

Company Registration No. 3750288

EDF Trading Limited

Report and Financial Statements

31 December 2010

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EDF Trading Limited

Report and financial statements 2010

Contents	Page
Officers and professional advisers	2
Directors' report	3
Directors' responsibilities statement	10
Independent auditor's report	11
Group profit and loss account	13
Group statement of recognised gains and losses	14
Group and Company balance sheets	15
Notes to the accounts	17

EDF Trading Limited

Report and financial statements 2010

Officers and professional advisers

Directors

B Bigois
B Gendry (Appointed 14 May 2010)
M Laigneau
M Lawrence
P Lederer (Appointed 3 March 2010)
A le Lorier (Resigned 10 August 2010)
B Lescoeur
D Macfarlane (Resigned 21 May 2010)
J-L Mathias (Resigned 19 February 2010)
J Rittenhouse
P Torron
S Tortajada (Appointed 18 October 2010)
G Wolf

Secretary

R W Quick

Registered Office

Third floor, Cardinal Place
80 Victoria Street
London
SW1E 5JL

Auditor

Deloitte LLP
Chartered Accountants
London

EDF Trading Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2010

Results and dividends

EDF Trading Limited ("the Company" or "EDFT") and its direct and indirect wholly-owned subsidiaries and associates (see note 11) (together the "Group") recognised profit after tax for the year of €407,974,000 (2009 €642,229,000). The accounts for the year ended 31 December 2010 are set out on pages 13 to 46. A dividend of €320,000,000 was declared and paid during 2010 (2009 €360,000,000).

Principal activities and review of the business

The Group's activities consist of trading energy products (power, gas, coal, freight, oil and carbon emissions credits) in the wholesale markets, and related activities including the management of transportation and logistics.

EDFT's year on year traded volumes were

Traded volumes per commodity (physical and derivatives)	Unit	2010	2009
Power	TWh	3,307	2,315
Gas	Billion therms	120	104
Coal	Million tonnes	412	354
Freight	Million tonnes	200	156
CO ₂	Million tonnes	233	266
Oil	Million barrels	813	681

The Group has increasing presence in markets outside Europe, and developments in 2010 reflect the wider geographical spread of opportunity.

The power business in North America made investments in a US power retail aggregator, and enhanced power trading systems capability.

The US coal business continued to grow, now as an integrated part of a global coal and freight business reflecting the changing emphasis in commodity markets which are increasingly centred around China and the Pacific region. A new office and trading floor have been established in Singapore, giving EDF Trading a physical presence in the region which leaves the Group well positioned to take advantage of new opportunities.

The coal business also entered into agreements with Continental Coal Limited which provide EDFT with additional long term coal supplies, supplementing the Group's stake in the Narrabri mining project in Australia. The Narrabri mine was further developed in 2010, and first production coal was shipped, in line with the project plan.

Supporting the coal trading activity, the freight and logistics businesses were also further developed, with delivery of the first of two new-build Capesize bulk carriers to the joint venture between Mitsubishi Corporation and EDFT (the second vessel is due to be delivered in Q1 2011 under the joint venture agreement with "K" Line Bulk Shipping (UK) Limited). Both vessels will be chartered to EDFT, adding to the Group's freight trading capacity. The terminals business in Amsterdam saw continued investment in facilities to enhance coal handling capability, including conveyor-belt and rail-loading systems, and final commissioning of a new floating crane.

The carbon emissions credits business continues to develop in both local/regional and global terms. China has been a focal point for projects developed under the UNFCCC, and 2010 saw the Group increase its investment in certified emission reduction ("CER") trading activity with the acquisition of Energy Systems International Limited, a CER project developer based in China, with a portfolio of projects under development.

EDF Trading Limited

Directors' report (continued)

Principal activities and review of the business (continued)

The gas trading business is now managed as a single global business, reflecting market developments such as the significant growth in LNG trading which is also reflected in the increased volume of LNG traded by the Group

EDFT has continued its mandate to manage EDF Group energy risk positions, including new structured power transactions and extensions to previous optimisation contracts

Risk management

Risk governance

The Board of Directors are responsible for approving risk management principles and policies, and ensuring that EDFT's management maintains an effective system of internal controls approved by the Board

The Chief Executive is responsible for the management of risk within the framework of risk management principles and policies. The Chief Executive has established three global committees to oversee risk management

Global Risk Committee

The Global Risk Committee oversees all aspects of market risk controls for EDFT's existing trading activities. The Committee sets the trading risk limits and approves all changes to existing risk limits ensuring that they remain appropriate in relation to EDFT's Risk Mandate and company capital utilisation. The Committee manages breaches of limits and proposes the course of action to the CEO and/or the Board, where appropriate. The Committee regularly reviews the trading strategies and market risks across the entire portfolio and approves any changes in EDFT's market risk measurement and management framework

New Business Committee

The New Business Committee oversees all aspects of market risk and operational risk management for proposals for all new transactions and business ventures. The Committee assesses the strategic fit with EDFT's existing business, any embedded risks, economics and risk/return profile of the new transaction or business venture and if the Company is adequately capitalised. The Committee determines whether EDFT is prepared to accept the risk associated with new transactions and activities and, if appropriate, new risk parameters

Credit Committee

The Credit Committee oversees all aspects of credit risk management. The Credit Committee establishes credit policies and approves appropriate credit limits for each counterpart. Credit limits, which define our credit risk parameters with each counterpart, are approved by the Credit Committee once it has reviewed a counterpart credit assessment

Risk management organisation

Compliance with all limits and control procedures is monitored by the risk management department, which is independent of the trading business and reports independently of the commercial functions into the Executive management. The risk management department is responsible for reviewing and approving pricing and risk management models, and for reporting market and credit risk exposures

Market risks

The primary market risks within the business are the exposures to energy prices and foreign exchange rates, value-at-risk is our primary mechanism for market risk measurement. All market risks are represented on the Group's balance sheet and the positions are recorded and monitored in either trading books or structured transaction accounts, as appropriate

EDF Trading Limited

Directors' report (continued)

Risk management (continued)

Market risks (continued)

Value-at-Risk (VaR)

The Group uses daily VaR measures as the primary mechanism for market risk control. The daily VaR measure is the potential profit or loss that might arise if current positions were unchanged over one business day at a 95% confidence level. Daily profits or losses exceeding this VaR measure are expected to occur on average once every twenty business days. The Global Risk Committee has allocated VaR limits to all trading desks and daily risk reports are produced for all major risk categories - power, gas, oil, coal, freight, carbon emissions and foreign exchange - to monitor VaR exposure. At 31 December 2010, the VaR limit for the Group trading books (excluding Chubu and Cr dit Agricole CIB businesses) was €34,400,000 (2009 €30,700,000). The average VaR utilisation during 2010 was €10,835,084 (2009 €11,729,952). As VaR does not always provide a direct indication of the potential size of losses, additional techniques are employed to monitor market risk, including stress testing.

Trading books

The Global Risk Committee has established a trading book structure. Trading books define the scope of activity in forward contracts, swaps, options and futures, and are categorised by commodity (e.g. power) or sub-commodity (e.g. northern European power).

Trading losses

Trading losses are monitored against predefined levels set by the Global Risk Committee. These predefined levels are based on three times the allocated VaR by trading desk, and set the risk appetite for the business. Trading losses exceeding the predefined levels are reported to the Global Risk Committee.

Structured transaction accounts

Structured transaction accounts are used to account for longer-term risks or illiquid basis risks, which arise from long-term over-the-counter transactions ("structured transactions"). All new structured transactions require the approval of the New Business Committee.

