



EDF ENERGY PLC

Registered Number 2366852

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2010

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Directors

Vincent de Rivaz
Simone Rossi

Company Secretary

Joe Souto

Auditor

Deloitte LLP
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London
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Registered Office

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DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 31 December 2010

Principal activity and review of the business

The principal activities of EDF Energy plc (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, the provision of services relating to energy, including purchasing of fuel for power generation and the generation of electricity. The Group will continue with these activities for the foreseeable future. On the 29 October 2010, the Group disposed of its public and private distribution networks operations, and these activities have been accounted for as discontinued operations in the financial statements.

Results and dividends

The loss for the year before taxation, associates and discontinued operations, amounted to £342.9m (2009 profit of £91.6m) and after taxation, associates and discontinued operations to a profit of £598.8m (2009 profit of £437.0m). No dividends were paid during the year (2009 £270.0m).

Historically, EDF Energy plc and its subsidiaries operated through three main business units. These were "Energy Sourcing and Customer Supply", "Networks" and "Corporate, Shared Services & Integration". On the 29 October 2010, the Group sold its subsidiaries which operated in the Networks business unit. The principal activities of the remaining business units are:

- Energy Sourcing and Customer Supply, the provision and supply of electricity and gas to commercial, residential and industrial customers, the provision of services relating to energy, including purchasing of fuel for power generation and the generation of electricity, and
- Corporate, Shared Services & Integration, the provision of support services including property and IT.

A summary of the key financial results are set out in the table below and are discussed in this section. Further detail of the results of the segments can be found in the segmental reporting note (note 4).

	Revenue		Operating profit/ (loss)	
	2010 £m	2009 £m	2010 £m	2009 £m
Energy Sourcing and Customer Supply	6,417.8	6,412.3	(114.8)	363.6
Other and eliminations	3.3	(10.2)	(131.6)	(169.9)
Group	6,421.1	6,402.1	(246.4)	193.7

Energy Sourcing and Customer Supply

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

Energy Sourcing and Customer Supply ("ESCS") has recorded a decrease in operating profit to a loss of £114.8m from an operating profit of £363.6m. The underlying operating profit, excluding the revaluation of derivative contracts has decreased from an operating profit in 2009 of £231.9m to an operating loss of £141.7m.

DIRECTORS' REPORT continued

The Group's generation business comprises two fossil fuel generation power plants in the UK with a total generation capacity of 4.1 GW, namely Cottam and West Burton. Low wholesale electricity prices in 2010 have particularly impacted the expectation of future revenues for Cottam and West Burton, and the Group has booked an impairment of £340m to reflect this. Both stations remain an integral part of our generation portfolio and will continue to be managed in order to optimise their level of profitability across their remaining lifetime. In 2009, in order to obtain approval from the European Commission of the acquisition of British Energy by a sister company, the Company agreed to divest its interest in Sutton Bridge, a gas-fired power station. As part of the divestment, Sutton Bridge is currently operating under ring-fenced arrangements. In addition, EDF Energy is constructing a new CCGT plant at West Burton (c 1,300MW) which is expected to be in commercial operation in early 2012.

Through EDF Energy Renewables ("EDF-ER"), a joint venture between the Group and EDF Energies Nouvelles, the Company is developing its own assets and signing power purchase agreements with renewable generators, supporting independent developers to ensure a balanced approach for compliance with its Renewables Obligation (RO) and the provision of renewable electricity to its customer base. During 2010, the renewables operational portfolio increased by 50 MW with the Rusholme and Burnfoot wind farms both completing construction by the end of 2010. Fairfield Wind farm (6.5 MW) is currently under construction with first output expected in early 2011. EDF-ER now operates, or has consent for, a total expected capacity of circa 360 MW (of which 262 MW is delivered through 19 operational wind farms across the UK). Longpark, situated in Galashiels, Scotland, is the largest operational wind farm belonging to EDF-ER in the UK. The wind farm comprises 19 turbines and was officially opened on 22 November 2010.

EDF Energy sells power to two major market sectors – residential and business customers, with the size of business customers ranging from large industrial businesses to small privately owned businesses. Sales to residential customers are described as Business to Customer (B2C) and sales to businesses are described as Business to Business (B2B). EDF Energy adopts different risk management strategies for B2C and B2B.

As at the end of December 2010, EDF Energy had 3.9 million customers and 5.5 million customer accounts. It supplied 18.8 TWh of electricity to 3.4 million B2C accounts and 255,045 B2B SME accounts and 44.8 TWh of electricity to 125,589 B2B Major Business accounts. It also had 1.7 million B2C gas customer accounts and supplied 29.8 TWh of gas to these customers in 2010. While EDF Energy's B2C and B2B SME customers are primarily located in London, the South-East and the South-West of England, its B2B Major Business customers have sites throughout the country.

B2C tariffs tend to follow the overall trend of commodity prices over the long term but do not reflect their short term volatility. As a result, a hedging strategy that efficiently smoothes market volatility is regarded as a key competitive factor for all electricity and gas suppliers in the UK market. A gas price reduction was implemented by EDF Energy on 26 March 2010, with the majority of B2C gas customers seeing their prices fall by about 4%. In October 2010 electricity prices were increased by 2.6% for a part of our B2C portfolio depending on their region or location. This increase reflected the underlying regional increase in electricity distribution tariffs.

In November 2010 EDF Energy announced a winter price freeze for B2C customers until 1 March 2011, reflecting our willingness to protect our customers from significant increases in the middle of winter. EDF Energy aims to differentiate itself from its competitors, most of whom have increased their tariffs, with a view to reducing customer churn and acquisition costs and increasing customer numbers.

Networks

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

DIRECTORS' REPORT continued

Long-term strategy and business objectives

In 2009, six key ambitions were set to cover our new business. These continued in 2010, with some adjustments following the divestment of Networks.

Our key company performance measures were:

- Safe for All - Measured through the lost time incident rate (the number of incidents with a day or more off work per 1,000,000 hours worked)
- Customers' Choice – Measurement of customer satisfaction in our B2B and B2C businesses via a survey of both customers and non-customers
- Sustainable Performance - Measured against our climate and social commitments (comprising 15 measures)
- High Performing People - Measured through results of our annual employee engagement survey
- Shareholder's Expectations - Measured through (a) earnings before interest, tax, depreciation and amortisation (b) free cash flow, (c) integration synergies from the British Energy acquisition

The results for 2010 & 2009 were:

Ambition	Measure	2010	2009
Safe for All	LTI rate (per 1,000,000hrs)	1.12	1.74
Customers' Choice	B2B and B2C Customer Satisfaction Index	125.5	n/a
	Supply Customer Preference Rate (%)	n/a	83.1
	Networks' Customer satisfaction (%)	n/a	66.3
Sustainable Performance	Delivery of company climate and social commitments (index)	101.1*	11 of 15
High Performing People	Employee engagement rate (%)	70.0	59.0
Shareholder's Expectations	Integration Synergies (£m)	77.4	39.8

Note that 2009 includes Networks data where appropriate. Where the KPI has changed between periods and no directive comparative is possible, n/a is shown.

*Sustainable Performance in 2010 corresponds to 10 of 15 projects on target for *that year*, though all projects are on track for delivery in 2012, 2015 etc. The internal index is calculated through a weighted average of the various measures which are all scored based on level of progress against deliverables.

DIRECTORS' 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

Margin risk

Margin price risk arises from the necessity to effectively forecast customer demand for gas and electricity, and to adequately procure the various commodities at a price competitive enough to allow a favourable tariff proposition for our customers. Due to the vertically-integrated nature of the Group, the electricity procured from the generation business provides a natural hedge for the electricity demand from the retail business. The residual exposure to movements in the price of electricity, gas or coal is mitigated by entering into contracts on the forward markets. Risk management is monitored for the whole of EDF Energy, through sensitivity analysis and stop loss per commodity and across commodities, within the Group risks mandate.

Interest rate risk

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

Foreign currency risk

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

Credit risk

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

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

Health and Safety risk

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

DIRECTORS' REPORT continued

Directors and their interests

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

Daniel Camus	(resigned 2 April 2010)
Simone Rossi	(appointed 1 April 2011)
Vincent de Rivaz	
Thomas Kusterer	(resigned 29 March 2011)
Yann Laroche	(resigned 2 April 2010)
Didier Calvez	(resigned 2 April 2010)

Thomas Kusterer was employed by and had a service contract with the Company Vincent de Rivaz is employed by and has service contracts with the ultimate parent company Electricité de France S A ("EDF S A")

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

Neither 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 financial statements

Political and charitable contributions

During the year, the Group made various charitable contributions totalling £3,230,855 (2009 £3,386,256) and no political contributions (2009 £nil)

Creditors' payment policy

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

- settle the terms of payment with those creditors/suppliers when agreeing the terms of each transaction,
- ensure that those creditors/suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts, and
- pay in accordance with its contractual and other legal obligations

The payment policy applies to all payments to creditors/suppliers for revenue and capital supplies of goods and services without exception At 31 December 2010, the Group had an average of 36 days (2009 35 days) purchases outstanding in its trade creditors

Employee involvement

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

DIRECTORS' REPORT continued

Equal opportunities

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

Going concern

The Group manages its capital through focusing on its net debt which comprises borrowings (note 29) 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 27) for at least the next 12 months, the Directors have formed a judgement, at the time of approving the 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 financial statements.

