finance lease debtor	**399**
Total assets	**7,301**
Other liabilities	**(555)**
Derivative	**(10)**
Current tax	**(20)**
Deferred taxation (note 32)	**(990)**
Provisions	**(14)**
Borrowings	**(2,656)**
Total liabilities	**(4,245)**
Non-controlling interests	**(5)**
Hedging reserve	**7**
Total net assets disposed	**3,058**
Cash consideration	**3,180**
Net assets disposed	**(3,058)**
Disposal costs	**(17)**
Profit on disposal	**105**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

14. Disposal of subsidiaries continued

Eggborough Power Ltd

The Group sold its investment in Eggborough Power Limited, the owner of the Eggborough power station on 31 March 2010. Following the restructuring of the British Energy group in 2005, the Eggborough Banks received an option to acquire the station. This option was to be exercised by 31 August 2009, with ownership transferred on 31 March 2010. Eggborough Power Limited was recognised as held for sale at 31 December 2009. The buyers paid £209m for the station, however the proceeds have been held in escrow awaiting resolution of an independent technical review around the level of historical maintenance of the station. A profit on disposal of £35m was recognised in 2010 which is net of a provision made relating to the outcome of the independent technical review.

The book value of assets and liabilities sold as part of the Eggborough sale are shown below:

	£'m
Assets held for sale	349
Liabilities held for sale	(101)
Net book value of disposal group on sale	248
Cash consideration net of provision	291
Net assets disposed	(248)
Disposal costs	(8)
Profit on disposal	35

The cash consideration includes the consideration for the shares in Eggborough Power Limited and additional consideration received for some inventory balances also sold as part of the transaction.

EDF Energy Insurance Limited

In December 2011, the Group sold its investment in EDF Energy Insurance Limited for cash proceeds of £3m and made a profit on sale of £1m.

15. Goodwill

	£m
Carrying amount	
At 1 January 2010	6,936
De-recognised on disposal of a subsidiary	(97)
Change in value of CVR instrument	6
At 31 December 2010	**6,845**
Change in value of CVR instrument	39
At 31 December 2011	**6,884**

The change in goodwill during 2011 relates to the revaluation of the contingent value right provision.

16. Impairment testing of goodwill

Allocation of goodwill to cash-generating units:	**2011 £m**	2010 £m	2009 £m
Energy Sourcing and Customer Supply	**1,639**	1,639	1,639
Nuclear	**5,244**	5,205	5,199
Networks	**-**	-	97
Corporate	**1**	1	1
Total goodwill	**6,884**	6,845	6,936

During the year, impairment testing has been carried out at a cash-generating unit ("CGU") level, based on fair value less costs to sell where available or value in use where comparable market data is not published. In determining fair value, recently published analyst reports on comparable companies have been used. Where value in use has been calculated, this is based on the assumptions in the Group's five-year medium-term plans extended over the remaining useful life. An estimated growth rate of 2.3% is used, which is based on current information and industry norms and is the rate used in the Group's five-year medium-term plans. These medium-term plans are based on pre-tax discounted cash flows, using a discount rate of 10.3%. Other assumptions applied to a specific CGU are detailed below.

Energy Sourcing and Customer Supply

The impairment review was performed based on fair values less costs to sell. Market analysis of comparable companies gives multiples for generation plant and customer energy accounts which were applied to the CGU's assets. The Directors are confident that the main reasonably possible changes to the assumptions have been considered when testing any potential impairment in the goodwill allocated to this business unit.

Nuclear

The impairment test has been performed based on value in use calculations. This is based on the Group's five-year medium-term plans and includes assumptions of plant life extensions. Beyond the five year plan, long-term assumptions for commodity prices have been retained in line with the original acquisition date view. Within the total value in use the discounted cash flows of synergies and benefits accruing to nuclear new build from the acquisition have been included with the impairment testing performed at this level. The Directors are confident that the main reasonably possible changes to the assumptions have been considered when testing any potential impairment in the goodwill allocated to this business unit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

17. Other 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 1 January 2010	179	81	384	39	200	249	**1,132**
Additions	398	33	83	-	-	-	**514**
Transfers	-	-	(8)	-	-	-	**(8)**
Disposals	(503)	(81)	(2)	-	-	-	**(586)**
Unwinding of discount	-	-	-	-	-	9	**9**
Unwinding of contract	-	-	-	-	-	(98)	**(98)**
Sale of networks	-	-	(7)	-	-	-	**(7)**
At 1 January 2011	**74**	**33**	**450**	**39**	**200**	**160**	**956**
Additions	83	122	75	-	-	-	**280**
Transfers	-	-	10	-	-	-	**10**
Disposals	(75)	(133)	(16)	-	-	-	**(224)**
Unwinding of discount	-	-	-	-	-	7	**7**
Unwinding of contract	-	-	-	-	-	(82)	**(82)**
At 31 December 2011	**82**	**22**	**519**	**39**	**200**	**85**	**947**
Amortisation							
At 1 January 2010	-	-	(194)	-	-	-	**(194)**
Charge for year	-	-	(37)	(2)	-	-	**(39)**
Sale of networks	-	-	4	-	-	-	**4**
Transfers			1				**1**
At 1 January 2011	**-**	**-**	**(226)**	**(2)**	**-**	**-**	**(228)**
Charge for year	-	-	(56)	(1)	-	-	**(57)**
Disposals	-	-	17	-	-	-	**17**
At 31 December 2011	**-**	**-**	**(265)**	**(3)**	**-**	**-**	**(268)**
Carrying amount							
At 31 December 2011	**82**	**22**	**254**	**36**	**200**	**85**	**679**
At 31 December 2010	74	33	224	37	200	160	728
At 31 December 2009	179	81	190	39	200	249	938

17. Other intangible assets continued

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.

The Sales contracts were acquired with the British Energy group and initially recognised at fair value. They are being unwound over the life of these legacy contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

18. Property, plant and equipment

	Land and buildings £m	Network assets £m	Generation assets £m	Nuclear power stations £m	Motor vehicles £m	Equipment and fittings £m	Assets in the course of construction £m	**Total £m**
Cost								
At 1 January 2010	947	8,928	1,672	8,154	402	458	682	**21,243**
Additions	9	657	-	133	104	12	613	**1,528**
Transfers	(15)	1	76	-	-	26	(80)	**8**
Sale of Networks	(606)	(9,560)	-	-	(40)	(297)	(1)	**(10,504)**
Decommissioning	-	-	14	-	-	-	-	**14**
Revaluation of final core provision	-	-	-	(54)	-	-	-	**(54)**
Disposals	(1)	(9)	(36)	(1)	(85)	(2)	-	**(134)**
At 1 January 2011	**334**	**17**	**1,726**	**8,232**	**381**	**197**	**1,214**	**12,101**
Additions	-	-	-	28	63	-	919	**1,010**
Transfers	-	3	182	61	113	(8)	(361)	**(10)**
Decommissioning	-	-	10	-	-	-	-	**10**
Revaluation of final core provision	-	-	-	62	-	-	-	**62**
Disposals	-	-	(7)	-	(104)	(8)	(2)	**(121)**
At 31 December 2011	**334**	**20**	**1,911**	**8,383**	**453**	**181**	**1,770**	**13,052**
Accumulated depreciation								
At 1 January 2010	(142)	(3,436)	(622)	(649)	(144)	(330)	-	**(5,323)**
Charge for year	(9)	(263)	(103)	(673)	(134)	(37)	-	**(1,219)**
Transfers	6	8	(9)	-	-	(6)	-	**(1)**
Impairment	-	-	(340)	-	-	-	-	**(340)**
Disposals	1	9	34	1	85	2	-	**132**
Sale of Networks	138	3,667	-	-	13	264	-	**4,082**
At 1 January 2011	**(6)**	**(15)**	**(1,040)**	**(1,321)**	**(180)**	**(107)**	**-**	**(2,669)**
Charge for year	(1)	(1)	(80)	(563)	(116)	(24)	-	**(785)**
Transfers	-	8	(8)	-	-	-	-	**-**
Disposals	-	-	-	-	104	7	-	**111**
At 31 December 2011	**(7)**	**(8)**	**(1,128)**	**(1,884)**	**(192)**	**(124)**	**-**	**(3,343)**
Carrying amount								
At 31 December 2011	**327**	**12**	**783**	**6,499**	**261**	**57**	**1,770**	**9,709**
At 31 December 2010	328	2	686	6,911	201	90	1,214	9,432
At 31 December 2009	805	5,992	1,050	7,505	258	128	682	15,920

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

18. Property, plant and equipment continued

The carrying amount of the Group's generation assets includes an amount of £185m (2010: £194m; 2009: £203m) in respect of assets held under finance leases.

During 2010, the Group carried out an impairment review of its coal fired power stations in light of low power prices. This led to an impairment of £340m being recognised in 2010 to bring the carrying value in line with value in use. This was included within the depreciation and amortisation line item on the face of the consolidated income statement. No impairment indicators were identified in 2011 in relation to these assets.

The assets under construction mainly relate to the nuclear new build activities relating to the nuclear site licence and obtaining planning consents, and also the construction of the CCGT at West Burton.

