EDF ENERGY HOLDINGS LIMITED

Registered Number 06930266

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2012

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DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 31 December 2012.

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.

Results and dividends

The profit for the year before taxation and associate, and disposal of subsidiaries, amounted to £624m (2011: £654m) and after taxation and associate, a profit of £646m (2011: £671m.) Dividends of £575m were paid to the parent company during the year (2011: £592m).

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; and

- 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 (loss)/ profit	
	2012 £m	2011 £m	**2012 £m**	2011 £m
Energy Sourcing and Customer Supply	**6,750**	5,846	**(45)**	86
Nuclear	**2,963**	2,229	**880**	762
Other and eliminations	**(1,753)**	(704)	**(41)**	(20)
Group	**7,960**	7,371	**794**	828

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 combining energy sourcing and customer supply activities from all EDF Energy business units.

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

DIRECTORS' REPORT continued

- 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.

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 2013. In view of the substantial decline in sparkspreads in 2012, the plant was subjected to an impairment test. Its recoverable amount is estimated based on discounted cash flows over its expected useful life. This led to the recognition of an impairment against the station of £130m.

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. The Group has re-classified its interests in Sutton Bridge as assets and liabilities held for sale following the internal approval to sign the SPA which was taken in November 2012. Upon classification as a disposal group, Sutton Bridge was recognised at the lower of cost and sales price less selling expenses which resulted in an impairment of £60m being recognised against the goodwill which was attributed to Sutton Bridge. In December 2012, the Group agreed the sale of Sutton Bridge to a Macquarie-led group of investors, subject to the completion of certain condition precedents which included obtaining approval for the deal from the European Commission. The sale completed in March 2013, see note 40 for further details.

On 29 June 2012, EDF Energy completed the sale of District Energy ("DE"), a portfolio of four 10 MW gas-fired, network connected, electricity generation sites based in Kent, Somerset and South Wales, to UK Power Reserve Limited ("UKPR"). These sites have been operational since 2001/02, were originally developed by British Energy and were acquired by EDF Energy in 2009. The Group made a profit on disposal of £12m.

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 Énergies Nouvelles, a wholly owned subsidiary of EDF Group, EDF Energy is developing its own onshore and offshore assets, signing power purchase agreements with renewable generators and supporting independent developers to ensure a balanced approach for compliance with its legal Renewables Obligations ("RO") and the provision of renewable electricity to its customer base. The RO has been subject to various reforms and in April 2010 the end date was extended from the current end date of 2027 to 2037 for new projects.

During 2012, the renewables operational portfolio increased by 36 MW, with Green Rigg wind farm commencing operations in the last quarter of 2012. At the end of 2012, EDF Energy Renewables operated 21 wind farms with a total capacity of 304 MW. These are primarily located in the north of England and in Scotland.

In addition, EDF Energy Renewables has 225 MW of capacity under construction. This includes three onshore wind farms: Fallago Rig, Boundary Lane and Glassmoor and EDF Energy Renewables' first offshore wind farm, Teesside. The Teesside wind farm will have an installed capacity of 62 MW and is scheduled to enter commercial operation in Q2 2013.

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EDF Energy has a joint venture with Eneco, a Dutch energy utility, to develop an offshore wind project to the west of the Isle of Wight, Navitus Bay. This is part of The Crown Estate Round 3 offshore wind programme and the proposed development could deliver between 900MW and 1,100MW of capacity. EDF Energy also has a joint venture with AMEC, a construction group, to develop a wind farm at Stornoway on the Isle of Lewis. This project to construct a 130 MW wind farm received approval from the Scottish Government in September 2012.

Customer Supply

EDF Energy sells energy to two major customer segments: residential customers, described as the Business to Customers segment ("B2C"); and business customers, described as the Business to Business segment ("B2B") 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.

At the end of December 2012, EDF Energy had 3.9 million customers and 5.8 million customer accounts across those two segments. During the year it supplied 16.6 TWh of electricity to 3.5 million B2C accounts, 0.2m B2B Small and Medium Enterprise ("SME") accounts and 36.8 TWh of electricity to B2B accounts. It also had 2.0 million B2C gas customer accounts and supplied 30.9 TWh of gas to these customers in 2012.

<u>B2C</u>

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

The UK Office of the Gas and Electricity Markets ("Ofgem") announced in November 2010 a review of the effectiveness of the retail energy markets to decide if further action was necessary to protect consumers and to increase transparency. On 26 October 2012 Ofgem published its detailed Retail Market Review ("RMR") Updated Domestic Proposals. Ofgem has stated that the aim of the RMR is to enable consumers to get the best deal in the energy market and to rebuild trust and confidence in the market. The proposals will require suppliers to provide consumers with simpler choices, clearer information about prices, products and available savings and fairer treatment of customers through the introduction of Standards of Conduct backed by licence conditions. These are all in line with EDF Energy's own ambitions synthesised in our Customer Commitments to Simplicity, Fair Value and Better Service, the aim of which is to earn the trust of our customers. Subject to the outcome of the statutory consultation Ofgem aims for these proposals to come into legal effect through supply licence conditions by summer 2013. EDF Energy has anticipated most of the proposed changes and expects to be at the forefront of UK energy companies in implementing these licence requirements.

EDF Energy was the first of the major suppliers to announce a price cut in January 2012, reducing gas by 5% in February. A second round of price changes began in the UK market in August 2012, as a result of significant increases in electricity network, social and environmental costs, coupled with movements in wholesale energy prices. On 26 October 2012 EDF Energy became the fifth of the six major suppliers to announce a price increase of (on average) 10.8% for both electricity and gas customers.

During 2012, EDF Energy introduced a new fixed price product with Blue +Price Promise. This product was unique to the industry with electricity backed by low carbon nuclear generation, an innovative price promise, no termination fees and the security of fixed prices for over a year. Since EDF Energy launched its first Blue +Price Promise product in April 2012, over 1 million customer accounts have switched to this innovative product.

EDF Energy continued to lead the market in helping vulnerable customers. It was the only supplier to promise that customers identified by the UK Government as most in need would automatically benefit from a discount equivalent to being on its cheapest available tariff.

This strategy of trust, transparency and fairness allowed EDF Energy successfully to grow its residential portfolio across 2012, with B2C customer accounts now totalling over 5.5 million, the highest ever year end level.

DIRECTORS' REPORT continued

During 2012 EDF Energy has successfully transferred the whole of its customer portfolio onto a new Customer Relationship Management platform which will allow the company to enhance customer experience significantly while reducing management cost per product.

Churn rates in the United Kingdom B2C market (the net result of customer losses and acquisitions) remained relatively high compared to other countries, even though there has been a downward trend from the high of 2008. At the end of September 2012, 16.2 million (62%) of UK B2C electricity customers and 12.7 million (58%) of UK B2C gas customers were no longer with their original supplier at the time of market liberalisation.

Smart Metering

UK energy suppliers are mandated to deliver the Government's Smart Metering Programme which requires all reasonable steps to be taken to deploy smart electricity and gas meters to 100% of residential and small business customers by 2019. This will require EDF Energy's supply business to install meters, including communications hubs and in-home displays, to its 3.9 million domestic and small business customers. The purpose of the deployment is to enable customers to reduce their usage, cut end-use carbon emissions and unlock supplier savings through more efficient billing and meter reading.

EDF Energy has already commenced smart meter installations through a series of trials and pilots to test smart grid technology with UK Power Networks, through the Low Carbon London trial.

Carbon Emissions Reduction Targets ("CERT") and Community Energy Saving Programme ("CESP")

EDF Energy was required to participate in the Government's CERT programme which aimed to reduce the carbon footprint of energy consumers' homes by promoting low carbon energy solutions. CERT was extended to December 2012, setting an increased lifetime carbon dioxide ("CO_2") savings target of 293 million tonnes of CO_2 across all suppliers. EDF Energy's share of the CERT obligation was 31MtCO_2 which was delivered in full within the required timeframe. We have installed a total of 900,000 insulation measures all over the country, helping to keep homes warmer and fuel bills lower across the UK.

EDF Energy was also required to participate in the Government's CESP programme which required gas and electricity suppliers and electricity generators to deliver energy saving measures to domestic consumers in specific low income areas. EDF Energy also complied in full and within the timeline for this obligation. CERT and CESP both expired in 2012 and were replaced by the Energy Company Obligation ("ECO").

B2B

The B2B division is the largest supplier of electricity to the non-domestic market (SME and major business) in the UK, supplying 36.8 TWh and holding a 20% share of the market. B2B supplies businesses across all Industrial and Commercial ("I&C") sectors including public sector buying groups, large multi site customers, manufacturing businesses and SME.

There have been some significant contracts won over the year, with EDF Energy being selected as the sole supplier of electricity to the Scottish Procurement Services. This follows the successful conclusion of the English Government Procurement Service contract in 2011. B2B also established contracts to power several iconic buildings in support of the 2012 Olympic Games: Tower Bridge; The London Eye; and the Olympic stadium itself, which were all powered with Blue low carbon power sourced from our nuclear generation. More recently EDF Energy announced a ten-year deal to supply Network Rail with 3.2 TWh of low carbon electricity a year. We will power a rail network which carries three million passengers and tens of thousands of tons of freight a day. As a result, the business continues to be well established in the large, national and multi-site customer segment.

B2B continues to focus on improving products, processes and systems designed to enhance the customer experience. In particular, B2B invested a significant amount of resources to implement a new integrated pricing, billing and metering platform. Full migration of customers and prospect data will be phased over several stages across 2013.

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Nuclear

The Nuclear operations encompass the operation of the existing fleet of nuclear power stations and the nuclear new build ("NNB") project. EDF Energy owns and operates eight nuclear power stations in the UK with a total capacity of 8.7 GW. EDF Energy aims to build up to four new EPR nuclear reactors in the UK: twin reactors at Hinkley Point (Hinkley Point C or "HPC") in Somerset and possibly a further twin at Sizewell in Suffolk. The plans are conditional on the necessary consents being received and a robust investment framework being in place.

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.

Impact on Nuclear Generation of Events at Fukushima

After the events at Fukushima, the Office for Nuclear Regulation ("ONR") carried out an independent review of UK nuclear power plants. This concluded that the "UK nuclear facilities have no fundamental weaknesses". These findings were supported by EDF Energy's Japanese Earthquake Response ("JER") Programme on completing an internal review and challenge across the entire fleet of nuclear power plants which showed "there is no challenge to nuclear safety for within-design basis events". Over 18 months after the events in Japan, EDF Energy is still committed to enhancing the capability of its fleet of eight nuclear power plants to withstand and recover from an extreme natural event. The process of reviewing the fleet over this period has fed into both the ONR and European Nuclear Safety Regulators Group ("ENSREG") with Nuclear Generation focusing on analysing current safety margins and exploring the vast variety of options of how safety could be further enhanced. It has been widely and positively noted that EDF Energy is committed to continuing to learn from Fukushima by reviewing operating experience and responding to the ONR and ENSREG whilst also supporting the World Association of Nuclear Operators ("WANO") Corporate & Station review. EDF Energy is now in the delivery phase where enhancements have been agreed and are being made across the entire fleet. The JER Programme has developed a fully integrated solution that enhances the capability of the fleet by incorporating improvements to on-site resilience, the purchase of back-up equipment and enhancements to emergency arrangements to support current procedures. EDF Energy is investing around £200m over three years to implement these enhancements.

Operational review of the Nuclear Generation fleet

Output from the Nuclear Generation fleet for the year ended 31 December 2012, was 60.0 TWh, which meets the performance objective of consistently achieving nuclear output above 55 TWh and which was 4.2 TWh higher than nuclear output of 55.8 TWh for the year ended 31 December 2011. The increase principally reflects Dungeness B fuel route improvements, resolution of the Heysham 1 Reactor 2 hot box dome temperature restriction and a shorter statutory outage programme.