Auditor

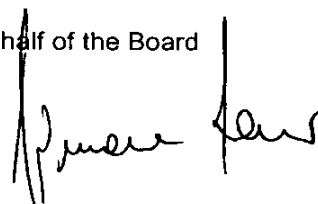
Each of the persons who is a Director at the date of approval of this report confirms that

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

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

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.

On behalf of the Board



Simone Rossi
Director

30 June 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU. Under company law the Directors must not approve the accounts 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 these 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.

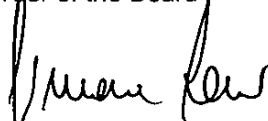
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole, and
- the management report, which is incorporated into the Directors' report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

By order of the Board



Simone Rossi
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDF ENERGY PLC

We have audited the financial statements of EDF Energy plc for the year ended 31 December 2010 which include the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 44. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of Directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2010 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 IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

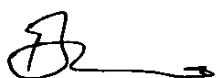
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDF ENERGY PLC continued

Matters on which we are required to report by exception

We have nothing to report in respect of the following

Under the Companies Act 2006 we are required to report to you if, in our opinion

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



Bevan Whitehead (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Deloitte LLP, London
30 June 2011

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 £m	2009 (restated) (i) £m
Continuing operations			
Revenue	5	6,421.1	6,402.1
Fuel, energy and related purchases	7	(4,827.1)	(4,892.1)
(Losses)/gains on derivative commodity contracts	6	(26.9)	131.7
Gross margin		1,567.1	1,641.7
Materials and contracting costs		(86.9)	(77.7)
Other operating expenses		(828.6)	(870.8)
Personnel expenses	9	(399.4)	(350.1)
Profit before depreciation, amortisation, tax and finance costs		252.2	343.1
Depreciation and amortisation	6	(498.6)	(149.4)
Operating (loss)/profit		(246.4)	193.7
Investment revenue	5, 11	5.2	19.3
Finance costs	12	(101.7)	(121.4)
(Loss)/profit before taxation and associate		(342.9)	91.6
Taxation	13	150.9	(27.3)
(Loss)/profit before associate		(192.0)	64.3
Share of profit/(losses) of associate	21	9.5	(23.9)
(Loss)/profit for the year from continuing operations		(182.5)	40.4
Profit for the year from discontinued operations	14	345.7	396.6
Profit on disposal of discontinued operations		435.6	-
Profit for the year		598.8	437.0
Profit attributable to			
Equity holders of the parent	38	598.4	436.8
Minority interest	33	0.4	0.2
		598.8	437.0

(i) Restated for discontinued operations

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 £m	2009 £m
Profit for the financial year		598.8	437.0
Net gains/(losses) on cash flow hedges	39	599.1	(181.1)
Deferred taxation on cash flow hedges	39	(161.8)	50.6
Total comprehensive income		1,036.1	306.5
Total comprehensive income attributable to			
Equity holders of the parent		1,035.7	306.3
Minority interest	33	0.4	0.2
		1,036.1	306.5

EDF ENERGY PLC
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BALANCE SHEETS
AT 31 DECEMBER 2010

		2010	GROUP		COMPANY	
			2009	2008	2010	2009
			(restated) (i)	(restated) (i)		
	Note	£m	£m	£m	£m	£m
Non-current assets						
Goodwill	16	1,161 7	1,278 9	1,260 0	0 6	0 6
Other intangible assets	18	341 5	392 8	410 8	127 7	200 6
Property, plant and equipment	19	1,658 2	7,244 0	6,483 8	56 0	67 6
Investments in subsidiary undertakings	20	-	-	-	1,049 3	2,267 6
Interests in associate	21	23.8	20 8	58 4	-	-
Investments		0.9	1 8	1 5	-	-
Finance lease receivables	23	-	353 3	355 5	-	-
Other financial assets		3.5	3 5	-	-	-
Deferred tax asset	32	-	-	-	-	142 3
Derivative financial instruments	30	128 8	154 4	735 1	127.1	154 4
		3,318 4	9,449 5	9,305 1	1,360.7	2,833 1
Current assets						
Investments		-	-	0.5	-	-
Inventories	24	168 5	263 5	275 4	161 0	216 7
Trade and other receivables	25	1,374 0	1,787 3	1,876 0	3,418 3	2,291 9
Current tax receivable		-	-	4 5	-	-
Cash and cash equivalents	27	2,585.9	398 4	106 6	2,472 4	32 3
Finance lease receivables	23	-	45 8	38 1	-	-
Derivative financial instruments	30	160.3	287 1	388 1	159 5	287 1
		4,288 7	2,782 1	2,689 2	6,211.2	2,828 0
Total assets		7,607 1	12,231 6	11,994 3	7,571.9	5,661 1
Current liabilities						
Other liabilities	28	(1,709 2)	(1,819 9)	(1,659 0)	(2,536.4)	(1,199 4)
Borrowings	29	(33.0)	(1,246 2)	(1,101 4)	-	(1,174 1)
Derivative financial instruments	30	(88 0)	(573 9)	(626 1)	(86.5)	(573 9)
Short-term provisions	31	(311 8)	(353 5)	(351 1)	(175.5)	(156 4)
Obligations under finance lease	34	(21 0)	(18 2)	(15 7)	-	-
Current tax liability		(79 3)	(24 3)	-	(114.6)	(1 1)
		(2,242.3)	(4,036 0)	(3,753 3)	(2,913 0)	(3,104 9)
Non-current liabilities						
Other liabilities	28	-	(272 9)	(222 4)	-	-
Borrowings	29	(1,592 6)	(4,205 4)	(3,895 5)	(1,377 2)	(1,420 8)
Derivative financial instruments	30	(93.4)	(177 3)	(608 2)	(90.0)	(165 0)
Long-term provisions	31	(44.3)	(39 7)	(49 8)	(1.2)	(1 5)
Deferred tax liability	32	(69.7)	(879 6)	(840 1)	(2.1)	-
Obligations under finance lease	34	(264.8)	(276 1)	(286 0)	-	-
Post-employment benefits	41	(35.6)	(111 6)	(140 0)	(10 6)	(8 2)
		(2,100 4)	(5,962 6)	(6,042 0)	(1,481 1)	(1,595 5)
Total liabilities		(4,342 7)	(9,998 6)	(9,795 3)	(4,394 1)	(4,700 4)
Net assets		3,264.4	2,233 0	2,199 0	3,177 8	960 7

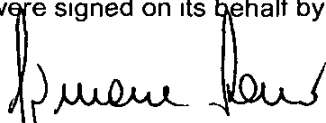
(i) Restated for IFRIC 18

EDF ENERGY PLC
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BALANCE SHEETS continued
AT 31 DECEMBER 2010

		GROUP			COMPANY	
		2010	2009	2008	2010	2009
			(restated) (i)	(restated) (i)		
	<i>Note</i>	£m	£m	£m	£m	£m
Equity						
Share capital	36	1,296.6	1,296.6	1,296.6	1,296.6	1,296.6
Share premium account	37	13.9	13.9	13.9	13.9	13.9
Capital and redemption reserves	37	20.2	20.2	21.9	12.9	12.9
Hedging reserve	39	93.4	(343.9)	(213.4)	89.6	(323.0)
Retained earnings	38	1,840.3	1,241.9	1,075.1	1,764.8	(39.7)
Equity attributable to equity holders of the parent		3,264.4	2,228.7	2,194.1	3,177.8	960.7
Non-controlling interest	33	-	4.3	4.9	-	-
Total equity		3,264.4	2,233.0	2,199.0	3,177.8	960.7

The accounts on pages 11 to 83 were approved by the Board of Directors on 30 June 2011 and were signed on its behalf by



Simone Rossi
Director

**CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

	<i>Notes</i>	GROUP		COMPANY	
		2010	2009 (restated) (i)	2010	2009
		£m	£m	£m	£m
Net cash from continuing operating activities	40	959.6	702.6	695.6	376.0
Net cash from discontinued operating activities		713.5	621.2	-	-
Investing activities					
Purchase of property, plant and equipment		(421.2)	(442.4)	(16.2)	(26.5)
Purchase of carbon and renewable obligation certificates		(99.7)	(178.3)	(99.6)	(178.2)
Purchase of other intangible assets		(66.0)	(29.4)	(15.2)	(11.3)
Proceeds from sale of property, plant and equipment		11.6	16.9	18.0	3.9
Proceeds from sale of subsidiary		3,011.5	-	2,420.0	-
Repayment of intra-group loan by subsidiary		-	-	480.8	-
Disposal/(acquisition) of investment		0.9	(53.2)	-	(46.8)
Cash receipts in relation to subsidiary purchase		-	9.3	-	-
Interest element of finance lease rental payments		(17.2)	(19.8)	-	-
Dividends received from investments		6.5	13.7	59.3	180.0
Interest received		5.2	19.3	27.1	36.1
Net cash from/(used in) continuing investing activities		2,431.6	(663.9)	2,874.2	(42.8)
Net cash used in discontinued investing activities		(601.7)	(486.9)	-	-
Financing activities					
Dividends paid to equity holders of the parent		-	(270.0)	-	(270.0)
Repayment of obligations under finance leases		(25.7)	(27.2)	-	-
Repayment of borrowings		(1,079.0)	(84.6)	(1,079.5)	(60.2)
Issue of borrowings		76.2	-	-	-
Issuance of intra-group loans		-	-	-	79.8
Interest paid		(66.3)	(70.2)	(50.2)	(76.9)
Net cash used in continuing financing activities		(1,094.8)	(452.0)	(1,129.7)	(327.3)
Net cash (used in)/from discontinued financing activities		(220.7)	570.8	-	-
Net increase in cash and cash equivalents		2,187.5	291.8	2,440.1	5.9
Cash and cash equivalents at 1 January		398.4	106.6	32.3	26.4
Cash and cash equivalents at 31 December	27	2,585.9	398.4	2,472.4	32.3

