EDF ENERGY HOLDINGS LIMITED

Registered Number 06930266

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2013

CONTENTS

Page:

2	Strategic report
11	Directors' report
14	Directors' responsibility statement
15	Independent Auditor's report
17	Consolidated income statement
17	Consolidated statement of comprehensive income
19	Consolidated balance sheet
21	Consolidated cash flow statement
22	Consolidated statement of changes in equity
23	Notes to the consolidated financial statements
87	Company balance sheet
88	Notes to the Company financial statements

Directors

Henry Proglio (Chairman)
Vincent de Rivaz
Simone Rossi
Marianne Laigneau
Hervé Machenaud
Thomas Piquemal
Alain Tchernonog
Henri Lafontaine

Company Secretary

Guido Santi

Auditor

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

Registered Office

40 Grosvenor Place
Victoria
London
SW1X 7EN

STRATEGIC REPORT

Principal activities

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

Long-term strategy

EDF Energy operates in a complex market environment characterised by volatile commodity markets, high levels of competition and Government interventions to deliver energy policy objectives of energy security, decarbonisation and affordability. Notwithstanding the recent economic downturn, demand for electricity is expected to return to growth in the long term as decarbonisation policies prompt fuel switching from gas and oil to low-carbon electricity particularly in the heat and transport sectors.

EDF Energy's strategy is focused on ensuring a sustainable long-term business. It seeks to create value through continued operational excellence; by achieving maximum value from its existing nuclear, coal and gas assets; by increasing profitability in the customer businesses based on a fair risk reward relationship with customers; by developing a portfolio of renewable projects; and by leading the revival of nuclear new build in the UK. The Group plans to build two to four new nuclear units in the UK: a twin at Hinkley Point in Somerset and a possible further twin at Sizewell in Suffolk (subject to ongoing studies). EDF Energy's existing nuclear power stations continue to provide the UK with safe and reliable low-carbon electricity. Lifetime extensions for plant, where safe and commercially viable, allow the UK to continue to benefit from nuclear energy until new low-carbon capacity can come online at scale, in addition to providing employment opportunities and allowing for the maintaining of skills in the UK nuclear industry.

Other important strategic actions concerning the company's generation fleet include optimising the lifetime value of coal generation capacity affected by the Large Combustion Plant Directive ("LCPD") and the Industrial Emissions Directive ("IED"); maximising the output of existing nuclear plants; optimising the operations of the new West Burton B Combined Cycle Gas Turbine ("CCGT") power station, commissioned in 2013; continued delivery of renewable generation projects and of fast cycle gas storage caverns; and developing an option for new, flexible gas-fired generation at Sutton Bridge B.

In the customer businesses, EDF Energy's focus is on standing out as a fair energy supplier, while simultaneously improving its profitability. It has introduced customer commitments to deliver fair value, better service and simplicity to customers, and across the company processes have been put in place to check that all activities pass the Trust Test that ensures the right things are done for customers. Profitability improvements are sought through controlled margin management; increased cost efficiency and transformation of key processes; and efficient delivery of regulatory obligations such as smart metering and energy efficiency schemes - all supported by investment in people and information systems. Supported by the Feel Better Energy brand strategy and the innovative, nuclear-backed Blue product, progress is being made towards being seen as different.

EDF Energy's future financial success will be highly dependent on the returns achieved by existing and new nuclear plants, which are driven largely by plant availability and, for existing capacity, wholesale market power price development. EDF Energy is focused on improving the risk profile of the portfolio to capture any value creation opportunities from its combined nuclear and flexible generation assets; participating in the creation of a fit-for-purpose regulatory framework; and helping to set up a rigorous investment framework.

In order for EDF Energy to realise its strategy, continuous focus on the company's 'Zero harm' health and safety ambition as well as on developing and retaining high-performing people are essential. EDF Energy has continued to invest heavily in the training and development of its people across the business, including through its Campus project to deliver specialist training.

STRATEGIC REPORT continued

Key performance indicators

In 2013, we continued to measure progress against our key ambitions which were set in 2009. They were renamed as the first stage in a redevelopment process that will continue into 2014. Our key company measures were:

- **Zero Harm** - Measured through the total recordable incident rate "TRIR" (the number of fatalities, lost time incidents, medical treatments and restricted work injuries per 1,000,000 hours worked) – covers both employees and contractors.

- **Best and Most Trusted for Customers** – Measured through our Trust Index – a combination of customer survey, complaints monitoring and service levels across our Business to Customers ("B2C") and Business to Business ("B2B") businesses.

- **Power Society Without Costing the Earth** – In 2012, this was measured against an index of 15 measures. This is no longer measured as an indicator of key performance in 2013.

- **People to be a Force for Good** - Measured through results of our annual employee engagement survey. The questions used relate to topics on which high performing companies are differentiated from others and for which comparative norm data exists.

- **Safe, Secure and Responsible Nuclear Electricity** – Measured though (a) Nuclear Generation Target Achievements – TRIR, Controllable Costs, Nuclear Output, Nuclear Skills Pipeline, Safety/Environmental Events and Lifetime Management of Plant (b) Nuclear New Build Target Achievement – this includes TRIR rate, Budget, Staff Performance Appraisals and EPR Milestone Achievement – action relating to progress on EPR (European Pressurised Reactor) project, including planning consent, government frameworks, design completion and construction readiness.

- **Strong Financial and Ethical Performance** - Measured through (a) Profit before depreciation, amortisation, tax and finance costs (b) net cash from operating activities.

The results for 2013 and 2012 were:

Ambition	Measure	2013	2012
Zero Harm	TRIR (per 1,000,000hrs)	0.84	1.58
Best and Most Trusted for Customers	Trust Index	97.7	85.9
People to be a Force for Good	High Performing Index (%)	68	63
Safe, Secure and Responsible Nuclear Electricity (*)	Nuclear Generation Target Achievements (index)	135.0	n/a
	Nuclear New Build Target Achievements (index)	119.7	n/a
Strong financial and ethical performance	Profit before depreciation, amortisation, tax and finance costs	1,623	1,569
	Net cash from operating activities	2,093	2,118

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

(*) This ambition is measured as an index of several meaures. Achievement of the target level in each measure would result in a score of 100. The 2013 scores indicate that, on average, the performance during the year was better than target.

STRATEGIC REPORT continued

Results

The profit for the year before taxation, results from associates, and disposal of subsidiaries, amounted to £753m (2012: £515m). The profit for the year after taxation and results from associates was a profit of £814m (2012: £563m). Dividends of £620m were paid to the parent company, EDF Energy (UK) Limited during the year (2012: £575m).

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

Review of the business

Generation

Non Nuclear

In the year ended 31 December 2013, Cottam and West Burton A coal-fired power plants generated 23.1 TWh of electricity which represents a strong output on the back of good availability and high dark spread. West Burton B CCGT generated 1.3 TWh in the period following the progressive commissioning of its three units.

EDF Energy has developed and is in the process of delivering a fast cycle gas storage facility alongside EDF Trading's existing Hole House gas storage facility in Cheshire. Two cavities with a total capacity of 9.6 million therms have been completed and are ready for commercial operation pending commissioning of the associated gas plant, which imports and exports gas between the National Transmission System and the operational cavities. Up to six additional cavities could be commissioned between now and 2017.

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. In addition, EDF Energy has signed power purchase agreements with renewable generators and supporting independent developers. This is to ensure a balanced approach for compliance with its 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 2013, the renewables operational portfolio increased by 225MW. This included three new onshore wind farms: Fallago Rig, Boundary Lane and Glass Moor II, as well as EDF Energy Renewables' first offshore wind farm, Teesside which has an installed capacity of 62MW and began commercial operation in July 2013.

On 6 December 2013, EDF Energy and EDF EN announced the completion of the sale of 80% of Fallago Rig wind farm, to Hermes GPE infrastructure fund. For more information on the sale, see note 14. As part of the sale, EDF ER will continue to provide asset management activities for the wind farm.

As part of the sale, EDF ER will continue to provide asset management activities for the wind farm.

EDF Energy also has joint ventures 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 up to 1,100 MW of capacity. In 2013, the project's main focus was on the Environmental Impact Assessment, local stakeholder consultation and preparation for the submission of the Development Consent Order In 2014;
- AMEC, a construction group, to develop a 130 MW wind farm at Stornoway on the Isle of Lewis. In 2013, the grid connection application was submitted and the current focus is on discharge of planning conditions.

Nuclear Generation

EDF Energy owns and operates eight nuclear power stations (Nuclear Generation fleet) in the UK with a total capacity of 8.7 GW. Seven of the eight nuclear power stations are Advanced Gas-Cooled Reactor ("AGR") power stations and the eighth is a Pressurised Water Reactor ("PWR") power station. Each of the AGR power stations has two reactors and two turbines; the PWR has one reactor and two turbines.

STRATEGIC REPORT continued

Output from the Nuclear Generation fleet for the year ended 31 December 2013, was 60.5 TWh, which meets the performance objective of consistently achieving nuclear output above 55TWh and which was 0.5 TWh higher than nuclear output of 60.0TWh for the year ended 31 December 2012. The increase principally reflects lower losses from refuelling and statutory outage in 2013 together with increased output following the uprating of Hinkley Point B and Hunterston B during the year, partially offset by higher losses from unplanned events in 2013 (particularly the flooding resilience work at Dungeness B) and 2013 being one day shorter than 2012.

During the year ended 31 December 2013, a programme of planned outages was carried out on the Nuclear Generation fleet. Statutory outages were completed on Hartlepool Reactor 2, Sizewell B, Heysham 2 Reactor 8 and on 1 January 2014, Heysham 1 Reactor 1. 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 line with a seven year average AGR life extension expectation, EDF Energy has already announced that having completed the necessary technical, safety and economic evaluation and receiving the relevant external consents, the decision has been made to extend the lives of Hartlepool and Heysham 1 power stations by five years (to 2019) and Hinkley Point B and Hunterston B power stations by seven years (to 2023). These formally approved life extensions are consistent with the company's Lifetime Programme expectations. Consideration of the formal lifetime extensions for other stations will be completed around three years prior to the scheduled closure date of each station. The next station to be considered is Dungeness B.

The power generated by the Nuclear fleet is sold through intra-group transactions in order to allow a single point of optimisation of the company's wholesale market exposures. Since April 2010, 20% of the generation output from Nuclear fleet is separately sold to Centrica under the agreements made when Centrica purchased a 20% stake in the Nuclear Generation fleet.

Optimisation and hedging

The policies surrounding EDF Energy's energy purchasing and risk management activities are compliant with EDF Group's policies and ensure that EDF Energy's activities are optimised and its services delivered at a competitive price while limiting its gross margin volatility.

The Optimisation division's purpose is to manage the wholesale market risk of EDF Energy in one place within pre-defined risk limits and control framework. While each individual business division designs its own hedging approach for the medium to long term, Optimisation compiles the resulting positions and risks from these hedging strategies into a portfolio and manages price and volume risks exposures until delivery. The hedging strategy is designed to gradually reduce the impact of energy market risk over time, consistent with the guidelines of the EDF Group Energy Market Risk Policy. Optimisation is also responsible for balancing portfolio positions and maximising value in the prompt market.

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 2013, EDF Energy had 4.0 million customers and 6.0 million customer accounts across those two segments. During the year it supplied 17.2 TWh of electricity to 3.6 million B2C accounts and 188,609 B2B Small and Medium Enterprise ("SME") accounts and 35.6 TWh of electricity to 132,702 B2B Major Business accounts. It also had 2.1 million B2C gas customer accounts and supplied 31.4 TWh of gas to these customers in 2013.

STRATEGIC REPORT continued

B2C

Four of the six major suppliers announced price increases of 8-10% in October 2013, citing increasing costs of Government-mandated environmental and social schemes, as well as higher transportation charges and wholesale energy prices. EDF Energy announced a 3.9% price increase in November, less than half that of the other suppliers' increases, due to the anticipated reduction in the Energy Company Obligation charges. On 1 December 2013, Government outlined plans to reduce the cost impact of environmental and social obligations on energy bills. The other five major energy suppliers then indicated that they would pass on the savings on the programmes to their customers.

The colder than seasonal normal weather in H1 2013 increased customers' consumption. For EDF Energy B2C the total increase in 2013 was estimated to be 3,320 GWh for gas and 512 GWh for electricity.

The Energy Company Obligation ("ECO") is an energy efficiency programme that until recent developments, covered the period 1 January 2013 to 31 March 2015. This has now been extended to 31 March 2017 with a view to reducing the impact of Green levies on customer bills. The ECO obligation cost is accounted for using 'as delivered' methodology. This is a change from the way previous obligations have been accounted for, being on a straight-line basis over the life of the obligation. See note 1 for further details of the restatement.

Throughout 2013 EDF Energy expanded their portfolio of Blue products. Their flagship product, Blue+Price Promise has electricity backed by low carbon nuclear generation, an innovative price promise, no termination fees, a "Thank Yous" reward every month and a promise to notify the customer if a competitor launches a product that is cheaper by more than £52 per year, i.e. £1 per week. At the end of 2013 there were 2.1 million product accounts on a Blue product.