The New Business Committee also considers and quantifies the capital requirements of new structured transactions. On the execution of a structured transaction, the liquid, hedgeable risks are transferred to the relevant trading books.

Reviews of market liquidities are conducted regularly to ensure that hedgeable risks are transferred to trading books. The structured transaction accounts are subject to regular stress testing by the risk management department. The capital requirements for structured transactions are reviewed and updated on a regular basis by the risk management department.

Credit risk

EDFT's credit risk management is a global discipline. It has implemented a consistent credit risk management framework with standardised systems, processes and controls throughout its offices in Europe, North America and Asia.

The credit risk management activities are reviewed and monitored by the Global Credit Committee whose members include Executive management. The Global Credit Committee approves counterparty exposure and term limits based on a qualitative and quantitative assessment of the counterparty. The assessment includes a review of its business model, corporate structure and management. A detailed quantitative assessment includes an analysis of financial ratios, cash flow and liquidity assessment. The analysis is used to determine an internal rating to calculate default probabilities and recovery rates.

EDF Trading Limited

Directors' report (continued)

Risk management (continued)

Credit risk (continued)

EDFT's credit risk management processes are designed to enable EDFT to react prudently yet quickly to credit events and are founded on a strong credit risk culture built across all business functions. The credit team has implemented scenario analysis and stress testing so that credit risk management is anticipatory rather than reactive. Daily reports of exposures in excess and utilisation reports together with directives to manage exposures are sent to all commercial teams on a daily basis. The credit team works in partnership with the Legal team to ensure effective contractual mitigation for example, close-out netting, third party guarantees, collateral or contractual covenants.

EDF Trading has designed and implemented a credit event plan to ensure that in the event of deterioration in market conditions or counterparties that action is taken to minimise loss. The plan includes continuous assessment and intensive credit monitoring of counterparts, sectors and countries.

EDFT works to support the development of credit risk management and mitigation techniques across the global energy sector. There is active participation in industry working groups involved in the development of contractual arrangements and clearing initiatives. The Head of Credit is Deputy President of the European Energy Credit Association and Director and Board Member of its parent entity, the International Energy Credit Association.

Interest rate risk

The Group also monitors its interest rate risk, considering any material exposures. Interest rate swaps are used to manage the interest rate risk arising on long term open and structured transactions.

Operational and other risks

Operational risk is the exposure to losses that may occur as a consequence of carrying out physical operations, and from errors resulting from failures in internal processes and systems. EDFT assesses the level of operational risk in its various business processes on an ongoing basis and has implemented a series of checks and backup systems based on the risk assessment. Our procedures are designed to prevent the occurrence of operational errors and, should an error occur, quickly detect its occurrence in order to minimise its impact. Performance indicators are used to monitor the effectiveness of key operational processes and to provide assurance that the process continues to function effectively.

The performance indicators are reported to the Executive management on a regular basis. Any failure in business process results in a revised risk assessment and review of relevant procedures. Operational risk is considered by the Risk Committee when approving new activities and business ventures.

Legal risks

The legal team is involved in every significant transaction. No agreements can be concluded without their sign off. The legal team provides essential advice and guidance to senior management on all business issues and ensures that business is conducted in a manner that complies with all legal and regulatory requirements.

Accounting policies

The Group uses mark-to-market accounting for positions where there is an observable market or where fair values can be estimated with reasonable certainty, in accordance with UK accounting principles. The overall valuation of the trading portfolio includes an allowance for credit and operational risks. The market prices used to value Group's positions take account of the cost of closing out the Group's net trading position in the market.

Capital management

EDFT has established procedures for the allocation of capital to its business activities. The methodology is broadly based on the Basel Accord, which includes the assessment of market, credit and operational risk capital. Capital is allocated to trading activities based on a multiple of 15 times the VaR approved by the Risk Committee. Further capital is allocated to structured transactions based on a stress testing analysis.

EDF Trading Limited

Directors' report (continued)

Risk management (continued)

Capital management (continued)

At the end of 2010, total allocated capital was €1,184,000,000 (2009 €1,143,000,000) or 57.4% of total Group shareholder's funds (2009 58%)

Capital requirements for operational risk have been calculated based on estimated losses over a three-year period. The estimated losses are based on historical operational performance and an analysis of loss experiences. Estimated losses are reviewed periodically to ensure consistency with internal operational risk factors such as transaction turnover and error rates.

Liquidity risk management

Liquidity management within EDFT has two principal purposes. Firstly, to ensure that sufficient cash is available to meet all contractual commitments as they fall due and, secondly, to ensure that we have sufficient funding to withstand stressed market conditions or an extreme event.

EDFT has committed and uncommitted funding facilities from EDF and participates in EDF cash pooling and Eurobond arrangements. The facilities are reviewed frequently and EDFT produces cash flow forecasts that are stress tested to ensure that EDFT has sufficient liquidity to withstand stressed market conditions or an extreme event. As at 31 December 2010, the Group had total available liquidity of €1,960,282,000 (2009 €1,597,206,000) including €1,500,000,000 of undrawn committed facilities from EDF, maturing in 2012 and €60,000,000 of other uncommitted facilities provided by EDF.

The Group's liquid resources include amounts placed under cash pooling arrangements with EDF. The Group pools euro, sterling and US dollar cash balances on a daily basis. The cash pooled balances are classified as inter-company receivables, are interest bearing and are callable by EDFT on demand.

Foreign exchange risk

The euro is the functional currency of the Company and the presentation currency of the Group. The functional currency of subsidiary undertakings is that most appropriate for the principal trading activity. The Group also transacts in other currencies, principally pounds sterling (UK power and gas) and US dollars (coal, freight, oil, US power and gas). When currency exposure arises as a result of purchase and sale commitments in principal currency, forward foreign exchange transactions are used to hedge the exposure.

Future developments

The directors anticipate continued development of trading activity across both mature and evolving energy markets.

Company secretary

RW Quick served as company secretary during the year.

Charitable contributions

During the year the Group made charitable donations of €31,167 (2009 €33,856) based on matching employee contributions to employee nominated charities. The Group also made charitable donations of €23,012 (2009 €126,409) to other charities.

EDF Trading Limited

Directors' report (continued)

Disabled employees

Applications for employment by people with disabilities are always fully considered, bearing in mind the aptitude, skills and relevant experience of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged (including re-training if practical). It is the policy of the Group and Company that the recruitment, training, career development and promotion of employees with disabilities should, as far as possible, be identical to that of other employees.

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on factors affecting the performance of the Group and Company.

This is achieved through the EDF Trading intranet site, which includes updates by management, formal and informal meetings as appropriate, weekly email updates to all staff in the form of a staff bulletin, an EDF Trading newsletter issued every 2 months, team meetings as required, and the EDF magazine.

Statement of going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out above. The financial position of the Company is set out in the financial statements. The liquidity position and borrowing facilities of the Company are set out in "Liquidity risk management".

The Company has adequate financial resources. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully.

The directors have 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 accounts.

Events since the balance sheet date

There have been no significant events since the balance sheet date that require disclosure.

Auditor

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor are unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make him/her aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

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

EDF Trading Limited

Directors' report (continued)

Auditor (continued)

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the board



R W Quick
Secretary

11 May 2011

Third floor, Cardinal Place
80 Victoria Street
London
SW1E 5JL

EDF Trading Limited

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with 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 Group and of the profit of the Group for that period.

In preparing these 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.