19. Interests in associate

	2011 £m	2010 £m	2009 £m
Cost of investment in associate	**10**	10	10
Share of post-acquisition gains net of dividend	**51**	54	51
Total investment	**61**	64	61
Provision for impairment	**(40)**	(40)	(40)
Carrying value of associate	**21**	24	21

Amounts relating to associate:	**2011 £m**	2010 £m	2009 £m
Total assets	**73**	83	90
Provision	**(40)**	(40)	(40)
Total liabilities	**(12)**	(19)	(29)
Revenues	**110**	246	335
Profit/(loss)	**1**	10	(24)

Details of the Group's associate at 31 December 2011 is as follows:

Name of associate	Place of incorporation and operation	Proportion of ownership interest %	Proportion of voting power held %	Method used to account for investment
Barking Power Limited	Great Britain	18.6%	25%	Equity

The associate is held indirectly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

20. Interests in joint ventures

The Group has the following interests in joint ventures:

Name of joint venture	Place of incorporation and operation	Proportion of ownership interest %	Proportion of voting power held %
Thames Valley Power Limited	Great Britain	50.0%	50.0%
EDF Energy Renewables Limited	Great Britain	50.0%	50.0%
Royal Oak Windfarm Limited	Great Britain	50.0%	50.0%
Bicker Fen Windfarm Limited	Great Britain	50.0%	50.0%
Burnfoot Windfarm Limited	Great Britain	50.0%	50.0%
Fairfield Windfarm Limited	Great Britain	50.0%	50.0%
Rusholme Windfarm Limited	Great Britain	50.0%	50.0%
Walkway Windfarm Limited	Great Britain	50.0%	50.0%
Teesside Windfarm Limited	Great Britain	50.0%	50.0%
Longpark Windfarm Limited	Great Britain	50.0%	50.0%
Lewis Wind Power Limited	Great Britain	50.0%	50.0%
Fallago Rig Windfarm Limited	Great Britain	50.0%	50.0%

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

	2011 £m	2010 £m	2009 £m
Current assets	**62**	27	39
Non-current assets	**158**	112	146
	220	139	185
Current liabilities	**(14)**	(10)	(22)
Non-current liabilities	**(164)**	(91)	(139)
	42	38	24
Revenue	**16**	19	
Cost of sales	**(3)**	(5)	
Administrative expenses	**(9)**	(9)	
Finance costs	**(7)**	(5)	
Loss before income tax	**(3)**	-	
Income tax charge	**1**	(2)	
Net loss	**(2)**	(2)	

In 2010, the Group sold its investment in Power Asset Development Company Limited and MUJV Limited as part of the disposal of the networks business. These contributed a profit of £0.4m in 2010 to profit from discontinued activities.

During 2011, the Group purchased 50% of the equity share capital of North British Windfarm Limited (renamed Fallago Rig Windfarm Limited). The Group paid £28m for its investment with additional deferred consideration of up to £6m depending on the windspeed of the farm. Due to the limited, early stage nature of the activities of the joint venture, the Group has accounted for its acquisition as an asset acquisition rather than a business combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

21. NLF and Nuclear Liabilities receivable

	2011 £m	2010 £m	2009 £m
Non current assets			
Nuclear liabilities receivable	**1,586**	1,650	1,751
NLF receivable	**4,192**	3,814	3,709
Total non current NLF and nuclear liabilities receivables	**5,778**	5,464	5,460
Current assets			
Nuclear liabilities receivable	**234**	219	211
NLF receivable	**9**	9	11
Total current NLF and nuclear liabilities receivables	**243**	228	222
Total NLF and nuclear liabilities receivables	**6,021**	5,692	5,682

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. This matches the uncontracted and decommissioning liabilities included in current and non-current liabilities (see note 29).

The nuclear liabilities receivable asset represents amounts due under the historic British Nuclear Fuels Limited contracts which will be reimbursed by the Government. This matches the contracted nuclear liabilities included in current and non-current liabilities (see note 29).

22. Finance lease receivable

	Minimum lease payments			**Net investment in finance leases**		
	2011 £m	2010 £m	2009 £m	**2011 £m**	2010 £m	2009 £m
Amounts receivable under finance leases:						
Within one year	-	-	37	-	-	46
After one year but not more than five years	-	-	126	-	-	202
More than five years	-	-	1,907	-	-	151
			2,070	-	-	399
Less: Unearned future finance income on finance leases	-	-	(1,671)	-	-	-
Present value of minimum lease payments receivable	-	-	399	-	-	399
Analysed as:						
Current finance lease receivables (recoverable within 12 months)				-	-	46
Non-current finance lease receivables (recoverable after more than 12 months)				-	-	353
				-	-	399

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

23. Long term contracts

	2011 £m	2010 £m	2009 £m
Contracts in progress at balance sheet date:			
Amounts due from contract customers included in trade and other receivables	-	-	2
Amounts due to contract customers included in other liabilities	-	-	(73)
	-	-	(71)
Contract costs incurred plus recognised profits less recognised losses to date	-	-	462
Less: progress billings	-	-	(533)
	-	-	(71)

Revenue under long-term contracts amounted to £71m in 2009 and £49m in the period to 29 October 2010 and was included in the profit from discontinued operations. These contracts were all held by the networks business which was sold on 29 October 2010.

24. Inventories

	2011 £m	2010 £m	2009 £m
Raw materials and consumables	**217**	209	285
Levy exemptions certificate	**18**	18	11
Unburnt nuclear fuel	**1,573**	1,547	1,491
Other nuclear fuel and uranium	**250**	275	293
Work in progress	**2**	-	18
	2,060	2,049	2,098

25. Trade and other receivables

	2011 £m	2010 £m	2009 £m
Trade receivables (i)	**706**	740	1,242
Allowance for doubtful debts (ii)	**(120)**	(108)	(170)
Unbilled revenue	**414**	721	894
Amounts owed by other Group companies	**-**	151	-
Other debtors	**70**	162	36
Advance payments	**89**	63	-
Accrued Eggborough proceeds	**212**	209	-
	1,371	1,938	2,002

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 42. The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

25. Trade and other receivables continued

ii. Movement in the allowance for doubtful debts.

	2011 £m	2010 £m	2009 £m
At 1 January	**108**	170	129
Amounts recovered during the year	-	(4)	(10)
Increase in allowance recognised in profit or loss	**12**	(39)	40
Arising on business disposal	-	-	11
Released on business disposal	-	(19)	-
At 31 December	**120**	108	170

Included within the Group's trade receivables balance are debtors with a carrying value of £347m (2010: £357m) which are overdue at the reporting date. The average age of these debts is 55 days (2010: 89 days).

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 41 for further details on bad debt provisions and credit risks.

26. Cash and cash equivalents

	2011 £m	2010 £m	2009 £m
Cash at bank and in hand	**56**	97	183
Short-term deposits	**37**	80	785
Cash pooling with intermediate parent company	**1,691**	2,903	55
	1,784	3,080	1,023

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 of between one day and three 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 £1,784m (2010: £3,080m). 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. During 2010, the sale of the Networks business resulted in a large increase in cash which has been deposited within a separate cash pooling agreement with a parent company. The cash pooling amounts can be accessed instantly and generate floating interest linked to LIBOR.

At 31 December 2011, the Group had available £1,800m (2010: £1,800m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. The Group cash balance includes £84m (2010: £106m) 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

27. Other liabilities

	2011 £m	2010 £m	2009 £m
Trade creditors	**871**	1,409	1,372
Other payables	**138**	115	96
Accruals	**401**	320	564
Deferred income	**-**	-	273
NLF liabilities	**23**	21	21
Amounts owed to other Group companies	**-**	24	24
Contingent consideration	**-**	-	45
Nuclear liabilities (note 29)	**238**	218	211
Interest payable	**5**	1	73
Total other liabilities due within one year	**1,676**	2,108	2,679
Contingent consideration	**137**	97	92
Nuclear liabilities (note 29)	**1,754**	1,650	1,751
NLF liabilities	**142**	150	160
Unfunded pension scheme	**6**	6	6
Total other liabilities due after more than one year	**2,039**	1,903	2,009
Total other liabilities	**3,715**	4,011	4,688

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 contingent consideration relates to the CVRs which were issued to Barclays Bank plc who in turn issued Nuclear Power Notes to subscribing 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.

28. Borrowings

	2011 £m	2010 £m	2009 £m
Current			
Sutton Bridge bonds due June 2022 (i)	**26**	18	18
PADCO loan	-	-	3
EDF Energy Renewables (v)	**6**	2	-
Short-term borrowing (ii)	-	13	854
€500m 4.375% Eurobond due December 2010	-	-	444
Financing secured on uranium stock	-	-	35
	32	33	1,354
Non-current			
£200m 8.75% Eurobond due March 2012 (iv)	-	-	209
Sutton Bridge bonds due June 2022 (i)	**122**	139	155
£50m Index Linked Bond due June 2023 (iv)	-	-	59
£350m 5.75% Bonds due 2024 (iv)	-	-	349
£200m 8.5% Eurobond due March 2025 (iv)	-	-	247
£300m 5.5% Eurobond due June 2026 (iv)	-	-	297
£300m 6.125% Bonds due June 2027 (iv)	-	-	305
£150m 3.125% Index Linked Bonds due June 2032 (iv)	-	-	180
€800m Eurobond due June 2013 (iii)	**668**	654	710
€410m Eurobond due December 2014 (iii)	-	372	364
€390m Eurobond due December 2012 ((iii)	-	351	346
£300m 5.125% Eurobond due November 2016 (iv)	-	-	299
£300m 6.125% Eurobond due November 2031 (iv)	-	-	297
£350m 6.0% Bonds due November 2036 (iv)	-	-	343
PADCO loan	-	-	45
EDF Energy Renewables (v)	**105**	77	-
	895	1,593	4,205
Total borrowings	**927**	1,626	5,559

All borrowings are denominated in sterling and valued at amortised cost unless otherwise stated. With the exception of the Sutton Bridge bonds and the EDF Energy Renewables borrowings, the borrowings are unsecured, see (i) and (ii) overleaf.