During the year ended 31 December 2012, a programme of planned outages was carried out on the Nuclear Generation fleet. Statutory outages were completed on Dungeness B Reactor 22, Heysham 1 Reactor 2, Hinkley Point B Reactor 3, Hunterston B Reactor 3 and Torness Reactor 2. 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 risks of future losses.

In February 2012, EDF Energy announced that it will continue to seek life extensions for all its nuclear power stations where it is safe and commercially viable to do so and has implemented a Lifetime Programme to underpin this. Based on a technical review of the potential life limiting plant areas, which was completed in 2011, and subject to the necessary formal reviews and approvals, EDF Energy expects in due course to achieve further life extensions of an average of seven years across the AGR fleet relative to the scheduled closure dates assumed in January 2009 (including the extension of Hartlepool and Heysham 1 by five years to 2019 declared in December 2010 and the extensions of Hinkley Point B and Hunterston B by 7 years to 2023) and 20 years for Sizewell B. The accounting useful economic lives have been updated to reflect this increase.

DIRECTORS' REPORT continued

Safety Performance

Nuclear safety is our overriding priority and EDF Energy has no greater responsibility than to protect the public, the environment and its employees from the potential adverse effects of our stations. Having a strong safety culture embedded in the organisation is crucial to achieving these goals and we continue to invest in the training and development of our staff.

The actual and potential significance of individual nuclear events is measured against the International Nuclear Event Scale ("INES"). These are categorised between Level 0, which has no safety significance and Level 7 which represents a major accident. During the year ended 31 December 2012, EDF Energy had no nuclear event rated higher than INES 1 and 12 INES Level 1 events.

UK EPR Generic Design Assessment ("GDA")

On 13 December 2012, the Health & Safety Executive ("HSE") issued a 'Design Acceptance Confirmation' ("DAC") and the Enivronment Agency ("EA") issued a 'Statement of Design Acceptability' ("SODA")' thereby signifying their acceptance that the UK EPR design is capable of meeting the licensing requirements for design, construction, operation and decommissioning of a nuclear power station in the UK. This marked the end of the GDA process that commenced in 2007.

The granting of the DAC and SODA resulted from Office for Nuclear Regulation ("ONR") and EA being satisfied that the requesting parties (EDF and AREVA) had satisfactorily resolved the outstanding GDA Issues that remained after ONR and EA had issued an interim DAC and an interim SODA in July 2011. The work to achieve these resolutions was progressed in accordance with the published Resolution Plans. This has involved a huge effort both from the requesting parties and from the regulators (ONR and EA). Granting of the DAC and SODA are important milestones that form part of the process for allowing the start of nuclear island construction at HPC.

Planning and Consents Progress

Significant progress with environmental permits has been achieved through the year. Applications for the Construction Water Discharge Activity ("CWDA") Environmental Permit, which is required to construct HPC, and for the three main environmental permits required to operate HPC were submitted in the summer of 2011. On 29 February 2012 the CWDA permit for the HPC project was granted with pre-operational conditions. In August 2012 the EA issued draft decisions on the three operational permits. These are the Radioactive Substances Regulation ("RSR") Environmental Permit which sets limits on the safe and controlled discharge and disposal of small amounts of radioactive waste from the operation of the facility, the Combustion Activity Environmental Permit which regulates discharges from backup diesel generators and the Water Discharge Activity Environmental Permit which regulates the discharge of cooling water and associated trade effluents from the operation of the power station.

Before an RSR permit is granted for any planned new nuclear power station, Article 37 of the Euratom Treaty requires the UK Government to make a submission to the European Commission enabling it to determine whether the plan is liable to result in radioactive contamination of another member state. The EA cannot grant an RSR permit until the Commission has given its opinion. In the case of HPC, following Article 37 submissions by the UK Government, the Commission provided its opinions in February and May 2012 that the plans for HPC are not liable to result in such radioactive contamination. In its draft decision, the EA noted "our overall conclusion at this stage is that there are no reasons why we should not issue all three permits. We consider that the limits and conditions in the draft permits are suitable to protect people and the environment". Public consultation on the draft decisions ended on 9 November 2012 and, subject to the results of the consultation, the three operational permits are expected to be formally issued around the end of the first quarter 2013.

DIRECTORS' REPORT continued

The Planning Inspectorate ("PINS"), is an executive agency of the Department for Communities and Local Government. It deals with planning appeals, national infrastructure planning applications, public examinations of local development plans and other planning-related and specialist casework in England and Wales. PINS appointed five inspectors (the "Examining Authority") to assess the HPC application during the six-month examination phase, which ended on 21 September 2012. The Examining Authority then had three months within which to make its recommendation to the Secretary of State for Energy and Climate Change ("SoS"), which it did on 19 December 2012.

In July 2012, the European Commission approved EDF's investment plans for HPC under Article 41 of the Euratom Treaty concluding that it "fulfils the objectives of the Euratom Treaty and contributes to develop a sustainable national energy mix". Under the treaty, developers of new nuclear power stations are required to notify the Commission of any investment projects. EDF Energy submitted its documentation in January 2010.

In summer 2012, the temporary jetty applications were granted and the relevant Orders authorising construction and operation of the jetty came into force. The jetty will play a major role in bringing construction material to the HPC site by sea and in doing so reduce the impacts of the construction period on the local road network and the associated environmental effects. Dean & Dyball Civil Engineering was appointed at the end of the year to construct the jetty.

EDF Energy and Somerset councils signed a landmark agreement in August 2012 which resolves all the Councils' principal issues relating to the planning application for HPC and which will deliver nearly £100 million for local communities to mitigate the impact of the proposed HPC power station. Under the arrangement, known in planning terms as a section 106 agreement, more than £64 million will be spent on supporting local communities and services such as education, training, transport and housing. This is in addition to about £30 million committed by EDF Energy in January 2012 in relation to site preparation works.

<u>Nuclear Site Licence ("NSL")</u>

Since the 2011 HPC NSL Application and throughout 2012, NNB has continued to develop its Licence Condition compliance and organisational arrangements to meet NSL requirements. During this time NNB has also assisted the ONR in its intervention activities and assessment of site specific technical justifications, NNB arrangements and overall organisational capability to be a nuclear site licensee.

NNB undertook its own readiness review to become a nuclear site licensee and reported the findings to the ONR. ONR concluded its overall assessment of NNB capability and a positive outcome to the assessment resulted in the HPC NSL being granted on 26 November 2012.

Moving forward further development of arrangements is needed to maintain the NSL. This will include arrangements for commissioning and operation.

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

On 29 November 2012, the Energy Bill was introduced to the House of Commons by the Secretary of State for Energy and Climate Change. The Energy Bill is intended to establish a legislative framework for delivering secure, affordable and low carbon energy. The EMR proposals dominate the Energy Bill and contain provisions for the Government's proposals from the White Paper, namely:

- Contracts for Difference ("CfD") – long-term contracts between a CfD counter-party and eligible generators, funded by contributions from licensed electricity suppliers to provide stable and predictable incentives for companies to invest in low-carbon electricity generation;
- Investment contracts – long-term contracts broadly similar to CfDs to enable early investment in advance of the CfD regime coming into force;
- Capacity Market – to ensure security of electricity supply; and
- Emissions Performance Standard – to limit carbon dioxide emissions from new fossil fuel power stations.

DIRECTORS' REPORT continued

EDF Energy believes that the Energy Bill can provide the legal certainty required for robust and durable CfDs, with a single Government-owned counterparty which will offer stability and value for customers, as well as long term assurance for investors. EDF Energy also welcomes confirmation that there will be a Capacity Mechanism with an intention to run the first auction in 2014, which will help maintain security of supply. EDF Energy is examining the detail of the Energy Bill and will continue to work with the Government and other stakeholders to deliver these reforms in a way that offers the best value for customers.

Post balance sheet events

On 4 February 2013, Centrica announced its decision to end its partnership with the Group for the construction of EPRs in the United Kingdom, by exercising its option to sell to EDF Energy Centrica's 20% investment in NNB. The Group already owned 80% of NNB and will therefore become the company's sole shareholder. Under the terms of the NNB shareholders' agreement, which terminated upon completion of the share sale, EDF Energy paid Centrica £5.6 million for Centrica's £205 million investment in NNB. EDF Energy is currently seeking a new joint venture partner to invest alongside it in NNB. The Group is continuing discussions with the British government to agree on a sale price for zero-carbon electricity. Once this price has been set, the Group is confident that the Hinkley Point C project will attract considerable interest from investing partners and will go ahead. Centrica will continue to work with EDF Energy through its 20% interest in EDF Energy's existing nuclear facilities in the United Kingdom and will retain its commercial electricity purchase contracts with the Group.

On 19 March 2013, the Secretary of State for Energy and Climate Change granted the Company a Development Consent Order ("DCO"), giving it planning permission to build two European Pressurised Reactors at Hinkley Point C site.

On 27 March 2013, the sale of Sutton Bridge to a Macquarie-led group of investors was completed. This followed completion of certain condition precedents subsequent to the signing of the sale and purchase agreement in December 2012.

On 17 June 2013, the Company paid a dividend of £160m to its parent company.

No other matter or circumstance has arisen since the balance sheet date that has significantly affected, or may significantly affect, the Company's operations, the results of those operations, or the Company's state of affairs, in future financial years.

Long-term strategy and business objectives

In 2012, we continued to measure progress against our key ambitions which were set in 2009.

Our key non-financial company measures were:

- Zero Harm - Measured through the total recordable incident rate - TRIR (the number of lost time incidents, medical treatments and restricted work injuries per 1,000,000 hours worked) – covers both employees and contractors.
- Customers' Choice – Measured through our new Trust Index – a combination of customer survey, complaints monitoring and service levels across our B2C and B2B businesses.
- Sustainable Performance - Measured against a key subset of our sustainability commitments, viz. employee understanding and participation in sustainability, achievement of Diversity accreditation and CO_2 footprint from our offices and buildings. (Total commitments comprise 15 measures in total.)
- 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 exist.

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- Nuclear Generation – Measured though (a) Lifetime Management of Plant – (b) EPR Milestone Achievement – action relating to progress on EPR project, viz. planning consent, government frameworks, design completion and construction readiness.

The results for 2011 and 2012 were:

Ambition	Measure	2012	2011
Zero Harm	TRIR (per 1,000,000hrs)*	1.58	1.78
Customers' Choice	Trust Index**	85.9	n/a
Sustainable Performance	Delivery of key sustainability actions (index)***	90.5	95.89
High Performing People	High Performing People Index (%)	63	61
Nuclear Generation	Lifetime Management of Plant	150	145
	EPR Milestone Achievement	103.2	75

*TRIR – 2011 measure was lost time incident rate – measure with wider scope introduced in 2012 – historical data included for context
**Trust Index – New measure for 2012, no historic performance data
***Sustainable Performance in 2012 corresponds to 3 of 15 projects on target for *that year* compared to 6 of 15 projects on target in 2011. The internal index is calculated through a weighted average of the various measures which are all scored based on level of progress against deliverables.

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

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 forecast customer demand for gas and electricity, effectively and to procure the various commodities at a price competitive enough to allow a favourable tariff proposition for our customers. Due to the vertically-integrated nature of the Group, the electricity procured from the generation business provides a natural hedge for the electricity demand from the retail business. The residual exposure to movements in the price of electricity, gas and coal is partially mitigated by entering into contracts on the forward markets, and the exposure to fluctuations in the price of uranium is mitigated by entering into fixed price contracts. Risk management is monitored for the whole of EDF Energy, through sensitivity analysis; both per commodity and across commodities, in line with the Group's risks mandate.

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. 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.

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 publicly rated, a rating calculated using an in-house scoring model). The Group uses a variety of tools to mitigate its credit exposure, for example, requesting parent company guarantees, letters of credit or cash collateral, agreeing suitable payment terms and netting provisions. The majority of energy trading exposure is held against investment grade counterparties.