(i) Restated for discontinued operations

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Share premium £m	Capital and redemption reserves £m	Hedging reserve £m	Retained earnings £m	Non- controlling interest £m	Total equity £m
At 1 January 2009	1,296.6	13.9	21.9	(213.4)	1,075.1	4.9	2,199.0
Profit for the year	-	-	-	-	436.8	0.2	437.0
Other comprehensive loss for the year	-	-	-	(130.5)	-	-	(130.5)
Total comprehensive (loss)/income for the year	-	-	-	(130.5)	436.8	0.2	306.5
Share scheme	-	-	(1.7)	-	-	-	(1.7)
Equity dividends	-	-	-	-	(270.0)	-	(270.0)
Acquisition of non-controlling interest	-	-	-	-	-	(0.8)	(0.8)
At 1 January 2010	1,296.6	13.9	20.2	(343.9)	1,241.9	4.3	2,233.0
Profit for the year	-	-	-	-	598.4	0.4	598.8
Other comprehensive income for the year	-	-	-	437.3	-	-	437.3
Total comprehensive income for the year	-	-	-	437.3	598.4	0.4	1,036.1
Disposal of subsidiary	-	-	-	-	-	(4.7)	(4.7)
At 31 December 2010	1,296.6	13.9	20.2	93.4	1,840.3	-	3,264.4

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Share premium £m	Capital and redemption reserves £m	Hedging reserve £m	Retained earnings £m	Total equity £m
At 1 January 2009	1,296.6	13.9	13.6	(194.0)	129.6	1,259.7
Profit for the year	-	-	-	-	100.7	100.7
Other comprehensive loss for the year	-	-	-	(129.0)	-	(129.0)
Total comprehensive (loss)/income for the year	-	-	-	(129.0)	100.7	(28.3)
Share scheme	-	-	(0.7)	-	-	(0.7)
Equity dividends	-	-	-	-	(270.0)	(270.0)
At 1 January 2010	1,296.6	13.9	12.9	(323.0)	(39.7)	960.7
Profit for the year	-	-	-	-	1,804.5	1,804.5
Other comprehensive income for the year	-	-	-	412.6	-	412.6
Total comprehensive income for the year	-	-	-	412.6	1,804.5	2,217.1
At 31 December 2010	1,296.6	13.9	12.9	89.6	1,764.8	3,177.8

NOTES TO THE FINANCIAL STATEMENTS

1 General information

EDF Energy plc is a company incorporated in Great Britain under the Companies Act. The address of the registered office is given on page 1. The nature of EDF Energy plc and its subsidiaries' (together the "Group" or "EDF Energy") operations and their principal activities are set out in note 4 and in the Directors' Report on pages 2 – 7. 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 2010. These financial statements have been prepared under the historical cost convention, except for derivative financial instruments that have been measured at fair value.

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:

- The amendment to IFRS 1 relating to exemptions from Comparative IFRS 7 Disclosures for First-time Adopters
- The amendments to IFRS 3 arising from May 2010 Annual Improvements to IFRS
- The amendments to IFRS 7 arising from May 2010 Annual Improvements to IFRS
- IFRS 9 - Financial Instruments - Classification and Measurement
- The amendments to IAS 1 arising from May 2010 Annual Improvements to IFRS
- The amendments to IAS 24 relating to the definition of related party
- The amendments to IAS 27 arising from May 2010 Annual Improvements to IFRS
- The amendment to IAS 32 relating to the classification of rights issues
- The amendment to IAS 34 arising from May 2010 Annual Improvements to IFRS
- The amendment to IFRIC 13 arising from May 2010 Annual Improvements to IFRS
- The amendment to IFRIC 14 Distributions of Non-cash Assets to Owners
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- The issuance of IFRS 10 concerning the consolidated financial statements
- The issuance of IFRS 11 concerning joint arrangements
- The issuance of IFRS 12 concerning the disclosure of interests in other entities
- The issuance of IFRS 13 concerning fair value measurement

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 stop the accounting for joint ventures under the proportionate consolidation method. This will have no impact on net assets.

Change in accounting treatment for customer contributions

During the year, the Group changed its accounting treatment for customer contributions to reflect the requirements of IFRIC 18. Prior to the change in policy, the Group recognised payments received upfront from customers from network connections within deferred income and then amortised the revenue over the life of the network assets. Following the issue of IFRIC 18 the Group considered whether there was any ongoing obligation to the customer following receipt of the contribution, and concluded that the obligation was extinguished upon connection. As a result, the Group now recognises the revenue as soon as the connection takes place. The outcome from this change is that the network assets created due to the physical connection are not considered to generate any cashflows after the point of connection, and hence the fixed assets are fully depreciated on recognition. The impact of this change in accounting policy is to reduce the book value of fixed assets and reduce the amount of deferred income by £1,528.7m at 1 January 2009 with zero impact on the income statement as all deferred income impacted by IFRIC 18 is included within discontinued operations. In accordance with IAS 1, a third balance sheet has been included in the Group balance sheets for the year to show the impact of this change. Following the disposal of the Networks business in 2010, IFRIC 18 ceased to be applicable to the Group's activities.

NOTES TO THE FINANCIAL STATEMENTS continued

2 Significant accounting policies

Basis of consolidation

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

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination.

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

No income statement is presented for EDF Energy plc (the Company) in accordance with the exemptions allowed by the Companies Act 2006. The profit dealt with in the Company for the year ended 31 December 2010 was £1,804.5m before dividends paid (2009: £100.7m).

Business combinations

The Group accounts for purchases of subsidiaries using the purchase method. The cost is measured as the total fair value on the date of acquisition of assets, liabilities and equity instruments given as consideration, plus any costs directly incurred in their purchase. The assets and liabilities acquired are measured at fair value on the date of acquisition, except for assets and liabilities that are classified as held for sale or in a disposal group in accordance with IFRS 5 Non Current Assets Held for Sale and Discontinued Operations, which are measured at fair value less costs of disposal.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination 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.

The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

NOTES TO THE FINANCIAL STATEMENTS continued

2 Significant accounting policies continued

Investments in associates

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

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 netted against the investment. 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.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

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

Foreign currency translation

The functional and presentational currency of EDF Energy plc is pounds sterling. Transactions in foreign currency are initially recorded in the functional currency rate at the rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts to mitigate the risks (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

NOTES TO THE FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

Revenue recognition

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

Energy Supply Revenue is recognised on the basis of electricity and gas supplied during the 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.

Distribution Revenue relating to Distribution Use of System (DUoS) charges is attributable to the activity of electricity distribution. This includes an estimate of the sales value of units supplied to customers between the date of the last meter reading and the year end. The fees paid by customers upon connection to the network (connection fees) are recorded as deferred income and transferred to sales over a period that depends on the useful life of the assets they contribute to.

Long-term contracts Revenue from long-term contracts is recognised in accordance with the Group's accounting policy on construction contracts (see below).

Interest income Interest income is recognised as the interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Property, plant and equipment

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

Generation assets	–	Up to 20 years
Overhaul of generation assets	–	4 years
Overhead and underground lines	–	45 to 60 years
Network plant and buildings	–	20 to 60 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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

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

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

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

Inventories

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

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

Borrowing costs

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

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

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

EU Emissions trading scheme and renewable obligations certificates

The Group recognises its free emissions allowances received under the National Allocation Plan at £nil cost. Purchased emissions allowances are initially recognised at cost (purchase price) within intangible assets. A liability is recognised when the level of emissions exceeds the level of allowances granted. The liability is measured at the cost of purchased allowances up to the level of purchased allowances held, and then at the market price of allowances ruling at the balance sheet date. Movements are recognised within operating profit. Forward contracts for the purchase or sale of emissions allowances are measured at fair value with gains and losses arising from changes in fair value recognised in the income statement.

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

NOTES TO THE FINANCIAL STATEMENTS continued

2 Significant accounting policies continued

IT Software

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

Long-term contracts

Where the outcome of a long-term contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally recognised by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a long-term contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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.

Arrangements containing a lease

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.

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. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. 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.

NOTES TO THE FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

Taxation

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

Financial instruments

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

Trade receivables

Trade receivables are initially measured at original invoice amount and are subsequently measured at fair value. An allowance is recognised in the income statement for irrecoverable amounts when there is evidence that the asset is impaired. The allowance is calculated as the difference between the carrying amount and the expected future cash flows from the asset.