(i) The secured bonds which are guaranteed by EDF Energy (Sutton Bridge Power) Limited comprise two tranches of 25-year amortising bonds issued by Sutton Bridge Financing Limited. The first tranche comprises a remaining principal of £89m (2010: £95m) at a fixed interest rate of 8.625%. The second tranche comprises a remaining principal of US$69m (2010: $73m) at a fixed interest rate of 7.97% which has been swapped into £45m (2010: £48m). The Group has entered into currency swap arrangements in order to convert the principal and interest payment on the bonds into sterling for periods up to maturity, see note 41. The bonds are secured by means of fixed and floating charges over substantially all the net assets of Sutton Bridge and at all times rank pari passu and without preference among themselves. The Sutton Bridge bonds mature in June 2022 but principal repayments commenced from June 2002. Principal and interest payments are made semi-annually in arrears on the bonds on 30 June and 31 December. The Sutton Bridge bonds have various covenants covering ratios of cash flows to debt servicing. All covenants were met in 2011, 2010 and 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

28. Borrowings continued

(ii) In 2009 and 2010, the short-term borrowing mainly relates to money borrowed under a facility extended to EDF Energy by EDF S.A., the ultimate parent company. These facilities were re-paid following the sale of the Networks business. The remaining short-term borrowing related to commercial paper, overdrafts and loans from renewables joint venture.

(iii) In 2008 the Group entered into three bonds totalling €1,600m with another Company within the EDF Group. The €800m bond, maturing on 27 June 2013 has interest payable at a floating rate of EURIBOR 6 months +0.400%. The principal has been swapped to sterling, and the interest rate has been swapped into a rate of LIBOR 6 months + 0.394%. The €390m bond, maturing on 8 December 2012 has interest payable at a floating rate of EURIBOR 6 months +2.10%. The principal has been swapped to sterling, and the interest rate has been swapped into a bond at a rate of LIBOR 6 months + 2.201%. The €410m bond, maturing on 12 December 2014 has interest payable at a floating rate of EURIBOR 6 months +2.30%. The principal has been swapped to sterling, and the interest rate has been swapped into a rate of LIBOR 6 months + 2.409%. The Group took advantage of the option in the bond agreement to repay the €390m and the €410m eurobonds early in December 2011.

(iv) These bonds were all issued under the Group's medium term notes programme. In 2004, the Group consolidated two Medium-term notes programmes into a €4.0bn medium-term note programme. This programme was re-issued as a £10.0bn programme on 13 June 2008. Currently the Group has uncommitted lines available under this facility in the region of £7.5bn. During 2009, the Group has issued three new fixed rate sterling bonds under this programme totalling £950m. The bonds which were issued under the medium term notes programme by the networks business were sold as part of the Networks divestment.

(v) In 2010, some of the renewable joint venture companies originated loans with maturity dates between 2020 and 2025. The interest payable on these loans are based on LIBOR 6 months plus margins between 1.89% and 3.00%. The interest has been swapped to fixed rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

29. Nuclear liabilities

	Back-end fuel costs spent fuel £m	Back-end fuel costs radioactive waste £m	Decommissioning £m	Total £m
At 1 January 2010	2,117	415	3,146	**5,678**
Charged to profit and loss account				
- Unwinding of the discount (note 10)	137	23	80	**240**
- operating costs	-	(1)	-	**(1)**
Payments in the period	(229)	-	-	**(229)**
At 31 December 2010	2,025	437	3,226	**5,688**
Charged to profit and loss account				
- Unwinding of the discount (note 10)	200	42	315	**557**
- loading of PWR fuel	6	4	-	**10**
Payments in the period	(239)	-	-	**(239)**
At 31 December 2011	1,992	483	3,541	**6,016**

Nuclear liabilities are included in the balance sheet as follows:

	2011 £m	2010 £m	2009 £m
Creditors:			
- amounts falling due within one year	**238**	218	211
- amounts falling due after more than one year	**1,754**	1,650	1,751
Provision for liabilities	**4,024**	3,820	3,716
	6,016	5,688	5,678

Back-end fuel costs

Accruals 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 were fixed (subject to indexation by RPI) at RED and will be funded by the Government under the Government indemnity. Provisions for services relating to the disposal of associated nuclear waste of both PWR and AGR stations along with the storage and disposal of PWR spent fuel are based on cost estimates derived from the latest technical assessments.

Decommissioning

The costs of decommissioning the power stations have been estimated on the basis of on-going 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.

Plant life extension

During 2010 the discounted decommissioning liabilities were reduced following the extension of the accounting lives of Hartlepool and Heysham 1 power stations by five years to 2019. As a result of the accounting life extensions, the level of undiscounted estimated nuclear decommissioning liabilities remains unchanged, however, the decommissioning workstreams will occur later, therefore reducing the discounted nuclear decommissioning liabilities by £140m. The Government has indemnified the Group for any future shortfall of NLF funding in respect of qualifying decommissioning costs and therefore the reduction in discounted nuclear decommissioning liabilities is fully offset by a corresponding decrease in the NLF receivable. As a result there is no net revalorisation impact for this change in the profit and loss account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

29. Nuclear liabilities continued

Projected payment details
Based on current estimates of station lives and lifetime output projections, the following table shows, in current prices, the likely undiscounted payments, the equivalent sums discounted at 3% real per annum to the balance sheet date and the amounts accrued to date.

	Back-end fuel costs spent fuel	Back-end fuel costs radioactive waste	Decomm-issioning	2011 Total	2010 Total	2009 Total
	£m	£m	£m	£m	£m	£m
Undiscounted	3,224	3,315	10,201	**16,740**	15,932	15,605
Discounted	2,075	536	3,541	**6,152**	5,821	5,810
Accrued to date	1,992	483	3,541	**6,016**	5,688	5,678

The difference between the undiscounted and discounted amounts reflect the fact that the costs concerned will not fall due for payment for a number of years. The differences between the discounted amounts and those accrued to date will be charged to the profit and loss account over the remaining station lives since they relate to future use of fuel.

Under the terms of the 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:

	Back-end fuel costs spent fuel	Back-end fuel costs radioactive waste	Decomm-issioning	2011 Total	2010 Total	2009 Total
	£m	£m	£m	£m	£m	£m
Within five years	1,124	1	217	**1,342**	1,180	1,291
6 – 10 years	717	50	1,201	**1,968**	1,791	1,897
11 – 25 years	504	106	2,651	**3,261**	3,328	3,006
26 – 50 years	227	419	1,158	**1,804**	1,726	1,757
51 years and over	652	2,739	4,974	**8,365**	7,907	7,654
	3,224	3,315	10,201	**16,740**	15,932	15,605

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

30. Derivative financial instruments

	2011 £m	2010 £m	2009 £m
Current			
Derivatives that are designated as hedging instruments in a fair value hedge:			
Foreign currency forward contracts	**1**	17	53
Derivatives that are designated as hedging instruments in a cash flow hedge:			
Commodity purchase contracts	**(169)**	75	(445)
Interest rate swaps	**(1)**	-	-
Foreign currency forward contracts	**12**	29	156
Derivatives at fair value through profit and loss (FVTPL):			
Commodity purchase contracts	**2**	(38)	(67)
Foreign currency forward contracts	**(2)**	(11)	48
Total current derivative financial instruments	**(157)**	72	(255)
Split by:			
Current assets	**51**	161	324
Current liabilities	**(208)**	(89)	(579)
Non-current			
Derivatives that are designated as hedging instruments in a fair value hedge:			
Foreign currency forward contracts	**-**	1	20
Derivatives that are designated as hedging instruments in a cash flow hedge:			
Commodity purchase contracts	**2**	(16)	(118)
Interest rate swap contracts	**-**	-	(7)
Cross-currency interest rate swaps	**44**	63	94
Foreign currency forward contracts	**(1)**	3	26
Derivatives at fair value through profit and loss (FVTPL):			
Commodity purchase contracts	**10**	(14)	(26)
Foreign currency forward contracts	**(3)**	(1)	(13)
Total non-current derivative financial instruments	**52**	36	(24)
Split by:			
Non-current assets	**166**	129	154
Non-current liabilities	**(114)**	(93)	(178)
Total derivative financial instruments	**(105)**	108	(279)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31. Provisions for liabilities