B2B

The B2B division is the largest supplier of electricity to the non-domestic market (Small and Medium Enterprises ("SME") and Industrial and Commercial ("I&C") businesses) in the UK, supplying 37.6 TWh in 2013 and holding a 20% share of the market. B2B supplies businesses across all I&C sectors including public sector buying groups, large multi-site customers, manufacturing businesses and SME.

In 2013, EDF Energy secured a ten-year deal to supply Network Rail with 3.2 TWh of low carbon electricity a year. EDF Energy will power a rail network which carries three million passengers and tens of thousands of tons of freight a day. The business continues to be well established in the large, national and multi-site customer segment with the renewal of major UK supermarket chains such as Tesco and Morrisons. This year, B2B also completed the successful on-boarding of Scottish Procurement Services' 27,000 sites.

Competition across I&C sectors remains fierce. This is demonstrated by the continued erosion of the combined market shares of large suppliers by smaller entrants and the increasing influence of Third Party Intermediaries. This resulted in energy supply margins for business contracts being put under pressure. B2B is responding to this by increasing margins from other activities such as the provision of low carbon (levy exempt) energy and energy services.

B2B continues to focus on innovating products and improving processes and systems designed to enhance the customer experience. In particular, B2B is investing significantly on replatforming a new integrated pricing, billing and metering system for the I&C business. Full migration of customers and prospect data will be phased over several stages across the end of 2013-2014.

Future developments: 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 2020. 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.

The programme will require EDF Energy's supply business to install an estimated 6.1m meters, including communications hubs and in-home displays, to all of its domestic and small business customers. 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.

STRATEGIC REPORT continued

Nuclear New Build

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

Safety is a key focus of the EPR design and for the NNB business unit. The same EPR technology is already being deployed at the new nuclear power station being constructed by EDF at Flamanville in France and at Taishan in China. Using the same technology, adapted for UK requirements, will enable the efficiencies that come with standardisation of design in the construction and operation of a series of plants. In May 2013, NNB passed 3,600,000 hours without a Lost Time Incident ("LTI"). NNB did report an LTI In June 2013 and since then has passed 340,000 hours without a further incident. Internal procedures have reviewed details of the June LTI to identify lessons learnt that can be incorporated into the activities of the business.

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 paid Centrica £5.6 million for Centrica's £205 million investment in NNB.

On 19 March 2013, following a six-month examination of the HPC application and subsequent review period, the Secretary of State for Energy and Climate Change granted a Development Consent Order (DCO) for the project, giving EDF Energy the planning permission to build a new nuclear power station at Hinkley Point C.

NNB and the Department of Energy and Climate Change ("DECC") reached an agreement in principle on HPC Investment Contract Heads of Terms on 21 October 2013. The Heads of Terms of the Contract for Difference of HPC have been agreed in principle. This is a key milestone for the project. It means that HPC will offer stable and predictable prices through a Contract for Difference. If wholesale prices rise above an agreed Strike Price, consumers will not pay extra. If they fall below this price the generator will receive a top-up payment. Customers pay nothing until the power station is operational. The agreement followed a robust and thorough process including opening the project to independent validation on behalf of the Government.

On 21 October 2013, EDF Energy announced the confirmation that the HPC Project has pre-qualified for the Government's Infrastructure Guarantee Scheme, under terms conditions to be agreed upon.

Agreement in principle on the scope of the UK Guarantees scheme and on the key terms of the investment Contract allows EDF Group to move ahead to secure partners for the financing of the project. EDF Group has still to make its final investment decision on the HPC project.

Funded Decommissioning Programme ("FDP")

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

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

Final detailed discussions of the Funded Decommissioning Programme are scheduled to be completed in line with the Contract for Difference programme and prior to the HPC Final Investment Decision.

STRATEGIC REPORT continued

Principal risks and uncertainties

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

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

Margin risk
Margin price risk arises from the necessity to forecast customer demand for gas and electricity effectively and to procure the various commodities at a price competitive enough to allow a favourable tariff proposition for our customers. 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
Failure of an essential component in any of our generation assets may result in loss of generation through plant outage or restriction to operations. EDF Energy's generating assets have been in service for a significant period and ageing is a significant factor in many areas. Significant plant component failure or failure of a critical non-replaceable plant item may affect the operating lifetime of the station.

This risk is mitigated through planned maintenance activities, equipment reliability and plant life extension programmes. There is a potential that the nuclear fleet plant inspection programme findings could lead to significant unknown or unplanned risk which may bring forward early closure.

Project delivery risk
The Group has a significant investment portfolio including large capital projects such as Hinkley Point C and Smart Metering. Poor project performance may result in failure to effectively deliver the investment benefit. Each project of this nature follows specific project management practices including local governance procedures. All significant projects are also subject to central monitoring reviews.

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

Political and regulatory risk
Political risk arises in relation to public acceptance of building new nuclear power stations, and specifically around obtaining and maintaining the relevant licences and consents to build, operate and decommission our current and planned generating assets. The industry has been subject to significant changes to the Energy and Retail Market regulation and through the strong political and media attention on the cost of living debate including focus on the affordability of energy. 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.

STRATEGIC REPORT continued

Failure to efficiently deliver requirements of the Retail Market Review may affect EDF Energy's reputation and commercial performance. Dedicated programmes are in place to manage the delivery of Smart Meters and ECO and we continue to liaise with DECC to ensure the full implications of these initiatives are understood.

We welcome Ofgem's recent proposal to refer the major energy suppliers to the Competition and Markets authority for a full inquiry and recognise that this could lead to further regulatory changes.

As we have assets in Scotland we would be affected by a yes vote in the Scottish Independence Referendum. We have analysed the risks posed by this and are ensuring we remain informed of any potential issues to be addressed.

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 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 2013, the Group did not have any excluded or non-qualifying nuclear liabilities.

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

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

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

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.

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

STRATEGIC REPORT continued

Going concern

The Group manages its capital through focusing on its net debt which comprises borrowings (note 27) 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 40) for at least the next 12 months, the Directors have formed a judgement, at the time of approving the consolidated financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. This judgement has been formed taking into account the principal risks and uncertainties that the Group faces and which have been outlined in more detail elsewhere in the Directors' report. For this reason the Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

On behalf of the Board

Simone Rossi
Director
19 May 2014

DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 31 December 2013.

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
Hervé Machenaud
Thomas Piquemal
Alain Tchernonog
Henri Lafontaine

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.

Dividends

Dividends of £620m were paid to the parent company during the year (2012: £575m).

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

Political contributions

During the year, the Group made no political contributions (2012: £nil).

Taxation policy

The Group will continue to demonstrate a responsible and honest approach to its tax management. It has adopted a tax policy which is aligned with its stated ambitions and values.

Specifically the Group's tax policy includes:

- acting with integrity;
- only undertaking tax planning and tax efficiency schemes to support legitimate business activities, and not to undertake artificial schemes or arrangements;
- maintaining an open, honest and positive working relationship with HMRC; and
- where differences of view arise with regard to the interpretation and application of tax law, the Group is committed to addressing the matter in real-time and resolving the matter with HMRC in a constructive manner.

The Group only operates within the UK, meaning all Group profits and losses are appropriately taxed or relieved in the UK, regardless of where individual entities were originally incorporated. In addition, the Group seeks to pay the right amount of tax at the right time according to both the letter and spirit of UK tax laws. .

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

DIRECTORS' REPORT continued

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.

Post balance sheet events

With effect from 1 January 2014, the Group disposed of half of its interest in High Hedley Hope Wind Ltd, Kirkheaton Windfarm Ltd, Lewis Wind Power Ltd and EDF Energy Round 3 Isle of Wight Limited to EDF EN UK Limited, another subsidiary of the EDF SA. As part of this transaction, the Group also purchased 50% in First Windfarm Holdings Ltd and Fenland Windfarms Ltd from EDF EN UK Ltd. This resulted in a net cash payment to EDF EN UK Ltd of £5.4m. The impact of this transaction is to ensure that the EDF SA stake in all UK windfarms is now shared between the Group and EDF EN UK Limited, a fellow subsidiary of EDF SA. The impact of this transaction is neutral from the perspective of the ultimate parent company.

On 27 March 2014, Ofgem announced that it was proposing a market investigation by the Competition and Markets Authority (CMA) into competition in the energy market. The Group welcomed the announcement and believes it be a helpful step to restore public trust in the industry. EDF Energy looks forward to working with the Office of Fair Trading, the CMA and Ofgem as they deliver their annual assessments.

On 2 April 2014, Cheshire Cavity Storage Group Ltd (a 100% subsidiary of EDF Energy plc) acquired the shares of EDF Trading Gas Storage Limited from EDF Trading Ltd, a fellow subsidiary of EDF SA for consideration of £36.8m.

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.

DIRECTORS' REPORT continued

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 2014 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
19 May 2014

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

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the 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 2013 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes 1 to 43 of the consolidated financial statements and 1 to 11 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' Responsibility 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 2013 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

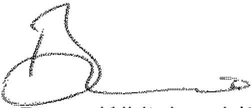
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDF ENERGY HOLDINGS LIMITED continued

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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 Accountant and Statutory Auditor
Deloitte LLP, London
19 May 2014

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 £m	2012 £m (i)
Revenue	*4*	**8,311**	7,960
Fuel, energy and related purchases	*6*	**(4,612)**	(4,403)
Gross margin		**3,699**	3,557
Materials and contracting costs		**(363)**	(409)
Personnel expenses	*8*	**(829)**	(838)
Other operating expenses		**(896)**	(783)
Other operating income		**12**	42
Profit before depreciation, amortisation, tax and finance costs		**1,623**	1,569
(Loss)/gain on derivative commodity contracts	*5*	**(52)**	40
Depreciation and amortisation	*5*	**(768)**	(722)
Impairment	*5, 16*	**(10)**	(190)
Operating profit		**793**	697
Investment income	*4, 9*	**348**	360
Finance costs	*10*	**(444)**	(546)
Profit on disposal of investments	*14*	**56**	4
Profit before taxation and associate		**753**	515
Taxation	*11*	**63**	49
Profit before associate		**816**	564
Share of loss of associate	*20*	**(2)**	(1)
Profit for the year		**814**	563
Profit attributable to:			
Equity holders of the parent	*36*	**627**	422
Non-controlling interest	*32*	**187**	141
		814	563

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

(i) Restated for change in accounting policy for pensions and energy company obligations. See note 1 for further details.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	**2013** **£m**	2012 £m (i)
Profit for the year		**814**	563
Net gains/(losses) on cash flow hedges	*37*	**42**	(16)
Net actuarial (losses) /gains on defined benefit pensions		**(121)**	358
Total comprehensive income		**735**	905
Total comprehensive income attributable to:			
Equity holders of the Company		**563**	712
Non-controlling interest	*32*	**172**	193
		735	905

(i) Restated for change in accounting policy for pensions and energy company obligations. See note 1 for further details.

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2013

	Note	2013 £m	2012 £m (i)	2011 £m (i)
Non-current assets				
Goodwill	15	**6,770**	6,789	6,884
Intangible assets	17	**923**	724	679
Property, plant and equipment	18	**9,942**	9,845	9,709
Financial assets	19	**529**	-	-
Interest in associates	20	**39**	20	21
NLF and Nuclear Liabilities receivable	22	**6,305**	5,379	5,778
Derivative financial instruments	29	**13**	46	166
		24,521	22,803	23,237
Current assets				
Inventories	23	**2,334**	2,139	2,060
Trade and other receivables	24	**1,529**	1,408	1,371
Cash and cash equivalents	25	**1,902**	1,863	1,784
Derivative financial instruments	29	**45**	125	51
NLF and Nuclear Liabilities receivable	22	**330**	268	243
Assets held for sale	13	**-**	195	-
		6,140	5,998	5,509
Total assets		**30,661**	28,801	28,746
Current liabilities				
Other liabilities	26	**(2,553)**	(2,090)	(1,625)
Borrowings	27	**(10)**	(776)	(32)
Derivative financial instruments	29	**(135)**	(212)	(208)
Short-term provisions	30	**(558)**	(428)	(407)
Obligations under finance lease	33	**(37)**	(36)	(36)
Current tax liability		**(200)**	(171)	(39)
Liabilities held for sale	13	**-**	(40)	-
		(3,493)	(3,753)	(2,347)
Non current liabilities				
Other liabilities	26	**(1,549)**	(1,713)	(1,871)
Borrowings	27	**(1,309)**	(152)	(895)
Derivative financial instruments	29	**(51)**	(56)	(114)
Long-term provisions	30	**(6,116)**	(5,074)	(5,399)
Deferred tax liability	31	**(1,309)**	(1,509)	(1,561)
Obligations under finance lease	33	**(200)**	(222)	(238)
Post-employment benefits provision	39	**(313)**	(330)	(877)
		(10,847)	(9,056)	(10,955)
Total liabilities		**(14,340)**	(12,809)	(13,302)
Net assets		**16,321**	15,992	15,444

(i) Restated for change in accounting policy for pensions and energy company obligations. See note 1 for further details.