Cash and cash equivalents

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

Financial liabilities and equity

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

Interest-bearing loans and borrowings

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

Trade payables

Trade payables are measured at fair value.

Derivatives and other financial instruments and hedge accounting

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

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

NOTES TO THE FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

Financial instruments continued

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

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

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

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

Derivatives and other financial instruments are measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivatives and other financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise. Changes in the fair values of derivative financial instruments that are designated as hedges of future cash flows are recognised directly in equity with any ineffective element being recognised immediately in the income statement, as explained further below.

Hedge accounting

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

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

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

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

The Group classifies hedges in the following categories:

Fair value hedges

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

NOTES TO THE FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

Financial instruments continued

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

Cash flow hedges

Gains and losses on gas, electricity and coal contracts designated as cash flow hedges are deferred and recognised in the income statement when the hedged transaction occurs.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts deferred 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.

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.

Share-based payments

EDF Energy plc's ultimate parent company, EDF S A, is listed on Euronext, the French stock exchange. Any share-based payments to employees are measured at fair value at the date the shares are issued. The fair value is measured using the Black-Scholes model, taking into account any preferential terms offered to staff such as discounts and free shares. Any share-based payments to employees which are equity settled are valued at market value on the date of announcement. Any contribution to the scheme is charged to the income statement in the period in which it arises, at the fair value determined, and apportioned in a straight-line basis over the vesting period. A corresponding amount is recognised as a capital contribution from EDF S A within equity. Any repayment required to EDF S A is measured at the market value of the period end and recognised as a liability and reduced capital contribution.

NOTES TO THE FINANCIAL STATEMENTS continued

3 Critical accounting judgements and key sources of estimation uncertainty

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

Revenue recognition

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

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

Industry reconciliation process – fuel and energy purchases

The cost of electricity and gas purchases is reported in line with the latest settlement data provided by the industry system operators, which itself includes an inherent degree of estimation, depending on the maturity of those data. These industry processes allocate 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, so the allocation of volumes and costs between suppliers is updated through the industry reconciliation process, and becomes continually more accurate as a result.

Provisions

Provisions for liabilities are made where a liability exists but is uncertain in respect of amount or when the liability will fall due. 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

The Group has provided for decommissioning its three 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. Expected future costs of decommissioning are monitored to ensure that the provision remains at an adequate level. Further information about decommissioning provisions can be found in note 31.

Pensions and other post-employment benefits

The pension deficit is calculated by independent qualified actuaries, based on actual payroll data and certain actuarial assumptions. These actuarial assumptions are made to model potential future costs and benefits and include, life expectancy, rates of returns on plan assets, inflation, discount rate and expected retirement age. These assumptions are reviewed on an annual basis and may change based on current market data. Changes in assumptions could lead to additional actuarial gains and losses being recognised, if there is a breach of the corridor. Further information is available about pensions in note 41.

NOTES TO THE 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 17.

Fair value of energy derivatives

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

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

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

The counterparty credit risk arising through the Group's energy trading activities is measured, monitored, mitigated and reported in accordance with the Group's credit risk policy. The policy sets out the framework that dictates the maximum credit exposure that the Group can incur to each of its energy trading counterparties based on their public credit rating (or where a counterparty is not public rated, a rating calculated using an in-house scoring model). The Group uses a variety of tools to mitigate its credit exposure, for example, requesting parent company guarantees, letters of credit or cash collateral, agreeing suitable payment terms and netting provisions. The majority of energy trading exposure is held against investment grade counterparties.

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

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

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

Financial lease arrangements

The Group accounted for some long-term contracts as financial lease arrangements. In order to evaluate these arrangements, detailed financial models have been drawn up, which include specific assumptions regarding margins on construction, operating costs and maintenance expenditure, as well as forecast capital expenditure, interest rates and inflation rates. Any changes in these assumptions would impact upon the profit recognition, which is based on the lease models. These arrangements cease to exist in the Group after the disposal of the Networks business.

NOTES TO THE FINANCIAL STATEMENTS continued

4. Segment information

The Group has identified its operating segments on the basis of internal reports which are reviewed by the Chief Operating decision-maker, considered to be the Senior Leadership Team. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Networks business unit Transfer of electricity from where it is received in bulk, across the distribution systems and its delivery to consumers. It is also responsible for the operation, maintenance and expansion of private electrical distribution systems. This was sold on 29 October 2010.

Energy Sourcing and Customer Supply business unit Generation, purchase and supply of electricity to customers and purchase and supply of gas to customers.

Other This primarily includes the provision of services to the Group, e.g. facilities, property and insurance and the effect of eliminating inter-segment transactions.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties.

The Group's geographical segmentation is determined by the location of the Group's assets and operations. All revenue transactions take place in the United Kingdom. Also all assets and liabilities are entirely in the United Kingdom and hence no separate tables have been disclosed for the geographical segment.

NOTES TO THE FINANCIAL STATEMENTS continued

4 Segment information continued

Group segmental analysis 31 December 2010:

	Energy Sourcing and Customer Supply £m	Other £m	Total Operations £m
Revenue			
Sales to external customers	6,405 1	16 0	6,421 1
Inter-segment sales	12 7	(12 7)	-
Segment revenue	6,417 8	3 3	6,421 1
Operating loss	(114 8)	(131 6)	(246 4)
Investment revenue			5 2
Finance costs			(101 7)
Loss before taxation and associate			(342 9)
Taxation			150 9
Share of profits of associate			9 5
Profit on disposal of the networks business			435 6
Profit for the year from discontinued operations			345.7
Profit for the year			598.8
Inter segment sales are made at prevailing market prices			
Assets and liabilities			
Segment assets	3,408 4	4,174 9	7,583.3
Interests in associates	23 8	-	23.8
Total assets	3,432 2	4,174 9	7,607 1
Segment liabilities	3,230 1	1,042 9	4,273 0
Unallocated liabilities			69 7
Total liabilities			4,342 7
Other segment information			
Capital expenditure			
Tangible and intangible fixed assets	585 4	19 9	605.3
Depreciation	113 4	17 3	130 7
Impairment	340 0	-	340 0
Amortisation	25 3	2 6	27 9

NOTES TO THE FINANCIAL STATEMENTS continued

4 Segment information continued

Group segmental analysis 31 December 2009

	Energy Sourcing and Customer Supply £m	Other £m	Total Operations £m
Revenue			
Sales to external customers	6,386.8	15.3	6,402.1
Inter-segment sales	25.5	(25.5)	-
Segment revenue	6,412.3	(10.2)	6,402.1
Result			
Operating profit/(loss)	363.6	(169.9)	193.7
Investment revenue			19.3
Finance costs			(121.4)
Profit before taxation and associate			91.6
Taxation			(27.3)
Share of losses of associates			(23.9)
Profit for the year from discontinued operations			396.6
Profit for the year from operations			437.0
Inter segment sales are made at prevailing market prices			

	Networks £m	Energy Sourcing and Customer Supply £m	Other £m	Total Operations £m
Assets and liabilities				
Segment assets (restated for IFRIC 18)	6,261.0	3,358.4	2,591.4	12,210.8
Interests in associates	-	20.8	-	20.8
Total assets	6,261.0	3,379.2	2,591.4	12,231.6
Segment liabilities	3,373.5	3,497.4	2,248.1	9,119.0
Unallocated liabilities				879.6
Total liabilities				9,998.6
Other segment information				
Capital expenditure				
Tangible and intangible fixed assets	837.3	643.3	32.2	1,512.8
Depreciation (restated for IFRIC 18)	388.6	108.9	12.4	509.9
Amortisation	0.1	24.9	3.2	28.2

NOTES TO THE FINANCIAL STATEMENTS continued

5. Revenue

An analysis of the Group's revenue is as follows

	Year ended 2010 £m	Year ended 2009 (restated) £m
Continuing operations		
Sales of goods and services	6,404.2	6,392.2
Property rental income	5.0	5.4
Other revenue	11.9	4.5
	6,421.1	6,402.1
Investment revenue (note 11)	5.2	19.3
Discontinued operations		
Sales (note 14)	924.5	1,000.7
Total revenue	7,350.8	7,422.1

Sales of goods and services include some element of uncertainty as a result of estimates in the calculation. The estimates used can be validated after year-end, as updated information is received through the settlement process. Such process takes up to 14 months post year-end. The effect of this in 2010 for items relating to earlier periods was to reduce reported revenue in the year by approximately £3m (2009 reduction in reported revenue of £4.4m).

Revenue excludes the gains arising on fair value of contracts under IAS 39.

The revenue for 2009 has been restated to reflect the networks business being shown as discontinued operations and adoption of IFRIC18.