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

	At 1 January 2011 £m	Utilised in the year £m	Released in the year £m	Arising during the year £m	Unwinding of discount £m	Disposed of in the period £m	**At 31 December 2011 £m**
Obligations under EU emissions	66	(68)	-	82	-	-	**80**
Renewable obligation certificates	190	(259)	-	247	-	-	**178**
Insurance	23	(2)	-	6	-	(20)	**7**
Decommissioning on non-nuclear stations (note 29)	30	-	-	10	2	-	**42**
Legal disputes	67	-	(48)	-	-	-	**19**
Onerous contracts	348	(280)	-	12	38	-	**118**
Restructuring costs	28	(3)	-	2	-	-	**27**
Nuclear	3,820	(17)	-	204	17	-	**4,024**
Provision for unburnt fuel at station closure	1,019	-	-	61	51	-	**1,131**
NEA provision	1	(1)	-	-	-	-	**-**
Other costs	5	(2)	-	5	-	-	**8**
	5,597	(632)	(48)	629	108	(20)	**5,634**

The provisions have been split as follows:

	At 31 December 2011			At 31 December 2010			At 31 December 2009		
	Current £m	**Non-current £m**	**Total £m**	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
Medway power contract	**-**	**-**	**-**	-	-	-	9	-	9
Obligations under EU emissions	**80**	**-**	**80**	66	-	66	102	-	102
Renewable obligation certificates	**178**	**-**	**178**	190	-	190	220	-	220
Insurance	**7**	**-**	**7**	23	-	23	25	-	25
Decommissioning on non-nuclear stations (note 29)	**-**	**42**	**42**	-	30	30	-	18	18
Legal disputes	**17**	**2**	**19**	67	-	67	72	-	72
Onerous contracts	**95**	**23**	**118**	244	104	348	400	346	746
Restructuring	**22**	**5**	**27**	28	-	28	29	-	29
Rectification costs	**-**	**-**	**-**	-	-	-	2	-	2
Nuclear	**-**	**4,024**	**4,024**	22	3,798	3,820	-	3,716	3,716
Provision for unburnt fuel at station closure	**-**	**1,131**	**1,131**	-	1,019	1,019	-	1,021	1,021
NEA provision	**-**	**-**	**-**	-	1	1	4	2	6
Other provisions	**8**	**-**	**8**	5	-	5	5	-	5
	407	**5,227**	**5,634**	645	4,952	5,597	868	5,103	5,971

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31 . Provisions for liabilities continued

The Medway power contract provision resulted from the acquisition of SEEBOARD. This provision represents the difference between the contract price and the estimated market price of energy at the date of acquisition. The discount rate used in arriving at the provisions was a risk adjusted rate. The Medway provision unwound fully in the prior year in line with the expiry of the contract.

The provisions for obligations under EU emissions represent the additional certificates required to cover the Group's carbon emissions in excess of the free allocation of certificates. It is expected that this provision will be utilised in 2012 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 2012.

The insurance provision is based on an assessment of the Group's known liabilities. The provision is calculated by the Group's captive insurers, using various assumptions and is to cover the Group's estimated exposure on various motor or personal claims. The provision is expected to be utilised within one year based on claim history. The sale of EDF Energy Insurance Limited in 2011 has led to the reduction of this balance.

The decommissioning provision is to provide for the future costs of decommissioning the nuclear power plants as well as Cottam, West Burton and Sutton Bridge power stations. This provision has been calculated on a discounted basis with the discount unwound over the current remaining period to decommissioning, between 2019 and 2035.

The legal disputes provision relates to costs expected to be paid out under a number of ongoing legal cases. Any uncertainties within the cases have been considered in the calculation of the provision. The cases are expected to be settled in 2012.

The provision for onerous contracts represents the difference between the projected rental income from various properties and the amounts payable by the Group for those properties under currently existing contracts which are expected to be utilised between 2012 and 2014. It also includes onerous contract provisions for electricity volume contracts which were fair valued at the acquisition of British Energy. These will be utilised from 2012 to 2015.

The restructuring provision covers the costs of severance related to restructuring announced before 31 December 2009 and amended during 2010. It is expected to be utilised in 2012 and 2013.

See note 29 for further information relating to the nuclear liability provisions.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

32. Deferred tax

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 1 January 2010	(3,270)	(3)	133	(6)	**(3,146)**
Charge/(credit) to income:					
-continuing operations	316	28	(90)	2	**256**
-discontinued operations	19	(65)	-	51	**5**
Charge to equity	-	-	(166)	-	**(166)**
Disposals	1,020	10	-	(40)	**990**
At 1 January 2011	(1,915)	(30)	(123)	7	**(2,061)**
Charge to income: -continuing operations	207	(12)	(72)	48	**171**
Credit to equity	-	-	66	-	**66**
At 31 December 2011	**(1,708)**	**(42)**	**(129)**	**55**	**(1,824)**

See note 11 for an analysis of the charge in the year and prior year. In 2010,there was an additional movement in deferred tax of £21m in the liabilities held for sale which is not reflected in the table above.

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 (after offset) for financial reporting purposes:

	2011 £m	2010 £m	2009 £m
Deferred tax assets	**55**	7	133
Deferred tax liabilities	**(1,879)**	(2,068)	(3,279)
At 31 December	**(1,824)**	(2,061)	(3,146)

33. Non-controlling interests

	£m
At 1 January 2010	2,469
Profit arising during the year	30
Dividends paid	(83)
Capital injection	55
Disposal of non-controlling interests	(4)
At 31 December 2010	**2,467**
Profit arising during the year	107
Dividends paid	(120)
Capital injection	54
At 31 December 2011	**2,508**

During 2010, the Group sold its network business including its holding in EDF Energy Powerlink Limited, an 80% owned company.

34. Commitments

Capital and other commitments

At 31 December 2011, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £884m (2010: £1,288m, 2009: £864m) and contractual commitments for the acquisition of intangible assets of £nil (2010: £nil, 2009: £nil).

At 31 December 2011, the Group had contracted to purchase power, gas and other fuel to the value of £2,606m (2010: £2,659m, 2009: £2,946m).

Operating lease commitments given

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2011 £m	2010 £m	2009 £m
Within one year	**19**	18	26
After one year but not more than five years	**66**	59	116
More than five years	**91**	74	174
Future lease charges	**176**	151	316

The operating lease commitments relate to the rentals of land and buildings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

34. Commitments continued

Operating lease commitments received

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2011	2010	2009
	£m	£m	£m
Within one year	**37**	37	36
After one year but not more than five years	**16**	50	78
More than five years	**-**	2	5
Future lease receivables	**53**	89	119

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**		
	2011	2010	2009	**2011**	2010	2009
	£m	£m	£m	**£m**	£m	£m
Within one year	**37**	37	36	**36**	36	35
After one year but not more than five years	**150**	149	148	**129**	125	122
More than five years	**153**	192	229	**109**	125	137
	340	378	413	**274**	286	294
Less: future finance charges	**(66)**	(92)	(119)			
Minimum lease payments	**274**	286	294			

The Group's finance lease commitments relate to the Cottam power station under a finance lease with another company within the EDF S.A. group. The term of the lease is 9 years and has an effective interest rate of 7.0% based on LIBOR rates at inception. Repayments under the lease are re-calculated quarterly and no arrangements have been entered into for contingent rental payments.. The lease is denominated in sterling.

Contingent liabilities

The Group has given letters of credit and guarantees to the value of £98m (2010: £100m and 2009: £126m) in relation to HMRC obligations, performance of contractual obligations and credit support for Energy trading and use of distribution systems.

Various companies within the Group have given guarantees and an indemnity to the Secretary of State for Business, Innovation and Skills, and the Nuclear Liabilities Fund in respect of their compliance with, among other agreements, the Nuclear Liabilities Funding Agreement. They have also provided a debenture comprising fixed and floating charges in respect of any decommissioning default payment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

34. Commitments continued

Commitments arising under European Commission Merger Regulation ("ECMR")
The British Energy acquisition was subject to certain conditions, including receiving Phase I Approval from the European Commission under the ECMR. On 22 December 2008, the European Commission announced its decision to approve the acquisition, subject to certain commitments by the Group. Specifically, EDF Energy has committed to the following: (i) to divest EDF Energy's gas-fired power station at Sutton Bridge; (ii) to divest British Energy's coal-fired power station at Eggborough; (iii) to sell minimum volumes of electricity in the UK wholesale market, ranging from 5 to 10 TWh per year during the period from 2012 to 2015; (iv) to divest, without conditions, one site potentially suitable for the construction and operation of new nuclear generation facilities situated adjacent to existing British Energy stations at either Heysham or Dungeness, at the option of the potential purchaser; and (v) to give up one of the combined group's three grid connection agreements at Hinkley Point. With the exception of (i) and (iii), these commitments have been met. The Group has started a sales process relating to its requirement to sell Sutton Bridge.

35. Share capital

Allotted, called up and fully paid	**2011**	2010	2009	**2011**	2010	2009
	Number	Number	Number	**£m**	£m	£m
Ordinary shares of £1.00 each	**12,387,864,252**	12,387,864,252	12,166,478,652	**12,388**	12,388	12,167

In 2010, 221,385,600 new shares with a nominal value of £1 were issued to EDF Energy (UK) Limited for fair value consideration of £221m. The new shares have the same rights as the existing share capital.