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

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

Independent auditor's report to the members of EDF Trading Limited

We have audited the financial statements of EDF Trading Limited for the year ended 31 December 2010 which comprise the Group profit and loss account, the Group and Company balance sheets, the Group statement of total recognised gains and losses, and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2010 and of the Group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of EDF Trading Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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



(James A Leigh, Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

11 May 2011

EDF Trading Limited

Group profit and loss account Year ended 31 December 2010

	Notes	2010 €'000	2009 €'000
Turnover		139,949,412	139,012,330
Less Share of joint ventures' turnover		(456)	-
Group turnover	2	139,948,956	139,012,330
Cost of sales		(139,098,043)	(137,868,871)
Net trading income		850,913	1,143,459
Administrative expenses		(247,108)	(239,517)
Other operating income		1,413	2,743
Operating profit / (loss)			
Existing operations		605,424	906,685
Acquisitions		(206)	-
Group operating profit	3	605,218	906,685
Share of joint ventures' operating (loss)		(315)	(140)
Share of associates' operating profit		8,344	3,638
Total operating profit: group and share of joint ventures and associates		613,247	910,183
Interest receivable	6	2,778	11,727
Interest payable and similar charges	6	(24,637)	(42,492)
Profit on ordinary activities before taxation		591,388	879,418
Tax on profit on ordinary activities	7	(183,414)	(237,189)
Profit for the financial year		407,974	642,229

EDF Trading Limited

Group statement of recognised gains and losses Year ended 31 December 2010

	Notes	2010 €'000	2009 €'000
Profit / (loss) for the year			
- Group		400,953	639,306
- Joint ventures		258	(165)
- Associates		6,763	3,088
		<hr/>	<hr/>
	21	407,974	642,229
Movement in other reserves	21	1,301	12,072
Tax on items taken directly to equity	21	3,261	(1,528)
		<hr/>	<hr/>
Total recognised gains and losses		412,536	652,773

EDF Trading Limited

Group and Company balance sheets 31 December 2010

	Notes	Group 2010 €'000	Company 2010 €'000	Group 2009 €'000	Company 2009 €'000
Fixed assets					
Terminal operating rights and intellectual property	9	43,554	-	34,875	-
Intangible assets		43,554	-	34,875	-
Tangible assets	10	240,244	9,565	217,255	16,234
Interest in associate undertakings	11	68,974	15,838	39,930	15,838
Investment in subsidiary undertakings	11	-	312,020	-	290,164
Interest in joint ventures	11	-	1	-	239
- share of gross assets		42,148	-	10,193	-
- share of gross liabilities		(42,902)	-	(10,205)	-
		352,018	337,424	292,048	322,475
Current assets					
Stocks	13	825,136	606,468	621,772	454,075
Debtors					
- due within one year	14	11,323,413	10,724,887	13,849,771	13,256,831
- due after one year	14	203,921	242,331	219,336	196,005
Cash at bank and in hand		102,804	31,523	151,161	50,383
		12,455,274	11,605,209	14,842,040	13,957,294
Creditors: amounts falling due within one year					
Loans	16	(500,000)	(500,000)	-	-
Other creditors	16	(9,556,286)	(8,801,822)	(12,392,438)	(11,612,884)
Net current assets		2,398,986	2,303,387	2,449,602	2,344,410
Total assets less current liabilities		2,751,006	2,640,811	2,741,650	2,666,885
Creditors: amounts falling due after more than one year	17	(669,523)	(668,393)	(755,210)	(712,443)
Provisions for liabilities and charges	18	(18,094)	(1,075)	(15,587)	(1,393)
		(687,617)	(669,468)	(770,797)	(713,836)
Net assets		2,063,389	1,971,343	1,970,853	1,953,049

EDF Trading Limited

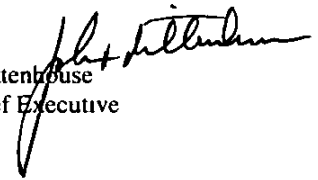
Group and Company balance sheets 31 December 2010 (continued)

	Notes	Group 2010 €'000	Company 2010 €'000	Group 2009 €'000	Company 2009 €'000
Capital and reserves					
Called up share capital	20	81,000	81,000	81,000	81,000
Capital redemption reserve	21	9,138	9,138	9,138	9,138
Other reserves	21	10,353	5,447	5,791	5,433
Profit and loss account	21	1,962,898	1,875,758	1,874,924	1,857,478
Total shareholder's funds		<u>2,063,389</u>	<u>1,971,343</u>	<u>1,970,853</u>	<u>1,953,049</u>

A statement of movement in shareholder's funds is given in note 21

These financial statements were approved by the Board of Directors and authorised for issue on 11 May 2011

Signed on behalf of the Board of Directors


J Rittenhouse
Chief Executive

EDF Trading Limited

Notes to the accounts Year ended 31 December 2010

1. Accounting policies

The accounts have been prepared under the historical cost convention, with the exception of the marking to market of certain financial assets, liabilities and stocks (as discussed below) in accordance with the Companies Act 2006 and UK Accounting Standards. The particular accounting policies adopted consistently in the current and prior year are described below. The financial statements have been prepared on the going concern basis as disclosed in the Directors' statement of going concern set out in the Directors' report.

Certain reclassifications, primarily in debtors and creditors, have been made within the balance sheet of the Company as at 31 December 2009 to better represent its financial position at that date, on a basis consistent with the 2010 balance sheet. The consolidated balance sheet of the Group at that date is not affected by these reclassifications.

Basis of consolidation

The Group accounts consolidate the accounts of the Company and all its subsidiary undertakings drawn up to 31 December annually. The results of subsidiaries acquired are consolidated for the periods from the date on which control passed under the acquisition method.

Profits or losses on intra-group transactions and amounts in relation to debts and claims are eliminated in full. The investor's share of profits or losses resulting from transactions between investor and its associated undertaking or joint venture is eliminated on consolidation.

Uniform group accounting policies are used for determining amounts to be included in the financial statements.

Associates

An associated undertaking ("associate") is an entity in which the Group has a long-term equity interest and over which it exercises significant influence. The consolidated financial statements include the Group's portion of the operating profit or loss, interest, taxation and net assets of the associates. Goodwill arising on the acquisition of associates is identified and accounted for in accordance with the policy set out below. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

Joint ventures

Joint ventures are those entities over which the Group exercises joint control in terms of a contractual agreement. The gross equity method of accounting for joint ventures is applied in the Group financial statements.

Cash flow statement

The Company is a wholly-owned subsidiary undertaking of EDF, which produces a consolidated cash flow statement. Consequently the Company has taken advantage of the exemption given to subsidiaries in FRS 1 (5) (b) from preparing a cash flow statement.

Profit of parent company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The profit dealt with in the accounts of the Company was €338,280,000 (2009: €663,486,000).

EDF Trading Limited

Notes to the accounts Year ended 31 December 2010

1. Accounting policies (continued)

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in euro, which is the Company's functional and presentation currency. The majority of its transactions are euro denominated.

Transactions and balances

Foreign currency transactions are translated into each Group entity's functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency (i.e. euro) are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate of exchange at the date of that balance sheet,
- income and expenses for each income statement are translated at average exchange rates for the period, and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholder's equity. When a foreign subsidiary is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Finance costs

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Software development costs

Software development costs that are directly attributable to bringing computer equipment to a working condition for their intended use in the business are treated as part of the cost of the related hardware.

Assets under construction

Assets under construction relate to the development of terminals and construction of a dry bulk Capesize vessel and are not depreciated until they become operational.