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

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. 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 rate fluctuations and not for speculative purposes.

DIRECTORS' REPORT continued

Nuclear liabilities risk

The Group's nuclear liabilities are in respect of costs for the management of spent fuel, nuclear decommissioning and other uncontracted nuclear liabilities. The Government has provided an indemnity to cover liabilities for spent AGR fuel loaded prior to the 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 2012, the Group did not have any excluded or non-qualifying nuclear liabilities.

Taxation risk

Taxation risk is the risk that the Group suffers losses arising from additional tax charges, financial penalties or reputational damage associated with failure to comply with procedures required by tax authorities, the interpretation of tax law and changes in tax law. The Group has mitigated this risk by the implementation of effective, well documented and controlled processes to ensure compliance with tax disclosure and filing obligations, and is further supported by the use of appropriate advice from reputable professional firms.

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 (resigned 21 September 2012)
Hervé Machenaud
Thomas Piquemal
Alain Tchernonog
Gerard Wolf (resigned 7 December 2012)
Henri Lafontaine (appointed 6 December 2012)

Simone Rossi is employed by and has a service contract with EDF Energy plc. The remaining directors are employed by the ultimate parent company Electricité de France SA ("EDF SA").

There are no contracts of significance during or at the end of the financial year in which a Director of the Company has a material interest.

None of the Directors who held office 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 £3m (2011: £2m) and no political contributions (2011: £nil).

DIRECTORS' REPORT continued

Taxation policy

The Group takes a responsible and transparent approach to the management and control of its tax affairs and has adopted a tax policy which is aligned with its stated ambitions and values.

Specifically the Group's tax policy includes:

- acting with integrity,
- maintaining an open, honest and positive working relationship with HMRC, and
- where differences of view arise with regard to the interpretation and application of tax law, the Group is committed to addressing the matter promptly and resolving the matter with HMRC in a constructive manner.

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 2012, the Group had an average of 41 days (2011: 38 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.

Equal opportunities

The Group is fully committed to ensuring that all current and potential future employees and customers are treated fairly and equally, regardless of their gender, sexuality, marital status, disability, race, colour, nationality or ethnic origin. The Group provides equal opportunities for employment, training and development, having regard to particular aptitudes and abilities. In the event of employees becoming disabled during employment, where possible, assistance and retraining is given so that they may attain positions compatible with their ability.

DIRECTORS' REPORT continued

Going concern

The Group manages its capital through focusing on its net debt which comprises borrowings (note 25) including finance lease obligations, accrued interest and derivative liabilities relating to debt instruments, less cash and cash equivalents. Given that the Group is a wholly-owned subsidiary, any change in capital structure is often achieved via additional borrowings from its ultimate parent company or other companies within the EDF S.A. group, although the Group has facilities available for third party bond issues.

After making enquiries and reviewing cash flow forecasts and available facilities (note 23) 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/ she ought to have taken as a Director in order to make himself/ herself aware of any relevant audit information and to establish that the 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 2013 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
23 July 2013

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.

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 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes 1 to 41 of the consolidated financial statements and 1 to 10 of the parent company financial statements. The financial reporting framework that has been applied in the preparation of the consolidated financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2012 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;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the 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
23 July 2013

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 £m	2011 £m (restated)
Revenue	4	**7,960**	7,371
Fuel, energy and related purchases	6	**(4,403)**	(4,195)
Gross margin		**3,557**	3,176
Materials and contracting costs		**(409)**	(372)
Personnel expenses	8	**(833)**	(810)
Other operating expenses		**(691)**	(442)
Other operating income		**42**	74
Profit before depreciation, amortisation, tax and finance costs		**1,666**	1,626
Gains on derivative commodity contracts	5	**40**	44
Depreciation and amortisation	5	**(722)**	(842)
Impairment	5, 15	**(190)**	-
Operating profit		**794**	828
Investment revenue	4, 9	**360**	615
Finance costs	10	**(534)**	(790)
Profit on disposal of subsidiary		**4**	1
Profit before taxation and associate		**624**	654
Taxation	11	**23**	16
Profit before associate		**647**	670
Share of (loss)/profit of associate	18	**(1)**	1
Profit for the year		**646**	671
Profit attributable to:			
Equity holders of the parent	34	**496**	561
Non-controlling interest	30	**150**	110
		646	671

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 £m	2011 £m (restated)
Profit for the year		**646**	671
Net losses on cash flow hedges	35	**(16)**	(192)
Net actuarial gains/(losses) on defined benefit pensions		**344**	(198)
Total comprehensive income		**974**	281
Total comprehensive income attributable to:			
Equity holders of the Company		**781**	196
Non controlling interests	30	**193**	85
		974	281

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2012

	Note	2012 £m	2011 £m (i)	2010 £m (i)
Non-current assets				
Goodwill	*14*	**6,789**	6,884	6,845
Other intangible assets	*16*	**724**	679	728
Property, plant and equipment	*17*	**9,845**	9,709	9,432
Interest in associate	*18*	**20**	21	24
NLF and Nuclear Liabilities receivable	*20*	**5,379**	5,778	5,464
Derivative financial instruments	*27*	**46**	166	129
		22,803	23,237	22,622
Current assets				
Inventories	*21*	**2,139**	2,060	2,049
Trade and other receivables	*22*	**1,450**	1,371	1,938
Cash and cash equivalents	*23*	**1,863**	1,784	3,080
Derivative financial instruments	*27*	**125**	51	161
NLF and Nuclear Liabilities receivable	*20*	**268**	243	228
Assets held for sale	*13*	**195**	-	-
		6,040	5,509	7,456
Total assets		**28,843**	28,746	30,078
Current liabilities				
Other liabilities	*24*	**(2,090)**	(1,674)	(2,108)
Borrowings	*25*	**(776)**	(32)	(33)
Derivative financial instruments	*27*	**(212)**	(208)	(89)
Short-term provisions	*28*	**(428)**	(407)	(645)
Obligations under finance lease	*31*	**(36)**	(36)	(36)
Current tax liability		**(181)**	(27)	(36)
Liabilities held for sale	*13*	**(40)**	-	-
		(3,763)	(2,384)	(2,947)
Non current liabilities				
Other liabilities	*24*	**(1,713)**	(1,871)	(1,903)
Borrowings	*25*	**(152)**	(895)	(1,593)
Derivative financial instruments	*27*	**(56)**	(114)	(93)
Long-term provisions	*28*	**(5,074)**	(5,399)	(4,952)
Deferred tax liability	*29*	**(1,509)**	(1,561)	(1,836)
Obligations under finance lease	*31*	**(222)**	(238)	(250)
Post-employment benefits provision	*37*	**(330)**	(877)	(720)
		(9,056)	(10,955)	(11,347)
Total liabilities		**(12,819)**	(13,339)	(14,294)
Net assets		**16,024**	15,407	15,784

(i) Restated for change in accounting policy for pensions

CONSOLIDATED BALANCE SHEET continued
AT 31 DECEMBER 2012

	Note	2012 £m	2011 £m (i)	2010 £m (i)
Equity				
Share capital	*32*	**12,644**	12,388	12,388
Share premium account	*33*	**273**	273	273
Capital reserve	*33*	**9**	9	9
Hedging reserve	*35*	**(120)**	(104)	88
Retained earnings	*34*	**679**	457	661
Equity attributable to equity holders of the Company		**13,485**	13,023	13,419
Non-controlling interest	*30*	**2,539**	2,384	2,365
Total equity		**16,024**	15,407	15,784

The accounts of EDF Energy Holdings Limited (registered number: 06930266) on pages 18 to 78 were approved by the Board of Directors on 23July 2013 and were signed on its behalf by:

Simone Rossi
Director

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

		GROUP	
	Notes	**2012 £m**	2011 £m
Net cash from continuing operating activities	*36*	**2,118**	1,419
Investing activities			
Purchase of property, plant and equipment		**(1,224)**	(991)
Purchase of carbon and renewable obligation certificates		**(343)**	(205)
Purchase of other intangible assets		**(80)**	(75)
Proceeds from sale of property, plant and equipment		**-**	13
Proceeds from disposal of subsidiary		**12**	(17)
Interest element of finance lease rental payments		**(12)**	(15)
Dividends received from investments		**-**	4
Interest received		**11**	30
Net cash used in continuing investing activities		**(1,636)**	(1,256)
Financing activities			
Dividends paid		**(677)**	(712)
Repayment of obligations under finance leases		**(16)**	(12)
Repayment of borrowings		**(16)**	(720)
New borrowings		**50**	33
Proceeds on share issue to parent undertakings		**256**	-
Proceeds on share issue to non controlling interest		**64**	54
Interest paid		**(64)**	(102)
Net cash used in continuing financing activities		**(403)**	(1,459)
Net increase/(decrease) in cash and cash equivalents		**79**	(1,296)
Cash and cash equivalents at 1 January		**1,784**	3,080
Cash and cash equivalents at 31 December	23	**1,863**	1,784

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Share premium £m	Capital reserve £m	Hedging reserve £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
At 31 December 2010	**12,388**	**273**	**9**	**88**	**1,171**	**13,929**	**2,467**	**16,396**
Effect of change in accounting policy	-	-	-	-	(510)	(510)	(102)	(612)
As restated	**12,388**	**273**	**9**	**88**	**661**	**13,419**	**2,365**	**15,784**
Profit for the year	-	-	-	-	561	561	110	**671**
Other comprehensive loss for the year	-	-	-	(192)	(173)	(365)	(25)	**(390)**
Total comprehensive (loss) / income for the year	-	-	-	(192)	388	196	85	**281**
Equity dividends paid	-	-	-	-	(592)	(592)	(120)	**(712)**
Issue of capital	-	-	-	-	-	-	54	**54**
At 31 December 2011	**12,388**	**273**	**9**	**(104)**	**457**	**13,023**	**2,384**	**15,407**
Profit for the year	-	-	-	-	496	496	150	**646**
Other comprehensive (loss) / income for the year	-	-	-	(16)	301	285	43	**328**
Total comprehensive (loss) / income for the year	-	-	-	(16)	797	781	193	**974**
Equity dividends paid	-	-	-	-	(575)	(575)	(102)	**(677)**
Issue of capital	256	-	-	-	-	256	64	**320**
At 31 December 2012	**12,644**	**273**	**9**	**(120)**	**679**	**13,485**	**2,539**	**16,024**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

EDF Energy Holdings Limited (the "Company" or the "parent company") is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the operations of EDF Energy Holdings Limited and its subsidiaries (the "Group") and their principal activities are set out in the Directors' Report on pages 2 – 14. 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 2012.

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
- Amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities

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 IFRS 11 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 IAS 19 would have had a significant impact on the Group were it not for the change in accounting policy set out below.

Restatement of 2011 financial statements

Change in accounting treatment for pension

IAS 19 allows the following methods for recognition of actuarial gains and losses on post-employment benefit plans:

- Full amount of such gains and losses, or a portion as determined under the "corridor" method is recorded through the income statement. The Group applied this approach until 31 December 2011.
- Recognition in full through other comprehensive income. The Group has adopted this approach from 1 January 2012.