CONSOLIDATED BALANCE SHEET continued
AT 31 DECEMBER 2013

	Note	**2013**	2012	2011
		£m	£m	£m
Equity			(i)	(i)
Share capital	*34*	**13,051**	12,644	12,388
Share premium account	*35*	**273**	273	273
Capital reserve	*35*	**9**	9	9
Hedging reserve	*37*	**(78)**	(120)	(104)
Retained earnings	*36*	**743**	647	494
Equity attributable to equity holders of the Company		**13,998**	13,453	13,060
Non-controlling interest	*32*	**2,323**	2,539	2,384
Total equity		**16,321**	15,992	15,444

(i) Restated for change in accounting policy for pensions and energy company obligations. See note 1 for further details.

The accounts of EDF Energy Holdings Limited (registered number: 06930266) on pages 17 to 86 were approved by the Board of Directors on 19 May 2014 and were signed on its behalf by:

Simone Rossi
Director

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £m	2012 £m
Net cash from operating activities	*38*	**2,093**	2,118
Investing activities			
Purchase of property, plant and equipment		**(1,063)**	(1,224)
Purchase of carbon and renewable obligation certificates		**(593)**	(343)
Purchase of other intangible assets		**(107)**	(80)
Proceeds from divestment of subsidiaries and joint ventures		**295**	12
Increase in long term receivables		**(517)**	-
Interest received		**8**	11
Purchase of non controlling interests		**(6)**	-
Net cash used in investing activities		**(1,983)**	(1,624)
Financing activities			
Dividends paid		**(807)**	(677)
Repayment of obligations under finance leases		**(21)**	(16)
Interest element of finance lease rental payments		**(9)**	(12)
Repayment of borrowings		**(125)**	(16)
New borrowings		**551**	50
Proceeds on share issue to parent undertakings		**407**	256
Proceeds on share issue to non controlling interest		**-**	64
Interest paid		**(67)**	(64)
Net cash used in financing activities		**(71)**	(415)
Net increase in cash and cash equivalents		**39**	79
Cash and cash equivalents at 1 January		**1,863**	1,784
Cash and cash equivalents at 31 December	*25*	**1,902**	1,863

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 2011 (reported)	**12,388**	**273**	**9**	**(104)**	**457**	**13,060**	**2,384**	**15,407**
Change in accounting policy	-	-	-	-	37	-	-	37
At 31 December 2011 (restated)	**12,388**	**273**	**9**	**(104)**	**494**	**13,060**	**2,384**	**15,444**
Profit for the year (restated)	-	-	-	-	422	422	141	**563**
Other comprehensive (loss)/ income for the year (restated)	-	-	-	(16)	306	290	52	**342**
Total comprehensive (loss) / income for the year	-	-	-	(16)	728	712	193	**905**
Equity dividends paid	-	-	-	-	(575)	(575)	(102)	**(677)**
Issue of capital	256	-	-	-	-	256	64	**320**
At 31 December 2012	**12,644**	**273**	**9**	**(120)**	**647**	**13,453**	**2,539**	**15,992**
Profit for the year	-	-	-	-	627	627	187	**814**
Other comprehensive (loss) / income for the year	-	-	-	42	(106)	(64)	(15)	**(79)**
Total comprehensive income for the year	-	-	-	42	521	563	172	**735**
Equity dividends paid	-	-	-	-	(620)	(620)	(187)	**(807)**
Issue of capital	407	-	-	-	-	407	-	**407**
Acquisition of non controlling interest	-	-	-	-	195	195	(201)	**(6)**
At 31 December 2013	**13,051**	**273**	**9**	**(78)**	**743**	**13,998**	**2,323**	**16,321**

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 Strategic and Directors’ Reports on pages 2-12. 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 2013.

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments and contingent consideration that are measured at revalued amounts or fair values at the end of each reporting period as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the balance sheet date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are in scope of IFRS2, leasing transactions in scope of IAS17 and measurements which are similar to fair value but are not fair value such as value in use under IAS36.

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

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

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

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

Adoption of new and revised International Financial Reporting Standards

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet 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
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures
- Amendment to IAS 36 Recoverable amount disclosure for non-financial assets
- Amendment to IAS 39 Novation of derivatives and continuation of hedge accounting
- Amendment to IFRS 10, 12 and IAS 27 on consolidation for investment entities
- Amendment to IAS 36, ‘Impairment of assets’ on recoverable amount disclosures
- IFRIC 21, ‘Levies’

1. General information continued

With the exception of IFRS 10, 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 will have an impact on the method of accounting for the joint arrangements within the Group as IFRS 11 replaces the optional proportional consolidation method with equity accounting for joint ventures. It is expected that all joint ventures which are currently proportionally consolidated will need to be equity accounted. Based on 2013 results, this would reduce revenue by £26m but lead to an increase in profit before taxation and associate of £7m.

Restatement of 2011 and 2012 accounts

During the year, the Group adopted IFRS7 Disclosures - Offsetting Financial Assets and Financial Liabilities and IFRS 13 Fair Value Measurement for the first time. These did not lead to any restatement of any balances, however they led to increased disclosure requirements.

IFRS 13 requires prospective application from 1 January 2013, and transitional provisions apply such that entities need not apply the disclosure requirements for comparative information. In accordance with these transitional provisions, the Group has not made any new disclosures required by IFRS 13 for 2012. Other than the additional disclosures, IFRS 13 has not had a material impact on the amounts recognised in the financial statements.

Change in accounting policy for pension

The amendments to IAS 19 require a change in the calculation of the expected return on assets. Under the previous standard, the expected return on assets was calculated as a weighted average of the expected returns of different asset types within the portfolio. The new IAS19 requires the return on assets to be calculated using the same discount rate as the rate applied to scheme liabilities. This change in standard does not impact on the overall scheme liabilities but does result in a change between the return on assets recognised in a period and the actuarial gains/losses recognised in that period. The change in accounting policy has been applied retrospectively as required by IAS 8.

Change in accounting policy for Energy Company Obligations

During 2013, the UK government issued further clarification about how the obligations under the Energy Company Obligations accrue. This, together with the finalisation of IFRIC 21 “Levies”, led the Group to change its accounting policy relating to this scheme and its predecessor schemes CERT and CESP from recognising the costs of the scheme on a straight-line basis to accounting for the costs on an as delivered basis i.e. as the work required to meet the scheme obligations is done. The change in accounting policy has been applied retrospectively as required by IAS 8.

The tables below summarise the impact of the changes:

Impact on consolidated balance sheet at 31 December 2011	Amounts reported at 31 December 2011 £m	Impact of change in pensions accounting policy £m	Energy Company Obligation £m	Amounts restated 31 December 2011 £m
Balance sheet				
Non-current assets	23,237	-	-	**23,237**
Current assets	5,509	-	-	**5,509**
Total assets	28,746	-	-	**28,746**
Current liabilities	(2,384)	-	37	**(2,347)**
Non-current liabilities	(10,955)	-	-	**(10,955)**
Total liabilities	(13,339)	-	37	**(13,302)**
Net assets	15,407	**-**	**37**	**15,444**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. General information continued

Impact on consolidated balance sheet at 31 December 2012	Amounts reported at 31 December 2012 £m	Impact of change in pensions accounting policy £m	Energy Company Obligation £m	Amounts restated 31 December 2012 £m
Balance sheet				
Non-current assets	22,803	-	-	**22,803**
Current assets	6,040	-	(42)	**5,998**
Total assets	28,843	-	(42)	**28,801**
Current liabilities	(3,763)	-	10	**(3,753)**
Non-current liabilities	(9,056)	-	-	**(9,056)**
Total liabilities	(12,819)	-	10	**(12,809)**
Net assets	16,024	**-**	(32)	**15,992**

Impact on consolidated income statement for 2012	Amounts reported for 2012 £m	Impact of change in pensions accounting policy £m	Energy Company Obligation £m	Amounts restated for 2012 £m
Operating profit	794	(6)	(91)	**697**
Net finance costs	(174)	(12)	-	**(186)**
Profit before taxation	624	(18)	(91)	**515**
Taxation	23	4	22	**49**
Share of loss of associates	(1)	-	-	**(1)**
Non controlling interest	(150)	9	-	**(141)**
Total profit transferred to retained earnings	496	(5)	(69)	**422**

2. Significant accounting policies

Basis of consolidation

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

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company and using consistent accounting policies as the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, are eliminated on consolidation. The carrying value of subsidiaries includes the equity investments and long-term loans to subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

Basis of consolidation (continued)

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 an apportionment of goodwill), less liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities are disposed of.

Parent company financial statements

EDF Energy Holdings Limited, "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 87 to 93. No income statement is presented for EDF Energy Holdings Limited in accordance with the exemptions allowed by the Companies Act 2006.

Going concern

The Group manages its capital through focusing on its net debt which comprises borrowings (note 27) including finance lease obligations and accrued interest, cash and cash equivalents and derivative liabilities relating to debt instruments. Given that the Group is a wholly-owned subsidiary, any changes in capital structure are often achieved via additional borrowings from its ultimate parent company or other companies within the EDF S.A. group, although the Group has facilities available for third party bond issues.

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

2. Significant accounting policies continued

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.

Goodwill

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

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

Contingent consideration

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

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.

2. Significant accounting policies continued

Investments in associates continued

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.

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.

2. Significant accounting policies continued

Property, plant and equipment

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

Non-nuclear generation assets	–	Up to 40 years
AGR power stations	–	5 to 14 years
PWR power station	–	26 years
Overhaul of generation assets	–	4 years
Freehold land	–	Not depreciated
Other buildings		
-freehold	–	Up to 40 years
-leasehold	–	Lower of lease period or 40 years
Vehicles and mobile plant	–	5 to 10 years
Fixtures and equipment	–	3 to 8 years
Other plant and equipment	–	18 months to 5 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

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

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

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 British Energy acquisition accounting exercise, legacy long-term power contracts were identified which represent an asset to the Group (i.e. contracts which were in the money on acquisition date) or a liability to the group (i.e. contracts which were 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

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.

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.

2. Significant accounting policies continued

Inventories

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

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

Borrowing costs

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

In instances where the Group borrows funds specifically for the purpose of obtaining a qualifying asset, the borrowing costs incurred are the borrowing costs that are capitalised. In instances where 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.

Fuel costs – nuclear back end

AGR

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

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

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

PWR

Back-end fuel costs are based on wet storage in station ponds followed by dry storage and subsequent direct disposal of fuel. Back-end fuel costs comprise the estimated cost of this process at current prices discounted back to current value. Back-end fuel costs are capitalised into inventory on loading and charged to the consolidated income statement in proportion to the amount of fuel burnt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

Unburnt fuel at shutdown

Due to the nature of the nuclear fuel process there will be some unburnt fuel in the reactors at station closure. The costs of this unburnt fuel (final core) are fully provided at the balance sheet date. The provision is based on a projected value per tonne of fuel remaining at closure, discounted back to the balance sheet date and recorded as a long-term liability using a pre tax discount rate. The 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.

NLF and nuclear liabilities receivables

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

Nuclear liabilities

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

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

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

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

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

Provisions

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

EU Emissions trading scheme and Renewable Obligations Certificates

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

EU Emissions trading scheme and Renewable Obligations Certificates continued

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

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged in the income statement on a straight-line basis over the lease term. Assets held under finance leases are 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.

Taxation

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

Current tax is based on taxable profits for the financial period, using tax rates that are in force during the period. Taxable profit differs from the accounting profit for the year because it excludes items of income or expense that are taxable or deductible in other financial years, as well as further excluding items that are never taxable or never deductible.

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

Deferred tax arising from the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination, or differences relating to investments in subsidiaries, to the extent that they will probably not reverse in the foreseeable future are not provided for, in line with IAS 12.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

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 accounting policy for pensions was changed with effect from 1 January 2013 see note 1 for further details. The cost of providing benefits is determined using the Projected Unit Credit method with actuarial valuations being carried out at each balance sheet date. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs include current service, past service cost and gains or losses on curtailments and settlements which are included in personnel expenses. It also includes net interest expense which is included in finance costs.

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

Financial instruments

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

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

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

Financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

Financial assets at FVTPL

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

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

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

Available for sale financial assets

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

Held to maturity investments

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

Loans and receivables

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

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

Impairment of financial assets

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

De-recognition of financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

Financial Liabilities and equity

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

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

Financial liabilities at FVTPL

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

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

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

Other financial liabilities

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

Derivative financial instruments

The Group's enters into financial instruments to manage its exposure to fluctuations in foreign exchange rates, interest rates and commodity prices (including gas, coal, carbon and electricity), including FX forwards, interest rate swaps and forward sales and purchases of energy or commodities. Further details of derivative financial instruments are disclosed in note 40.

Forward sales and purchases of commodities and energy are considered to fall outside the scope of IAS 39 when the contract concerned is considered to qualify as "own use". This is demonstrated to be the case when the following conditions have been met:

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

Commodity forward contracts not qualifying as 'own use' which also meet the definition of a derivative are within the scope of IAS 39. This include both financial and non-financial contracts.

Derivatives and other financial instruments are measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivatives and other financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise. Changes in the fair values of derivative financial instruments that are designated as hedges of

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

future cash flows are recognised directly in equity with any ineffective element being recognised immediately in the income statement, as explained further below.

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

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

Embedded derivatives

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

Hedge accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as cash flow hedges.