EDF Trading Limited

Notes to the accounts Year ended 31 December 2010

1. Accounting policies (continued)

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, with the exception of Mining resources and land, as follows

Systems development	3 years
Computer equipment	3 to 4 years
Furniture and fittings	4 years
Communication equipment	4 years
Leasehold improvements	4 years
Plant and equipment	20 years
Buildings	40 years

Mining resources are included within tangible assets at cost and depreciated on a "unit-of production" basis over the total estimated remaining commercial reserves of each property. Commercial reserves are proved and probable reserves. Changes in the commercial reserves affecting unit of production calculations are dealt with prospectively over the revised remaining reserves. Provision is made for any impairment. Land is not depreciated.

Intangible assets – goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life. Provision is made for any impairment. Goodwill relating to equity accounted investments is disclosed as part of the carrying value of the investments.

Negative goodwill relating to the acquired associate undertaking is similarly included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit.

Negative goodwill relating to the acquired partnership is credited to the profit and loss account in the periods in which the acquired liquid assets settle.

Intangible assets – terminal operating rights

Terminal operating rights are included within intangible assets at cost and depreciated in equal annual instalments over a period of 20 years, which is their estimated useful economic life. Provision is made for any impairment.

Intangible assets – Intellectual property

Intellectual property is included within intangible assets at cost and depreciated in equal annual instalments over 15 years, being its useful economic life. Provision is made for any impairment.

Investments

Fixed asset investments for the Company are shown at cost less provision for any impairment.

EDF Trading Limited

Notes to the accounts Year ended 31 December 2010

1. Accounting policies (continued)

Impairment

The carrying values of fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is provided for in the current period profit and loss account when the carrying value of the assets exceeds their estimated recoverable amount.

The estimated recoverable amount is defined as the higher of the net realisable value and value in use. The value in use is determined by reference to the net present value of expected future cash flows.

Stocks

Stocks represent commodities held for trading purposes and are held at fair value. This is not in accordance with the requirements of SSAP9, Stocks and long term contracts, which requires stocks to be valued at the lower of cost and net realisable value. However, the directors believe that because they adopt mark-to-market accounting as a trading business, the valuation of stock at fair value is required to show a true and fair view. An estimate of the impact of this policy is disclosed in note 13 to the financial statements.

Financial instruments

The Company is a wholly-owned subsidiary undertaking of EDF, which complies with IFRS 7 – Financial Instruments Disclosures. Consequently the Company has taken advantage of the exemption given to subsidiaries in FRS 29 (2D) and has not applied FRS 29 – Financial Instruments Disclosures.

Forward commodity contracts and derivative financial instruments

The Company enters into forward commodity contracts and derivative instruments for trading purposes. The Company does not classify any of these contracts as “own-use”.

Forward contracts are physically settled instruments for delivery in the future. Derivative contracts are financial instruments, such as futures, swaps and options.

Forward and derivative contracts are measured by reference to market prices at the year-end. The resulting unrealised losses are recorded as liabilities in trade creditors and unrealised profits are recorded as assets in trade debtors. Changes in the assets and liabilities from these activities arising in the current period (resulting primarily from newly originated transactions and the impact of price movements on existing transactions) are recognised in the profit and loss account unless the derivative is designated and effective as a hedging instrument. If this is the case, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The market prices used to value these transactions take into account various factors including exchange closing prices and over-the-counter quotations.

“Day One” gains on transactions with maturities beyond observability horizon are deferred and recognised on a straight-line or other appropriate basis.

EDF Trading Limited

Notes to the accounts Year ended 31 December 2010

1. Accounting policies (continued)

Financial instruments (continued)

Hedge accounting

The Group designates certain hedging instruments as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations

At the inception of the hedge relationship the Group 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 ongoing basis, the Group documents whether the hedging instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items

Note 19 contains details of the fair values of the derivative instruments used for hedging purposes. Movements on the hedging reserve in equity are also detailed in note 21 as part of the "Other reserves"

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised through the statement of total recognised gains and losses. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts that have been recognised directly in reserves are recognised in profit or loss in the same period in which the hedged forecast transaction affects profit or loss

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 on the hedging instrument that remains recognised directly in reserves from the period when the hedge was effective, remains separately recognised in reserves until the forecast transaction occurs

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised through the statement of total recognised gains and losses, the gain or loss relating to the ineffective portion is recognised immediately in profit or loss

Gains and losses directly recognised in reserves are recognised immediately in profit or loss when the foreign operation is disposed of

Cash at bank and in hand

In accordance with FRS 1, cash at bank and in hand consists of current account balances and deposits that are available within one working day of the balance sheet date.

EDF Trading Limited

Notes to the accounts

Year ended 31 December 2010

1. Accounting policies (continued)

Leases

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

Rentals under operating leases are charged on a straight-line basis over the period of usage of the leased item, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the same term.

Provisions for liabilities and charges

A provision for decommissioning is recognised for expected dismantling of equipment and rectification of land used for gas storage and coal mining and storage. The amount recognised is the present value of the estimated future expenditure.

A provision for onerous contracts is recognised to the extent that the Group is exposed to ongoing costs associated with the assignment of the lease on its former office.

Pension costs

The Group operates a defined contribution group personal pension scheme available to its UK employees. Contributions are recognised as employee benefit expense when they become payable in accordance with the rules of the scheme. Difference between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Taxation including deferred tax

The charge for taxation is based on the profit or loss for the year and takes into account any taxation deferred because of timing differences between the recognition of certain items for taxation and accounting purposes.

Current tax is recognised in the profit and loss account for the period, except to the extent that it is attributable to a gain or loss that has been recognised directly in the statement of total recognised gains and losses. Where a gain or loss has been recognised directly in the statement of total recognised gains and losses, the tax relating to that gain or loss has also been recognised directly in that statement.

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

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 differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

EDF Trading Limited

Notes to the accounts

Year ended 31 December 2010

2. Turnover

Turnover consists of the value of physical sales of energy products in the normal course of business and related services. Realised profits on derivatives as well as unrealised profits on open physical and derivative contracts are also included in turnover.

The Company is a wholly-owned subsidiary undertaking of Electricité de France S A ("EDF"), which produces consolidated segmental financial information in accordance with IFRS 8. Consequently the Company has taken advantage of the exemption given within SSAP 25 from disclosing segmental financial information.

Profit before taxation is attributable to the purchase and sale of energy products in the wholesale market and related activities and the associated operating expenses and financing costs.

3. Operating profit

Operating profit is stated after charging / (crediting)

	2010 €'000	2009 €'000
Amortisation of terminal operating rights (note 9)	1,985	1,986
Amortisation of intellectual property (note 9)	565	-
Depreciation of tangible fixed assets (note 10)		
- owned	20,222	16,968
- leased	125	606
Losses / (profits) on currency translations	1,628	(15,439)
Write back of negative goodwill (note 11 and 12)	(1,212)	(5,828)
Operating lease rentals		
- Plant and machinery	37	12
- Charter arrangements and other	99,587	174,934
(Profit) on disposal of tangible fixed assets (note 10)	(12)	(49)
<i>Auditor's Remuneration</i>		
Fees payable to the Company's auditor for the audit of parent company and consolidated financial statements	800	893
The audit of company's subsidiaries pursuant to legislation	605	664
Fees payable to the Group's auditor and their associates for other services to the Group	21	35
	<u>1,426</u>	<u>1,592</u>
Other services relate to		
- Taxation	<u>21</u>	<u>35</u>

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

EDF Trading Limited

Notes to the accounts Year ended 31 December 2010

4. Staff costs

The average monthly number of Group employees (including executive directors) was 846 (2009 735). The number of employees at the end of December was 885 (2009 780).