The Group considers that this change in approach will make the information on post-employment benefits clearer and more comprehensible. The change in accounting policy has been applied retrospectively as required by IAS 8.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. General information continued

The tables below summarise the impact of the change:

Impact on balance sheet at 31 December 2011	**Amounts reported at 31 December 2011 £m**	**Impact of change in accounting policy £m**	**Amounts restated 31 December 2011 £m**
Balance sheet			
Non-current assets	23,452	(215)	**23,237**
Current assets	5,509	-	**5,509**
Total assets	28,961	(215)	**28,746**
Current liabilities	(2,386)	2	**(2,384)**
Non-current liabilities	(10,378)	(577)	**(10,955)**
Total liabilities	(12,764)	(575)	**(13,339)**
Net assets	**16,197**	**(790)**	**15,407**

Impact on balance sheet at 31 December 2010	**Amounts reported at 31 December 2010 £m**	**Impact of change in accounting policy £m**	**Amounts restated at 31 December 2010 £m**
Balance sheet			
Non-current assets	22,775	(153)	**22,662**
Current assets	7,456	-	**7,456**
Total assets	30,231	(153)	**30,078**
Current liabilities	(2,947)	-	**(2,947)**
Non-current liabilities	(10,888)	(459)	**(11,347)**
Total liabilities	(13,835)	(459)	**(14,294)**
Net assets	**16,396**	**(612)**	**15,784**

Impact on income statement for 2011

	Amounts reported for 2011 £m	**Impact of change in pensions accounting policy £m**	**Amounts restated for 2011 £m**
Operating profit	802	26	**828**
Net finance costs	(175)	-	**(175)**
Profit on disposal of subsidiary	1	-	**1**
Tax	22	(6)	**16**
Share of profit of associates	1	-	**1**
Non controlling interest	(107)	(3)	**(110)**
Total profit transferred to retained earnings	544	17	**561**

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

Parent company financial statements

EDF Energy Holdings Limited, "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 79 to 84. No income statement is presented for EDF Energy Holdings Limited in accordance with the exemptions allowed by the Companies Act 2006.

2. Significant accounting policies continued

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 reserves is recognised in the consolidated reserves.

Going concern

The Group manages its capital through focusing on its net debt which comprises borrowings (note 25) 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 23) 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. The resultant liability is measured at fair value, with any resulting gain or loss recognised against the goodwill which arose on the Nuclear Generation acquisition. The contingent consideration is valued based on the market price of the outstanding notes and will mature in 2019.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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 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 cost of general borrowings during the period.

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

Fuel costs – nuclear front-end

Advanced Gas-cooled Reactors ("AGR")

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

Pressurised Water Reactor ("PWR")

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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 using a 3% pre tax discount rate. 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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 is expected to develop and that the Directors' plans will be influenced by improvements in technology and experience gained from decommissioning activities, liabilities and the resulting provisions are likely to be adjusted.

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

Back end fuel costs

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

Decommissioning of nuclear power stations

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

Accruals and provisions for back end fuel costs and decommissioning are stated in the balance sheet at current price levels, discounted at a long-term real rate of interest of 3% per annum to take account of the timing of payments. The financing charges in the income statement include the revaluation of liabilities required to discharge one year's discount from provisions made in prior years and restate these provisions to current price levels.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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 fraction 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 (the carrying amounts for tax purposes) 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. The accounting policy for pensions was changed with effect from 1 January 2012.

Under the previous accounting policy, the Group applied the corridor policy. The corridor method led to recognition of an income or expense only 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 were recognised over the expected average remaining working lives of the employees participating in the plans. Past service cost was recognised immediately to the extent that the benefits are already vested, and otherwise was amortised on a straight-line basis over the average period until the benefits become vested.

The new accounting policy has led to full recognition of any actuarial gains and losses directly through equity on the Statement of Comprehensive Income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

Actuarial gains and losses are now recognised in full each year through other comprehensive income. This is a change to the previous accounting policy whereby
The retirement benefit obligation recognised on the balance sheet represents the present value of the defined benefit obligation reduced by the fair value of scheme assets.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

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.

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 wholesale 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

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

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

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 third party settlement systems, as described further below, together with estimates of consumption not yet processed through settlements and selling price estimates. These estimates are sensitive to the assumptions used in determining the portion of sales not billed and based on actual meter readings at the reporting date.

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

Industry reconciliation process – fuel and energy purchases

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

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 28.

Decommissioning and spent nuclear fuel provisions

The consolidated financial statements include provision for the full cost of decommissioning the Group's nuclear power stations. Provision is made on the basis of the latest technical assessments of the processes and methods likely to be used for decommissioning under the current regulatory regime. Expected future costs of decommissioning are monitored to ensure that the provision remains at an adequate level. Further information about decommissioning and spent nuclear fuel provisions can be found in note 26.

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. Further information is available about pensions in note 37.

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 15.

Fair value of derivatives

The valuations of derivatives are based, where available, on published forward price curves at 31 December. 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 an active market and using valuation techniques reflecting market views. 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. 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 being limited to seasonal contracts, a number of interpolation/extrapolation methods are used based on experience and market expectations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

4. Revenue

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

	Year ended 2012 £m	Year ended 2011 £m
Sales of goods and services	**7,955**	7,366
Other revenue	**5**	5
	7,960	7,371
Investment revenue (note 9)	**360**	615
Total revenue	**8,320**	7,986

5. Profit for the year

Profit for the year has been arrived at after charging/(crediting) the following gains and losses:	2012 £m	2011 (restated) £m
Research and development costs	**34**	24
Personnel expenses (note 8) (restated)	**833**	810
Auditor's remuneration for audit services (see below)	**1**	1
Auditor's remuneration for non-audit services (see below)	**2**	1
Net foreign exchange losses/(gains)	**4**	(10)
Impairment of goodwill (note 15)	**60**	-
Depreciation of property, plant and equipment (note 17)	**675**	785
Impairment of property, plant and equipment (note 17)	**130**	-
Amortisation of intangible assets (note 16)	**47**	57
Cost of inventories recognised as expense	**707**	515
Gains on derivative commodity contracts	**(40)**	(44)
Gains on derivative foreign exchange contracts	**(1)**	(11)
Operating lease rentals	**29**	18
Profit on disposal of non-current assets	**-**	3
Movement in bad debt provision (note 22)	**28**	12
Impairment losses recognised on trade receivables	**56**	77
Reversal of impairment losses recognised on trade receivables	**(11)**	(16)

The analysis of Auditor's remuneration is as follows:

	2012 £m	2011 £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**	1.0
Total audit fees	**1.4**	1.4
Other assurance services	**-**	0.2
Tax	**0.5**	0.2
Other services	**0.1**	0.1
Advisory services re nuclear decommissioning	**1.0**	0.5
Total non audit fees	**1.6**	1.0
Total fees	**3.0**	2.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

6. Fuel, energy and related purchases

	2012 £m	2011 (restated) £m
Purchase of energy	**2,488**	2,588
Distribution and transmission	**1,338**	1,203
Carbon certificates	**114**	76
Renewable obligation certificates	**271**	141
Unwinding of nuclear fuel asset	**141**	172
Other energy related purchases	**51**	29
Utilisation of onerous contracts and other provisions	**-**	(14)
Total fuel, energy and related purchases	**4,403**	4,195

On 1 January 2012, the Group changed its cost allocation for fuel, energy and related purchases and other operating expenses by identifying all the costs relating to by-products and energy broker commissions and reclassifying them from the other operating expenses to fuel, energy and related energy purchases costs for £51m (2011: £29m).

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.

	2012 £m	2011 £m
Emoluments	**2.1**	2.5

	2012 Number	2011 Number
Members of defined benefit pension scheme	**1**	1

	2012 £m	2011 £m
Emoluments payable to the highest paid Director were as follows:		
Aggregate emoluments	**1.4**	1.6

The aggregate emoluments of the highest paid Director include £0.4m (2011: £0.4m) of expatriate related benefits.

The remuneration of all Directors disclosed above is also included in the financial statements of EDF Energy plc for the year ended 31 December 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

8. Personnel expenses

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

	2012 £m	2011 £m (restated)
Wages and salaries	**668**	669
Social security costs	**72**	67
Pension costs (restated, note 37)	**170**	139
Severance	**5**	4
Less capitalised cost	**(82)**	(69)
	833	810

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

	2012 Number	2011 Number
Nuclear Generation business unit	**5,863**	5,772
Energy Sourcing and Customer Supply business unit	**7,820**	8,120
Nuclear New Build business unit	**435**	297
Corporate and Steering functions	**1,065**	1,364
	15,183	15,553

9. Investment revenue

	2012 £m	2011 £m
Interest on bank deposits	**6**	13
Unwinding of discount on fair value contracts (note 16)	**4**	7
Unwinding of discount on NLF receivable	**345**	557
Other finance income	**5**	17
Foreign exchange gains	**-**	21
Total investment revenue	**360**	615

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

10. Finance costs

	2012 £m	2011 £m
Interest on bank loans and overdrafts	**10**	6
Interest on bonds	**3**	42
Interest on other loans	**-**	1
Finance charges payable under finance leases	**12**	15
Unwinding of discount on provisions	**74**	108
Bond redemption fees	**41**	-
Unwinding of discount on NLF payable (note 26)	**345**	557
Pension scheme interest	**23**	22
Credit fees	**35**	59
Foreign exchange losses	**3**	-
Total finance cost	**546**	810
Less: amounts included in the cost of qualifying assets	**(12)**	(20)
Total borrowing costs	**534**	790

11. Tax on profit on continuing ordinary activities

(a) Analysis of tax charge in the year

Current tax	**2012 £m**	2011 £m
UK corporation tax on profits made in the year	**250**	207
Adjustments in respect of previous years' reported tax charges	**(89)**	(58)
Total current tax charge for the year	**161**	149

Deferred tax	**2012 £m**	2011 £m
Current year credit	**(68)**	(33)
Adjustments in respect of previous years' reported tax charges	**29**	18
Effect of decreased tax rate on opening liability	**(145)**	(150)
Total deferred tax credit for the year (note 29)	**(184)**	(165)
Income tax credit reported in income statement (note 11(b))	**(23)**	(16)

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

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:

	2012 £m	2011 £m (restated)
Profit before tax and associate	**624**	654
Tax at the UK corporation tax rate of 24.5% (2011: 26.5%)	**153**	173
Effect of:		
Non-deductible expenses and non-taxable income	**25**	(2)
Current year effect of deferred tax rate change	**4**	3
Decreased tax rate on opening deferred tax liability	**(145)**	(150)
Adjustment to prior-year corporation tax charge	**(89)**	(58)
Adjustment to prior-year deferred tax charge	**29**	18
Income tax credit reported in income statement	**(23)**	(16)

The current year effective tax rate is as shown below:

	2012 £m	2011 £m (restated)
Current year corporation tax charge	**250**	207
Current year deferred tax credit	**(68)**	(33)
Current year income tax charge	**182**	174
Current year effective tax rate	**29.2%**	26.6%

For the year ended 31 December 2012, the current year effective tax rate, including share of associates' tax, was 29.2% (2011: 26.6%). This is higher than the UK statutory rate of 24.5% (2011: 26.5%) primarily reflecting the non-deductible depreciation on assets on which there is no corresponding tax deduction and a non-deductible impairment of goodwill (note 14).

In the current year a deferred tax credit of £4m (2011: credit of £66m) 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 2012 announced a reduction in the main rate of corporation tax for the financial year beginning 1 April 2012 from 25% to 24%. This change was substantively enacted under the Provisional Collection of Taxes Act 1968 on 27 March 2012 and has therefore been reflected where appropriate in these financial statements.

The Finance Act 2012 also announced a further reduction in the main rate of corporation tax for the financial year beginning 1 April 2013 from 24% to 23%. This change was substantively enacted on 17 July 2012 and has therefore been reflected where appropriate in these financial statements.

11. Tax on profit on continuing ordinary activities continued

The Chancellor's autumn statement on 5 December 2012 announced a further reduction in the main rate of corporation tax for the financial year beginning 1 April 2014 from 23% to 21%. The impact of this would be a reduction in the cash tax payments to be made by the Group in future years and a reduction in the deferred tax liability provided at 31 December 2012 of £131m with a corresponding net deferred tax credit booked to the profit and loss account and reserves.

The Chancellor's Budget on 20 March 2013 announced a further reduction in the main rate of corporation tax for the financial year beginning 1 April 2015 from 21% to 20%. The impact of this would be to further reduce the deferred tax liability provided at 31 December 2012 by £66m with a corresponding deferred tax credit to the profit and loss account and reserves.