At inception of the hedge relationship, the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge, and on an on-going basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

The Group classifies hedges in the following categories:

Cash flow hedges

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

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

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

Revenue recognition

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

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

Industry reconciliation process – fuel and energy purchases

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

Provisions for impairment of receivables and inventories

Provisions are made against bad and doubtful debts, unbilled revenue and obsolete 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 30.

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 28.

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 39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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

Goodwill and asset impairment

The Group performs impairment testing of goodwill on an annual basis and on other assets where there is an indication of potential impairment. The impairment review is based on the Group's medium-term plans and assumptions concerning discount rates. Further detail on the assumptions used in the calculation can be found in note 16.

Fair value measurement

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

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

4. Revenue

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

	Year ended 2013 £m	Year ended 2012 £m
Sales of goods and services	**8,306**	7,955
Other revenue	**5**	5
	8,311	7,960
Investment revenue (note 9)	**8**	11
Total revenue	**8,319**	7,971

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

5. Profit for the year

Profit for the year has been arrived at after charging/(crediting) the following gains and losses:	**2013** **£m**	2012 restated £m
Research and development costs	**41**	34
Personnel expenses (note 8)	**829**	838
Auditor's remuneration for audit services (see below)	**2**	1
Auditor's remuneration for non-audit services (see below)	**2**	2
Net foreign exchange losses	**4**	3
Impairment of property, plant and equipment (note 16)	**-**	130
Impairment of goodwill and disposal group (note 16)	**10**	60
Depreciation of property, plant and equipment (note 18)	**720**	675
Amortisation of intangible assets (note 17)	**48**	47
Cost of inventories recognised as expense	**797**	707
Losses/(gains) on derivative commodity contracts	**52**	(40)
Gains on derivative foreign exchange contracts	**-**	(1)
Operating lease rentals	**26**	29
Movement in bad debt provision (note 24)	**21**	28
Impairment losses recognised on trade receivables	**69**	56
Reversal of impairment losses recognised on trade receivables	**(5)**	(11)

The analysis of Auditor's remuneration is as follows:

	2013 **£m**	2012 £m
Fees payable to the Company's auditor for the audit of the Company's and the Group's accounts	**0.4**	0.4
For the audit of the Company's subsidiaries pursuant to legislation	**1.1**	1.0
Total audit fees	**1.5**	1.4
Other assurance services	**0.1**	-
Tax advisory	**0.2**	0.5
Other services	**0.1**	0.1
Advisory services re NNB funded decommissioning plan	**1.1**	1.0
Total non audit fees	**1.5**	1.6
Total fees	**3.0**	3.0

6. Fuel, energy and related purchases

	2013 **£m**	2012 £m
Purchase of energy	**2,442**	2,488
Distribution and transmission	**1,477**	1,338
Carbon certificates	**205**	114
Renewable obligation certificates	**387**	271
Unwinding of nuclear fuel asset	**70**	141
Other energy related purchases	**31**	51
Total fuel, energy and related purchases	**4,612**	4,403

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

7. Directors' remuneration

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

	2013 £m	2012 £m
Aggregate remuneration	**1.3**	1.3
Amounts receivable under long term incentive schemes	**0.4**	0.2
Total remuneration excluding expatriate related benefits	**1.7**	1.5
Expatriate related benefits	**0.5**	0.6
Total remuneration	**2.2**	2.1

	2013 Number	2012 Number
Members of defined benefit pension scheme	**1**	1

	2013 £m	2012 £m
Remuneration payable to the highest paid Director was as follows:		
Aggregate remuneration	**0.7**	0.8
Amounts receivable under long term incentive schemes	**0.3**	0.2
Total remuneration excluding expatriate related benefits	**1.0**	1.0
Expatriate related benefits	**0.3**	0.4
Total remuneration	**1.3**	1.4

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

The remuneration of all Directors disclosed above is also included in the financial statements of EDF Energy plc for the year ended 31 December 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

8. Personnel expenses

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

	2013 £m	2012 restated £m
Wages and salaries	**685**	669
Social security costs	**66**	72
Pension costs (note 39)	**166**	174
Severance	**12**	5
Less capitalised cost	**(100)**	(82)
	829	838

The restatement in personnel expenses relates to the adoption of IAS19 Revised with effect from 1 January 2013.

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

	2013 Number	2012 Number
Nuclear Generation business unit	**5,958**	5,863
Energy Sourcing and Customer Supply business unit	**7,760**	7,820
Nuclear New Build business unit	**465**	435
Corporate and Steering functions	**967**	1,065
	15,150	15,183

9. Investment income

	2013 £m	2012 £m
Interest on bank deposits	**5**	6
Other finance income	**3**	5
Total investment revenue	**8**	11
Unwinding of discount on fair value contracts (note 17)	**2**	4
Unwinding of discount on NLF receivable	**338**	345
Total other investment income	**340**	349
Total investment income	**348**	360

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

10. Finance costs

	2013 £m	2012 restated £m
Interest on bank loans and overdrafts	**11**	10
Interest on bonds	**17**	3
Finance charges payable under finance leases	**9**	12
Unwinding of discount on provisions (note 30)	**67**	74
Bond redemption fees	**-**	41
Unwinding of discount on NLF payable (note 28)	**338**	345
Pension scheme interest (note 39)	**7**	35
Credit fees	**6**	35
Foreign exchange losses	**4**	3
Total finance cost	**459**	558
Less: amounts included in the cost of qualifying assets	**(15)**	(12)
Total borrowing costs	**444**	546

11. Tax on profit on continuing ordinary activities

(a) Analysis of tax credit in the year

Current tax	**2013 £m**	2012 £m restated
UK corporation tax on profits made in the year	**219**	228
Adjustments in respect of previous years' reported tax charges	**(53)**	(89)
Total current tax charge for the year	**166**	139

Deferred tax	**2013 £m**	2012 £m restated
Current year credit	**(38)**	(72)
Adjustments in respect of previous years' reported tax charges	**22**	29
Effect of decreased tax rate on opening liability	**(213)**	(145)
Total deferred tax credit for the year (note 31)	**(229)**	(188)
Income tax credit reported in consolidated income statement (note 11(b))	**(63)**	(49)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

11. Tax on profit on continuing ordinary activities continued

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

	2013	2012 restated
	£m	£m
Profit before tax and associate	**753**	515
Tax at the UK corporation tax rate of 23.25% (2012: 24.5%)	**175**	126
Effect of:		
Non-deductible expenses and non-taxable income	**(1)**	26
Current year effect of deferred tax rate change	**7**	4
Decreased tax rate on opening deferred tax liability	**(213)**	(145)
Adjustment to prior-year corporation tax charge	**(53)**	(89)
Adjustment to prior-year deferred tax charge	**22**	29
Income tax credit reported in consolidated income statement	**(63)**	(49)

Reconciliation of current UK corporation tax on profits made in the year:

	2013	2012 restated
	£m	£m
Profit before tax and associate	**753**	515
Expected tax at the UK corporation tax rate of 23.25% (2012: 24.5%)	**175**	126
Adjusted for:		
Permanent differences:		
- Non-taxable gains on sale of subsidiary	**(13)**	-
- Non-qualifying depreciation	**6**	6
- Goodwill impairment	**-**	15
- Other permanent differences	**7**	7
Temporary differences:		
-Qualifying depreciation	**173**	201
-Capital allowances	**(158)**	(146)
-Movement in provisions	**1**	-
-Mark to market financial instruments (only taxed/relieved on realisation)	**12**	(10)
-Amortisation of fair value adjustments on business acquisitions	**16**	15
-Movement in pension provisions	**2**	12
-Other temporary differences	**(2)**	2
Current UK corporation tax on profits made in the year (note 11(a))	**219**	228
Current year effective corporation tax rate	**29.1%**	44.3%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

11. Tax on profit on continuing ordinary activities continued

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

In the current year a deferred tax charge of £9m (2012: credit of £4m) has been recognised in reserves which relates to gains arising on derivative instruments which have been included as cash flow hedges under IAS 39. A current tax credit of £49m (2012: £29m) has also been recognised in reserves. £39m (2012: £29m) is in respect of pension movements reflecting the actuarial loss in the year under IAS 19, and £10m in respect of Energy Company Obligations ("ECO") one-off costs, which have been released through equity due to a change in accounting policy.

Changes to the main rate of corporation tax were announced in Finance Act 2013. This included a reduction in the main rate of corporation tax from 23% to 21% from 1 April 2014 and a further reduction from 21% to 20% from 1 April 2015. Finance Act 2013 was substantively enacted on 3 July 2013 and, therefore, these reductions have been reflected in these financial statements, where appropriate.

As the reduction to 20% had been substantively enacted at the balance sheet date, the deferred tax liability at 31 December 2013 has been calculated at 20%. The impact of the future rate changes from 23% to 20% has been to decrease the deferred tax liability by £213m in the year.

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

	2013 £m	2012 £m
Taxes collected on behalf of the Government:		
VAT collected from customers (output VAT)	**2,823**	2,556
VAT paid on taxable purchases (input VAT)	**(2,916)**	(2,806)
PAYE & employees' NIC	**196**	203
Climate change levy	**130**	99
Total taxes collected on behalf of the Government	**233**	52
Taxes borne by the Group:		
Corporation tax payments made in respect of the year	**53**	56
Corporation tax payments made in respect of prior years	**61**	53
Corporation tax (refunds) received in respect of prior years	**(84)**	(154)
Employers' NIC	**66**	69
Stamp duty	**-**	2
Business rates	**73**	54
Carbon price support	**60**	-
Total taxes borne by the Group	**229**	80

Neither VAT nor the 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 back to the Group from HMRC, as a refund of taxes already paid by the Group on purchases, as reflected in the table above.

The climate change levy ("CCL") is a levy collected by the Group, on behalf of the Government, and is chargeable on the VAT inclusive supply of gas and electricity to business customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

11. Tax on profit on continuing ordinary activities continued

The carbon price support is a tax on fossil fuels used to generate electricity, which came into effect on 1 April 2013.

The current year corporation tax expense (note 11(a)) and the total 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 2013 comprised the first two quarterly instalments in respect of 2013 and the final two instalments in respect of 2012.

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

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

Breakdown of current year corporation tax payable

	2013 **£m**	2012 £m restated
UK corporation tax on profits made in year (note 11 (a))	**219**	228
UK corporation tax relief on costs charged to reserves (note 11(c))	**(49)**	(29)
Net current year corporation tax payable	**170**	199
Corporation tax payments made in respect of the year	**53**	56
Corporation tax payments to be made in the following year	**45**	38
Payments to be made for current year losses surrendered from associated EDF companies not included within these financial statements	**72**	105
Net current year corporation tax payable	**170**	199

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

12. Dividends

	2013 **£m**	2012 £m
Amounts recognised as distributions to equity holders in the period :		
Interim dividend paid to parent company (note 36)	**620**	575
Interim dividend paid by subsidiary to non-controlling interests (note 32)	**187**	102
	807	677

13. Assets and liabilities held for sale

Following the acquisition of British Energy in 2009, the Group committed 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 was conditional upon receiving approval from the European Commission. For the purposes of the 2012 financial statements, the Group 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 14 for further details.

	Year ended 31 December 2012 £m
Property, plant and equipment	178
Goodwill	14
Trade and other receivables	3
Total assets classified as held for sale	195
Other liabilities	(11)
Deferred tax provisions	(20)
Corporation tax liabilities	(8)
Provisions	(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. Disposals

Disposal of investments

During the year, the Group disposed of its investment in Sutton Bridge which was held for sale at 31 December 2012. In addition, the Group also sold 80% of its investment in Fallago Rig Windfarm Limited which resulted in Fallago Rig becoming an associate rather than a joint venture.

The assets and liabilities sold as part of the sale of Sutton Bridge and Fallago Rig are shown below:

£m	Fallago Rig	Sutton Bridge	Total
Intangible assets (note 17)	33	-	**33**
Property, plant and equipment (note 18)	74	179	**253**
Goodwill	-	4	**4**
Trade and other receivables	10	1	**11**
Total assets	117	184	**301**
Other liabilities	(5)	(3)	**(8)**
Deferred tax provisions (note 31)	-	(17)	**(17)**
Corporation tax liabilities	-	(2)	**(2)**
Provisions	(1)	(1)	**(3)**
Intra-group loans	(66)	-	**(66)**
Total liabilities	(72)	(50)	**(122)**
Net assets sold	45	134	**179**
Cash proceeds:			
Consideration for equity shares	81	140	**221**
Repayment of shareholder loans	53	27	**80**
Transaction costs	-	(6)	**(6)**
Net cash proceeds	**134**	**161**	295
Profit on disposal:			
Consideration for equity shares	81	140	**221**
Net assets disposed	(45)	(134)	**(179)**
Transaction costs	-	(6)	**(6)**
Recognition of associate at fair value	20	n/a	**20**
Profit on disposal of investments	56	-	**56**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

15. Goodwill

	£m
Carrying amount	
At 31 December 2011	6,884
Change in value of CVR instrument	(21)
Impairment (note 16)	(60)
Transfer to asset held for sale (note 13)	(14)
At 31 December 2012	6,789
Change in value of CVR instrument	(19)
At 31 December 2013	**6,770**

16. Impairment

Breakdown of impairments recognised

	2013 £m	2012 £m
Impairment of goodwill	**-**	60
Impairment of property, plant and equipment	**-**	130
Impairment of disposal group	**10**	-
	10	190

The impairment of £10m in 2013 relates to further impairment taken in the Sutton Bridge disposal group prior to sale.