6 Profit for the year

Profit for the year for continuing operations has been arrived at after charging/(crediting) the following gains and losses	2010 £m	2009 £m
Research and development costs	6.5	6.1
Staff costs (note 9)	399.4	350.1
Auditor's remuneration for audit services (see below)	1.0	1.0
Auditor's remuneration for non-audit services (see below)	0.7	0.8
Net foreign exchange losses/(gains)	2.7	(11.3)
Depreciation of property, plant and equipment (note 19)	470.7	121.3
Amortisation of intangible assets (note 18)	27.9	28.1
Cost of inventories recognised as expense	517.9	550.2
Losses/(gains) on derivative commodity contracts	26.9	(131.7)
Fair valuation of derivative foreign exchange contracts	18.9	6.4
Operating lease rentals	16.7	15.2
Other operating income from disposal of non-current assets	(1.4)	-
Movement in bad debt provision (note 25)	(45.2)	31.7
Impairment losses recognised on trade receivables	126.6	99.0
Reversal of impairment losses recognised on trade receivables	(15.3)	(13.6)

NOTES TO THE FINANCIAL STATEMENTS continued

6 Profit for the year continued

Profit for the year for discontinued operations has been arrived at after charging/(crediting) the following gains and losses	2010 £m	2009 £m
Research and development costs	3.1	3.5
Staff costs	245.9	242.3
Net foreign exchange (gains)/losses	(0.9)	1.1
Depreciation of property, plant and equipment (note 19)	283.0	388.6
Amortisation of intangible assets (note 18)	-	0.1
Auditors' remuneration for audit services	-	0.2
Cost of inventories recognised as expense	67.3	98.6
Operating lease rentals	16.4	19.4
Movement in bad debt provision (note 25)	1.4	(1.6)
Impairment losses recognised on trade receivables	0.7	2.2
Reversal of impairment losses recognised on trade receivables	(0.1)	-

The analysis of Auditor's remuneration is as follows

	2010 £m	2009 £m
Fees payable to the Company's auditor for the audit of the Company's and Group accounts	0.4	0.3
For the audit of the Company's subsidiaries pursuant to legislation	0.6	0.9
Total audit fees	1.0	1.2
Non-statutory interim review	-	0.1
Tax services	0.2	0.1
Other assurance services	0.5	0.6
Total non-audit fees	0.7	0.8
Total fees	1.7	2.0

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

7. Fuel, energy and related purchases

	2010 £m	2009 £m
Purchase of energy	3,488.1	3,521.3
Distribution and transmission	921.4	820.1
Carbon certificates	283.8	276.0
Renewable obligation certificates	160.8	304.1
Utilisation of onerous contracts and other provisions	(27.0)	(29.4)
Total fuel, energy and related purchases	4,827.1	4,892.1

NOTES TO THE FINANCIAL STATEMENTS continued

8 Directors' emoluments

	2010	2009
	£m	£m
Emoluments	1.9	1.6
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	2010	2009
	Number	Number
Members of defined benefit pension scheme	0	1
<hr/>		
	2010	2009
	£m	£m
Emoluments payable to the highest paid Director were as follows		
Aggregate emoluments	1.3	1.0

9. Staff costs

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

GROUP	2010	2009
	£m	(restated) £m
Wages and salaries	320.4	277.8
Social security costs	25.5	24.6
Pension costs	54.8	16.1
Cost of granting shares to employees	-	2.4
Severance	3.0	32.3
Less capitalised costs	(4.3)	(3.1)
	<hr/>	
	399.4	350.1

The 2009 figures have been restated to exclude the Networks business which has been classified as a discontinued activity

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

	2010	2009
	Number	Number
Networks business unit (*)	5,116	5,012
Energy Sourcing and Customer Supply business unit	8,145	7,833
Corporate, Shared Service, Integration and Steering functions	1,468	1,170
Nuclear New Build business unit	129	43
	<hr/>	
	14,858	14,058

The costs of many of the employees in the Nuclear New Build business unit are incurred by EDF Energy plc and then recharged to another group within the wider EDF Energy (UK) Limited group

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

NOTES TO THE FINANCIAL STATEMENTS continued

10. Employee share offering

ACT 2007 scheme

On 30 August 2007 the ultimate parent company, EDF S A announced Actions pour Tous (ACT) 2007, the Free Award Share Plan. This plan entitles all persons who, on 30 August 2007, were bound by an employment contract with EDF Energy or one of its subsidiaries, to a free distribution of EDF S A ordinary shares in accordance with the Rules and Regulations of the plan. Each beneficiary was notified of the number of shares, the vesting and holding periods applicable to them and had right of refusal of the plan.

Each employee who agreed to take part in the plan was guaranteed to receive 10 free shares plus an additional number of shares proportionate to their salary, calculated on the basis of the actual June 2007 annual salary. The award of shares was dependent on the employee remaining in continuous employment within the Group for two years, and also relied on the EDF S A group achieving certain financial targets.

The table below shows the movements relating to the share scheme during the year.

	GROUP		COMPANY	
	2010	2009	2010	2009
	£m	£m	£m	£m
At 1 January	(0.9)	0.8	(0.1)	0.6
Share based payment expense	-	3.8	-	0.7
Increase in future liability	-	(5.5)	-	(1.4)
At 31 December (included within capital reserves)	(0.9)	(0.9)	(0.1)	(0.1)

The value of the shares granted during the period represents the charge in the income statement. This is accounted for at the share price (base price) on date of announcement of the plan being €72.50 or £48.99. During 2009, the Group paid £11.8m to EDF S A in exchange for 226,677 shares given to Group employees. The amount remaining in capital reserves represents the difference between the cost of the shares and the charge recognised in the income statement.

11. Investment revenue

	2010	2009
GROUP	£m	(restated)
		£m
Interest on bank deposits	2.9	4.6
Income from investments	-	0.7
Other finance income	2.3	2.6
Foreign exchange translation gains	-	11.4
Total investment revenue	5.2	19.3

The 2009 figures have been restated to exclude the Networks business which has been classified as a discontinued activity.

NOTES TO THE FINANCIAL STATEMENTS continued

12 Finance costs

GROUP	2010	2009
	£m	(restated)
		£m
Interest on bank loans and overdrafts	3.7	1.4
Interest on bonds	60.8	79.8
Interest on other loans	-	6.4
Finance charges payable under finance leases	17.2	19.8
Unwinding of discount on provisions (note 31)	9.1	16.1
Loss on foreign currency derivatives	18.9	6.4
Pension scheme interest	9.1	5.4
Total finance cost	118.8	135.3
Less amounts included in the cost of qualifying assets	(17.1)	(13.9)
Total borrowing costs	101.7	121.4

The 2009 figures have been restated to exclude the Networks business which has been classified as a discontinued activity

13. Tax on profit on continuing ordinary activities

(a) Analysis of tax charge in the year

Current tax	2010	2009
	£m	(restated)
		£m
UK corporation tax	(10.6)	(32.1)
Adjustments in respect of previous years	(26.0)	(11.1)
Total current tax credit	(36.6)	(43.2)
Deferred tax	2010	2009
	£m	£m
Current year	(73.9)	65.8
Adjustment in respect of previous years	(39.6)	4.7
Effect of decreased tax rate on opening liability	(0.8)	-
Total deferred tax (credit)/charge (note 32)	(114.3)	70.5
Income tax (credit)/expense reported in income statement (note 13(b))	(150.9)	27.3

The 2009 figures have been restated to exclude the Networks business which has been classified as discontinued activities

NOTES TO THE FINANCIAL STATEMENTS continued

13. Tax on profit on continuing ordinary activities continued

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

	2010	2009
	£m	£m
(Loss)/profit before tax and associates	(342.9)	91.6
Tax at the UK corporation tax rate of 28.0% (2009: 28.0%)	(96.0)	25.6
Effect of		
Non-deductible expenses and non-taxable income	8.8	8.2
Adjustment to prior-year corporation tax charge	(26.0)	(11.1)
Adjustment to prior-year deferred tax charge	(40.4)	4.6
Current year effect of deferred tax rate change	2.7	-
Income tax (credit)/expense reported in income statement	(150.9)	27.3

For the year ended 31 December 2010, the effective rate of tax before special items, including share of associates' tax, was 44.0% (2009: 28.9%)

In the current year a deferred tax charge of £161.8m (2009: credit of £50.6m) has been recognised in equity which relates to gains arising on derivative instruments which have been included as cash flow hedges under IAS 39

The Finance Bill 2010 was published on 1 July 2010 and included a reduction in the main rate of corporation tax for the financial year beginning 1 April 2011 from 28% to 27%

This tax law change was substantively enacted in the House of Commons on 21 July and received Royal Assent on 27 July 2010 and has therefore been reflected where appropriate in these financial statements

The Finance Act 2011 announced a further reduction in the main rate of corporation tax for the financial year beginning 1 April 2011 from 27% to 26%. This tax law change was substantively enacted in the House of Commons on 29 March 2011. The impact of this tax law would be to reduce the UK deferred tax liability provided at 31 December 2010 by £2.7m with a corresponding deferred tax credit to the profit and loss account

The Finance Act 2011 also announced a further reduction in the main rate of corporation tax for the financial year beginning 1 April 2012 from 26% to 25%

NOTES TO THE FINANCIAL STATEMENTS continued

14 Disposal of subsidiaries

On 29 October 2010, the Group disposed of its subsidiaries whose primary business was the operation of networks, both public and private

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

	Year ended 31 December 2010 £m	Year ended 31 December 2009 £m
Revenue	924 5	1,000 7
Expenses	(470 9)	(448 4)
Profit before tax	453 6	552 3
Attributable tax expense	(107.9)	(155 7)
Net profit attributable to discontinued operations (attributable to owners of the Company)	<u>345 7</u>	<u>396 6</u>