Their aggregate remuneration comprised

	2010 €'000	2009 €'000
Wages and salaries	133,389	144,917
Social security costs	15,085	16,620
Employer's contribution to Group personal pension scheme	4,293	3,677
Total	<u>152,767</u>	<u>165,214</u>

5. Directors' remuneration

	2010 €'000	2009 €'000
Emoluments	<u>3,792</u>	<u>3,819</u>
Company contributions paid to money purchase pension schemes	<u>14</u>	<u>13</u>
The amounts in respect of the highest paid director are		
Emoluments	<u>3,296</u>	<u>3,317</u>
Company contributions paid to money purchase pension schemes	<u>14</u>	<u>13</u>
	No.	No.
The number of members in money purchase pension schemes	<u>1</u>	<u>1</u>

EDF Trading Limited

Notes to the accounts Year ended 31 December 2010

6. Interest receivable, interest payable and similar charges

	2010 €'000	2009 €'000
<i>Interest receivable</i>		
Interest charged to EDF group companies	1,687	2,150
Interest on deposits and short-term investments	21	5,063
Interest received on margin and collateral	1,070	4,514
	<u>2,778</u>	<u>11,727</u>
<i>Interest payable</i>		
Interest charged by EDF group companies	18,751	33,608
Bank charges and other	2,793	2,781
Interest paid on margin and collateral	2,454	3,380
Interest on short-term loans from banks	100	1,352
Unwinding of discount effect on long-term contract valuations	339	1,366
Share of associates' interest payable	200	5
	<u>24,637</u>	<u>42,492</u>

EDF Trading Limited

Notes to the accounts Year ended 31 December 2010

7. Taxation

	2010 €'000	2009 €'000
Current tax		
UK corporation tax on profits for the year	(120,698)	(255,628)
Foreign tax	(29,892)	(34,650)
	<u>(150,590)</u>	<u>(290,278)</u>
Adjustments in respect of prior years		
- UK corporation tax	3,720	(8,294)
- Foreign tax	(1,730)	260
	<u>(148,600)</u>	<u>(298,312)</u>
Deferred tax (note 15)		
Origination and reversal of timing differences	(29,870)	50,702
Adjustment in respect of prior years	(2,710)	10,917
Effect of decrease in tax rate on liability	(794)	-
	<u>(33,374)</u>	<u>61,619</u>
Group tax charge for the year	<u>(181,974)</u>	<u>(236,693)</u>
Share of joint ventures' tax	<u>(59)</u>	<u>49</u>
Share of associates' tax	<u>(1,381)</u>	<u>(545)</u>
Total tax on profit on ordinary activities	<u>(183,414)</u>	<u>(237,189)</u>

EDF Trading Limited

Notes to the accounts

Year ended 31 December 2010

7. Taxation (continued)

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows

	2010 €'000	2009 €'000
Profit on ordinary activities before tax	591,388	879,418
Less share of associates' profit before tax	(8,144)	(3,632)
Less share of joint ventures' loss before tax	422	214
Group profit on ordinary activities before tax	<u>583,666</u>	<u>876,000</u>
Tax on group profit on ordinary activities at standard UK corporation tax rate of 28%	(163,427)	(245,280)
Effects of		
Adjustment to tax charge in respect of prior periods	1,990	(8,034)
Expenses not deductible for tax purposes	(3,967)	(491)
Change of tax rate on deferred tax balance	794	-
Higher tax rates on overseas (earnings) / losses	(13,860)	6,195
Timing differences	29,870	(50,702)
Total current tax charge for the year	<u>(148,600)</u>	<u>(298,312)</u>

8. Dividend

The Company paid a dividend of €320,000,000 during 2010 (2009 €360,000,000)

EDF Trading Limited

Notes to the accounts Year ended 31 December 2010

9. Intangible fixed assets

Group	Intellectual property €'000	Terminal operating rights €'000	Total €'000
Cost			
At 1 January 2010	-	39,756	39,756
Additions	11,225	-	11,225
At 31 December 2010	11,225	39,756	50,981
Accumulated Amortisation			
At 1 January 2010	-	(4,881)	(4,881)
Charge for the year (note 3)	(565)	(1,985)	(2,550)
Exchange adjustment	4	-	4
At 31 December 2010	(561)	(6,866)	(7,427)
Net book value			
At 31 December 2010	10,664	32,890	43,554
At 31 December 2009	-	34,875	34,875

The intellectual property intangible relates to the acquisition of the EPIC Merchants Energy L P 's trading platform by EDFT North America LLC

The Company did not hold intangible assets at 31 December 2010 (2009 nil)

EDF Trading Limited

Notes to the accounts Year ended 31 December 2010

10. Tangible fixed assets

Group:	Assets under construction €'000	Computer and communication equipment €'000	Furniture and fittings €'000	Land and buildings €'000	Leasehold improvements €'000	Plant and machinery €'000	Mining resources €'000	Total €'000
Cost								
At 1 January 2010	8,780	29,653	5,029	29,485	11,622	85,266	89,715	259,550
Additions	16,238	6,755	328	1 357	582	14,579	-	39,839
Reallocations	(11,457)	-	-	-	-	11 457	-	-
Disposals	-	(3,079)	-	-	-	(2,353)	-	(5,432)
Exchange adjustment	35	322	25	959	8	1,864	362	3,575
At 31 December 2010	13,596	33,651	5,382	31,801	12,212	110,813	90,077	297,532
Accumulated depreciation								
At 1 January 2010	-	(16,411)	(3,495)	(2 261)	(6,158)	(13,970)	-	(42,295)
Charge for the year	-	(8,367)	(875)	(803)	(2,715)	(7,561)	(26)	(20,347)
Disposals	-	3 073	-	-	-	2,787	-	5,860
Exchange adjustment	-	(78)	(3)	(75)	(1)	(349)	-	(506)
At 31 December 2010	-	(21,783)	(4,373)	(3,139)	(8,874)	(19,093)	(26)	(57,288)
Net book value								
At 31 December 2010	13,596	11,868	1,009	28,662	3,338	91,720	90,051	240,244
At 31 December 2009	8,780	13,242	1,534	27,224	5,464	71,296	89,715	217,255

Included in land and buildings are gas caverns developed on leased land

Included in additions for land and buildings is a €218,947 increase of the decommissioning provision for land used for gas and coal storage (note 18)

Included in plant and machinery is net book value for leased assets of €nil (2009 €125,000)

EDF Trading Limited

Notes to the accounts Year ended 31 December 2010

10. Tangible fixed assets (continued)

Company:	Computer and communication equipment €'000	Furniture and fittings €'000	Leasehold improvements €'000	Total €'000
Cost				
At 1 January 2010	24,086	4,348	10,362	38,796
Additions	2,467	8	10	2,485
Disposals	(3,079)	-	-	(3,079)
At 31 December 2010	23,474	4,356	10,372	38,202
Accumulated depreciation				
At 1 January 2010	(14,099)	(3,135)	(5,328)	(22,562)
Charge for the year	(5,905)	(633)	(2,610)	(9,148)
Disposals	3,055	-	-	3,055
Exchange adjustment	18	-	-	18
At 31 December 2010	(16,931)	(3,768)	(7,938)	(28,637)
Net book value				
At 31 December 2010	6,543	588	2,434	9,565
At 31 December 2009	9,987	1,213	5,034	16,234

The Company did not lease tangible fixed assets at either balance sheet date

EDF Trading Limited

Notes to the accounts Year ended 31 December 2010

11. Investments

	Group 2010 €'000	Company 2010 €'000	Group 2009 €'000	Company 2009 €'000
Associates	68,974	15,838	39,930	15,838
Subsidiary undertakings	-	312,020	-	290,164
Joint ventures	(754)	1	(12)	239
	<u>68,220</u>	<u>327,859</u>	<u>39,918</u>	<u>306,241</u>

During December 2010, EDF Trading North America LLC acquired 25% minority interest in Champion Energy Marketing LLC, a retail electric company in the United States, for a consideration of €22,451,728 (\$30,000,000). The net fair value of assets was €22,451,728 (\$30,000,000).