In 2012, 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 was estimated based on discounted cash flows over its expected useful life. This led to the recognition of an impairment against the station of £130m.

Impairment testing of goodwill

Until 2012, goodwill was allocated to two groups of cash generating units, reflecting the Group's organisational structure and operating segments:

- Energy Sourcing and Customer Supply including the development of the West Burton plant.
- Nuclear: nuclear activities including power plants in operation and plans to develop new EPRs.

In 2013, EDF Energy has reorganised its business to bring the organisational structure in line with its integrated generator/supplier model and to strengthen overall governance. The Group's analysis following this reorganisation concluded that the two previous cash generating units (ESCS and Nuclear) should be grouped together for the purposes of impairment testing of goodwill into a single cash generating unit.

During the year, impairment testing has been carried out, based on the higher of fair value less costs to sell and value in use. The fair value of EDF Energy has been calculated using a discounted cash flow method based on the assumptions in the Group's three-year medium-term plans, then the long term plans. An estimated growth rate of 2.5% (2012: 2.5%) is used, which is based on current information and industry norms and is the rate used in the Group's three-year medium-term plans and long term plans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

16. Impairment continued

The estimated fair value less costs to sell is based on post-tax discounted cash flows, using a discount rate derived from an after-tax rate of 6.8% (2012: 7.2%).

The discounted future net cashflows from the generation units take into consideration the probable extension of useful economic lives as well as the gradual reduction of current surplus capacities. 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. The sales price generated by the future EPRs are based on the contract for difference ("CfD") between the Group and the British government. The CfD sets stable predictable prices for the Group: if market prices fall below the CfD exercise price, EDF Energy will receive an additional payment and if market prices are above the CfD price, then EDF Energy would refund the difference.

Beyond the five year plan, long-term assumptions for commodity prices have been used based on four different price scenarios but in line with expected CfD prices for NNB, adjusted for inflation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

17. 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 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**
Additions	205	388	109	-	-	-	**702**
Transfers	-	-	34	-	-	-	**34**
Disposals	(116)	(320)	(59)	-	-	-	**(495)**
Divestment	-	-	(34)	-	-	-	**(34)**
Unwinding of discount	-	-	-	-	-	2	**2**
Unwinding of contract	-	-	-	-	-	(22)	**(22)**
At 31 December 2013	**205**	**112**	**610**	**39**	**200**	**4**	**1,170**
Amortisation							
At 31 December 2011	-	-	(265)	(3)	-	-	**(268)**
Charge for year	-	-	(46)	(1)	-	-	**(47)**
Disposals	-	-	56	-	-	-	**56**
At 31 December 2012	**-**	**-**	**(255)**	**(4)**	**-**	**-**	**(259)**
Charge for year	-	-	(47)	(1)	-	-	**(48)**
Disposals	-	-	59	-	-	-	**59**
Divestment	-	-	1	-	-	-	**1**
At 31 December 2013	**-**	**-**	**(242)**	**(5)**	**-**	**-**	**(247)**
Carrying amount							
At 31 December 2013	**205**	**112**	**368**	**34**	**200**	**4**	**923**
At 31 December 2012	116	44	305	35	200	24	724

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 as part of the British Energy group and initially recognised at fair value. They are being unwound over the life of these legacy contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

18. Property, plant and equipment

	Land and buildings £m	Network assets £m	Generation assets £m	Nuclear power stations £m	Other plant and equipment £m	Equipment and fittings £m	Assets in the course of construction £m	**Total £m**
Cost								
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**
Additions	-	-	1	-	-	-	1,062	**1,063**
Transfers	146	3	1,157	181	198	18	(1,737)	**(34)**
Decommissioning	-	-	(4)	-	-	-	-	**(4)**
Divestment	-	-	(77)	-	-	-	-	**(77)**
Revaluation of final core provision	-	-	-	(134)	-	-	-	**(134)**
Disposals	-	(3)	-	-	(137)	-	-	**(140)**
Transfer to assets held for sale	-	-	(3)	-	-	-	-	**(3)**
At 31 December 2013	**480**	**18**	**2,785**	**8,484**	**647**	**197**	**1,842**	**14,453**
Accumulated depreciation								
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)**
Charge for year	(5)	(3)	(128)	(404)	(161)	(19)	-	**(720)**
Divestment	-	-	3	-	-	-	-	**3**
Disposals	-	3	-	-	137	-	-	**140**
Transfer to assets held for sale	-	-	3	-	-	-	-	**3**
At 31 December 2013	**(13)**	**(6)**	**(1,329)**	**(2,704)**	**(295)**	**(164)**	**-**	**(4,511)**
Carrying amount								
At 31 December 2013	**467**	**12**	**1,456**	**5,780**	**352**	**33**	**1,842**	**9,942**
At 31 December 2012	326	12	504	6,137	315	34	2,517	9,845

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

18. Property, plant and equipment continued

The carrying amount of the Group's generation assets includes an amount of £148m (2012: £169m) 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.

19. Financial assets

	Non-Current	**Current**	Non-Current	Current
	2013	**2013**	2012	2012
	£m	**£m**	£m	£m
Available-for-sale investments				
Interest in insurance fund	**11**	**-**	-	-
Loans receivable at amortised cost				
Loan to associates	**12**	**1**	-	-
Loan to joint venture	**6**	**-**	-	-
Loan to parent company	**500**	**-**	-	-
Total financial assets	**529**	**1**	-	-

The loan granted to EDF SA repayable in July 2015 for £500m at 3 months LIBOR plus 23.5 bp. The current element of the loan to associates is included within the trade receivables in note 24.

20. Interest in associates

	2013	2012
	£m	£m
Cost of investment in associate	**31**	10
Share of post-acquisition gains net of dividend	**48**	50
Total investment	**79**	60
Provision for impairment	**(40)**	(40)
Carrying value of associate	**39**	20

	2013	2012
Amounts relating to associate:	**£m**	£m
Total assets	**83**	65
Provision	**(40)**	(40)
Total liabilities	**(4)**	(5)
Revenues	**3**	5
Net loss	**(2)**	(1)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

20. Interest in associates continued

Details of the Group's associates at 31 December 2013 are 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
Scintilla Re	Luxembourg	20.0%	20.0%	Equity
Fallago Rig Windfarm Limited	United Kingdom	10.0%	10.0%	Equity
Barking Power Limited	United Kingdom	18.6%	25.0%	Equity

The associates are all held indirectly.

On 6 December 2013, the Group announced the completion of the sale of 80% of its stake in Fallago Rig Wind farm Limited, to Hermes GPE infrastructure fund. This sale has led to a change in the level of control exerted by the Group over the entity which has resulted in it ceasing to be considered as a joint venture, and instead the company has been accounted for as an associate since this date.

On 30 December 2013, the Group paid €680k for a 20% stake in a company called Scintilla Re. This company will provide reinsurance operations for the Group.

21. 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%
Roade Windfarm Limited (*)	United Kingdom	50.0%	50.0%
Burnhead Moss Windfarm Limited (*)	United Kingdom	50.0%	50.0%

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

21. Interests in joint ventures continued

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:

	2013 £m	2012 £m
Current assets	**36**	40
Non-current assets	**293**	325
Total assets	**329**	365
Current liabilities	**(24)**	(27)
Non-current liabilities	**(219)**	(267)
Net assets	**86**	71
Revenue	**26**	15
Cost of sales	**(9)**	(5)
Administrative expenses	**(9)**	(8)
Finance costs	**(15)**	(6)
Loss before income tax	**(7)**	(4)
Income tax credit/(charge)	**1**	(1)
Net loss	**(6)**	(5)

22. NLF and nuclear liabilities receivable

	2013 £m	2012 £m
Non current assets		
Nuclear liabilities receivable	**1,329**	1,459
NLF receivable	**4,976**	3,920
Total non current NLF and nuclear liabilities receivables	**6,305**	5,379
Current assets		
Nuclear liabilities receivable	**229**	241
NLF receivable	**101**	27
Total current NLF and nuclear liabilities receivables	**330**	268
Total NLF and nuclear liabilities receivables	**6,635**	5,647

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

23. Inventories

	2013 £m	2012 £m
Raw materials and consumables	**362**	252
Levy exemptions certificate	**17**	17
Unburnt nuclear fuel	**1,639**	1,557
Other nuclear fuel and uranium	**309**	310
Work in progress	**7**	3
	2,334	2,139

24. Trade and other receivables

	2013 £m	2012 £m
Trade receivables (i)	**988**	784
Allowance for doubtful debts (ii)	**(167)**	(146)
Unbilled revenue	**560**	549
Loans to associates (note 19)	**1**	-
Amounts owed by other Group companies	**-**	1
Other debtors	**56**	129
Advance payments	**91**	91
	1,529	1,408

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

ii. Movement in the allowance for doubtful debts:

	2013 £m	2012 £m
At 1 January	**146**	120
Amounts recovered during the year	**-**	(2)
Increase in allowance recognised in profit or loss	**21**	28
At 31 December	**167**	146

Included within the Group's trade receivables balance are debtors with a carrying value of £637m (2012: £511m) which are overdue at the reporting date. The average age of these debts is 61 days (2012: 54 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 40 for further details on bad debt provisions and credit risks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

25. Cash and cash equivalents

	2013 £m	2012 £m
Cash at bank and in hand	**20**	71
Short-term deposits	**12**	63
Cash pooling with intermediate parent company	**1,870**	1,729
	1,902	1,863

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 £1,902m (2012: £1,863m). EDF Energy plc, a subsidiary of the Group operates a collective net overdraft facility arrangement which permits the offset of cash balances and overdrafts between its subsidiary companies.

The Group cash balance includes £10m (2012: £79m) of cash which must be maintained as a minimum cash balance in some entities, in accordance with contractual obligations with financial institutions.

26. Other liabilities

	2013 £m	2012 £m	2011 £m restated
Trade creditors	**1,500**	1,174	873
Other payables	**264**	154	138
Accruals	**542**	459	352
NLF liabilities	**17**	16	23
Nuclear liabilities (note 28)	**229**	241	234
Interest payable	**1**	46	5
Total other liabilities due within one year	**2,553**	2,090	1,625
Contingent consideration	**97**	116	137
Nuclear liabilities (note 28)	**1,315**	1,451	1,586
NLF liabilities	**125**	135	142
Unfunded pension scheme	**12**	11	6
Total other liabilities due after more than one year	**1,549**	1,713	1,871
Total other liabilities	**4,102**	3,803	3,496

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

27. Borrowings

	2013 £m	2012 £m
Sutton Bridge bonds due June 2022 (i)	**-**	115
€800m Eurobond due June 2013 (ii)	**-**	653
EDF Energy Renewables (iii)	**10**	8
Total borrowings due within one year	**10**	776
€800m Eurobond due June 2023 (ii)	**667**	-
£500m bank loan due July 2015 (iv)	**500**	-
EDF Energy Renewables (iii)	**142**	152
Total borrowings due within more than one year	**1,309**	152
Total borrowings	**1,319**	928

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 were guaranteed by EDF Energy (Sutton Bridge Power) Limited comprised two tranches of 25-year amortising bonds issued by Sutton Bridge Financing Limited. 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 and has interest payable at a floating rate of EURIBOR 6 months +0.400%. The principal was swapped to sterling, and the interest rate was swapped into a rate of LIBOR 6 months + 0.394%. The bond matured on 27 June 2013 and was replaced with a new ten year Eurobond for €800m with fixed interest rate of 2.811% which has been swapped into a sterling bond of £684m with fixed interest payable at 3.643%. The bond is carried at the sterling equivalent of €800m at the balance sheet date.

(iii) The renewable joint venture companies use loans in order to finance their investment in new windfarms. These loans have maturity dates between 2021 and 2031 and are a mix of both floating and fixed rate instruments. The interest payable on these loans is based on LIBOR 6 months plus margins between 1.89% and 3.00% for the floating rate instruments and between 5.8% and 6.7% for the fixed rate loans.

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

28. Nuclear liabilities

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

By virtue of these restructuring agreements:

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

	Spent fuel £m	Radioactive waste £m	Decommissioning £m	Total £m
At 31 December 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**
Charged to profit and loss account:				
- Unwinding of the discount (note 10)	109	30	199	**338**
- Accounting life extension	-	(6)	(88)	**(94)**
- Operating costs	8	4	-	**12**
- Updated cashflows	77	363	557	**997**
Payments in the period	(274)	-	-	**(274)**
At 31 December 2013	1,812	875	3,929	**6,616**

Nuclear liabilities are included in the balance sheet as follows:

	2013 £m	2012 £m
Other liabilities:		
- amounts due within one year	**229**	241
- amounts due after more than one year	**1,315**	1,451
Provision for liabilities (see note 30)	**5,072**	3,945
	6,616	5,637

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

28. Nuclear liabilities continued

Spent fuel
Spent fuel represents all costs associated with the ongoing storage and treatment of spent fuel and the products of reprocessing. Cash flows for AGR spent fuel services relating to fuel loaded into reactors up to RED are based on the terms of the Historic Liability Funding Agreement (HLFA) with BNFL. The pattern of payments within the HLFA 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.