The effect of discontinued operations on segment results is disclosed in note 4

NOTES TO THE FINANCIAL STATEMENTS continued

14 Disposal of subsidiaries continued

The disposal resulted in a profit on disposal of £435.6m as follows -

	£'m
Goodwill (note 16)	117.2
Intangible assets (note 18)	3.6
Property, plant and equipment (note 19)	5,941.5
Inventory	47.5
Cash	168.5
Trade receivables	119.7
Pensions	41.8
Finance lease debtor	399.1
Total assets	6,838.9
Other liabilities	(553.7)
Derivative	(9.6)
Current tax	(20.2)
Deferred taxation (note 32)	(860.3)
Provisions (note 31)	(13.7)
Borrowings	(2,656.0)
Total liabilities	(4,113.5)
Non-controlling interests	(4.7)
Hedging reserve	6.9
Total net assets disposed	2,727.6
Cash consideration	3,180.0
Net assets disposed	(2,727.6)
Disposal costs	(16.8)
Profit on disposal	435.6

15 Dividends

	2010 £m	2009 £m
Amounts recognised as distributions to equity holders in the period (note 38)		
Interim dividend paid	-	270.0
	-	270.0

The dividend per share in 2010 for the Group and the Company was 0p per share (2009 12.15p)

NOTES TO THE FINANCIAL STATEMENTS continued

16. Goodwill

GROUP	£m
Book value	
At 1 January 2009	1,260 0
Additions	18 9
At 31 December 2009	1,278 9
De-recognised on disposal of a subsidiary	(117 2)
At 31 December 2010	1 161 7
Carrying amount	
At 31 December 2010	1,161 7
At 31 December 2009	1,278 9

The decrease in goodwill in 2010 relates to the disposal of the Networks business on 29 October 2010. See note 14 for further details. The increase in goodwill of £18.9m during 2009 arose on the acquisition of Cheshire Cavity Storage Group Limited for £46.8m.

COMPANY	£m
Book value	
At 1 January 2009 and 31 December 2009	0 6
At 31 December 2010	0 6
Carrying amount	
At 31 December 2010	0 6
At 31 December 2009	0 6

NOTES TO THE FINANCIAL STATEMENTS continued

17. Impairment testing of goodwill

	2010 £m	2009 £m
Allocation of goodwill to business units		
Energy sourcing and customer supply business unit	1,161.1	1,161.1
Networks business unit	-	117.2
Corporate business unit	0.6	0.6
Total goodwill	1,161.7	1,278.9

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

Energy Sourcing and Customer Supply

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

NOTES TO THE FINANCIAL STATEMENTS continued

18 Other intangible assets

GROUP	EU Emissions trading certificates £m	Renewable obligations certificates £m	IT software £m	Licence £m	Total £m
Cost					
At 1 January 2009	182.4	73.8	309.7	-	565.9
Additions	101.5	81.0	44.4	-	226.9
Acquired in business combination	-	21.2	2.1	38.8	62.1
Disposals	(182.4)	(95.3)	(2.6)	-	(280.3)
At 1 January 2010	101.5	80.7	353.6	38.8	574.6
Additions	66.6	33.1	66.2	-	165.9
Transfers	-	-	(9.6)	-	(9.6)
Divestment of networks	-	-	(7.4)	-	(7.4)
Disposals	(101.5)	(80.7)	(0.4)	-	(182.6)
At 31 December 2010	66.6	33.1	402.4	38.8	540.9
Amortisation					
At 1 January 2009	-	-	(155.1)	-	(155.1)
Charge for the year	-	-	(28.2)	-	(28.2)
Disposals	-	-	1.5	-	1.5
At 1 January 2010	-	-	(181.8)	-	(181.8)
Charge for the year	-	-	(26.1)	(1.8)	(27.9)
Transfers	-	-	6.3	-	6.3
Divestment of networks	-	-	3.8	-	3.8
Disposals	-	-	0.2	-	0.2
At 31 December 2010	-	-	(197.6)	(1.8)	(199.4)
Carrying amount					
At 31 December 2010	66.6	33.1	204.8	37.0	341.5
At 31 December 2009	101.5	80.7	171.8	38.8	392.8

The disposal of the EU Emissions trading certificates and the renewable obligations certificates relates to the surrender of the certificates on the settlement date for the compliance period

The licence is a licence to develop and operate a gas storage facility

NOTES TO THE FINANCIAL STATEMENTS continued

18. Other intangible assets continued

COMPANY	EU Emissions trading certificates £m	Renewable obligations certificates £m	IT software £m	Total £m
Cost				
At 1 January 2009	182.4	73.8	48.7	304.9
Additions	101.5	76.8	11.2	189.5
Disposals	(182.4)	(73.8)	-	(256.2)
At 1 January 2010	101.5	76.8	59.9	238.2
Additions	66.6	33.1	15.1	114.8
Transfers	-	-	(10.4)	(10.4)
Disposals	(101.5)	(76.8)	(0.2)	(178.5)
At 31 December 2010	66.6	33.1	64.4	164.1
Amortisation				
At 1 January 2009	-	-	(31.7)	(31.7)
Charge for the year	-	-	(5.9)	(5.9)
At 1 January 2010	-	-	(37.6)	(37.6)
Charge for the year	-	-	(5.1)	(5.1)
Transfer	-	-	6.3	6.3
At 31 December 2010	-	-	(36.4)	(36.4)
Carrying amount				
At 31 December 2010	66.6	33.1	28.0	127.7
At 31 December 2009	101.5	76.8	22.3	200.6

NOTES TO THE FINANCIAL STATEMENTS continued

19. Property, plant and equipment

GROUP	Land and buildings	Network assets	Generation assets	Motor vehicles	Equipment and fittings	Assets in the course of construction	Total
	£m	£m	£m	£m	£m	£m	£m
Cost							
At 1 January 2009	529.2	7,628.8	1,554.7	54.0	417.6	259.8	10,444.1
Additions	27.7	789.2	1.5	-	2.7	468.8	1,289.9
Transfers	6.0	(16.4)	153.5	14.0	39.4	(196.5)	-
Disposals	(1.5)	(55.1)	(37.6)	(8.5)	(1.0)	(2.1)	(105.8)
At 1 January 2010	561.4	8,346.5	1,672.1	59.5	458.7	530.0	11,628.2
Additions	12.1	687.9	-	-	1.3	425.1	1,126.4
Transfers	0.9	(14.3)	76.4	5.3	39.3	(98.0)	9.6
Networks divestment	(533.0)	(8,978.0)	-	(40.1)	(297.0)	(1.2)	(9,849.3)
Disposals	(21.2)	(9.9)	(37.6)	(7.2)	(6.0)	-	(81.9)
At 31 December 2010	20.2	32.2	1,710.9	17.5	196.3	855.9	2,833.0
Accumulated depreciation							
At 1 January 2009 (restated)	(134.9)	(2,963.2)	(552.3)	(12.4)	(297.5)	-	(3,960.3)
Charge for the year	(8.2)	(351.8)	(105.2)	(11.0)	(33.7)	-	(509.9)
Disposals	1.5	40.5	35.2	7.7	1.1	-	86.0
At 1 January 2010	(141.6)	(3,274.5)	(622.3)	(15.7)	(330.1)	-	(4,384.2)
Charge for the year	(8.4)	(253.3)	(104.2)	(10.3)	(37.5)	-	(413.7)
Impairment	-	-	(340.0)	-	-	-	(340.0)
Transfers	-	8.2	(9.5)	0.3	(5.3)	-	(6.3)
Networks divestment	137.6	3,493.8	-	12.6	263.8	-	3,907.8
Disposals	7.2	10.9	36.1	4.7	2.7	-	61.6
At 31 December 2010	(5.2)	(14.9)	(1,039.9)	(8.4)	(106.4)	-	(1,174.8)
Carrying amount							
At 31 December 2010	15.0	17.3	671.0	9.1	89.9	855.9	1,658.2
At 31 December 2009	419.8	5,072.0	1,049.8	43.8	128.6	530.0	7,244.0

The 2009 amounts have been restated due to the adoption of IFRIC 18

The carrying amount of the Group's generation assets includes an amount of £194.0m (2009 £203.3m) in respect of assets held under finance leases

During the year the Group carried out an impairment review of its coal fired power stations in light of low power prices. This led to an impairment of £340m during the year to bring the carrying value to its value in use and is included within the depreciation and amortisation line item on the face of the consolidated income statement. The impairment testing methodology and assumptions are consistent with those used for the impairment testing of goodwill in note 17.