(c) In 2012, the Group's total tax contribution to the UK Exchequer was £78m (2011: £413m).

The total UK tax contribution by type of tax is analysed below.

Type of tax	**2012 £m**	2011 £m
Taxes collected on behalf of the Government:		
VAT collected from customers (output VAT)	**2,556**	2,821
VAT paid on taxable purchases (input VAT)	**(2,806)**	(2,941)
PAYE & employees' NIC	**203**	195
Climate change levy	**99**	112
Total taxes collected on behalf of the Government	**52**	187
Taxes borne by the Group:		
Corporation tax payments in respect of current year	**56**	129
Net corporation tax (refunds)/payments in respect of prior years	**(101)**	28
Employers' NIC	**69**	69
Stamp duty	**2**	-
Total taxes borne by the Group	**26**	226

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

An analysis of how the UK corporation tax on profits made in the year (note 11(a)) is settled is shown below:

	2012 £m	2011 £m
Payment to be made for current year losses surrendered from associated EDF companies	**105**	51
Reduction in liability for pension costs charged to reserves	**29**	-
Corporation tax payments made in year	**56**	129
Corporation tax payments made in following year	**60**	27
UK corporation tax on profits made in the year	**250**	207

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

11. Tax on profit on continuing ordinary activities continued

Neither VAT nor climate change levy currently have a significant impact on the Group's operating profit. The Group recovers VAT paid on its taxable purchases and collects VAT on behalf of the Government from its residential customers at the prescribed rate of 5% and from its business customers at 20%. The difference in recovery and collection rates resulted in a net VAT repayment due to the Group, from HMRC, as reflected in the table above. Climate change levy is a levy collected by the Group, on behalf of the Government, and is chargeable on the VAT inclusive supply of gas and electricity to business customers.

The current corporation tax expense (note 11(a)) and the cash corporation tax paid (above) in each financial year are different, principally because UK cash corporation tax payments are paid in quarterly instalments which straddle two consecutive financial years. For example, the cash corporation tax paid in 2012 comprised the first two quarterly instalments in respect of 2012 and the final two instalments in respect of 2011.

12. Dividends

	2012 £m	2011 £m
Amounts recognised as distributions to equity holders in the period :		
Interim dividend paid to parent company (note 34)	**575**	592
Interim dividend paid by subsidiary to non-controlling interests (note 30)	**102**	120
	677	712

13. Assets and liabilities held for sale

Following the acquisition of British Energy in 2009, the Group resolved to divest its interest in the gas-fired power station at Sutton Bridge following a commitment to the European Commission. In December 2012, the Group signed a sale and purchase agreement ("SPA") with a Macquarie-led consortium of investors. Completion of the sale is conditional upon receiving approval from the European Commission. The Group has re-classified its interests in Sutton Bridge as assets and liabilities held for sale following the internal approval to sign the SPA which was taken in November 2012. The sale completed in March 2013, see note 40 for further details. The assets and liabilities classified as held for sale exclude cash deposits and intra-group borrowings within the Sutton Bridge group. The cash will be used to settle the intra-group borrowings prior to sale.

	Year ended 31 December 2012 £m
Property, plant and equipment (note 17)	178
Goodwill (note 14)	14
Trade and other receivables	3
Total assets classified as held for sale	195
Other liabilities	(11)
Deferred tax provisions (note 29)	(20)
Corporation tax liabilities	(8)
Provisions (note 28)	(1)
Total liabilities associated with assets classified as held for sale	(40)
Net assets held for sale	155

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

14. Goodwill

	£m
Carrying amount	
At 31 December 2010	6,845
Change in value of CVR instrument	39
At 31 December 2011	6,884
Change in value of CVR instrument	(21)
Impairment (note 15)	(60)
Transfer to asset held for sale (note 13)	(14)
At 31 December 2012	**6,789**

The impairment of goodwill relates to Sutton Bridge. The Group has re-classified its interests in Sutton Bridge as assets and liabilities held for sale following the internal approval to sign the SPA which was taken in November 2012. Upon classification as a disposal group, Sutton Bridge was recognised at the lower of cost and sales price less selling expenses which resulted in an impairment of £60m being recognised against the goodwill which was attributed to Sutton Bridge and £14m of goodwill being transferred to assets held for sale.

15. Impairment

Breakdown of impairments recognised

	2012 £m	2011 £m
Impairment of goodwill (note 14)	**60**	-
Impairment of property, plant and equipment (note 17)	**130**	-
	190	-

The impairment of property, plant and equipment relates to the CCGT plant at West Burton. In view of the substantial decline in spark spreads in 2012, the plant was subjected to an impairment test. Its recoverable amount is estimated based on discounted cash flows over its expected useful life. This lead to the recognition of an impairment against the station of £130m.

Impairment testing of goodwill

Allocation of goodwill to cash-generating units:	**2012 £m**	2011 £m
Energy Sourcing and Customer Supply	**1,565**	1,639
Nuclear	**5,223**	5,244
Corporate	**1**	1
Total goodwill	**6,789**	6,884

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

15. Impairment continued

During the year, impairment testing has been carried out at a cash-generating unit ("CGU") level, based on the higher of fair value less costs to sell and value in use. 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 2.5% (2011: 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 post-tax discounted cash flows, using a discount rate derived from an after-tax rate of 7.2% (2011: 7.5%).

Other assumptions applied to a specific CGU are detailed below.

Energy Sourcing and Customer Supply

The impairment review was performed based on the value in use, determined by reference to the entity's 5-year medium term plan. Terminal value is determined using a growth rate of 1.9%. Regarding the ESCS cash-generating unit, an increase in the after-tax discount rate by more than 0.26% points to 7.26%; the assumption of a growth rate of less than 2.4% or a decrease in the operating results after taxes in terminal value of £4.7m would result in the recoverable amount being lower than the carrying amount.

Nuclear

The recoverable amount of the nuclear activities is estimated based on discounted future net cash flows from the generation units over their estimated useful life, taking into consideration the probable extension of useful economic lives. The approval in December 2012 of the useful life extensions for Hinkley Point B and Hunterston B confirms the validity of the assumptions adopted by the Group. The assumptions regarding electricity price movements in the United Kingdom take account of the need to develop new generation facilities to meet demand from 2020, especially due to the retirement of the coal-fired power stations and an expected recovery in nuclear power by that time. It was assumed that the greenhouse gas emission quota prices used for the impairment tests were determined on a basis that reflects energy market reforms.

Beyond the five year plan, long-term assumptions for commodity prices have been retained in line with the original acquisition date view for the existing nuclear fleet, and in line with expected CfD prices for NNB. 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

16. 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 31 December 2010	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**
Additions	113	230	80	-	-	-	**423**
Transfers	-	-	17	-	-	-	**17**
Disposals	(79)	(208)	(56)	-	-	-	**(343)**
Unwinding of discount	-	-	-	-	-	4	**4**
Unwinding of contract	-	-	-	-	-	(65)	**(65)**
At 31 December 2012	**116**	**44**	**560**	**39**	**200**	**24**	**983**
Amortisation							
At 31 December 2010	-	-	(226)	(2)	-	-	**(228)**
Charge for year	-	-	(56)	(1)	-	-	**(57)**
Disposals	-	-	17	-	-	-	**17**
At 31 December 2011	**-**	**-**	**(265)**	**(3)**	**-**	**-**	**(268)**
Charge for year	-	-	(46)	(1)	-	-	**(47)**
Disposals	-	-	56	-	-	-	**56**
At 31 December 2012	**-**	**-**	**(255)**	**(4)**	**-**	**-**	**(259)**
Carrying amount							
At 31 December 2012	**116**	**44**	**305**	**35**	**200**	**24**	**724**
At 31 December 2011	82	22	254	36	200	85	679

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

17. Property, plant and equipment

	Land and buildings £m	Network assets £m	Generation assets £m	Nuclear power stations £m	Other plant and equipment £m	Equipment and fittings £m	Assets in the course of construction £m	**Total £m**
Cost								
At 31 December 2010	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**
Additions	-	-	-	-	-	-	1,235	**1,235**
Transfers	-	1	106	167	198	(1)	(488)	**(17)**
Decommissioning	-	-	14	-	-	-	-	**14**
Revaluation of final core provision	-	-	-	(113)	-	-	-	**(113)**
Disposals	-	(3)	-	-	(65)	(1)	-	**(69)**
Transfer to assets held for sale	-	-	(320)	-	-	-	-	**(320)**
At 31 December 2012	**334**	**18**	**1,711**	**8,437**	**586**	**179**	**2,517**	**13,782**
Accumulated depreciation								
At 31 December 2010	(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)**
Charge for year	(1)	(1)	(90)	(416)	(144)	(23)	-	**(675)**
Impairment	-	-	(130)	-	-	-	-	**(130)**
Transfers	-	-	(1)	-	-	1	-	**-**
Disposals	-	3	-	-	65	1	-	**69**
Transfer to assets held for sale	-	-	142	-	-	-	-	**142**
At 31 December 2012	**(8)**	**(6)**	**(1,207)**	**(2,300)**	**(271)**	**(145)**	**-**	**(3,937)**
Carrying amount								
At 31 December 2012	**326**	**12**	**504**	**6,137**	**315**	**34**	**2,517**	**9,845**
At 31 December 2011	327	12	783	6,499	261	57	1,770	9,709

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

17. Property, plant and equipment continued

The carrying amount of the Group's generation assets includes an amount of £169m (2011: £185m) in respect of assets held under finance leases.

During 2012, the Group carried out an impairment review of its West Burton CCGT in light of falling spark spreads. This led to an impairment of £130m being recognised in 2012 to bring the carrying value in line with value in use. This was included within the impairment on the face of the consolidated income statement.

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.

18. Interest in associate

	2012 £m	2011 £m
Cost of investment in associate	**10**	10
Share of post-acquisition gains net of dividend	**50**	51
Total investment	**60**	61
Provision for impairment	**(40)**	(40)
Carrying value of associate	**20**	21

Amounts relating to associate:	**2012 £m**	2011 £m
Total assets	**65**	73
Provision	**(40)**	(40)
Total liabilities	**(5)**	(12)
Revenues	**5**	21
(Loss)/profit	**(1)**	1

Details of the Group's associate at 31 December 2012 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	United Kingdom	18.6%	25%	Equity

The associate is held indirectly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

19. 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 %
EDF Energy Renewables Limited (*)	United Kingdom	50.0%	50.0%
Boundary Lane Windfarm Limited (*)	United Kingdom	50.0%	50.0%
Braemore Wood Windfarm Limited (*)	United Kingdom	50.0%	50.0%
Glass Moor II Windfarm Limited (*)	United Kingdom	50.0%	50.0%
Green Rigg Windfarm Limited (*)	United Kingdom	50.0%	50.0%
Navitus Bay Development Limited	United Kingdom	50.0%	50.0%
Royal Oak Windfarm Limited (*)	United Kingdom	50.0%	50.0%
Bicker Fen Windfarm Limited (*)	United Kingdom	50.0%	50.0%
Burnfoot Windfarm Limited (*)	United Kingdom	50.0%	50.0%
Fairfield Windfarm Limited (*)	United Kingdom	50.0%	50.0%
Rusholme Windfarm Limited (*)	United Kingdom	50.0%	50.0%
Walkway Windfarm Limited (*)	United Kingdom	50.0%	50.0%
Teesside Windfarm Limited (*)	United Kingdom	50.0%	50.0%
Longpark Windfarm Limited (*)	United Kingdom	50.0%	50.0%
Lewis Wind Power Limited	United Kingdom	50.0%	50.0%
Fallago Rig Windfarm Limited (*)	United Kingdom	50.0%	50.0%

(*) Joint venture with EDF Énergies Nouvelles, another subsidiary of EDF SA.