36. Capital reserves

	Share premium £m	**Capital reserve £m**	**Total £m**
At 1 January 2010, 31 December 2010 and 31 December 2011	**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.

37. Retained earnings

	£m
At 1 January 2010	761
Profit for the year	410
At 31 December 2010	1,171
Profit for the year	519
Dividends paid	(592)
At 31 December 2011	**1,098**

38. Hedging reserve

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

	£m
At 1 January 2010	(345)
Net losses on items in cash flow hedge	599
Deferred tax on net losses in cash flow hedge	(166)
At 31 December 2010	88
Net gains on items in cash flow hedge	(258)
Deferred tax on net gains in cash flow hedge	66
At 31 December 2011	**(104)**

The hedging reserve represents the commodity price, foreign exchange and interest rate movements on hedged contracts that are classified as cash flow hedges.

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

	31 December 2011 £m	31 December 2010 £m	31 December 2009 £m
Less than one year	**(136)**	108	(357)
Between one to five years	**4**	14	(112)
More than five years	**(5)**	(1)	(9)
Total fair value (losses)/gains on derivatives designated as effective cash flow hedges	**(137)**	121	(478)
Deferred taxation	**33**	(33)	133
Total	**(104)**	88	(345)

During the year a profit of £209m (2010: a profit of £436m) was recycled from the hedging reserve and included within fuel, energy and related purchases, in relation to contracts which had matured. In 2010, a gain of £7m was recycled from the hedging reserve in relation to the Networks disposal and included in profit on disposal of network activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

39. Notes to the cash flow statement

	2011 £m	2010 £m
Profit/(loss) before taxation and associate from continuing operations	627	(217)
Adjustments for:		
(Gain)/loss on derivatives	(55)	74
Depreciation	785	1,263
Amortisation of intangible assets	57	39
Utilisation of carbon and renewable obligations certificates	208	584
Finance costs	193	248
Loss/(gain) on disposal of property, plant and equipment	(2)	2
Decrease in provisions	(123)	(473)
Increase in post-employment benefits	37	50
Release of fair value of sales contract assets	23	25
Operating cash flows before movements in working capital	1,750	1,595
Decrease in inventories	48	82
(Increase)/decrease in receivables	562	56
Decrease in payables	(667)	(163)
Cash generated by operations	1,693	1,570
Pension deficit payment	(117)	(121)
Income taxes paid	(157)	-
Net cash from continuing operating activities	1,419	1,449
Profit before taxation from discontinued operations	-	441
Adjustments for:		
Depreciation	-	296
Gain on disposal of property, plant and equipment	-	(4)
Finance cost	-	195
Decrease in provisions	-	(2)
Increase in post-employment benefits	-	35
Operating cash flows before movements in working capital	-	961
Increase in inventories	-	(7)
Decrease in receivables	-	103
Decrease in payables	-	(18)
Cash generated by operations	-	1,039
Pension deficit payment	-	(189)
Income taxes paid	-	(136)
Net cash from discontinued operating activities	-	714
Total net cash from operating activities	1,419	2,163

40. Retirement benefit schemes

At the start of 2010, EDF Energy Holdings Limited had three principal pension schemes, EDF Energy Pension Scheme (EEPS), EDF Energy Group of the Electricity Supply Pension Scheme (ESPS) and British Energy Generation Group within the Electricity Supply Pension Scheme (BEGG). All of these schemes are defined benefit schemes. In October 2010, the sale of the Networks business resulted in a change to the pension arrangements of the Group. Detailed analysis was performed on the Group's employees to identify the level of pension deficit which was sold to Cheung Kong Infrastructure with its purchase of the Networks business. Based on the profile of the scheme, the ESPS scheme was transferred along with the Networks business and any members who remained part of the Group had their deficit transferred into a new scheme, the EDF Energy Generation and Supply pension scheme ("EEGS"). Network members of the EEPS were transferred into a new scheme which was set up by the Networks business. Therefore the pension deficit at 31 December 2010 was considerably reduced as a result of the Networks disposal.

The latest full actuarial valuations of the EEGS, EEPS and BEGG were carried out by Hewitts, consulting actuaries, as at 31 March 2010 and were agreed on 29 March 2011 and 21 March 2011 respectively. 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. The regular ongoing employer's contribution was amended to 11.4% for EEPS, 25.6% for EEGS and 30.1% for BEGG from 1 April 2011 following the agreement of the triennial valuation.

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

	31 December 2011 % p.a	31 December 2010 % p.a.	31 December 2009 % p.a.
Discount rate			
- EEGS	**4.7**	5.5	5.7
- EEPS	**4.7**	5.4	5.6
- BEGG	**4.7**	5.5	5.7
RPI inflation assumption			
- EEGS	**3.2**	3.6	3.6
- EEPS	**3.3**	3.6	3.8
- BEGG	**3.2**	3.6	3.7
CPI inflation assumption			
- EEGS	**2.4**	2.8	2.8
- EEPS	**2.5**	2.8	3.0
- BEGG	**2.4**	2.8	2.9
Rate of increase in salaries			
- EEGS	**4.7**	5.1	5.6
- EEPS	**4.8**	5.1	5.3
- BEGG	**4.7**	5.1	5.2
Rate of increase of pensions in deferment			
- EEGS	**3.2**	3.6	3.6
- EEPS - pre April 2009 pensions	**2.5**	2.8	3.8
- EEPS - post April 2009 pensions	**2.5**	2.5	2.5
- BEGG	**3.2**	3.6	3.7
Rate of increase of pensions in payment			
- EEGS – pensions in excess of GMP	**3.2**	3.6	3.6
- EEGS – post 88 GMP	**2.1**	2.2	2.6
- EEPS – pre 2006 excess pensions	**3.2**	3.4	3.5
- EEPS – post 2006 excess pensions	**2.1**	2.2	2.3
- EEPS – post 88 GMP	**2.1**	2.2	2.6
- BEGG– pensions in excess of GMP	**3.2**	3.6	3.7
- BEGG– post 88 GMP	**2.1**	2.2	2.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

40. Retirement benefit schemes continued

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

EEGS	2011	2010	2009
Life expectancy for current male pensioner aged 60	**28**	28	27
Life expectancy for current female pensioner aged 60	**30**	30	31
Life expectancy for future male pensioner currently aged 40 from age 60	**30**	30	30
Life expectancy for future female pensioner currently aged 40 from age 60	**32**	32	32

EEPS	2011	2010	2009
Life expectancy for current male pensioner aged 65	**22**	22	22
Life expectancy for current female pensioner aged 65	**24**	24	25
Life expectancy for future male pensioner currently aged 45 from age 65	**24**	24	23
Life expectancy for future female pensioner currently aged 45 from age 65	**27**	27	26

BEGG	2011	2010	2009
Life expectancy for current male pensioner aged 60	**27**	27	27
Life expectancy for current female pensioner aged 60	**29**	29	29
Life expectancy for future male pensioner currently aged 40 from age 60	**29**	29	29
Life expectancy for future female pensioner currently aged 40 from age 60	**31**	30	30

Mortality assumptions have been determined based on standard mortality tables, specifically the PNA 00 standard table. 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 2010, which determined the Group's contribution rate for future years.

The expected return on assets are set based on advice given by the Group's actuaries and reflect the market expectations of the long-term rate of return of assets at the balance sheet date with gilts used as a benchmark.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

40. Retirement benefit schemes continued

The amount recognised in the balance sheets in respect of the Group's defined benefit retirement benefit plan is as follows:

	BEGG 2011 £m	EEGS 2011 £m	EEPS 2011 £m	Total 2011 £m	Total 2010 £m	Total 2009 £m
Present value of defined benefit obligations	(4,083)	(621)	(330)	(5,034)	(4,438)	(6,980)
Fair value of scheme assets	3,476	468	213	4,157	3,718	5,342
Deficit in scheme	(607)	(153)	(117)	(877)	(720)	(1,638)
Unrecognised actuarial losses	822	135	94	1,051	837	1,626
Provision recognised on balance sheet	-	(18)	(23)	(41)	(36)	(111)
Asset included on balance sheet	215	-	-	215	153	99

At 31 December 2009, the asset of £99m is included in both the assets held for sale (£3m) and within the pension scheme asset (£96m).