Associate undertakings:

	Group 2010 €'000	Company 2010 €'000	Group 2009 €'000	Company 2009 €'000
Share of net assets / cost				
At 1 January	41,045	15,838	40,262	15,838
Additions	22,452	-	-	-
Share of retained profit for the year / (dividend received)	5,477	-	783	-
At 31 December	<u>68,974</u>	<u>15,838</u>	<u>41,045</u>	<u>15,838</u>
Goodwill				
At 1 January	(1,115)	-	(3,460)	-
Negative goodwill written back (note 3)	1,115	-	2,345	-
At 31 December	<u>-</u>	<u>-</u>	<u>(1,115)</u>	<u>-</u>
Net book value	<u>68,974</u>	<u>15,838</u>	<u>39,930</u>	<u>15,838</u>

Negative goodwill is being written back on a straight-line basis over the period in which the related non-monetary assets of the acquired business are being depreciated or realised.

EDF Trading Limited

Notes to the accounts Year ended 31 December 2010

11. Investments (continued)

Subsidiary undertakings:

	Company 2010 €'000	Company 2009 €'000
Cost		
At 1 January	290,164	154,097
Additions	21,856	136,067
At 31 December	<u>312,020</u>	<u>290,164</u>

Additions mainly represent increased investments in

- EDF Trading Singapore Pty Limited during July 2010,
- EDF Trading Australia Pty Limited during May 2009, and
- EDF Trading North America Incorporated during December 2009

Joint ventures:

	Group 2010 €'000	Company 2010 €'000	Group 2009 €'000	Company 2009 €'000
Share of net assets / cost				
At 1 January	(12)	239	233	239
Disposals	(211)	(238)	-	-
Share of retained loss for the year	(481)	-	(258)	-
Exchange adjustments	(50)	-	13	-
At 31 December	<u>(754)</u>	<u>1</u>	<u>(12)</u>	<u>239</u>

EDF Trading Limited

Notes to the accounts Year ended 31 December 2010

11. Investments (continued)

The Group incorporates the following subsidiary undertakings, associates and joint ventures in group reporting

<i>Subsidiary undertakings</i>	Country of incorporation	Principal activity	Holding	%
Amstuw B V	Netherlands	Coal terminals	Ordinary shares	100
Cardinal Shipping Limited	Great Britain	Vessel ownership	Ordinary shares	100
EDF Trading (Switzerland) AG	Switzerland	Power trading	Ordinary shares	100
EDF Trading Australia Pty Limited	Australia	Participant in coal mining project	Ordinary shares	100
EDF Trading Bioenergy Limited	Great Britain	Not trading	Ordinary shares	100
EDF Trading Electricidad y Gas, S L	Spain	Not trading	Ordinary shares	100
EDF Trading Gas Storage Limited	Great Britain	Natural gas storage	Ordinary shares	100
EDF Trading Italia S r l	Italy	Not trading	Ordinary shares	100
EDF Trading Logistics S A	France	Coal and oil logistics	Ordinary shares	100
EDF Trading Markets Limited	Great Britain	Arranger on behalf of the Company	Ordinary shares	100
EDF Trading Singapore Pte Limited	Singapore	Coal marketing	Ordinary shares	100
EDF Trading North America Incorporated	United States of America	Holding company for EDF Trading North America LLC, a wholesale energy transportation and gas storage company	Ordinary shares	100
EDF Trading Japan KK	Japan	Coal and freight trading	Ordinary shares	100
Energy Systems International Limited	British Virgin Islands	Holding company for Energy Systems International B V and Energy Systems International (Shanghai) Ltd	Ordinary shares	100
Energy Systems International B V	Netherlands	Agent for Carbon emission trading activities	Ordinary shares	100
Jifeng Environmental Protection Science and Technology Consultancy (Shanghai) Limited	People's Republic of China	Consulting and technical supporting	Ordinary shares	100
<i>Associates</i>				
ATIC Services S A	France	Coal handling and logistics	Ordinary shares	33 38
ENAG Energiefinanzierungs A G	Switzerland	Power trading	Ordinary shares	16
Champion Energy Marketing LLC	United States of America	US Power retail aggregator	Ordinary shares	25

EDF Trading Limited

Notes to the accounts Year ended 31 December 2010

11. Investments (continued)

	Country of incorporation	Principal activity	Holding	%
<i>Joint ventures and joint arrangements that are not entities (JANE)</i>				
Westminster Shipping Limited	Great Britain	Vessel ownership	Ordinary shares	50
EDF Trading Limited and Crédit Agricole CIB London branch	Great Britain	Energy risk management and trading	n/a	n/a

The Group incorporates the following branches in group reporting

	Country of incorporation	Principal activity	Holding	%
<i>Branches</i>				
EDF Trading Markets Limited (Paris branch)	France	Arranger on behalf of the Company	n/a	n/a
EDF Trading Limited (Oslo branch)	Norway	Power trading	n/a	n/a
EDF Trading Limited (Czech branch)	Czech Republic	Not trading from February 2009	n/a	n/a
EDF Trading Singapore Pte Limited (Beijing branch)	People's Republic of China	Marketing and origination	n/a	n/a

All subsidiary undertakings with the exception of Energy Systems International Limited are held directly by the Company. The percentage shareholding also represents the Company's portion of the voting rights.

EDF Trading Limited

Notes to the accounts

Year ended 31 December 2010

12. Acquisition of subsidiary undertakings

On 7 July 2010 the Group completed the acquisition of Energy Systems International Limited. The following table sets out the book values of the identifiable assets and liabilities acquired and their provisional fair value to the Group

	Energy Systems International Limited		
	Book value	Fair value	Provisional
	€'000	adjustments	fair value
		€'000	to group
			€'000
Fixed assets			
Tangible	105	-	105
Current assets			
Debtors	704	21,385	22,089
Cash	619	-	619
Total assets	1,428	21,385	22,813
Creditors			
Trade creditors	(52)	-	(52)
Other current creditors	(5,296)	-	(5,296)
Total liabilities	(5,348)	-	(5,348)
Net assets	(3,920)	21,385	17,465
Negative goodwill (note 3)			(97)
Consideration paid (cash)			17,368
Satisfied by:			
Cash			16,701
Contingent consideration (note 18)			667
			17,368

Fair value adjustments represent valuation adjustments to CER contracts held at the balance sheet date in accordance with Group accounting policy and valuation methodology

The profit after taxation recorded for the period from 1 January 2010 to acquisition date by the acquired undertaking was €1,679,924. For the year to 31 December 2009, the equivalent figure was (€17,557,868)

EDF Trading Limited

Notes to the accounts Year ended 31 December 2010

13. Stocks

	Group 2010 €'000	Company 2010 €'000	Group 2009 €'000	Company 2009 €'000
Coal trading stock	468,364	443,364	404,533	404,533
Emissions trading allowances	97,073	96,459	26,369	26,369
Gas	210,698	19,549	175,823	9,931
Other stock	25,807	23,902	12,270	10,465
Olive pulp and wood pellets	23,194	23,194	2,777	2,777
	<u>825,136</u>	<u>606,468</u>	<u>621,772</u>	<u>454,075</u>

Other stock consists mainly of coal purchased by the Company for supply to EDF. The Company is obliged to hold these stocks in reserve under the terms of an agreement with EDF.