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:

	2012 £m	2011 £m
Current assets	**40**	62
Non-current assets	**325**	158
	365	220
Current liabilities	**(27)**	(14)
Non-current liabilities	**(267)**	(164)
	71	42
Revenue	**15**	16
Cost of sales	**(5)**	(3)
Administrative expenses	**(8)**	(9)
Finance costs	**(6)**	(7)
Loss before income tax	**(4)**	(3)
Income tax (charge)/ credit	**(1)**	1
Net loss	**(5)**	(2)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

20. NLF and nuclear liabilities receivable

	2012 £m	2011 £m
Non current assets		
Nuclear liabilities receivable	**1,459**	1,586
NLF receivable	**3,920**	4,192
Total non current NLF and nuclear liabilities receivables	**5,379**	5,778
Current assets		
Nuclear liabilities receivable	**241**	234
NLF receivable	**27**	9
Total current NLF and nuclear liabilities receivables	**268**	243
Total NLF and nuclear liabilities receivables	**5,647**	6,021

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

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

21. Inventories

	2012 £m	2011 £m
Raw materials and consumables	**252**	217
Levy exemptions certificate	**17**	18
Unburnt nuclear fuel	**1,557**	1,573
Other nuclear fuel and uranium	**310**	250
Work in progress	**3**	2
	2,139	2,060

22. Trade and other receivables

	2012 £m	2011 £m
Trade receivables (i)	**784**	706
Allowance for doubtful debts (ii)	**(146)**	(120)
Unbilled revenue	**549**	414
Amounts owed by other Group companies	**1**	-
Other debtors	**171**	70
Advance payments	**91**	89
Accrued Eggborough proceeds	**-**	212
	1,450	1,371

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

22. Trade and other receivables continued

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

ii. Movement in the allowance for doubtful debts:

	2012 £m	2011 £m
At 1 January	**120**	108
Amounts recovered during the year	**(2)**	-
Increase in allowance recognised in profit or loss	**28**	12
At 31 December	**146**	120

Included within the Group's trade receivables balance are debtors with a carrying value of £511m (2011: £347m) which are overdue at the reporting date. The average age of these debts is 54 days (2011: 55 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 38 for further details on bad debt provisions and credit risks.

23. Cash and cash equivalents

	2012 £m	2011 £m
Cash at bank and in hand	**71**	56
Short-term deposits	**63**	37
Cash pooling with intermediate parent company	**1,729**	1,691
	1,863	1,784

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 £1,863m (2011: £1,784m). 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.

At 31 December 2012, the Group had available £320m (2011: £2,120m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. The £1,800m credit facility with the parent company matured during the year and was not extended based on the cash requirement of the Group. The Group cash balance includes £79m (2011: £84m) 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

24. Other liabilities

	2012 £m	2011 (restated) £m
Trade creditors	**1,174**	873
Other payables	**154**	138
Accruals	**459**	401
NLF liabilities	**16**	23
Nuclear liabilities (note 26)	**241**	234
Interest payable	**46**	5
Total other liabilities due within one year	**2,090**	1,674
Contingent consideration	**116**	137
Nuclear liabilities (note 26)	**1,451**	1,586
NLF liabilities	**135**	142
Unfunded pension scheme	**11**	6
Total other liabilities due after more than one year	**1,713**	1,871
Total other liabilities	**3,803**	3,545

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

25. Borrowings

	2012 £m	2011 £m
Sutton Bridge bonds due June 2022 (i)	**115**	26
€800m Eurobond due June 2013 (ii)	**653**	-
EDF Energy Renewables (iii)	**8**	6
Total borrowings due within one year	**776**	32
Sutton Bridge bonds due June 2022 (i)	**-**	122
€800m Eurobond due June 2013 (ii)	**-**	668
EDF Energy Renewables (iii)	**152**	105
Total borrowings due within more than one year	**152**	895
Total borrowings	**928**	927

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) below.

(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 £78.1m (2011: £89.3m) at a fixed interest rate of 8.625%. The second tranche comprises a remaining principal of US$60.1m (2011: $68.7m) at a fixed interest rate of 7.97% which has been swapped into £37.2m (2011: £44.9m). 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 38. 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 have various covenants covering ratios of cash flows to debt servicing. All covenants were met in 2012 and 2011. In December 2012, as part of the disposal process for Sutton Bridge, the Group gave irrevocable notice to redeem the Sutton Bridge bonds and these were redeemed on 29 January 2013.

(ii) In 2008 the Group entered into the €800m bond with another company within the EDF S.A Group. This bond matures on 27 June 2013 and 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%.

(iii) 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

26. Nuclear liabilities

	Spent fuel £m	Radioactive waste £m	Decommissioning £m	Total £m
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**
Charged to profit and loss account:				
- Unwinding of the discount (note 10)	125	28	192	**345**
- Accounting life extension	-	(27)	(472)	**(499)**
- Operating costs	26	-	-	**26**
Payments in the period	(251)	-	-	**(251)**
At 31 December 2012	1,892	484	3,261	**5,637**

Nuclear liabilities are included in the balance sheet as follows:

	2012 £m	2011 £m
Creditors:		
- amounts falling due within one year	**241**	234
- amounts falling due after more than one year	**1,451**	1,586
Provision for liabilities (see note 28)	**3,945**	4,196
	5,637	6,016

During 2012, the Group has reviewed its classification of costs split between creditors and provisions. This has led to a reclassification of £172m from other liabilities to creditors.

Spent fuel

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

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

Radioactive waste

Radioactive waste comprises the provision of services relating to the transport and disposal of waste arising from the decommissioning of PWR and AGR stations, and the transport and disposal of spent fuel and associated wastes. These liabilities are derived from the latest technical estimates and are funded by the NLF.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

26. Nuclear liabilities continued

Decommissioning

The costs of decommissioning the power stations have been estimated on the basis of ongoing technical assessments of the processes and methods likely to be used for decommissioning under the current regulatory regime. The estimates are designed to reflect the costs of making the sites of the power stations available for alternative use in accordance with the Group's decommissioning strategy. These liabilities are also funded by the NLF.

Extension of accounting lives

During 2012 the discounted decommissioning liabilities reduced following the extension of the accounting lives of the AGR Fleet by an average of 7 years. 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 circa £500m. 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 impact for this change in the profit and loss account.

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.

	Spent fuel £m	**Radioactive waste £m**	**Decomm-issioning £m**	**2012 Total £m**	2011 Total £m
Undiscounted	3,118	3,418	10,517	**17,053**	16,740
Discounted	2,006	540	3,261	**5,807**	6,152
Accrued to date	1,892	484	3,261	**5,637**	6,016

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 historic 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 1, the undiscounted payments in current prices are expected to become payable as follows:

	Spent fuel £m	**Radioactive waste £m**	**Decomm-issioning £m**	**2012 Total £m**	2011 Total £m
Within five years	1,147	-	36	**1,183**	1,342
6 – 10 years	653	10	392	**1,055**	1,968
11 – 25 years	434	147	3,357	**3,938**	3,261
26 – 50 years	226	479	1,516	**2,221**	1,804
51 years and over	658	2,782	5,216	**8,656**	8,365
	3,118	3,418	10,517	**17,053**	16,740

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

27. Derivative financial instruments

	2012 £m	2011 £m
Current		
Derivatives that are designated as hedging instruments in a fair value hedge:		
Foreign currency forward contracts	-	1
Derivatives that are designated as hedging instruments in a cash flow hedge:		
Commodity purchase contracts	(110)	(169)
Cross-currency interest rate swaps	17	-
Interest rate swaps	-	(1)
Foreign currency forward contracts	(10)	12
Derivatives at fair value through profit and loss (FVTPL):		
Commodity purchase contracts	21	2
Foreign currency forward contracts	(5)	(2)
Total current derivative financial instruments	(87)	(157)
Split by:		
Current assets	125	51
Current liabilities	(212)	(208)
Non-current		
Derivatives that are designated as hedging instruments in a cash flow hedge:		
Commodity purchase contracts	(15)	2
Cross-currency interest rate swaps	-	44
Foreign currency forward contracts	(12)	(1)
Derivatives at fair value through profit and loss (FVTPL):		
Commodity purchase contracts	18	10
Foreign currency forward contracts	(1)	(3)
Total non-current derivative financial instruments	(10)	52
Split by:		
Non-current assets	46	166
Non-current liabilities	(56)	(114)
Total derivative financial instruments	(97)	(105)

Further details of derivative financial instruments are provided in note 38. 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

28. Provisions for liabilities

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

	At 31 December 2011 £m	Utilised in the year £m	Released in the year £m	Arising during the year £m	Unwinding of discount £m	Transfer to assets held for sale £m	**At 31 December 2012 £m**
Obligations under EU emissions	80	(79)	-	113	-	-	**114**
Renewable obligation certificates	178	(246)	-	314	-	-	**246**
Decommissioning on non-nuclear stations	42	-	-	14	2	(1)	**57**
Legal disputes	19	-	(9)	-	-	-	**10**
Onerous contracts	118	(104)	-	-	11	-	**25**
Restructuring costs	27	(2)	-	-	-	-	**25**
Nuclear	4,196	(14)	(473)	-	236	-	**3,945**
Provision for unburnt fuel at station closure	1,131	-	(113)	-	51	-	**1,069**
Other costs	15	(5)	(5)	6	-	-	**11**
	5,806	(450)	(600)	447	300	(1)	**5,502**

The provisions have been split as follows:

	At 31 December 2012			At 31 December 2011		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	£m	**£m**	**£m**	£m	£m	£m
Obligations under EU emissions	**114**	**-**	**114**	80	-	80
Renewable obligation certificates	**246**	**-**	**246**	178	-	178
Decommissioning on non-nuclear stations	**-**	**57**	**57**	-	42	42
Legal disputes	**10**	**-**	**10**	17	2	19
Onerous contracts	**22**	**3**	**25**	95	23	118
Restructuring	**25**	**-**	**25**	22	5	27
Nuclear	**-**	**3,945**	**3,945**	-	4,196	4,196
Provision for unburnt fuel at station closure	**-**	**1,069**	**1,069**	-	1,131	1,131
Other provisions	**11**	**-**	**11**	15	-	15
	428	**5,074**	**5,502**	407	5,399	5,806

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

28. Provisions for liabilities continued

The provisions for obligations under EU emissions represent the additional certificates required to cover the Group's carbon emissions in excess of the free allocation of certificates. It is expected that this provision will be utilised in 2013 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 2013.

The decommissioning provision is to provide for the future costs of decommissioning the nuclear power plants as well as Cottam and West Burton 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 2013.

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 2013 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 2013 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 2013.

See note 26 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.

29. Deferred tax

In order to calculate the profits on which the Group will pay corporation tax, the profit in these accounts is adjusted for items of income and expense that are taxable or deductible in other years, in accordance with tax legislation. At some point in the future these adjustments will become taxable or deductible. A deferred tax charge/credit is taken to the income statement to reflect the increase/reduction in corporation tax that will be made in the future as a result of these adjustments. A deferred tax charge/credit may also arise on fair value adjustments booked on the acquisition of businesses.

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

	Accelerated tax depreciation £m	Retirement benefit obligations £m	Fair value of derivative instruments £m	Other £m	**Total £m**
At 31 December 2010 (restated)	(1,915)	195	(17)	(99)	**(1,836)**
Credit/(charge) to income:					
o current year	83	(19)	(14)	(17)	**33**
o adjustments in respect of previous years' reported tax charges	(18)	1	-	(1)	**(18)**
o effect of decreased tax rate on opening liability	142	-	1	7	**150**
Credit/(charge) to equity					
o current year	-	58	66	-	**124**
o effect of decreased tax rate on opening liability	-	(14)	-	-	**(14)**
At 31 December 2011	(1,708)	221	36	(110)	**(1,561)**
Charge to income:					
Credit/(charge) to income:					
o current year	52	10	(10)	16	**68**
o adjustments in respect of previous years' reported tax charges	(25)	-	-	(4)	**(29)**
o effect of decreased tax rate on opening liability	137	-	-	8	**145**
Credit/(charge) to equity					
o current year	-	(135)	4	-	**(131)**
o effect of decreased tax rate on opening liability	-	(18)	(3)	-	**(21)**
Transfer to held for sale	20	-	-	-	**20**
At 31 December 2012	**(1,524)**	**78**	**27**	**(90)**	**(1,509)**

The Group has unrecognised tax losses of £29m (2011: £29m). A deferred tax asset has not been recognised in respect of these losses as it is uncertain whether future taxable profits will be available against which these losses can be utilised. These losses can however be carried forward indefinitely for offset against future profits.