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

	BEGG 2011 £m	EEGS 2011 £m	EEPS 2011 £m	Total 2011 £m	Total 2010 £m
Current service cost	94	16	29	139	153
Interest cost	201	30	13	244	363
Expected return on scheme assets	(186)	(26)	(9)	(221)	(313)
Actuarial losses	21	3	2	26	65
Changes arising on curtailments/settlements	1	2	-	3	1
Total pension costs	131	25	35	191	269

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

	BEGG 2011 £m	EEGS 2011 £m	EEPS 2011 £m	Total 2011 £m	Total 2010 £m	Total 2009 £m
At 1 January	3,655	533	251	4,439	6,980	4,928
Service cost	94	16	29	139	153	87
Changes arising on curtailments/settlements	1	2	-	3	1	2
Interest cost	201	30	13	244	363	313
Actuarial losses/(gains)	246	44	25	315	(46)	1,838
Bulk transfers in	-	-	-	-	-	17
Benefits paid	(123)	(8)	-	(131)	(228)	(231)
Contributions by employees	9	4	12	25	32	26
Impact of sale of subsidiaries	-	-	-	-	(2,817)	-
At 31 December	4,083	621	330	5,034	4,438	6,980

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

40. Retirement benefit schemes continued

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

GROUP	BEGG 2011 £m	EEGS 2011 £m	EEPS 2011 £m	Total 2011 £m	Total 2010 £m	Total 2009 £m
At 1 January	3,112	424	182	3,718	5,342	4,660
Expected return on scheme assets	186	26	9	221	313	272
Actuarial gains/(losses)	98	(8)	(14)	76	186	336
Contributions by employer	94	17	20	131	133	133
Deficit repair payments	100	13	4	117	155	130
Bulk transfers in	-	-	-	-	-	16
Benefits paid	(123)	(8)	-	(131)	(228)	(231)
Contributions by employees	9	4	12	25	32	26
Impact of sale of subsidiaries	-	-	-	-	(2,215)	-
At 31 December	3,476	468	213	4,157	3,718	5,342

The analysis of the scheme assets and the expected rate of return at the balance sheet date were as follows:

	BEGG EEGS EEPS 2011 %	BEGG EEGS EEPS 2010 %	BEGG EEGS EEPS 2009 %	TFL 2009 %	BEGG 2011 £m	EEGS 2011 £m	EEPS 2011 £m	Total 2011 £m	Total 2010 £m	Total 2009 £m
Gilts - fixed	3.0	4.3	4.6	-	-	107	-	107	52	248
- index linked	2.9	4.2	4.5	-	1,370	13	-	1,383	993	1,119
Equities	7.9	7.9	8.2	7.5	1,160	187	55	1,402	1,432	2,290
Property	6.9	7.8	7.8	-	497	19	25	541	587	247
Corporate bonds	4.7	5.4	8.7	4.1	227	113	55	395	369	1,176
Cash	1.8	1.4	5.9	4.0	222	29	52	303	255	262
Other	-	-			-	-	26	26	30	-
					3,476	468	213	4,157	3,718	5,342

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

40. Retirement benefit schemes continued

The history of experience adjustments is as follows:

	BEGG 2011 £m	EEGS 2011 £m	EEPS 2011 £m	Total 2011 £m	Total 2010 £m	Total 2009 £m	Total 2008 £m	Total 2007 £m
Present value of defined benefit obligations	(74)	-	-	(74)	23	10	(7)	(122)
Percentage of scheme liabilities	2%	-	-	1%	(1)%	0%	0%	4%
Experience adjustments on scheme assets	98	(9)	(14)	75	186	208	(594)	6
Percentage of scheme assets	3%	(2)%	(7)%	2%	5%	4%	(27)%	0%

The estimated amounts of contributions expected to be paid to the schemes during 2012 is £265m

In addition to the pension provision recognised, there is an additional amount of £6m (2010: £6m and 2009 £6m) included within other liabilities which relates to unapproved pension scheme amounts.

41. Financial instruments

The Group has entered into a variety of financial instruments to mitigate its exposure to commodity price, interest rate, foreign currency and credit rate risk. Financial instruments are disclosed gross in the course of its ordinary activities, and specifically on the Group balance sheet. Commodity derivative contracts include contracts related to the purchase of power, coal, gas, gas oil, and fuel oil and EU carbon emissions certificates.

The Group's risk management objectives and policies are detailed below. They can be split into two main areas; competitive risk and the risks arising as a result of the Group's use of financial instruments. A discussion of the financial instrument risks together with a summary of the Group's approach to managing those risks is as follows. The accounting treatment for financial instruments entered into as a result of these policies is detailed in note 2.

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

	2011 £m	2010 £m	2009 £m
Financial assets			
Cash and cash equivalents (note 26)	1,784	3,080	1,023
Derivative financial instruments (note 30)	217	290	478
Loans and receivables	1,421	1,884	2,136
NLF and Nuclear liabilities receivable (note 21)	6,021	5,692	5,682
Financial liabilities			
Derivative financial instruments (note 30)	(322)	(182)	(757)
Borrowings and other liabilities at amortised cost	(4,916)	(5,923)	(10,268)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

41. Financial instruments continued

Loans and receivables include trade and other receivables and finance lease receivables, less other debtors.

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

a) Capital risk management

The Group manages its capital through focusing on its net debt which comprises borrowings including finance lease obligations and accrued interest, cash and cash equivalents (note 26) and derivative liabilities. Given that the Group is a 100%-owned subsidiary, any changes in capital structure are generally achieved via the payment of dividends, additional borrowings from other companies within the EDF S.A. group or from capital injection from its ultimate parent company.

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

b) Margin risk management

Margin price risk arises from the necessity to effectively forecast customer demand for gas and electricity, and to adequately 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. Any residual exposure to movements in the price of electricity, gas or coal is mitigated by entering into contracts and hedging options on the forward markets. Risk management is monitored through sensitivity analysis and value at risk limits per commodity and across commodity for the whole of EDF Energy consistently with its Group risks mandate.

At a Group level, margin risk exposure is measured looking at sensitivity analysis. Under IAS 39, at the reporting date, if the purchase price of commodities had been 10% higher (10% being management's estimate of a reasonable, possible change), and all other variables remained constant, then the Group's profit for the year would have been £21m higher (2010: £49m, 2009: £34m) and hedging reserves would have been £233m higher (2010: £231m, 2009: £184m), as a result of the changes in trade valuation. There have been no changes in the method of preparing the sensitivity analysis since 2009.

c) Interest rate risk management

The Group's exposure to interest rate fluctuations on its borrowings and deposits is managed principally through the use of fixed rate debt instruments and swap agreements. The Group's policy is to use derivatives to reduce exposure to short-term interest rates and not for speculative purposes.

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 since 2009. There is no material impact of interest rate sensitivity on the carrying value of the interest rate swaps which had a negligible fair value at 31 December 2011 (2010: negligible £nil).

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 £8m higher (2010: £14m higher, 2009: £18m higher).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

41. 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:

	2011 £m	2010 £m	2009 £m
Floating rate borrowings	**745**	1,468	2,550
Fixed rate borrowings	**182**	157	3,009
Total borrowings	**927**	1,625	5,559
Fixed rate finance lease obligations	**274**	286	294

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

	2011	2010	2009
Weighted average fixed interest rate %	**7.3%**	7.3%	6.4%
Weighted average floating interest rate %	**1.3%**	2.2%	1.8%

At 31 December 2011, the Group had four interest rate swaps (2010: four) and two cross currency interest rate swaps (2010: four). The fair value of the interest rate swaps outstanding at 31 December 2011 was (£1m) (2010: £nil) and hence any sensitivity impact is negligible. The fair value of the cross-currency interest rate swaps outstanding at 31 December 2011 was an asset of £47m and a liability of £3m (2010: asset of £66m and a liability of £3m). If exchange rates moved by 10%, the value of the derivative asset would move by £4m (2010: £3m). If interest rates moved by 100bps the value of the derivative asset and the hedging reserve would move by £2m (2010: £3m).

d) Foreign currency risk management

The Group's present exposure to foreign currency risk is limited to the currency exposure on the service of interest and capital on US dollar and euro-denominated debt, and the purchase of energy and EU emissions certificates. The Group policy is to hedge/fix known currency exposures as they arise. The US dollar and Euro currency swap agreements fix the sterling equivalent that will be required to service the interest and capital repayments of foreign currency debt instruments. These are accounted for as cash flow hedges. The Group enters into forward currency purchase contracts to fix the sterling price for future foreign currency denominated transactions. These were accounted for as fair value hedges, until 1 July 2008 and any new contracts after this date have been accounted for as cash flow hedges to bring the treatment in line with that of swap contracts.

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

At 31 December 2011	**Notional amount to be received**				**Notional amount to be given**				
£m	<1yr	2-5yrs	>5yrs	Total	<1yr	2-5yrs	>5yrs	Total	**Fair value**
Foreign exchange forwards	2,929	1,085	-	4,014	2,923	1,093	-	4,016	**7**
Foreign exchange swaps	14	697	28	739	13	660	28	701	**44**

41. Financial instruments continued

d) Foreign currency risk management continued

At 31 December 2010	Notional amount to be received				Notional amount to be given				
£m	<1yr	2-5yrs	>5yrs	Total	<1yr	2-5yrs	>5yrs	Total	Fair value
Foreign exchange forwards	4,225	1,595	-	5,820	4,322	1,590	-	5,912	38
Foreign exchange swaps	46	1,465	33	1,544	45	1,415	33	1,493	63

At 31 December 2009	Notional amount to be received				Notional amount to be given				
£m	<1yr	2-5yrs	>5yrs	Total	<1yr	2-5yrs	>5yrs	Total	Fair value
Foreign exchange forwards	4,347	2,504	-	6,851	4,241	2,463	-	6,704	290
Foreign exchange swaps	549	1,507	40	2,096	426	1,503	38	1,967	94

If the exchange rate had been 10% lower at the reporting date, there would have been no impact on the Group profit for the year because every foreign currency-denominated purchase is offset by a forward foreign exchange contract which locks in the price, however, pre-tax the hedging reserve would have been £8.4m higher (2010: £27.2m higher), this excludes the exchange rate sensitivity on cross currency interest rate swaps.

e) Credit risk management

The Group's credit risk is primarily attributable to its trade receivables. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. 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 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 Group companies in Europe, there are large trading balances with other Group companies, however these are not considered to be a risk.