Stock represents commodities held for trading purposes and is held at fair value. This varies from SSAP9 which requires stock to be held at the lower of cost and net realisable value. The cost of stocks held is estimated at €662,457,000 (2009: €638,776,000) for the Group and €464,189,000 (2009: €532,731,000) for the Company.

EDF Trading Limited

Notes to the accounts Year ended 31 December 2010

14. Debtors

Amounts falling due within one year

	Group 2010 €'000	Company 2010 €'000	Group 2009 €'000	Company 2009 €'000
Derivatives (note 19)	6,064,390	5,693,008	8,505,044	8,355,392
Third party trade debtors	2,520,692	2,038,989	2,241,837	1,593,092
Amounts receivable from EDF group companies	1,650,238	1,646,751	1,862,172	1,861,690
Amounts receivable from EDF cash pool	295,789	295,789	535,784	535,784
Amounts receivable from Group companies	-	536,696	-	472,177
Deferred tax (note 15)	26,688	-	33,708	-
Prepayments	56,016	19,367	40,798	10,962
Other debtors	709,600	494,287	630,428	427,734
	<u>11,323,413</u>	<u>10,724,887</u>	<u>13,849,771</u>	<u>13,256,831</u>

Amounts falling due after more than one year

	Group 2010 €'000	Company 2010 €'000	Group 2009 €'000	Company 2009 €'000
Amounts receivable from EDF group companies	70,324	61,322	67,928	67,965
Amounts receivable from Group companies	-	126,119	-	71,887
Deferred tax (note 15)	94,042	26,559	109,812	24,745
Prepayments	39,555	28,331	41,596	31,408
	<u>203,921</u>	<u>242,331</u>	<u>219,336</u>	<u>196,005</u>

Prepayments relate mainly to the initial payments made on the commencement of certain long-term power and coal purchase agreements and are amortised to the profit and loss account over the life of the contracts

15. Deferred tax

	Group 2010 €'000	Company 2010 €'000	Group 2009 €'000	Company 2009 €'000
Accelerated capital allowances	(17,680)	2,919	(17,846)	1,974
Timing differences on accruals	27,293	23,676	30,201	26,068
Timing differences on income recognition	87,859	-	106,512	-
Tax losses available	17,068	-	16,397	-
Other timing differences	(430)	(36)	(746)	(3,297)
	<u>114,110</u>	<u>26,559</u>	<u>134,518</u>	<u>24,745</u>

EDF Trading Limited

Notes to the accounts Year ended 31 December 2010

15. Deferred tax (continued)

	Group 2010 €'000	Company 2010 €'000
<i>Movement in deferred tax</i>		
At 1 January 2010	134,518	24,745
Charged to profit and loss account (note 7)	(32,580)	2,680
Credited to statement of total recognised gains and losses (note 21)	3,261	116
Charged to profit and loss account in joint ventures	(59)	-
Change of tax rate (note 7)	(794)	(982)
Exchange adjustment	9,764	-
	<u>114,110</u>	<u>26,559</u>
At 31 December 2010		
Deferred tax balance comprises of		
Deferred tax asset (note 14)	120,730	26,559
Deferred tax liability (note 18)	(6,620)	-
	<u>114,110</u>	<u>26,559</u>

The realisation of the deferred tax asset is dependent on the reversal of other timing differences and the future profitability of the Company and Group

EDF Trading Limited

Notes to the accounts Year ended 31 December 2010

16. Creditors: amounts falling due within one year

	Group 2010 €'000	Company 2010 €'000	Group 2009 €'000	Company 2009 €'000
<i>Loans</i>				
Loans from EDF	500,000	500,000	-	-
<i>Other creditors</i>				
Derivatives (note 19)	5,438,108	4,900,269	7,415,502	6,916,286
Third party trade creditors	3,091,668	2,585,534	2,510,069	1,855,394
Amount owed to EDF group companies	662,708	656,115	860,444	860,107
Amount owed to Group companies	-	407,359	-	493,532
Accruals and other creditors	267,685	203,404	1,417,469	1,339,505
Deferred consideration payable	40,780	-	20,628	-
Corporation tax	55,299	49,141	167,933	148,060
Obligations under finance leases (note 17)	38	-	393	-
	<u>9,556,286</u>	<u>8,801,822</u>	<u>12,392,438</u>	<u>11,612,884</u>
Creditors falling due within one year	<u>10,056,286</u>	<u>9,301,822</u>	<u>12,392,438</u>	<u>11,612,884</u>

Included in "Loans from EDF" are short-term multi currency, interest bearing facilities at rates varying between 1 193% and 1 194% The loans are made available under a general facility which expires March 2012 Drawdowns against the facility have individual repayment terms The balance shown was repaid under the specific terms in January 2011

EDF Trading Limited

Notes to the accounts Year ended 31 December 2010

17. Creditors: amounts falling due after more than one year

	Group 2010 €'000	Company 2010 €'000	Group 2009 €'000	Company 2009 €'000
<i>Loans</i>				
Loans from EDF	641,000	641,000	641,000	641,000
<i>Other creditors</i>				
Deferred income	-	-	42,339	42,339
Advances received	27,393	27,393	29,104	29,104
Deferred consideration payable	1,130	-	42,729	-
Obligations under finance leases	-	-	38	-
	28,523	27,393	114,210	71,443
Creditors falling due after more than one year	669,523	668,393	755,210	712,443
			Group 2010 €'000	Group 2009 €'000
Finance leases (net of finance charges) are repayable as follows				
- within one year			38	393
- between one and five years			-	38
			38	431

Loans from EDF include Euro bond issues, fully subscribed by EDF, bearing interest at rates between 1.648% and 3.359%. The bonds have maturities of varying duration between December 2012 and June 2013.

EDF Trading Limited

Notes to the accounts Year ended 31 December 2010

18. Provisions for liabilities and charges

	Group 2010 €'000	Company 2010 €'000	Group 2009 €'000	Company 2009 €'000
Contingent consideration	4,512	-	-	-
Deferred taxation (note 15)	6,620	-	9,002	-
Provision for decommissioning	4,671	-	4,055	-
Provision for onerous contract	1,075	1,075	1,393	1,393
Other provisions	1,216	-	1,137	-
	<u>18,094</u>	<u>1,075</u>	<u>15,587</u>	<u>1,393</u>

	Contingent consideration €'000	Decommis- sioning €'000	Onerous contract €'000	Other €'000	Total €'000
Group:					
At 1 January 2010	-	4,055	1,393	1,137	6,585
Charged to profit and loss account	-	-	-	79	79
Provision utilised	(645)	-	(318)	-	(963)
Capitalised to tangible assets (note 10)	-	219	-	-	219
Acquisition of subsidiary undertaking (note 12)	667	-	-	-	667
Acquisition of intellectual property	4,490	-	-	-	4,490
Adjustment arising from discounting	-	284	-	-	284
Exchange adjustment	-	113	-	-	113
At 31 December 2010	<u>4,512</u>	<u>4,671</u>	<u>1,075</u>	<u>1,216</u>	<u>11,474</u>

	Onerous contract €'000	Total €'000
Company:		
At 1 January 2010	1,393	1,393
Provision utilised	(318)	(318)
At 31 December 2010	<u>1,075</u>	<u>1,075</u>

EDF Trading Limited

Notes to the accounts Year ended 31 December 2010

18. Provisions for liabilities and charges (continued)

Contingent consideration

Contingent consideration primarily relates to

- \$6,000,000 payable in 2 equal tranches (April 2011 and April 2012) contingent on the successful integration of the acquired financial transmission right technology systems and activities of EPIC Merchants Energy L P into EDF Trading North America LLC's power trading business, and
- employee payments of €22,000 to Energy Systems International Limited's employees subject to discharge of agreed obligations, payable within 12 months

Decommissioning

A provision is recognised for the expected dismantling of equipment and rectification of land used for gas storage, coal mining and coal storage. The provision assumes that most of these costs will be incurred in approximately 35 years for gas storage, 36 years for coal mining and 16 years for coal storage.