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

Extension of accounting life
During 2013 the discounted decommissioning liabilities reduced following the extension of the accounting life of Dungeness B by 10 years. This has reduced the discounted nuclear decommissioning liabilities by circa £90m. 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.

Updated cost estimates
During 2013, nuclear liabilities increased by £997m, reflecting an updated suite of Baseline Decommissioning Plans (BDP) as well as an update to the Uncontracted Liabilities Discharge Plans (UCLDPs). The updated BDPs and UCLDPs were approved by the Nuclear Decommissioning Authority as required by the NLFA.

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

	Spent fuel £m	**Radioactive waste £m**	**Decomm-issioning £m**	**2013 Total £m**	2012 Total £m
Undiscounted	2,692	5,946	12,358	**20,996**	17,053
Discounted	1,881	925	3,929	**6,735**	5,807
Accrued to date	1,813	875	3,928	**6,616**	5,637

28. Nuclear liabilities continued

The difference between the undiscounted and discounted amounts reflect the fact that the costs concerned will not fall due for payment for a number of years. The differences between the discounted amounts and those accrued to date will be charged to the profit and loss account over the remaining station lives since they relate to future use of fuel. A discount rate of 3.0% pre tax nominal rate has been applied during 2013 and 2012.

Under the terms of the historical contracts with BNFL referred to above and in accordance with the projected pattern of payments for decommissioning and other liabilities, taking account of the decommissioning fund arrangements described in note 2, the undiscounted payments in current prices are expected to become payable as follows:

	Spent fuel £m	Radioactive waste £m	Decomm-issioning £m	2013 Total £m	2012 Total £m
Within five years	1,132	-	-	**1,132**	1,183
6 – 10 years	612	1	240	**853**	1,055
11 – 25 years	441	316	4,641	**5,398**	3,938
26 – 50 years	94	539	1,569	**2,202**	2,221
51 years and over	413	5,090	5,908	**11,411**	8,656
	2,692	5,946	12,358	**20,996**	17,053

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

29. Derivative financial instruments

	2013 £m	2012 £m
Current		
Derivatives that are designated as hedging instruments in a cash flow hedge:		
Commodity purchase contracts	**(78)**	(110)
Cross-currency interest rate swaps	**-**	17
Foreign currency forward contracts	**(18)**	(10)
Derivatives at fair value through profit and loss (FVTPL):		
Commodity purchase contracts	**9**	21
Foreign currency forward contracts	**(3)**	(5)
Total current derivative financial instruments	**(90)**	(87)
Split by:		
Current assets	**45**	125
Current liabilities	**(135)**	(212)
Non-current		
Derivatives that are designated as hedging instruments in a cash flow hedge:		
Commodity purchase contracts	**(13)**	(15)
Cross-currency interest rate swaps	**(7)**	-
Foreign currency forward contracts	**(7)**	(12)
Derivatives at fair value through profit and loss (FVTPL):		
Commodity purchase contracts	**(9)**	18
Foreign currency forward contracts	**(2)**	(1)
Total non-current derivative financial instruments	**(38)**	(10)
Split by:		
Non-current assets	**13**	46
Non-current liabilities	**(51)**	(56)
Total derivative financial instruments	**(128)**	(97)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

30. Provisions for liabilities

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

	At 31 December 2012 £m	Utilised in the year £m	Released in the year £m	Arising during the year £m	Unwinding of discount £m	Divestment £m	**At 31 December 2013 £m**
Obligations under EU emissions	114	(113)	-	203	-	-	**204**
Renewable obligation certificates	246	(339)	-	408	-	-	**315**
Decommissioning on non-nuclear stations	57	-	-	(4)	3	(1)	**55**
Legal disputes	10	(9)	(1)	-	-	-	**-**
Onerous contracts	25	(20)	(6)	-	2	-	**1**
Restructuring costs	25	(14)	-	11	-	-	**22**
Nuclear (note 28)	3,945	(19)	-	1,137	9	-	**5,072**
Provision for unburnt fuel at station closure	1,069	(134)	-	-	53	-	**988**
Other costs	11	(2)	-	8	-	-	**17**
	5,502	(650)	(7)	1,763	67	(1)	**6,674**

The provisions have been split as follows:

	At 31 December 2013			At 31 December 2012		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	£m	**£m**	**£m**	£m	£m	£m
Obligations under EU emissions	**204**	**-**	**204**	114	-	114
Renewable obligation certificates	**315**	**-**	**315**	246	-	246
Decommissioning on non-nuclear stations	**-**	**55**	**55**	-	57	57
Legal disputes	**-**	**-**	**-**	10	-	10
Onerous contracts	**-**	**1**	**1**	22	3	25
Restructuring	**22**	**-**	**22**	25	-	25
Nuclear	**-**	**5,072**	**5,072**	-	3,945	3,945
Provision for unburnt fuel at station closure	**-**	**988**	**988**	-	1,069	1,069
Other provisions	**17**	**-**	**17**	11	-	11
	558	**6,116**	**6,674**	428	5,074	5,502

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

30. 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 2014 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 2014.

The decommissioning provision is to provide for the future costs of decommissioning the non nuclear generation assets including 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. See note 28 for further information relating to the nuclear liability provisions.

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 were 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. 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 2014 to 2015.

The restructuring provision covers the costs of severance related to restructuring announced before 31 December 2009 and amended during 2010-2012. It is expected to be utilised in 2014.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31. Deferred tax

In order to calculate the profits on which the Group will pay corporation tax, the profit in the financial period is adjusted for items of income and expense that are taxable or deductible in other financial years, in accordance with tax legislation. At some point in the future these adjustments will become taxable or deductible. The respective 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 2011	(1,708)	221	36	(110)	**(1,561)**
Credit/(charge) to income:					
o current year (restated)	52	14	(10)	16	**72**
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	-	(139)	4	-	**(135)**
o effect of decreased tax rate on opening liability	-	(18)	(3)	-	**(21)**
Transfer to assets held for sale	20	-	-	-	**20**
At 31 December 2012	**(1,524)**	**78**	**27**	**(90)**	**(1,509)**
Charge to income:					
Credit/(charge) to income:					
o current year	14	2	14	11	**41**
o less: element of current year credit relating to assets held for sale	(2)	-	-	-	**(2)**
o adjustments in respect of previous years' reported tax charges	(18)	(2)	1	-	**(19)**
o effect of decreased tax rate on opening liability	200	-	-	13	**213**
(Charge) to equity					
o current year	-	(4)	(15)	-	**(19)**
o effect of decreased tax rate on opening liability	-	(9)	(5)	-	**(14)**
At 31 December 2013	**(1,330)**	**65**	**22**	**(66)**	**(1,309)**

The Group has unrecognised tax losses of £24m (2012: £29m). The losses give rise to a deferred tax asset of £5m (2012: £7m) which 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31. 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 (before offset) for financial reporting purposes:

	2013	2012
	£m	£m
Deferred tax assets	**87**	109
Deferred tax liabilities	**(1,396)**	(1,618)
At 31 December	**(1,309)**	(1,509)

32. Non-controlling interest

	2013	2012 restated
	£m	£m
Balance at beginning of year	**2,539**	2,384
Profit arising during the year	**187**	141
Dividends paid	**(187)**	(102)
Capital injection	**-**	64
Re-purchase of non-controlling interest	**(201)**	-
Actuarial gains on pension scheme, net of tax	**(15)**	52
Balance at end of year	**2,323**	2,539

During the year, the Group paid Centrica £6m for the 20% stake in the new nuclear project. This resulted in a reduction of non-controlling interests of £201m which represented Centrica's stake in the project to the date of sale. The differential of £195m was recognised directly in retained earnings, see note 36.

33. Commitments

Capital and other commitments

At 31 December 2013, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £696m (2012: £792m) and contractual commitments for the acquisition of intangible assets of £nil (2012: £nil).

At 31 December 2013, the Group had contracted to purchase power, gas and other fuel to the value of £3,073m (2012: £2,734m).

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:

	2013	2012
	£m	£m
Within one year	**19**	36
After one year but not more than five years	**56**	84
More than five years	**59**	108
Future lease charges	**134**	228

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

33. Commitments continued

Operating lease commitments received

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

	2013	2012
	£m	£m
Within one year	**3**	7
After one year but not more than five years	**2**	6
More than five years	**4**	1
Future lease receivables	**9**	14

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**	
	2013	2012	**2013**	2012
	£m	£m	**£m**	£m
Within one year	**37**	37	**37**	36
After one year but not more than five years	**151**	151	**137**	134
More than five years	**77**	115	**63**	88
	265	303	**237**	258
Less: future finance charges	**(28)**	(45)		
Present value of minimum lease payments	**237**	258		

The Group's finance lease commitments relate to the Cottam power station which is accounted for as a finance lease with another company within the EDF S.A. group. The term of the lease is 7 years and has an effective interest rate of 2.8%. 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 £89m (2012: £117m) 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.

The British Energy acquisition was subject to certain conditions, including Approval from the European Commission under the ECMR. The only condition that remains outstanding is the requirement to sell minimum volumes of electricity on the UK wholesale market. The Group has begun the sale of electricity on the wholesale market for the period 2012-2015. These sales continue to be carefully monitored by the European Commission.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

34. Share capital

Allotted, called up and fully paid	**2013 Number**	2012 Number	**2013 £m**	2012 £m
Ordinary shares of £1.00 each	**13,051,477,252**	12,643,977,252	**13,051**	12,644

During 2013, 407,500,000 shares were issued at par for consideration of £407m.

35. Capital reserves

	Share premium £m	**Capital reserve £m**	**Total £m**
At 31 December 2011 and 31 December 2012	273	9	**282**
At 31 December 2013	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.

36. Retained earnings

	2013 £m	2012 restated £m
Balance at start of year	**647**	494
Profit for the year	**627**	422
Dividends paid	**(620)**	(575)
Actuarial (losses)/gains, net of tax	**(106)**	306
Acquisition of non-controlling interest	**195**	-
Balance at end of year	**743**	647

During the year, the Group paid Centrica £6m for the 20% stake in the new nuclear project. This resulted in a reduction of non-controlling interests of £201m which represented Centrica's stake in the project to the date of sale, see note 32. The differential of £195m was recognised directly in retained earnings.

37. Hedging reserve

	2013 £m	2012 £m
Balance at start of year	**(120)**	(104)
Net gains/(losses) arising on changes in fair value of instruments in a cash flow hedge:		
Commodity purchase contracts	**(372)**	(282)
Cross currency interest rate swaps	**12**	(12)
Foreign currency forward contracts	**(11)**	(34)
Net gains/(losses) arising on changes in fair value of hedging instruments transferred to profit or loss		
Commodity purchase contracts	**417**	310
Foreign currency forward contracts	**10**	1
Deferred tax on net losses in cash flow hedge	**(14)**	1
Balance at end of year	**(78)**	(120)

The hedging reserve represents the cumulative effective portion of gains or losses arising on changes in the fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be re-classified to profit or loss account only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item in accordance with the Group's accounting policy.

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

	31 December 2013 £m	31 December 2012 £m
Less than one year	**(85)**	(136)
Between one to five years	**(19)**	(12)
More than five years	**6**	(6)
Total fair value losses on derivatives designated as effective cash flow hedges	**(98)**	(154)
Deferred taxation	**20**	34
Total	**(78)**	(120)

During the year a loss of £427m (2012: £311m) was recycled from the hedging reserve and included within fuel, energy and related purchases, in relation to contracts which had matured.

38. Notes to the cash flow statement

	2013	2012 restated
	£m	£m
Profit before taxation and associate	**753**	515
Adjustments for:		
Loss/(gain) on derivatives	**52**	(41)
Depreciation	**720**	675
Impairment	**10**	190
Amortisation of intangible assets	**48**	47
Utilisation of carbon and renewable obligations certificates	**436**	287
Finance costs	**96**	186
Profit on disposal of subsidiary	**(56)**	(4)
Other losses	**-**	(8)
Increase in provisions	**126**	1
(Decrease)/increase in post-employment benefits	**(1)**	21
Release of fair value of sales contract assets	**22**	170
Operating cash flows before movements in working capital	**2,206**	2,039
Increase in inventories	**(258)**	(183)
Increase in receivables	**(140)**	(45)
Increase in payables	**560**	394
Cash generated by operations	**2,368**	2,205
Pension deficit payment	**(170)**	(116)
Income taxes (paid)/received	**(105)**	29
Net cash from operating activities	**2,093**	2,118

38. Notes to the cash flow statement continued

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

	2013 £m	2012 £m
Corporation tax payments made in respect of the year	**(53)**	(56)
Corporation tax payments made in respect of the previous year	**(61)**	(53)
Corporation tax refunds received in respect of prior years	**84**	154
Net payments to associated EDF companies for use of prior year tax losses	**(75)**	(16)
Total corporation tax (paid) / refunded by the Group	**(105)**	29

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

	2013 £m	2012 £m
In respect of the year ended 2009 – EDF Energy (UK) Ltd	**-**	(72)
– EDF Trading Ltd	**-**	56
In respect of the year ended 2010 – EDF Energy (UK) Ltd	**(27)**	-
– EDF Energy Renewables	**(4)**	-
In respect of the year ended 2011 – EDF Energy (UK) Ltd	**(44)**	-
Total net payments to associated EDF companies for use of tax losses	**(75)**	(16)

EDF Energy (UK) Limited is the UK registered financing vehicle for the EDF Energy UK group. EDF Trading Limited is a UK company that is managed separately from the EDF Energy group. EDF Energy Renewables is a UK registered joint venture with EDF EN UK Limited.