NOTES TO THE FINANCIAL STATEMENTS continued

19 Property, plant and equipment continued

COMPANY	Land and buildings	Equipment and fittings	Assets in the course of construction	Total
	£m	£m	£m	£m
Cost				
At 1 January 2009	11.7	92.0	15.1	118.8
Additions	-	-	26.5	26.5
Transfers	3.0	17.6	(20.6)	-
Disposals	-	-	(3.3)	(3.3)
At 1 January 2010	14.7	109.6	17.7	142.0
Additions	7.3	0.7	8.2	16.2
Transfers	-	19.6	(9.2)	10.4
Disposals	(5.3)	(4.2)	(4.7)	(14.2)
At 31 December 2010	16.7	125.7	12.0	154.4
Accumulated depreciation				
At 1 January 2009	(2.5)	(59.2)	-	(61.7)
Charge for the year	(0.5)	(12.2)	-	(12.7)
At 1 January 2010	(3.0)	(71.4)	-	(74.4)
Charge for the year	(2.1)	(17.4)	-	(19.5)
Transfer	-	(6.3)	-	(6.3)
Disposals	0.6	1.2	-	1.8
At 31 December 2010	(4.5)	(93.9)	-	(98.4)
Carrying amount				
At 31 December 2010	12.2	31.8	12.0	56.0
At 31 December 2009	11.7	38.2	17.7	67.6

NOTES TO THE FINANCIAL STATEMENTS continued

20 Investments in subsidiary undertakings

COMPANY	Shares £m	Loans £m	Total £m
At 1 January 2010	621.3	1,646.3	2,267.6
Disposal of investments	(556.5)	-	(556.5)
Repayments of loans	-	(480.8)	(480.8)
Impairment of loan	-	(181.0)	(181.0)
At 31 December 2010	64.8	984.5	1,049.3

Following the impairment in the coal fired power stations, the Company considered that the loan to West Burton Property Limited was no longer fully recoverable. The loan has been written down to its expected recoverable amount.

Details on movements in loans are as follows:

	Balance at 1 January 2010 £m	Increase/ (Decrease) in loans £m	Impairment £m	Balance at 31 December 2010 £m
Loans to EDF Energy Networks (EPN) plc	0.3	(0.3)	-	-
Loans to EDF Energy 1 Limited	41.0	(41.0)	-	-
Loans to EDF Energy (Energy Branch) plc	171.0	-	-	171.0
Loans to West Burton Property Limited	383.8	-	(181.0)	202.8
Loans to EDF Energy Customers plc	105.7	-	-	105.7
Loans to EDF Energy Investments (formerly CSW Investments)	439.0	(439.0)	-	-
Loans to EDF Energy (Dormant Holdings) Limited (formerly Deltabrand Limited)	499.9	-	-	499.9
Loans to The Barkantine Heat & Power Company Limited	3.8	(0.5)	-	3.3
Loans to Kirkheaton Wind Limited	0.8	-	-	0.8
Loans to High Hedley Limited	1.0	-	-	1.0
	1,646.3	(480.8)	(181.0)	984.5

The principal undertakings at 31 December 2010, which are incorporated in Great Britain and are registered and operate in England and Wales (unless otherwise stated), are as follows:

Name of subsidiary	Proportion of ownership interest %	Proportion of voting power held %	Principal activity
British Energy Direct Limited	100%	100%	Sale of electricity
Cheshire Cavity Storage Group Limited	100%	100%	Holding company
Cheshire Cavity Storage 1 Limited *	100%	100%	Provision of gas storage facilities
Deletapicnic Limited	100%	100%	Holding company
District Energy Limited *	100%	100%	Sale of electricity
EDF Energy 1 Limited *	100%	100%	Marketing and supply of electricity and gas
EDF Energy (Contract Services) Limited *	100%	100%	Maintenance of distribution networks
EDF Energy (Cottam Power) Limited *	100%	100%	Provision and supply of

NOTES TO THE FINANCIAL STATEMENTS continued

electricity generation

20. Investments in subsidiary undertakings continued

Name of subsidiary	Proportion of ownership interest %	Proportion of voting power held %	Principal activity
EDF Energy Customers plc *	100%	100%	Electricity retailing
EDF Energy (Dormant Holdings) Limited *	100%	100%	Holding company
EDF Energy (Energy Branch) plc	100%	100%	Investment in electricity generation
EDF Energy Fleet Services Limited	100%	100%	Provision and supply of transport services
EDF Energy Homephone Limited	100%	100%	Telecoms retailing
EDF Energy Insurance Limited	100%	100%	Insurance
EDF Energy Investments *	100%	100%	Holding company
EDF Energy (London Heat & Power) Limited *	100%	100%	Generation and supply of electricity and heat
EDF Energy (Metro Holdings) Limited *	100%	100%	Investment company
EDF Energy (Northern Offshore Wind) Limited*	100%	100%	Development of generation and supply
EDF Energy (Projects) Limited *	100%	100%	Investment company
EDF Energy (South East Generation) Limited	100%	100%	Holding company
EDF Energy (Sutton Bridge Holdings) Limited *	100%	100%	Investment in power generation company
EDF Energy (Sutton Bridge Power) *	100%	100%	Provision and supply of electricity generation
EDF Energy (West Burton Power) Limited*	100%	100%	Power generation
High Hedley Hope Wind Limited*	100%	100%	Renewable power generation
Jade Power Generation Limited *	100%	100%	Power generation
Kirkheaton Wind Limited*	75%	75%	Renewable power generation
London ESCO Limited*	100%	100%	Renewable energy projects
London Power SB Limited*	100%	100%	Investment in power generation company
Norfolk Offshore Wind Limited *	100%	100%	Development of generation and supply
SEEBOARD Energy Gas Limited*	100%	100%	Gas supply
SEEBOARD Energy Limited*	100%	100%	Energy supply
Sutton Bridge Financing Limited* (Cayman Islands)	100%	100%	Financial activities
Sutton Bridge Investors *	100%	100%	Investment in power generation company
Sutton Bridge Power Fund*	100%	100%	Investment company
The Barkantine Heat & Power Company Limited*	100%	100%	Generation and supply of electricity and heat
West Burton Limited*	100%	100%	Power generation
West Burton Property Limited*	100%	100%	Investment company

* Held indirectly

NOTES TO THE FINANCIAL STATEMENTS continued

21. Interests in associate

	2010 £m	2009 £m
Cost of investment in associate	10.1	10.1
Share of post-acquisition gains net of dividend	53.7	50.7
Total investment	63.8	60.8
Provision for impairment	(40.0)	(40.0)
Carrying value of associate	23.8	20.8
	2010 £m	2009 £m
Amounts relating to associate		
Total assets	83.2	90.0
Provision	(40.0)	(40.0)
Total liabilities	(19.4)	(29.2)
Revenues	245.9	334.8
Profit/(loss)	9.5	(23.9)

Details of the Group's associate at 31 December 2010 is as follows

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

The associate is held indirectly

In 2009, the Group made a provision for impairment on its investment in Barking Power Limited of £40.0m. This provision was calculated with reference to the future expected operational performance of Barking and expected achievable prices for the output.

22. 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 %
Trans4m Limited	Great Britain	25.0%	25.0%
Thames Valley Power Limited	Great Britain	50.0%	50.0%
EDF Energy Renewables Limited	Great Britain	50.0%	50.0%
Royal Oak Windfarm Limited	Great Britain	50.0%	50.0%
Bicker Fen Windfarm Limited	Great Britain	50.0%	50.0%
Burnfoot Windfarm Limited	Great Britain	50.0%	50.0%
Fairfield Windfarm Limited	Great Britain	50.0%	50.0%
Rusholme Windfarm Limited	Great Britain	50.0%	50.0%
Walkway Windfarm Limited	Great Britain	50.0%	50.0%
Teesside Windfarm Limited	Great Britain	50.0%	50.0%
Longpark Windfarm Limited	Great Britain	50.0%	50.0%
Lewis Wind Power Limited	Great Britain	50.0%	50.0%

NOTES TO THE FINANCIAL STATEMENTS continued

22 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

	2010 £m	2009 (restated) £m
Current assets	29.4	43.6
Non-current assets	112.5	139.5
	141.9	183.1
Current liabilities	(11.1)	(14.9)
Non-current liabilities	(91.5)	(142.7)
	39.3	25.5
Revenue	13.5	6.5
Cost of sales	(4.4)	(3.1)
Administrative expenses	(5.1)	(2.9)
Finance costs	(4.0)	(1.3)
Loss before income tax	-	(0.8)
Income tax charge	(2.5)	(0.1)
Net loss	(2.5)	(0.9)

The Group's share in Trans4m Limited (trading as "Metronet Alliance") is accounted for as a joint venture because there is joint control, evidenced by the requirement for unanimous consent of all four venturers for the strategic and operating decisions of the company. Since Metronet entered administration in July 2007, Trans4m Limited has ceased trading.

During the year, the Group sold its investment in Power Asset Development Company Limited and MUJV Limited as part of the disposal of the networks business. These contributed a profit of £0.4m in 2010 (2009 £1.9m) to profit from discontinued activities, and the 2009 figures have been restated to exclude their results from the profit information included above. See note 14 for further details.

NOTES TO THE FINANCIAL STATEMENTS continued

23 Finance lease receivables

The Group has been party to several long-term contracts for the construction of assets which will be transferred at the end of the concession to third parties. These contracts were accounted for as finance lease contracts in accordance with IFRIC 4. These contracts were included in the companies which were disposed of as part of the disposal of the networks business. See note 14 for further details.