The 2011 figures have been restated to show the impact of the change in the accounting for the pension scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

29. Deferred tax continued

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:

	2012	2011	2010
	£m	£m	£m
Deferred tax assets	**105**	257	195
Deferred tax liabilities	**(1,614)**	(1,818)	(2,031)
At 31 December	**(1,509)**	(1,561)	(1,836)

30. Non-controlling interests

	£m
At 31 December 2010 (restated)	2,365
Profit arising during the year	110
Dividends paid	(120)
Capital injection	54
Actuarial losses on pension scheme, net of tax	(25)
At 31 December 2011 (restated)	**2,384**
Profit arising during the year	150
Dividends paid	(102)
Capital injection	64
Actuarial gains on pension scheme, net of tax	43
At 31 December 2012	**2,539**

The 2011 figures have been restated to show the impact of the change in the accounting for the pension scheme.

31. Commitments

Capital and other commitments

At 31 December 2012, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £792m (2011: £884m) and contractual commitments for the acquisition of intangible assets of £nil (2011: £nil).

At 31 December 2012, the Group had contracted to purchase power, gas and other fuel to the value of £2,734m (2011: £2,606m).

Operating lease commitments given

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

	2012	2011
	£m	£m
Within one year	**36**	19
After one year but not more than five years	**84**	66
More than five years	**108**	91
Future lease charges	**228**	176

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31. Commitments continued

Operating lease commitments received

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

	2012 £m	2011 £m
Within one year	**7**	37
After one year but not more than five years	**6**	16
More than five years	**1**	-
Future lease receivables	**14**	53

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**	
	2012 £m	2011 £m	**2012 £m**	2011 £m
Within one year	**37**	37	**36**	36
After one year but not more than five years	**151**	150	**134**	129
More than five years	**115**	153	**88**	109
	303	340	**258**	274
Less: future finance charges	**(45)**	(66)		
Minimum lease payments	**258**	274		

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 8 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 £111m (2011: £98m) 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

31. Commitments continued

Commitments arising under European Commission Merger Regulation ("ECMR")
The British Energy acquisition was subject to certain conditions, including receiving Phase 1 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 EDF. Specifically, EDF has committed to the following: (i) to divest EDF Energy's gas-fired power plant at Sutton Bridge; (ii) to divest British Energy's coal-fired power station at Eggborough; (iii) to sell minimum volumes of electricity on 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. Item (i) is pending European Commission's approval and item (iii) is being undertaken as required.

As a consequence of (i) above, Sutton Bridge was operated under Hold Separate Arrangements under the management of a Hold Separate Manager during 2012. Sutton Bridge is located in Lincolnshire, and is a combined cycle gas turbine ("CCGT") power plant with a capacity of 819 MW. It was commissioned in May 1999 and was acquired by EDF Energy from Enron in April 2000. Sutton Bridge operated under a Capacity and Tolling Agreement. As a consequence of the divestment commitment, EDF Energy put in place a Virtual Toll, by which a third party toller receives the benefit of the plant's output and any associated benefits or liabilities. On 12 December 2012 EDF Energy announced that it had reached agreement for the sale of Sutton Bridge power station to a Macquarie-led consortium of investors. The sale completed on 27 March 2013, see note 40 for further details.

32. Share capital

Allotted, called up and fully paid	**2012 Number**	2011 Number	**2012 £m**	2011 £m
Ordinary shares of £1.00 each	**12,643,977,252**	12,387,864,252	**12,644**	12,388

During 2012, 256,113,000 shares were issued at nominal value for consideration of £256m.

33. Capital reserves

	Share premium £m	**Capital reserve £m**	**Total £m**
At 31 December 2010, 31 December 2011 and 31 December 2012	**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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

34. Retained earnings

	£m
At 31 December 2010 (restated)	661
Profit for the year	561
Dividends paid	(592)
Actuarial losses, net of tax	(173)
At 31 December 2011 (restated)	457
Profit for the year	496
Dividends paid	(575)
Actuarial gains, net of tax	301
At 31 December 2012	**679**

35. Hedging reserve

	£m
At 31 December 2010	88
Net losses on items in cash flow hedge	(258)
Deferred tax on net losses in cash flow hedge	66
At 31 December 2011	(104)
Net losses on items in cash flow hedge	(17)
Deferred tax on net losses in cash flow hedge	1
At 31 December 2012	**(120)**

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 2012 £m	31 December 2011 £m
Less than one year	**(136)**	(136)
Between one to five years	**(12)**	4
More than five years	**(6)**	(5)
Total fair value losses on derivatives designated as effective cash flow hedges	**(154)**	(137)
Deferred taxation	**34**	33
Total	**(120)**	(104)

During the year a loss of £311m (2011: a profit of £209m) was recycled from the hedging reserve and included within fuel, energy and related purchases, in relation to contracts which had matured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

36. Notes to the cash flow statement

	2012	2011 (restated)
	£m	£m
Profit before taxation and associate	**624**	654
Adjustments for:		
Gain on derivatives	**(41)**	(55)
Depreciation	**675**	785
Impairment	**190**	-
Amortisation of intangible assets	**47**	57
Utilisation of carbon and renewable obligations certificates	**287**	208
Finance costs	**174**	193
Profit on disposal of subsidiary	**(4)**	(1)
Loss on disposal of property, plant and equipment	**-**	(2)
Other losses	**(8)**	-
Increase/(decrease) in provisions	**1**	(123)
Increase in post-employment benefits	**15**	11
Release of fair value of sales contract assets	**170**	23
Operating cash flows before movements in working capital	**2,130**	1,750
(Increase)/decrease in inventories	**(183)**	48
(Increase)/decrease in receivables	**(87)**	562
Increase/(decrease) in payables	**345**	(667)
Cash generated by operations	**2,205**	1,693
Pension deficit payment	**(116)**	(117)
Income taxes received/(paid)	**29**	(157)
Net cash from operating activities	**2,118**	1,419

A reconciliation of the "income taxes received/(paid)" is shown below:

	2012	2011
	£m	£m
Corporation tax payments in respect of current year	**(56)**	(129)
Net corporation tax refunds/(payments) in respect of prior years	**101**	(28)
Net payments to associated EDF companies for use of tax losses	**(16)**	-
Total corporation tax refunded /(paid) by the Group	**29**	(157)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

37. Retirement benefit schemes

The Group implemented a change in accounting policy relating to pensions with effect from 1 January 2012. See note 1 for further details about the impact of this change. EDF Energy Holdings Limited has 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 in March 2011. 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 2012 % p.a	31 December 2011 % p.a	31 December 2010 % p.a.
Discount rate			
- EEGS	**4.6**	4.7	5.5
- EEPS	**4.8**	4.7	5.4
- BEGG	**4.5**	4.7	5.5
RPI inflation assumption			
- EEGS	**3.1**	3.2	3.6
- EEPS	**3.2**	3.3	3.6
- BEGG	**3.1**	3.2	3.6
CPI inflation assumption			
- EEGS	**2.4**	2.4	2.8
- EEPS	**2.5**	2.5	2.8
- BEGG	**2.4**	2.4	2.8
Rate of increase in salaries			
- EEGS	**3.1**	4.7	5.1
- EEPS	**3.2**	4.8	5.1
- BEGG	**3.1**	4.7	5.1
Rate of increase of pensions in deferment			
- EEGS	**3.1**	3.2	3.6
- EEPS - pre April 2009 pensions	**2.5**	2.5	2.8
- EEPS - post April 2009 pensions	**2.5**	2.5	2.5
- BEGG	**3.1**	3.2	3.6
Rate of increase of pensions in payment			
- EEGS – pensions in excess of GMP	**3.1**	3.2	3.6
- EEGS – post 88 GMP	**2.1**	2.1	2.2
- EEPS – pre 2006 excess pensions	**3.1**	3.2	3.4
- EEPS – post 2006 excess pensions	**2.1**	2.1	2.2
- EEPS – post 88 GMP	**2.1**	2.1	2.2
- BEGG– pensions in excess of GMP	**3.0**	3.2	3.6
- BEGG– post 88 GMP	**2.0**	2.1	2.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

37. Retirement benefit schemes continued

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

EEGS	2012	2011	2010
Life expectancy for current male pensioner aged 60	**28**	28	28
Life expectancy for current female pensioner aged 60	**30**	30	30
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	2012	2011	2010
Life expectancy for current male pensioner aged 65	**22**	22	22
Life expectancy for current female pensioner aged 65	**24**	24	24
Life expectancy for future male pensioner currently aged 45 from age 65	**24**	24	24
Life expectancy for future female pensioner currently aged 45 from age 65	**27**	27	27

BEGG	2012	2011	2010
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**	31	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.

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

	BEGG 2012 £m	**EEGS 2012 £m**	**EEPS 2012 £m**	**Total 2012 £m**	Total 2011 £m	Total 2010 £m
Present value of defined benefit obligations	**(4,132)**	**(586)**	**(310)**	**(5,028)**	(5,034)	(4,438)
Fair value of scheme assets	**3,894**	**530**	**274**	**4,698**	4,157	3,718
Deficit in scheme	**(238)**	**(56)**	**(36)**	**(330)**	(877)	(720)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

37. Retirement benefit schemes continued

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

	BEGG 2012 £m	EEGS 2012 £m	EEPS 2012 £m	Total 2012 £m	Total 2011 (restated) £m	Total 2010 (restated) £m
Current service cost	111	18	40	169	139	153
Interest cost	191	29	15	235	244	363
Expected return on scheme assets	(176)	(26)	(10)	(212)	(221)	(313)
Changes arising on curtailments/settlements	-	1	-	1	3	1
Total pension costs	126	22	45	193	165	204

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

	BEGG 2012 £m	EEGS 2012 £m	EEPS 2012 £m	Total 2012 £m	Total 2011 (restated) £m	Total 2010 (restated) £m
At 1 January	4,083	621	330	5,034	4,438	6,980
Service cost	111	18	40	169	139	153
Changes arising on curtailments /settlements	-	1	-	1	3	1
Interest cost	191	29	15	235	244	363
Actuarial (gains)/losses	(125)	(67)	(79)	(271)	316	(46)
Benefits paid	(137)	(18)	(4)	(159)	(131)	(228)
Contributions by employees	9	2	8	19	25	32
Impact of sale of subsidiaries	-	-	-	-	-	(2,817)
At 31 December	4,132	586	310	5,028	5,034	4,438

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

	BEGG 2012 £m	EEGS 2012 £m	EEPS 2012 £m	Total 2012 £m	Total 2011 (restated) £m	Total 2010 (restated) £m
At 1 January	3,476	468	213	4,157	3,718	5,342
Expected return on scheme assets	176	26	10	212	221	313
Actuarial gains	167	19	13	199	76	186
Contributions by employer	107	18	29	154	131	133
Deficit repair payments	96	15	5	116	117	155
Benefits paid	(137)	(18)	(4)	(159)	(131)	(228)
Contributions by employees	9	2	8	19	25	32
Impact of sale of subsidiaries	-	-	-	-	-	(2,215)
At 31 December	3,894	530	274	4,698	4,157	3,718

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

37. Retirement benefit schemes continued

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

	BEGG EEGS EEPS 2012 %	BEGG EEGS EEPS 2011 %	BEGG EEGS EEPS 2010 %	**BEGG 2012 £m**	**EEGS 2012 £m**	**EEPS 2012 £m**	**Total 2012 £m**	Total 2011 £m	Total 2010 £m
Gilts - fixed	**2.7**	3.0	4.3	**-**	**19**	**-**	**19**	107	52
- index linked	**2.6**	2.9	4.2	**1,373**	**110**	**-**	**1483**	1,383	993
Equities	**7.9**	7.9	7.9	**1,260**	**211**	**75**	**1546**	1,402	1,432
Property	**6.9**	6.9	7.8	**285**	**19**	**25**	**329**	541	587
Corporate bonds	**4.1**	4.7	5.4	**607**	**122**	**76**	**805**	395	369
Cash	**1.0**	1.8	1.4	**369**	**49**	**69**	**487**	303	255
Other		-	-	**-**	**-**	**29**	**29**	26	30
				3,894	**530**	**274**	**4,698**	4,157	3,718

The history of experience adjustments is as follows:

	BEGG 2012 £m	**EEGS 2012 £m**	**EEPS 2012 £m**	**Total 2012 £m**	Total 2011 £m	Total 2010 £m	Total 2009 £m	Total 2008 £m
Present value of defined benefit obligations	**(44)**	**9**	**-**	**(35)**	(74)	23	10	(7)
Percentage of scheme liabilities	**1%**	**(2)%**	**-**	**1%**	1%	(1)%	0%	0%
Experience adjustments on scheme assets	**167**	**19**	**13**	**199**	75	186	208	(594)
Percentage of scheme assets	**4%**	**4%**	**5%**	**4%**	2%	5%	4%	(27)%

The estimated amounts of employer's contributions expected to be paid to the schemes during 2013 is £270m.