Onerous contract

A provision is recognised to the extent that the Company is exposed to ongoing costs associated with the assignment of the lease on its former office.

Other

Other provisions consist mainly of the cost of restoring railcars and sites used in the Group's logistics operation.

19. Derivative financial instruments

Derivative financial instruments that are used by the Group and Company include forward foreign exchange contracts, interest rate swaps and commodity trading contracts.

The Group and Company designate forward foreign exchange contracts as cash flow hedges of non-euro expenditures and commitments, and commodity trading contracts as fair value hedges for operating leases on dry bulk vessels. The Group also designates net investment hedges on investments on overseas subsidiaries.

The fair value of derivative financial instruments at the balance sheet date is as follows:

	Group 2010 €'000	Company 2010 €'000	Group 2009 €'000	Company 2009 €'000
Debtors				
Energy commodity contracts	5,759,866	5,388,484	8,145,946	7,996,294
Forward foreign exchange contracts	215,626	215,626	235,324	235,324
Interest rate swaps	88,898	88,898	123,774	123,774
	<u>6,064,390</u>	<u>5,693,008</u>	<u>8,505,044</u>	<u>8,355,392</u>

Included in forward foreign exchange contracts are derivatives that are designated as hedging instruments. The fair value of hedging instruments included in debtors is €8,994,000 (2009: €26,915,000).

EDF Trading Limited

Notes to the accounts Year ended 31 December 2010

19. Derivative financial instruments (continued)

	Group 2010 €'000	Company 2010 €'000	Group 2009 €'000	Company 2009 €'000
Creditors				
Energy commodity contracts	5,038,920	4,501,496	6,944,595	6,445,379
Forward foreign exchange contracts	273,795	273,380	322,273	322,273
Interest rate swaps	125,393	125,393	148,634	148,634
	<u>5,438,108</u>	<u>4,900,269</u>	<u>7,415,502</u>	<u>6,916,286</u>
Net open positions	<u>626,282</u>	<u>792,739</u>	<u>1,089,542</u>	<u>1,439,106</u>
Realisation profile of derivative financial instruments				
	Group 2010 €'000	Company 2010 €'000	Group 2009 €'000	Company 2009 €'000
Within 12 months	430,318	407,887	724,928	702,330
Beyond 12 months	195,964	384,852	364,614	736,776
	<u>626,282</u>	<u>792,739</u>	<u>1,089,542</u>	<u>1,439,106</u>

Included in forward foreign exchange contracts and energy commodity contracts are derivatives that are designated as hedging instruments. The fair value of hedging instruments included in creditors is €21,174,000 (2009 €700,000).

Movement of (€259,896,000) (2009 (€401,586,000)) in unrealised (losses) has been recognised in the consolidated profit and loss account for the year.

20. Called up share capital

	2010 €'000	2009 €'000
Authorised, called up, allotted and fully paid		
81,000,000 ordinary shares of €1 each	<u>81,000</u>	<u>81,000</u>

EDF Trading Limited

Notes to the accounts Year ended 31 December 2010

21. Reconciliation of shareholder's funds and movement on reserves

	Share capital 2010 €'000	Capital redemption reserve 2010 €'000	Other reserves 2010 €'000	Profit and loss account 2010 €'000	Total share- holder's funds 2010 €'000	Total share- holder's funds 2009 €'000
Group						
At 1 January	81,000	9,138	5,791	1,874,924	1,970,853	1,678,080
<i>Cash flow hedge</i>						
Fair value (losses) in year	-	-	(102)	-	(102)	7,964
Tax on fair value losses in year (note 15)	-	-	116	-	116	(2,230)
Dividends paid	-	-	-	(320,000)	(320,000)	(360,000)
Foreign exchange adjustment	-	-	12,942	-	12,942	6,614
<i>Net investment hedges</i>						
Fair value (losses) in year	-	-	(11,539)	-	(11,539)	(2,506)
Tax on fair value losses in year (notes 7,15)	-	-	3,145	-	3,145	702
Profit for the year	-	-	-	407,974	407,974	642,229
At 31 December	81,000	9,138	10,353	1,962,898	2,063,389	1,970,853
	Share capital 2010 €'000	Capital redemption 2010 €'000	Other reserves 2010 €'000	Profit and loss account 2010 €'000	Total share- holder's funds 2010 €'000	Total share- holder's funds 2009 €'000
Company						
At 1 January	81,000	9,138	5,433	1,857,478	1,953,049	1,643,829
<i>Cash flow hedge</i>						
Fair value (losses) in year	-	-	(102)	-	(102)	7,964
Tax on fair value losses in year (note 15)	-	-	116	-	116	(2,230)
Dividends paid	-	-	-	(320,000)	(320,000)	(360,000)
Profit for the year	-	-	-	338,280	338,280	663,486
At 31 December	81,000	9,138	5,447	1,875,758	1,971,343	1,953,049

EDF Trading Limited

Notes to the accounts Year ended 31 December 2010

22. Pension commitments

The Group makes payments to a defined contribution group personal pension scheme for its employees. Contributions are made based on a percentage of the employees' salary. The unpaid contributions outstanding at the year-end, included in accruals and other creditors (note 16), are €292,000 (2009: €561,000).

23. Commitments and contingencies

The Group's commitments are as follows:

	Group 2010 €'000	Company 2010 €'000	Group 2009 €'000	Company 2009 €'000
Capital expenditure commitments (contracted for but not provided for)	39,346	-	65,957	-
Lease commitments Annual amounts for operating leases using year end exchange rates				
- expiry date within one year	11,439	11,385	18,056	13,505
- expiry date between one and five years	43,091	42,921	55,246	52,274
- expiry date after five years	17,162	17,162	39,194	39,194
Annual amounts for leases of land and buildings using year end exchange rates				
- expiry date within one year	527	-	142	-
- expiry date between one and five years	3,523	2,919	3,107	2,321
- expiry date after five years	9,051	4,262	7,327	3,298
	84,793	78,649	123,072	110,592

Bank guarantees and letters of credit

The Company and Group have given bank guarantees and letters of credit to various counterparties in relation to energy trading and transportation activities. No material losses are likely to arise from such commitments. The value of these commitments for the Company and the Group at the year end is €655,712,000 (2009: €476,755,824).

Contingencies

The Company and Group have a contingent liability, of €3,741,900 (\$5,000,000), in respect of a potential prepayment arising as a result of entering into a long term coal contract with Continental Coal Limited in 2010.

24. Related party transactions

The Company has taken advantage of the exemption given to subsidiaries by FRS 8, paragraph 3 (a) from disclosing related party transactions with other group companies.

EDF Trading Limited

Notes to the accounts

Year ended 31 December 2010

25. Ultimate parent company

Electricité de France S A ("EDF"), incorporated in France, is the ultimate parent undertaking of the largest and smallest Group for which group accounts are prepared, and is the controlling entity. Copies of the group accounts of EDF are publicly available and can be obtained from the registered office at 22-30 Avenue de Wagram, 75008 Paris, France.