39. Retirement benefit schemes

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

Under the BEGG, employees are entitles to annual pensions on retirement at ages 60 or 63 (depending on the date of joining the scheme) of one-sixtieth of pensionable salary for each year of service. Under the EEGSG, employees are entitled to annual pensions on retirement at age 60 or 63 (again, depending on the date of joining the scheme, of one-eightieth of final pensionable salary for each year of service plus a lump sum of three-eightieths of final pensionable salary for each year of service. Under EEPS, employees are entitled to an annual pension at age 65 of between one-fiftieth and one-eightieth (depending on their level of contribution) of final pensionable salary. All schemes also pay benefits on death or other events such as withdrawing from active service.

The latest full actuarial valuations of the EEGSG, EEPS and BEGG were carried out by qualified actuaries at 31 March 2010 and were agreed in March 2011. The 2013 funding valuations are currently in progress. 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 EEGSG and 30.1% for BEGG from 1 April 2011 following the agreement of the triennial valuation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

39. Retirement benefit schemes continued

a) Risks associated with the pension schemes

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

Risk of asset volatility

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

Risk of changes in bond yields

A decrease in corporate bond yields will increase the value of the scheme liabilities for accounting purposes, although this would be partially offset by an increase in the return on plan assets.

Inflation risk

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

Life expectancy

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

b) Assumptions used in the valuation of the pension deficit

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

	31 December 2013 % p.a	31 December 2012 % p.a	31 December 2011 % p.a
Discount rate			
- EEGSG	**4.4**	4.6	4.7
- EEPS	**4.4**	4.8	4.7
- BEGG	**4.5**	4.5	4.7
RPI inflation assumption			
- EEGSG	**3.5**	3.1	3.2
- EEPS	**3.5**	3.2	3.3
- BEGG	**3.5**	3.1	3.2
CPI inflation assumption			
- EEGSG	**2.4**	2.4	2.4
- EEPS	**2.4**	2.5	2.5
- BEGG	**2.4**	2.4	2.4
Rate of increase in salaries			
- EEGSG	**3.5**	3.1	4.7
- EEPS	**3.5**	3.2	4.8
- BEGG	**3.5**	3.1	4.7
Rate of increase of pensions in deferment			
- EEGSG	**3.5**	3.1	3.2
- EEPS	**2.4**	2.5	2.5
- BEGG	**3.5**	3.1	3.2
Rate of increase of pensions in payment			
- EEGSG – pensions in excess of GMP	**3.5**	3.1	3.2
- EEGSG – post 88 GMP	**2.0**	2.1	2.1
- EEPS – pre 2006 excess pensions	**3.2**	3.1	3.2
- EEPS – post 2006 excess pensions	**2.1**	2.1	2.1
- EEPS – post 88 GMP	**1.9**	2.1	2.1
- BEGG – pensions in excess of GMP	**3.2**	3.0	3.2
- BEGG – post 88 GMP	**2.0**	2.0	2.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

39. Retirement benefit schemes continued

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

EEGSG	**2013**	2012	2011
Life expectancy for current male pensioner aged 60	**27**	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	**29**	30	30
Life expectancy for future female pensioner currently aged 40 from age 60	**32**	32	32

EEPS	**2013**	2012	2011
Life expectancy for current male pensioner aged 65	**23**	22	22
Life expectancy for current female pensioner aged 65	**25**	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	**2013**	2012	2011
Life expectancy for current male pensioner aged 60	**28**	27	27
Life expectancy for current female pensioner aged 60	**30**	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	**32**	31	31

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 2013, which determined the Group's contribution rate for future years.

c) Financial impact of defined benefit pension schemes

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

	BEGG 2013 £m	**EEGSG 2013 £m**	**EEPS 2013 £m**	**Total 2013 £m**	Total 2012 £m	Total 2011 £m
Present value of defined benefit obligations ("DBO")	**(4,510)**	**(666)**	**(400)**	**(5,576)**	(5,028)	(5,034)
Fair value of scheme assets	**4,317**	**609**	**337**	**5,263**	4,698	4,157
Deficit in scheme	**(193)**	**(57)**	**(63)**	**(313)**	(330)	(877)

In addition to the pension provision recognised, there is an additional amount of £11m (2012: £11m) included within other liabilities which relates to unapproved pension scheme amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

39. Retirement benefit schemes continued

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

	BEGG 2013 £m	**EEGSG 2013 £m**	**EEPS 2013 £m**	**Total 2013 £m**	Total 2012 restated £m
Current service cost	**109**	**17**	**40**	**166**	174
Interest cost on DBO	**183**	**27**	**15**	**225**	235
Interest income on scheme assets	**(179)**	**(25)**	**(14)**	**(218)**	(200)
Past service costs- curtailments	**2**	**5**	**-**	**7**	1
Total pension costs	**115**	**24**	**41**	**180**	210

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

	BEGG 2013 £m	**EEGSG 2013 £m**	**EEPS 2013 £m**	**Total 2013 £m**	Total 2012 restated £m
At 1 January	**4,132**	**586**	**310**	**5,028**	5,034
Current service cost	**109**	**17**	**40**	**166**	174
Past service cost curtailments	**2**	**5**	**-**	**7**	1
Interest cost on DBO	**183**	**27**	**15**	**225**	235
Actuarial losses/(gains) from change in demographic assumptions	**87**	**(6)**	**(5)**	**76**	-
Actuarial losses/(gains) from change in financial assumptions	**281**	**65**	**31**	**377**	(311)
Actuarial losses/(gains) from experience	**(144)**	**(10)**	**13**	**(141)**	35
Net benefits paid	**(143)**	**(18)**	**(4)**	**(165)**	(159)
Contributions by employees	**3**	**-**	**-**	**3**	19
At 31 December	**4,510**	**666**	**400**	**5,576**	5,028

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

	BEGG 2013 £m	**EEGSG 2013 £m**	**EEPS 2013 £m**	**Total 2013 £m**	Total 2012 restated £m
At 1 January	**3,894**	**530**	**274**	**4,698**	4,157
Interest income on scheme assets	**179**	**25**	**14**	**218**	200
Actuarial gains	**127**	**34**	**5**	**166**	211
Contributions by employer (exc deficit repair)	**111**	**21**	**42**	**174**	154
Deficit repair payments by employer	**146**	**17**	**6**	**169**	116
Net benefits paid	**(143)**	**(18)**	**(4)**	**(165)**	(159)
Contributions by employees	**3**	**-**	**-**	**3**	19
At 31 December	**4,317**	**609**	**337**	**5,263**	4,698

39. Retirement benefit schemes continued

d) Breakdown of scheme assets

	BEGG 2013 £m	**EEGSG 2013 £m**	**EEPS 2013 £m**	**Total 2013 £m**	Total 2012 £m
Gilts - fixed	**-**	**-**	**-**	**-**	19
- index linked	**1,375**	**-**		**1,375**	1483
Equities	**1,435**	**284**	**137**	**1,856**	1546
Property	**293**	**7**	**26**	**326**	329
Corporate bonds	**630**	**274**	**104**	**1,008**	805
Cash	**462**	**44**	**37**	**543**	487
Private equity	**122**	**-**	**-**	**122**	-
Other	**-**	**-**	**33**	**33**	29
	4,317	**609**	**337**	**5,263**	4,698

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

BEGG
A review of the investment strategy was conducted in 2011 with the aim of increasing the extent of the interest rate and inflation hedging. The trustees have also agreed a de-risking framework which aims to reduce the extent of the investment risks as and when the funding levels improve by more than expected. Re-risking will also be considered once de-risking has taken place, should the funding position subsequently fall. The assets of the scheme are allocated in two separate portfolios referred to as the matching portfolio and the growth portfolio. Each portfolio has different target asset splits with the matching portfolio split target being 100% liability driven investments.

EEPS
For EEPS, the Trustees have implemented an investment strategy with target asset splits. The Trustees continue to monitor the funding level of the scheme and review the appropriateness of the investment strategy along with the investment objectives if the funding deficit deteriorates further, especially to the extent that it exceeds the value of the parent company guarantee.

EEGSG
For EEGSG, the Trustees have implemented an investment strategy with target assets split between growth and matching. The matching portfolio includes a mix of fixed interest and index-linked investments, including physical instruments (including cash, gilts and corporate bonds) and derivative instruments such as swaps. While equities continue to be the Group's primary source of growth assets, a number of diversifying asset classes have been introduced. These include investments in property, convertible bonds, company financing, global tactical asset allocation and diversified growth funds. The Trustees continue to monitor the funding level of the scheme and review the appropriateness of the investment strategy along with the investment objectives if the funding deficit deteriorates further, especially to the extent that it exceeds the value of the parent company guarantee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

39. Retirement benefit schemes continued

e) Profile of the pension scheme

BEGG

Circa 47% of the BEGG liabilities are attributable to current employees, 5% to former employees and 48% to current pensioners. The weighted average time until benefits payments are made is 22 years which reflects the approximate split between current employees (28 years), deferred members (27 years) and current pensioners (14 years).

EEGSG

Circa 75% of the EEGSG liabilities are attributable to current employees, 5% to former employees and 20% to current pensioners. The weighted average time until benefits payments are made is 19 years which reflects the approximate split between current employees (19 years), deferred members (21 years) and current pensioners (16 years).

EEPS

Circa 75% of the EEPS liabilities are attributable to current employees, 20% to former employees and 5% to current pensioners. For EEPS as a whole, the duration is approximately 33 years.

The estimated amounts of employer’s contributions expected to be paid to the schemes during 2014 is £237m.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

39. Retirement benefit schemes continued

f) Sensitivity of pension deficit and service cost to changes in assumptions

	BEGG £m	**EEGSG £m**	**EEPS £m**	**Total £m**	BEGG %	EEGSG %	EEPS %	Total %
2014 service cost	**120**	**20**	**47**	**187**				
Impact of 0.25% p.a decrease in discount rate	**7**	**1**	**4**	**12**	6%	5%	9%	6%
Impact of 0.25% p.a increase in discount rate	**(7)**	**(1)**	**(4)**	**(12)**	-6%	-5%	-9%	-6%
Impact of 0.25% p.a. decrease in salary assumption	**(3)**	**-**	**(2)**	**(5)**	-3%	0%	-4%	-3%
Impact of 0.25% p.a increase in salary assumption	**2**	**-**	**1**	**3**	2%	0%	2%	2%
Impact of 0.25% p.a decrease in inflation assumption	**(7)**	**(1)**	**(3)**	**(11)**	-6%	-5%	-6%	-6%
Impact of 0.25% p.a increase in inflation assumption	**7**	**1**	**2**	**10**	6%	5%	4%	5%
Pension deficit	**(193)**	**(57)**	**(63)**	**(313)**				
Impact of 0.25% p.a decrease in discount rate	**(209)**	**(31)**	**(30)**	**(270)**	108%	54%	48%	162%
Impact of 0.25% p.a increase in discount rate	**188**	**28**	**27**	**243**	-97%	-49%	-43%	-146%
Impact of 0.25% p.a decrease in salary assumption	**46**	**6**	**8**	**60**	-24%	-11%	-13%	-36%
Impact of 0.25% p.a. increase in salary assumption	**(48)**	**(9)**	**(8)**	**(65)**	25%	16%	13%	39%
Impact of 0.25% p.a decrease in inflation assumption	**183**	**28**	**23**	**234**	-95%	-49%	-37%	-140%
Impact of 0.25% p.a. increase in inflation assumption	**(202)**	**(31)**	**(20)**	**(253)**	105%	54%	32%	151%

40. Financial instruments

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

	2013	2012
	£m	£m
Financial assets		
Cash and cash equivalents (note 25)	**1,902**	1,863
Derivative instruments held for trading (note 29)	**11**	60
Derivative instruments in designated hedging relationships (note 29)	**47**	111
Loans and receivables	**2,158**	1,425
NLF and Nuclear liabilities receivable (note 22)	**6,635**	5,647
Available for sale financial assets	**11**	-
Financial liabilities		
Derivative instruments held for trading (note 29)	**(16)**	(26)
Derivative instruments in designated hedging relationships (note 29)	**(170)**	(242)
Amortised cost	**(5,560)**	(4,873)
Contingent consideration for a business combination	**(97)**	(116)

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

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

a) Financial risk management objectives

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

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

b) Capital risk management

The Group manages its capital through focusing on its net debt which comprises borrowings including finance lease obligations and accrued interest, less cash and cash equivalents (note 25) plus derivative liabilities. Given that the Group is a 100%-owned subsidiary, any changes in capital structure are generally achieved via additional borrowings from other companies within the EDF SA group or from capital injection from its immediate parent company.

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

c) Commodity price risk management

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

40. Financial instruments continued

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

Risk management is monitored for the whole of EDF Energy, through sensitivity analysis; both per commodity and across commodities, in line with the Group's risks mandate.