In addition to the pension provision recognised, there is an additional amount of £11m (2011: £6m and 2010: £6m) included within other liabilities which relates to unapproved pension scheme amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

38. 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:

	2012 £m	2011 (restated) £m
Financial assets		
Cash and cash equivalents (note 23)	**1,863**	1,784
Derivative financial instruments (note 27)	**171**	217
Loans and receivables	**1,425**	1,421
NLF and Nuclear liabilities receivable (note 20)	**5,647**	6,021
Financial liabilities		
Derivative financial instruments (note 27)	**(268)**	(322)
Borrowings and other liabilities	**(4,989)**	(4,746)

Loans and receivables include trade and other receivables less other debtors.

Borrowings and other liabilities include borrowings, other liabilities excluding deferred income, and obligations under finance leases. This has been restated to reflect the £172m reclassification between nuclear liabilities and provisions.

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, less cash and cash equivalents (note 23) plus derivative liabilities. Given that the Group is a 100%-owned subsidiary, any changes in capital structure are generally achieved via additional borrowings from other companies within the EDF SA group or from capital injection from its 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 forecast customer demand for gas and electricity effectively and to procure the various commodities at a price competitive enough to allow a favourable tariff proposition for our customers. Due to the vertically-integrated nature of the Group, the electricity procured from the generation business provides a natural hedge for the electricity demand from the retail business. 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 commodities for the whole of EDF Energy consistently with its Group risks mandate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

38. Financial instruments continued

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 £93m higher (2011: £21m) and hedging reserves would have been £238m higher (2011: £233m), 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 2012 (2011: negligible).

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 £9m higher (2011: £8m higher).

Interest rate profile

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

	2012 £m	2011 £m
Floating rate borrowings	**735**	745
Fixed rate borrowings	**193**	182
Total borrowings (note 25)	**928**	927
Fixed rate finance lease obligations (note 31)	**258**	274

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

	2012	2011
Weighted average fixed interest rate %	**7.8%**	7.3%
Weighted average floating interest rate %	**1.1%**	1.3%

At 31 December 2012, the Group had six interest rate swaps (2011: four) and two cross currency interest rate swaps (2011: two). The fair value of the interest rate swaps outstanding at 31 December 2012 was £6m (2011: £1m) and hence any sensitivity impact is negligible. The fair value of the cross-currency interest rate swaps outstanding at 31 December 2012 was an asset of £20m and a liability of £7m (2011: asset of £47m and a liability of £3m). If exchange rates moved by 10%, the value of the derivative asset would move by £2m (2011: £4m). If interest rates moved by 100bps the value of the derivative asset and the hedging reserve would be negligible (2011: £2m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

38. Financial instruments continued

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 or 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 2012	**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	1,078	479	-	1,557	1,096	489	-	1,585	24
Foreign exchange swaps	8	19	22	49	8	20	23	51	4

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

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 £18.9m higher (2011: £8.4m 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

38. Financial instruments continued

Balances are written off when recoverability is assessed as being remote. The assessment considers the age of debt balances and takes account of the credit worthiness of some customers and considers whether they remain ongoing customers. Money recovered relating to balances previously written off is credited to the income statement on receipt.

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

	2012 £m	2011 £m
Guarantee provided by subsidiary relating to performance of contractual obligations	**5**	2
Guarantee relating to tax obligations	**1**	1

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 2012

	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	19	37	113	116	**303**
Borrowings	-	-	782	5	12	40	159	**998**
Other liabilities	1,119	624	7	67	7	-	-	**1,824**
Derivative and other financial instruments	702	329	340	528	852	97	45	**2,893**

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	19	37	113	153	**340**
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**

38. 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	**2012 £m**	2011 £m
Derivative financial instruments		
Hedging instruments carried in a fair value hedge	**-**	1
Hedging instruments in a cash flow hedge	**(131)**	(113)
Instruments designated at FVTPL	**34**	7
Total	**(97)**	(105)

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**	
	2012 £m	2011 £m	**2012 £m**	2011 £m
Financial liabilities				
Borrowings and other liabilities	**4,989**	4,746	**5,020**	4,757

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

39. Related parties

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

		Sales to related parties £m	Purchases from related parties £m	Interest paid to related parties £m	Interest received from related parties £m
Joint ventures:	**2012**	**1**	**(30)**	**-**	**2**
	2011	1	(32)	-	1
Transactions with other EDF S.A. group companies	**2012**	**6**	**(2,085)**	**(22)**	**11**
	2011	6	(2,679)	(32)	-
Finance lease commitment with EDF S.A. group	**2012**	**-**	**-**	**(12)**	**-**
	2011	-	-	(15)	-

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:	**2012**	**84**	**(16)**
	2011	46	(16)
Transactions with other EDF SA group companies	**2012**	**1,856**	**(1,384)**
	2011	1,838	(1,134)
Finance lease commitment with EDF SA group companies	**2012**	**-**	**(258)**
	2011	-	(274)

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.

Loans from related parties

	2012 £m	2011 £m
Bonds payable to other EDF subsidiaries	**653**	668

The Group enters into derivative contracts at normal market prices with another EDF SA group company. The total nominal value of outstanding contracts reflected at fair value in the Group balance sheet was an asset of £9m (2011: asset of £339m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

39. Related parties continued

Transactions with key management personnel

	2012 £m	2011 £m
Short-term benefits	**5.9**	6.5
Post-employment benefits	**0.2**	0.3
	6.1	6.8

Key management personnel comprise members of the Executive Committee, a total of eight individuals at 31 December 2012 (2011: eight). The Executive Committee is a cross-business unit committee of senior staff who take part in the decision-making for the Group.

40. Post balance sheet events

On 4 February 2013, Centrica announced its decision to end its partnership with the Group for the construction of EPRs in the United Kingdom, by exercising its option to sell EDF Energy its 20% investment in NNB. The Group already owned 80% of NNB and will therefore become the company's sole shareholder. Under the terms of the NNB shareholders' agreement, which terminated upon completion of the share sale, EDF Energy paid Centrica £5.6 million for its £205 million investment in NNBH. EDF Energy is currently seeking a new joint venture partner to invest alongside it in NNBH. The Group is continuing discussions with the British government to agree on a sale price for zero-carbon electricity. Once this price has been set, the Group is confident that the Hinkley Point EPR project will attract considerable interest from investing partners and will go ahead. Centrica will continue to work with EDF through its 20% interest in existing nuclear facilities in the United Kingdom and retains its commercial electricity purchase contracts with the Group.

On 19 March 2013, the Secretary of State for Energy and Climate Change granted the Company a Development Consent Order ("DCO"), giving it planning permission to build two European Pressurised Reactors at Hinkley Point C site ("HPC").

On 27 March 2013, the sale of Sutton Bridge to a Macquarie-led group of investors was completed. This followed completion of certain condition precedents subsequent to the signing of the sale and purchase agreement in December 2012.

On 17 June 2013, the Company paid a dividend of £160m to its parent company.

41. Parent undertaking and controlling party

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

At 31 December 2012, Electricité de France SA ("EDF SA"), a company incorporated in France, is regarded by the Directors as the Company's ultimate parent company and controlling party. This is the largest group for which consolidated financial statements are prepared. Copies of that company's consolidated financial statements may be obtained from Electricité de France SA, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.

COMPANY BALANCE SHEET
AT 31 DECEMBER 2012

	Note	2012 £m	2011 £m
Fixed assets			
Investments in subsidiary undertakings	*4*	**13,261**	13,005
		13,261	13,005
Current assets			
Debtors			
- due within one year	*5*	**12**	-
Cash and cash equivalents		**128**	295
		140	295
Creditors: amounts falling due within one year	*6*	**(150)**	(140)
Net current (liabilities)/ assets		**(10)**	155
Net assets		**13,251**	13,160
Capital and reserves			
Called up share capital	*7*	**12,644**	12,388
Share premium	*8*	**273**	273
Profit and loss account	*8*	**334**	499
Shareholder's funds		**13,251**	13,160

The company financial statements of EDF Energy Holdings Limited, registered number 06612465, on pages 79 to 84 were approved by the Board of Directors on 23 July 2013 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.

The profit of the Company for the year ended 31 December 2012 was £410m (2011: £562m).

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 SAS, 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 2012, 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 2012, amounts payable to Deloitte LLP by the Company in respect of non-audit services were £nil (2011: £nil).

The Company had no employees in 2012 (2011: None).

3 Directors' emoluments

None of the Directors received any remuneration for services to the Company during the year (2011: £nil). There were no employees of the Company in the year (2011: nil)

4 Investments in subsidiary undertakings

Cost and book value	**Shares £m**
At 31 December 2011	13,005
Additions	256
At 31 December 2012	**13,261**

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

The principal subsidiary undertakings at 31 December 2012, which are incorporated in the United Kingdom and are registered and operate in England and Wales, or Scotland (unless otherwise stated), are as follows:

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

4 Investments in subsidiary undertakings continued

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

* Indirectly held

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

4 Investments in subsidiary undertakings continued

The associates and joint ventures at 31 December 2012, 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
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
Lewis Wind Power Limited	50.0%	Renewable energy generation

5 Debtors

	2012 £m	2011 £m
Debtors: amounts falling due within one year		
Amounts owed by other Group companies	**12**	-

6 Creditors: amounts falling due within one year

	2012 £m	2011 £m
Amounts owed to other Group companies	**137**	139
Amounts owed to parent company	**12**	-
Corporation tax (group relief payable)	**1**	1
	150	140

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

7 Share capital

Allotted, called up and fully paid	**2012 Number**	2011 Number	**2012 £m**	2011 £m
Ordinary shares of £1.00 each	**12,643,977,252**	12,387,864,252	**12,644**	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 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
Profit for the year	-	-	410	410
Shares issued	256	-	-	256
Dividends paid	-	-	(575)	(575)
At 31 December 2012	**12,644**	**273**	**334**	**13,251**

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

At 31 December 2012, Electricité de France SA, a company incorporated in France, is regarded by the Directors as the Company's ultimate parent company and controlling party. This is the largest group for which consolidated financial statements are prepared. Copies of that company's consolidated financial statements may be obtained from Electricité de France SA, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.