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible amounts. Provision is made when there is objective evidence that the Group may not be able to collect the trade receivable. Depending on the nature of the receivable, the risk associated with doubtful receivables is assessed individually or by experience-based statistical methods. This provision increases as trade receivable balances age and is calculated based on the analysis of past collections. 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. Money recovered relating to balances previously written off is credited to the income statement on receipt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

41. Financial instruments continued

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.

	2011 £m	2010 £m	2009 £m
Guarantee provided by subsidiary relating to performance of contractual obligations	**2**	3	7
Guarantee relating to tax obligations	**1**	3	3

f) 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.

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

At 31 December 2011

	0-30 days	**30-90 days**	**3-6 months**	**6-12 months**	**1-2 yrs**	**2-5yrs**	**>5yrs**	**Total**
Obligations under finance lease	-	(9)	(9)	(18)	(37)	(113)	(153)	**(339)**
Borrowings	-	-	(25)	(25)	(39)	(738)	(197)	**(1,024)**
Other liabilities	(843)	(457)	(20)	(123)	(670)	(20)	(303)	**(2,436)**
Derivative and other financial instruments	(2,649)	(978)	(1,000)	(1,252)	(1,619)	(605)	(1,366)	**(9,469)**

At 31 December 2010

	0-30 days	30-90 days	3-6 months	6-12 months	1-2 yrs	2-5yrs	>5yrs	Total
Obligations under finance lease	-	(9)	(9)	(18)	(37)	(112)	(191)	**(376)**
Borrowings	(37)	-	(32)	(31)	(414)	(1,128)	(166)	**(1,808)**
Other liabilities	(1,351)	(307)	(28)	(87)	(71)	(7)	-	**(1,851)**
Derivative and other financial instruments	(5,289)	(787)	(910)	(1,697)	(2,686)	(3,381)	(66)	**(14,816)**

At 31 December 2009

	0-30 days	30-90 days	3-6 months	6-12 months	1-2 yrs	2-5yrs	>5yrs	Total
Obligations under finance lease	-	(9)	(9)	(18)	(37)	(111)	(229)	**(413)**
Borrowings	(754)	(109)	(81)	(450)	(219)	(2,180)	(4,170)	**(7,963)**
Other liabilities	(1,872)	(621)	(250)	(485)	(259)	(702)	(1,470)	**(5,659)**
Derivative and other financial instruments	(3,021)	(1,087)	(1,513)	(3,920)	(4,357)	(1,531)	(2,167)	**(17,596)**

41. Financial instruments continued

g) 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 are determined with reference to quoted market prices.
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) are 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, are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

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).

Level 2	2011 £m	2010 £m	2009 £m
Derivative financial instruments			
Hedging instruments carried at fair value	**1**	18	73
Hedging instruments in a cash flow hedge	**(113)**	154	(294)
Instruments designated at FVTPL	**7**	(64)	(58)
Total	**(105)**	108	(279)

Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Commodity purchase contracts are measured using quoted forward purchase rates and yield curves derived from quoted interest rates matching maturities of the contracts.

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		
	2011 £m	2010 £m	2009 £m	**2011 £m**	2010 £m	2009 £m
Financial liabilities						
Borrowings at amortised cost	**(4,916)**	(5,923)	(10,268)	**(4,927)**	(5,973)	(10,280)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

42. Related parties

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

		Sales to related parties £m	Purchases from related parties £m	Interest paid to related parties £m	Interest received from related parties £m
Associates:	**2011**	**-**	**-**	**-**	**-**
	2010	-	(57)	-	-
Joint ventures:	**2011**	**1**	**(32)**	**-**	**1**
	2010	20	(16)	-	-
Transactions with other EDF SA group companies	**2011**	**6**	**(1,241)**	**(32)**	**-**
	2010	9	(2,577)	(38)	32
Finance lease commitment with EDF SA group companies	**2011**	**-**	**-**	**(15)**	**-**
	2010	-	-	(17)	-

During the year 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 ventures:	**2011**	**46**	**(16)**
	2010	-	-
	2009	-	-
Transactions with other EDF SA group companies	**2011**	**1,838**	**(1,134)**
	2010	3,015	(2,159)
	2009	693	(2,435)
Finance lease commitment with EDF SA group companies	**2011**	**-**	**(273)**
	2010	-	(286)
	2009	-	(294)

EDF Energy Holdings Limited trades with other group companies which are part of the EDF SA 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 during the last three years. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

42. Related parties continued

Loans from related parties

	2011 £m	2010 £m	2009 £m
Loans payable to other EDF subsidiaries	**-**	-	730
Bonds payable to other EDF subsidiaries	**668**	1,377	1,420

The Group enters into derivative contracts at normal market prices with another EDF SA group company. The total value of outstanding contracts reflected at fair value in the Group balance sheet was £339m (2010: £352m).

Transactions with key management personnel

	2011 £m	2010 £m
Short-term benefits	**6.5**	7.4
Post-employment benefits	**0.3**	0.3
	6.8	7.7

Key management personnel comprise members of the Executive Committee, a total of eight individuals at 31 December 2011 (2010: nine and 2009: seven). The Executive Committee is a cross-business unit committee of senior staff who take part in the decision-making for the Group.

43. Reconciliation between UK GAAP and IFRS

As described in note 1, the 2011 financial statements have been prepared under IFRS. In accordance with IFRS1, a reconciliation of the balance sheet at the date of transition has been prepared as well as reconciliations of the Group's consolidated income statement for the year ended 31 December 2010 and consolidated balance sheets at 31 December 2010. The previous financial statements for EDF Energy Holdings Limited were prepared under UK GAAP as entity-only accounts, and therefore the amounts reported under UK GAAP represent entity-only figures whereas the IFRS figures are the consolidated amounts for the Group.

All the differences arise due to the consolidation of subsidiaries whose accounting policies are detailed in note 1.

These show the impact on the previously reported financial statements arising from adoption of IFRS for year ended 31 December 2010. The main changes are set out below.

First-time adoption of IFRS

Reconciliation of balance sheet at 1 January 2010	**Amounts reported per UK GAAP company only at 1 January 2010**	**Effect of transition to IFRS**	**Amounts reported per consolidated IFRS at 1 January 2010**
Balance sheet			
Non-current assets	12,566	17,318	**29,884**
Current assets	78	5,637	**5,715**
Assets held for sale	-	366	**366**
Total assets	12,644	23,321	**35,965**
Current liabilities	(10)	(5,523)	**(5,533)**
Non-current liabilities	-	(15,011)	**(15,011)**
Liabilities held for sale	-	(87)	**(87)**
Total liabilities	(10)	(20,621)	**(20,631)**
Net assets	**12,634**	**2,700**	**15,334**

Equity reconciliation	**£m**
At 1 January 2010 under UK GAAP	12,634
Change in consolidation scope	2,700
At 1 January 2010 under IFRS	15,334

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

43. Reconciliation between UK GAAP and IFRS continued

Reconciliation of balance sheet at 31 December 2010	Amounts reported per UK GAAP company only at 31 December 2010	Effect of transition to IFRS	Amounts reported per consolidated IFRS at 31 December 2010
Balance sheet			
Non-current assets	12,787	9,988	**22,775**
Current assets	414	7,042	**7,456**
Total assets	13,201	17,030	**30,231**
Current liabilities	(11)	(2,936)	**(2,947)**
Non-current liabilities	-	(10,888)	**(10,888)**
Total liabilities	(11)	(13,824)	**(13,835)**
Net assets	13,190	3,206	**16,396**

Equity reconciliation	**£m**
At 31 December 2010 under UK GAAP	13,190
Change in consolidation scope	3,206
At 31 December 2010 under IFRS	16,396

Income Statement	Amounts reported per UK GAAP company only in 2010	Effect of transition to IFRS	Amounts reported per consolidated IFRS in 2010
Revenue	-	8,219	**8,219**
Operating expenses	-	(8,104)	**(8,104)**
Operating income		2	**2**
Operating profit	-	117	**117**
Net finance income/(costs)	336	(670)	**(334)**
Tax	(1)	167	**166**
Share of profit of associates	-	10	**10**
Profit on discontinued activities	-	481	**481**
Non controlling interest	-	(30)	**(30)**
Total profit transferred to retained earnings	335	75	**410**

44. Post balance sheet events

From the 1 January 2012, the Group has changed its accounting policy relating to pensions and has removed the corridor approach. From 1 January 2012, the actuarial gains and losses will be recognised directly in other comprehensive income.

On 16 February 2012, the Group announced its intention to increase the guidelines for plant lifetime extension for its AGR fleet from 5 to 7 years. The 7 years is a moderate confidence view of the AGR fleet using the best available information and management judgement about the technical potential of the fleet. The useful economic lives of the AGR assets have been adjusted from the date of the announcement, resulting in a decrease in the depreciation charge for 2012.