At a Group level, commodity price risk exposure is measured looking at sensitivity analysis. 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 before taxation for the year would have been £2m higher (2012: £93m) and hedging reserves would have been £14m higher (2012: £238m), as a result of the changes in trade valuation. There have been no changes in the method of preparing the sensitivity analysis.

c) Interest rate risk management

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

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates at the reporting date, assuming that the rate change took effect at the start of the reporting period and remained in place for the full period, and assuming the closing borrowing and cash position was in place throughout the year. There has been no change in the method of preparing the sensitivity analysis 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 2013 (2012: 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 £12m higher (2012: £16m 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:

	2013 **£m**	2012 £m
Floating rate borrowings	**1,246**	735
Fixed rate borrowings	**73**	193
Total borrowings (note 27)	**1,319**	928
Floating rate finance lease obligations (note 33)	**237**	258

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

	2013	2012
Weighted average fixed interest rate %	**7.0%**	7.8%
Weighted average floating interest rate %	**0.9%**	1.1%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

40. Financial instruments continued

At 31 December 2013, the Group had six interest rate swaps (2012: six) and one cross currency interest rate swaps (2012: two). The fair value of the interest rate swaps outstanding at 31 December 2013 was £2m (2012: £6m) and hence any sensitivity impact is negligible. The fair value of the cross-currency interest rate swaps outstanding at 31 December 2013 was a liability of £7m (2012: asset of £20m and a liability of £7m). If exchange rates moved by 10%, the value of the derivative asset would move by £1m (2012: £2m). If interest rates moved by 100bps the value of the derivative asset and the hedging reserve would be negligible (2012: negligible).

d) Foreign currency risk management

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

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

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

At 31 December 2013	**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	1,522	494	-	2,016	1,545	505	-	2,050	(25)
Cross currency swaps	19	94	733	846	25	124	769	918	(7)

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	1,809	933	-	2,742	1,828	944	-	2,772	24
Cross currency swaps	663	19	22	704	644	20	23	687	4

The foreign exchange forwards and the cross currency swaps are both designated as a cash flow hedge of the underlying exposure.

Sensitivity analysis

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 £18.3m higher (2012: £31m higher), this excludes the exchange rate sensitivity on cross currency interest rate swaps.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

40. Financial instruments continued

e) Credit risk management

Counterparty and credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group has no significant concentration of external credit risk, with exposure spread over a large number of external counterparties and customers. Due to the nature of the Group's trading with other EDF Group companies in Europe, there are large trading balances with other Group companies, however these are not considered to be a risk.

The Group's counterparty credit risk is measured, monitored, managed and reported in accordance with the Group's credit risk policy. The policy sets out the framework that dictates the maximum credit exposure that the Group can incur to each of its counterparties based on their public credit rating (or where counterparty is not publicly rated, a rating calculated using an in-house scoring model). The Group uses a variety of tools to mitigate its credit exposure, for example, requesting parent company guarantees, letters of credit or cash collateral, agreeing suitable payment terms and netting provisions. The majority of energy trading exposure is held against investment grade counterparties. For commercial customers with poor credit ratings, the Group on occasion will receive security deposits which can be used in the event of default by the customer.

The Group uses a variety of tools to mitigate its credit exposure, for example, requesting parent company guarantees, letters of credit or cash collateral, agreeing suitable payment terms and netting provisions. The majority of energy trading exposure is held against investment grade counterparties.

The Group also faces counterparty risk through the ability of key suppliers to deliver to contract. Such suppliers are subject to credit risk reviews and continual monitoring.

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.

	2013	2012
	£m	£m
Guarantee provided by subsidiary relating to performance of contractual obligations	**4**	5
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.

At 31 December 2013, the Group had available £320m (2012: £320m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

40. Financial instruments continued

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

At 31 December 2013

	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	38	114	77	**266**
Borrowings	1	2	8	12	529	62	933	**1,547**
Other liabilities	1,520	676	56	8	2	3	-	**2,265**
Derivative and other financial instruments	636	372	267	747	384	115	795	**3,316**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

40. Financial instruments continued

	2013 £m	2012 £m
Level 2		
Derivative financial instruments		
Hedging instruments in a cash flow hedge	**(123)**	(131)
Instruments designated at FVTPL	**(5)**	34
Contingent consideration	**(97)**	(116)
Level 3		
Available for sale assets	**(11)**	-
Total	**(348)**	(344)

There have been no transfers between levels during the period.

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

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

The available for sale assets are valued using a discounted cash flow. The discounted cashflow includes unobservable inputs around growth rates and discount rates. Changes in the unobservable inputs would not have a significant impact on the fair value.

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**	
	2013 £m	2012 £m	**2013 £m**	2012 £m
Financial liabilities				
Borrowings and other liabilities	**5,657**	4,989	**5,640**	5,020

41. Related parties

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

		Sales to related parties £m	Purchases from related parties £m	Interest paid to related parties £m	Interest received from related parties £m
Joint ventures:	**2013**	**2**	**(44)**	**-**	**2**
	2012	1	(30)	-	2
Transactions with other EDF S.A. group companies	**2013**	**-**	**(869)**	**(22)**	**12**
	2012	6	(2,085)	(22)	11
Finance lease commitment with EDF S.A. group	**2013**	**-**	**-**	**(9)**	**-**
	2012	-	-	(12)	-

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

		Amounts owed by related parties £m	Amounts owed to related parties £m
Joint ventures:	**2013**	**93**	**(24)**
	2012	84	(16)
Associates:	**2013**	**13**	**-**
	2012	-	-
Transactions with other EDF SA group companies	**2013**	**2,496**	**(1,467)**
	2012	1,856	(1,384)
Finance lease commitment with EDF SA group companies	**2013**	**-**	**(237)**
	2012	-	(258)

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

Sales and purchases from related parties are made at normal market prices. Outstanding balances at year end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables. The Group has not raised any provision for doubtful debts relating to amounts owed by related parties 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

	2013 £m	2012 £m
Bonds payable to other EDF subsidiaries	**667**	653

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

42. Related parties continued

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 £10m (2012: asset of £9m).

Transactions with key management personnel

	2013 **£m**	2012 £m
Short-term benefits	**6.2**	5.9
Post-employment benefits	**0.2**	0.2
	6.4	6.1

Key management personnel comprise members of the Executive Committee, a total of eight individuals at 31 December 2013 (2012: eight). The Executive Committee is a cross-business unit committee of senior staff who take part in the decision-making for the Group.

42. Post balance sheet events

With effect from 1 January 2014, the Group disposed of half of its interest in High Hedley Hope Wind Ltd, Kirkheaton Windfarm Ltd, Lewis Wind Power Ltd and EDF Energy Round 3 Isle of Wight Limited to EDF EN UK Limited, another subsidiary of the EDF SA. As part of this transaction, the Group also purchased 50% in First Windfarm Holdings Ltd and Fenland Windfarms Ltd from EDF EN UK Ltd. This resulted in a net cash payment to EDF EN UK Ltd of £5.4m. The impact of this transaction is to ensure that the EDF SA stake in all UK windfarms is now shared between the Group and EDF EN UK Limited, a fellow subsidiary of EDF SA. The impact of this transaction is neutral from the perspective of the ultimate parent company.

On 27 March 2014, Ofgem announced that it was proposing a market investigation by the Competition and Markets Authority (CMA) into competition in the energy market. The Group welcomed the announcement and believes it to be a helpful step to restore public trust in the industry. EDF Energy looks forward to working with the Office of Fair Trading, the CMA and Ofgem as they deliver their annual assessments.

On 2 April 2014, Cheshire Cavity Storage Group Ltd (a 100% subsidiary of EDF Energy plc) acquired the shares of EDF Trading Gas Storage Limited from EDF Trading Ltd, a fellow subsidiary of EDF SA for consideration of £36.8m

43. 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 2013, 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 2013

	Note	**2013 £m**	2012 £m
Fixed assets			
Investments in subsidiary undertakings	*4*	**13,674**	13,261
		13,674	13,261
Current assets			
Debtors			
- due within one year	*5*	**13**	12
- due after one year	*5*	**500**	-
Cash and cash equivalents		**236**	128
		749	140
Creditors: amounts falling due within one year	*6*	**(137)**	(150)
Net current assets(liabilities)		**612**	(10)
Total assets less current liabilities		**14,286**	13,251
Creditors: amounts falling due after more than one year	*7*	**(500)**	-
Net assets		**13,786**	13,251
Capital and reserves			
Called up share capital	*8*	**13,051**	12,644
Share premium	*9*	**273**	273
Profit and loss account	*9*	**462**	334
Shareholder's funds		**13,786**	13,251

The company financial statements of EDF Energy Holdings Limited, registered number 06612465, on pages 87 to 93 were approved by the Board of Directors on 16 May 2014 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 Strategic Report, after making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The profit of the Company for the year ended 31 December 2013 was £748m (2012: £410m).

Cash flow statement

The Company is exempt from preparing a cash flow statement under the terms of FRS 1 'Cash flow statements (revised 1996)' as it is a member of a group, headed by EDF International S.A.S, 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 is based on taxable profits for the financial period, using tax rates that are in force during the period. Taxable profit differs from the accounting profit for the year because it excludes items of income or expense that are taxable or deductible in other financial years, as well as further excluding items that are never taxable or never deductible.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. These can arise from transactions or events that result in an obligation to pay more or a right to pay less tax in the future, which have occurred at the balance sheet date. There are a number of exceptions to this:

- 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 calculated at the tax rates that are expected to apply for the period when 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 2013, an amount of £10,280 (2012: £10,000) was paid to Deloitte LLP for audit services relating to audit of the individual entity statutory accounts of the Company. This charge was borne by another Group company. In 2013, amounts payable to Deloitte LLP by the Company in respect of non-audit services were £nil (2012: £nil).

The Company had no employees in 2013 (2012: None).

3 Directors' emoluments

None of the Directors received any remuneration for services to the Company during the year (2012: £nil).

4 Investments in subsidiary undertakings

Cost and book value	Shares £m
At 31 December 2012	13,261
Additions	413
At 31 December 2013	**13,674**

The additions during the year related to the subscription of additional shares in NNB Holdings Company Limited as well as £5.6 million paid for a 20% minority holding of Centrica in NNB Holding Company Limited.

The principal subsidiary undertakings at 31 December 2013, 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 (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
NNB Holding Company Limited	100%	Holding company
NNB Generation Company Limited *	100%	Development of generation and supply
NNB Land Company Limited *	100%	Property company
Norfolk Offshore Wind Limited *	100%	Development of generation and supply
Northern Power Limited*	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
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 2013, which are all held indirectly, and are registered and operate in England and Wales, are as follows:

	Percentage of ordinary shares held	Principal activity
Barking Power Limited	18.6%	Power generation
Scintilla Re	20.0%	Re-insurance
Fallago Rig Windfarm Limited	10.0%	Renewable energy generation
Trans4m Limited	25.0%	Engineering contractor
EDF Energy Renewables Limited	50.0%	Renewable energy generation
Boundary Lane Windfarm Limited	50.0%	Renewable energy generation
Braemore Wood Windfarm Limited	50.0%	Renewable energy generation
Glass Moor II Windfarm Limited	50.0%	Renewable energy generation
Green Rigg Windfarm Limited	50.0%	Renewable energy generation
Navitus Bay Development 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
Lewis Wind Power Limited	50.0%	Renewable energy generation
Roade Windfarm Limited	50.0%	Renewable energy generation
Burnhead Moss Windfarm Limited	50.0%	Renewable energy generation

5 Debtors

	2013 £m	2012 £m
Debtors: amounts falling due within one year:		
Amounts owed by other Group companies	**12**	12
Corporation tax (group relief receivable)	**1**	-
	13	12
Debtors: amounts falling due after one year:		
Amounts owed by parent company	**500**	-
	500	-

The loan of £500m granted to EDF SA is repayable in July 2015 for £500m and charges interest at 3 months LIBOR plus 23.5 bp.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

6 Creditors: amounts falling due within one year

	2013 £m	2012 £m
Amounts owed to other Group companies	**137**	137
Amounts owed to parent company	**-**	12
Corporation tax (group relief payable)	**-**	1
	137	150

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

7 Creditors: amounts falling due after more than one year

	2013 £m	2012 £m
£500m bank loan due July 2015	**500**	-
	500	-

The £500m facility agreement was put in place with Lloyds Bank plc as part of the UK Government Lending Scheme on 19 December 2013. It was drawn in full on 20 December 2013 and pays an interest rate of LIBOR 3 months plus margin 0.2%. The loan matures in July 2015 with an option to extend for a further 17 months.

8 Share capital

Allotted, called up and fully paid	**2013 Number**	2012 Number	**2013 £m**	2012 £m
Ordinary shares of £1.00 each	**13,051,477,252**	12,643,977,252	**13,051**	12,644

During 2013, 407,500,000 shares were issued at par for consideration of £407m.

9 Reconciliation of shareholders' funds

	Share capital £m	Share premium account £m	Profit and loss account £m	**Total Shareholder's funds £m**
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
Profit for the year	-	-	748	748
Shares issued	407	-	-	407
Dividends paid	-	-	(620)	(620)
At 31 December 2013	**13,051**	**273**	**462**	**13,786**

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

10 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.

11 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 2013, 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.