On the 2 April 2012, the Group issued 18.5m additional ordinary shares for consideration of £18.5m to its shareholder, EDF Energy (UK) Limited. The Group has used the proceeds from the issue to fund its 80% obligations relating to the cash call of NNB Holding Company Limited, a subsidiary undertaking.

On the 26 April 2012, the Group announced that it had formed a 50-50 joint venture with Eneco Wind UK Ltd (Eneco) and EDF Energy to hold the exclusive development rights to the Navitus Bay Offshore Wind Project, which is part of The Crown Estate Round 3 Offshore Wind Programme. The Crown Estate, owner of the seabed and a partner in the project, awarded the area (known as Zone 7), which is to the west of the Isle of Wight, to Eneco in 2009.

On the 21 June 2012, the Group announced an interim dividend of £280m to be paid to its shareholders. The dividend was paid on the 26 June 2012.

45. 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 S.A. ("EDFI") is the smallest group for which consolidated financial statements are prepared, copies of which may be obtained from EDF International S.A., 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.

At 31 December 2011, Electricité de France S.A. ("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 S.A., 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.

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 2011 which comprise the Profit and Loss account, the Balance Sheet and the related notes numbered 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 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.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Bevan Whitehead (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
Date: 26 July 2012

BALANCE SHEETS
AT 31 DECEMBER 2011

	Note	2011 £m	2010 £m
Fixed assets			
Investments in subsidiary undertakings	4	**13,005**	12,787
		13,005	12,787
Current assets			
Debtors			
- due within one year	5	**-**	230
Cash and cash equivalents		**295**	184
		295	414
Creditors: amounts falling due within one year	6	**(140)**	(11)
Net current assets		**155**	403
Net assets		**13,160**	13,190
Capital and reserves			
Called up share capital	7	**12,388**	12,388
Share premium	8	**273**	273
Profit and loss account	8	**499**	529
Shareholder's funds		**13,160**	13,190

The company financial statements of EDF Energy Holdings Limited, registered number 06612465, on pages 83 to 88 were approved by the Board of Directors on 26 July 2012 and were signed on its behalf by:

Simone Rossi
Director

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Accounting policies

The principal accounting policies are set out below. They have all been applied consistently throughout the year and the preceding period.

Basis of accounting

These financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards.

Going concern

As set out in the Directors' 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.

Cash flow statement

The Company is exempt from preparing a cash flow statement under the terms of FRS 1 'Cash flow statements (revised 1996)' as it is a member of a group, headed by EDF International S.A., whose consolidated accounts include a cash flow statement and are publicly available.

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.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred at the balance sheet date, with the following exceptions:

- provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets with no likely subsequent rollover or available capital losses;
- provision is made for gains on re-valued fixed assets only where there is a commitment to dispose of the re-valued assets and the attributable gain can neither be rolled over nor eliminated by capital losses; and
- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured on an undiscounted basis. Deferred tax is measured at the average tax rate that is expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

2. Operating loss

In 2010, an amount of £10,000 was paid to Deloitte LLP for audit services relating to audit of the entity statutory accounts. This charge was borne by another Group company. In 2011, amounts payable to Deloitte LLP by the Company in respect of non-audit services were £nil (2010: £nil).

The Company had no employees in 2011 (2010: None).

3 Directors' emoluments

None of the Directors received any remuneration for services to the Company during the year (2010: £nil). There were no employees of the Company in the year (2010: nil)

4 Investments in subsidiary undertakings

Cost and book value	Shares £m
At 1 January 2011	12,787
Additions	218
At 31 December 2011	**13,005**

The additions during the year related to an equity increase in NNB Holding Company Limited.

The principal subsidiary undertakings at 31 December 2011, which are incorporated in Great Britain and are registered and operate in England and Wales, or Scotland (unless otherwise stated), are as follows:

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

			facilities
Deletepicnic Limited *	100%	100%	Holding company
EDF Energy Dormant Holdings Limited *	100%	100%	Holding company
District Energy Limited *	100%	100%	Sale of electricity
EDF Energy plc *	100%	100%	Sale of electricity
EDF Energy 1 Limited *	100%	100%	Marketing and supply of electricity and gas
EDF Energy (Cottam Power) Limited *	100%	100%	Provision and supply of electricity generation
EDF Energy Customers plc *	100%	100%	Electricity retailing
EDF Energy (Energy Branch) plc *	100%	100%	Investment in electricity generation
EDF Energy Fleet Services Limited *	100%	100%	Transport services
EDF Energy Group Holdings plc	100%	100%	Holding company
EDF Energy (London Heat & Power) Limited *	100%	100%	Generation and supply of electricity and heat
EDF Energy (Metro Holdings) Limited *	100%	100%	Investment company
EDF Energy (Northern Offshore Wind) Limited*	100%	100%	Development of generation and supply
EDF Energy (Projects) Limited *	100%	100%	Investment company
EDF Energy (Sutton Bridge Holdings) Limited *	100%	100%	Investment in power generation company
EDF Energy (Sutton Bridge Power) *	100%	100%	Provision and supply of electricity generation
EDF Energy (West Burton Power) Limited*	100%	100%	Power generation
Eggborough Power (Holdings) Limited*	80%	80%	Holding company
High Hedley Hope Wind Limited*	100%	100%	Renewable power generation
Hunterston Properties Limited*	100%	100%	Property company
Jade Power Generation Limited *	100%	100%	Power generation
Kirkheaton Wind Limited*	75%	75%	Renewable power generation
Lake Acquisitions Limited	80%	80%	Holding company
Lochside Energy Inc * (Canada)	80%	80%	Financial Activities
Lochside Insurance Limited * (Guernsey)	80%	80%	Insurance company
London ESCO Limited*	100%	100%	Renewable energy projects
EDF Energy SB Power Systems (London) Limited *	100%	100%	Investment in power generation company
NNB Holding Company Limited	80%	80%	Holding company
NNB Generation Company Limited *	80%	80%	Development of generation and supply
NNB Land Company Limited *	80%	80%	Property company
Norfolk Offshore Wind Limited *	100%	100%	Development of generation and supply
Northern Power Limited*	80%	80%	Power generation
SEEBOARD Energy Limited*	100%	100%	Energy supply
SEEBOARD Energy Gas Limited*	100%	100%	Gas supply
Stornoway Wind Power Limited *	80%	80%	Renewable power generation
Sutton Bridge Financing Limited* (Cayman Islands)	100%	100%	Financial activities
Sutton Bridge Investors *	100%	100%	Investment in power generation company
Sutton Bridge Power Fund*	100%	100%	Investment company
The Barkantine Heat & Power Company Limited*	100%	100%	Generation and supply of electricity and heat
West Burton Limited*	100%	100%	Power generation
West Burton Property Limited*	100%	100%	Investment company
Western Isles Renewables Limited*	80%	80%	Renewable power generation

* Indirectly held

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

4 Investments in subsidiary undertakings continued

The associates and joint ventures at 31 December 2011, 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
Trans4m Limited	25.0%	Engineering contractor
Thames Valley Power Limited	50.0%	Generation and supply of electricity and heat
EDF Energy Renewables Limited	50.0%	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	50.0%	Renewable energy generation
Walkway Windfarm Limited	50.0%	Renewable energy generation
Teesside Windfarm Limited	50.0%	Renewable energy generation
Longpark Windfarm Limited	50.0%	Renewable energy generation
Fallago Rig Windfarm Limited	50.0%	Renewable energy generation

5 Debtors

	2011 £m	2010 £m
Debtors: amounts falling due within one year		
Amounts owed by other Group companies	-	230

The amounts owed by other Group companies were re-paid during the year.

6 Creditors: amounts falling due within one year

	2011 £m	2010 £m
Amounts owed to other Group companies	**139**	10
Corporation tax (group relief payable)	**1**	1
	140	11

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

7 Share capital

Allotted, called up and fully paid	**2011 Number**	2010 Number	**2011 £m**	2010 £m
Ordinary shares of £1.00 each	**12,387,864,252**	12,387,864,252	**12,388**	12,388

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

8 Reconciliation of shareholder's funds

	Share capital £m	Share premium account £m	Profit and loss account £m	**Total Shareholder's funds £m**
At 1 January 2010	12,167	273	194	**12,634**
Profit for the year	-	-	335	**335**
Shares issued	221	-	-	**221**
At 31 December 2010	**12,388**	**273**	**529**	**13,190**
Profit for the year	-	-	562	**562**
Dividends paid	-	-	(592)	**(592)**
At 31 December 2011	**12,388**	**273**	**499**	**13,160**

9 Related parties

In accordance with FRS 8 'Related party disclosures', the Company is exempt from disclosing transactions with entities that are part of the Group or investees of the Group qualifying as related parties, as it is a wholly-owned subsidiary of a parent, which prepares consolidated accounts which are publicly available.

10 Parent undertaking and controlling party

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

At 31 December 2011, Electricité de France S.A., a company incorporated in France, is regarded by the Directors as the Company's ultimate parent company and controlling party. This is the largest group for which consolidated financial statements are prepared. Copies of that company's consolidated financial statements may be obtained from Electricité de France SA, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.