Future minimum lease receipts under finance leases together with the present value of the net minimum lease payments are as follows:

	Minimum lease payments		Net investment in finance leases	
	2010 £m	2009 £m	2010 £m	2009 £m
Amounts receivable under finance leases				
Within one year	-	37.3	-	45.8
After one year but not more than five years	-	125.8	-	202.2
More than five years	-	1,907.0	-	151.1
	-	2,070.1	-	399.1
Less: Unearned future finance income on finance leases	-	(1,671.0)	-	n/a
Present value of minimum lease payments receivable	-	399.1	-	399.1
Analysed as:				
Current finance lease receivables (recoverable within 12 months)			-	45.8
Non-current finance lease receivables (recoverable after more than 12 months)			-	353.3
			-	399.1

In 2009, an average effective rate of return of 8.8% was generated by the finance lease debtors.

24. Inventories

	GROUP		COMPANY	
	2010 £m	2009 £m	2010 £m	2009 £m
Raw materials and consumables	150.1	233.4	142.5	204.9
Levy exemptions certificate	18.4	11.8	18.5	11.8
Work in progress	-	18.3	-	-
	168.5	263.5	161.0	216.7

NOTES TO THE FINANCIAL STATEMENTS continued

25. Trade and other receivables

	GROUP		COMPANY	
	2010	2009	2010	2009
	£m	£m	£m	£m
Trade receivables (i)	597.8	1,012.3	14.5	82.9
Allowance for doubtful debts (ii)	(105.4)	(167.7)	(0.7)	(0.6)
Amounts due under long-term contracts (note 26)	-	2.4	-	-
Unbilled revenue	660.6	661.3	-	-
Amounts owed by other group companies	203.8	239.4	3,308.4	2,167.3
Other debtors	17.2	33.8	96.1	42.3
Pension reimbursement rights asset	-	5.8	-	-
	1,374.0	1,787.3	3,418.3	2,291.9

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 43. 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

	GROUP		COMPANY	
	2010	2009	2010	2009
	£m	£m	£m	£m
At 1 January	167.7	129.4	0.6	-
Amounts recovered during the year	(4.3)	(7.8)	-	-
Increase in allowance recognised in profit or loss	(39.5)	37.9	0.1	0.6
Arising on business combinations	-	8.2	-	-
Released on business disposal	(18.5)	-	-	-
At 31 December	105.4	167.7	0.7	0.6

Included within the Group's trade receivables balance are debtors with a carrying value of £334.6m (2009 £441.0m) which are overdue at the reporting date. The average age of these debts is 84 days (2009 98 days). The Company has £1.3m of overdue balances (2009 £1.9m) with an average age of 233 days (2009 200 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 42 for further details on bad debt provisions and credit risks.

NOTES TO THE FINANCIAL STATEMENTS continued

26 Long-term contracts

	GROUP	
	2010 £m	2009 £m
Contracts in progress at balance sheet date		
Amounts due from contract customers included in trade and other receivables (note 25)	-	2.4
Amounts due to contract customers included in other liabilities (note 28)	-	(72.9)
	-	(70.5)
Contract costs incurred plus recognised profits less recognised losses to date	-	462.4
Less progress billings	-	(532.9)
	-	(70.5)

Revenue under long-term contracts amounted to £71.4m in 2009 and £49.3m in the period to 29 October 2010 and was included in the profit from discontinued operations in both years. These contracts were all held by the networks business which was sold on 29 October 2010.

There are no such long-term contracts within the Company.

27 Cash and cash equivalents

	GROUP		COMPANY	
	2010 £m	2009 £m	2010 £m	2009 £m
Cash at bank and in hand	71.2	9.6	-	9.6
Short-term deposits	66.2	388.8	23.9	22.7
Cash pooling with intermediate parent company	2,448.5	-	2,448.5	-
	2,585.9	398.4	2,472.4	32.3

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 £2,585.9m (2009: £398.4m). The Group operates a collective net overdraft facility arrangement which permits the offset of cash balances with overdrafts in the subsidiary companies. During the year, the sale of the Networks business resulted in a large increase in cash which has been deposited within a cash pooling agreement with a parent company. The cash pooling amounts can be accessed instantly and generate floating interest linked to LIBOR.

At 31 December 2010, the Group had available £1,800m (2009: £1,070m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. The Group cash balance includes £85.0m (2009: £48.4m) of cash which must be maintained as a minimum cash balance in some entities, in accordance with contractual obligations with financial institutions. There were no other restrictions in place over the Company's cash balances in 2010 or 2009.

NOTES TO THE FINANCIAL STATEMENTS continued

28 Other liabilities

	GROUP			COMPANY	
	2010 £m	2009 (restated) £m	2008 (restated) £m	2010 £m	2009 £m
Trade creditors	1,226.9	1,143.5	971.7	593.2	672.8
Amounts due under long-term contracts (note 26)	-	72.9	79.4	-	-
Other payables	262.2	428.6	422.4	138.9	82.5
Deferred income due within one year	-	-	49.8	-	-
Interest payable	1.4	73.3	78.1	1.4	2.4
Bank overdrafts	-	-	-	1,051.9	-
Amount owed to intermediate parent companies	218.7	101.6	57.6	376.3	101.9
Amounts owed to other Group companies	-	-	-	374.7	339.8
Total other liabilities due within 1 year	1,709.2	1,819.9	1,659.0	2,536.4	1,199.4
Deferred income – non current	-	272.9	222.4	-	-
Total other liabilities	1,709.2	2,092.8	1,881.4	2,536.4	1,199.4

The 2009 position has been restated to reflect the adoption of IFRIC 18 at 1 January 2009

For further information regarding related party payables refer to note 43

Trade creditors are non-interest bearing and are normally settled on 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.

NOTES TO THE FINANCIAL STATEMENTS continued

29 Borrowings

	GROUP		COMPANY	
	2010 £m	2009 £m	2010 £m	2009 £m
Current				
Sutton Bridge bonds due June 2022 (i)	18.3	18.0	-	-
PADCO loan (ii)	-	2.5	-	-
EDF Energy Renewables (vi)	2.1	-	-	-
Short-term borrowing (iii)	12.6	781.6	-	730.0
€500m 4.375% Eurobond due December 2010 (iv)	-	444.1	-	444.1
	33.0	1,246.2	-	1,174.1
Non-current				
£200m 8.75% Eurobond due March 2012 (iv)	-	208.8	-	-
Sutton Bridge bonds due June 2022 (i)	139.2	155.3	-	-
£50m Index Linked Bond due June 2023 (iv)	-	59.2	-	-
£350m 5.75% Bonds due 2024 (iv)	-	349.0	-	-
£200m 8.5% Eurobond due March 2025 (iv)	-	246.7	-	-
£300m 5.5% Eurobond due June 2026 (iv)	-	297.3	-	-
£300m 6.125% Bonds due June 2027 (iv)	-	304.8	-	-
£150m 3.125% Index Linked Bonds due June 2032 (v)	-	180.4	-	-
€800m Eurobond due June 2013 (v)	653.9	710.4	653.9	710.4
€410m Eurobond due December 2014 (v)	372.2	364.1	372.2	364.1
€390m Eurobond due December 2012 (v)	351.1	346.3	351.1	346.3
£300m 5.125% Eurobond due November 2016 (iv)	-	298.8	-	-
£300m 6.125% Eurobond due November 2031 (iv)	-	296.8	-	-
£350m 6.0% Bonds due November 2036 (iv)	-	343.0	-	-
PADCO loan (ii)	-	44.5	-	-
EDF Energy Renewables (vi)	76.2	-	-	-
	1,592.6	4,205.4	1,377.2	1,420.8
Total borrowings	1,625.6	5,451.6	1,377.2	2,594.9

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

- (i) The secured bonds which are guaranteed by Sutton Bridge Power Limited comprise two tranches of 25-year amortising bonds issued by Sutton Bridge Financing Limited. The first tranche comprises a remaining principal of £94.8m (2008: £105.9m) at a fixed interest rate of 8.625%. The second tranche comprises a remaining principal of US\$72.9m (2009: \$85.8m) at a fixed interest rate of 7.97%. The Group has entered into currency swap arrangements in order to convert the principal and interest payment on the bonds into sterling for periods up to maturity, see note 42. The bonds are secured by means of fixed and floating charges over substantially all the net assets of Sutton Bridge and at all times rank *pari passu* and without preference among themselves. The Sutton Bridge bonds mature in June 2022 but principal repayments commenced from June 2002. Principal and interest payments are made semi-annually in arrears on the bonds on 30 June and 31 December. The Sutton Bridge bonds have various covenants covering ratios of cash flows to debt servicing. All covenants were met in 2010 and in 2009.

NOTES TO THE FINANCIAL STATEMENTS continued

29. Borrowings continued

- (ii) The PADCO loan of £47.0m in 2009 related to EDF Energy plc's share of PADCO's drawn down loan facilities relating to PADCO construction contracts. Loan facilities of £105m and £18m were entered into on 13 August 1998, secured by fixed and floating charges over PADCO's assets. PADCO has commenced repayment by quarterly instalments. Interest charged on the loans has been fixed to maturity under swap transaction arrangements at an interest rate of 6.0% per annum for the £105m facility and at an average of 5.4% for the £18m facility. PADCO was sold as part of the networks divestment on 29 October 2010.
- (iii) The short-term borrowing includes £nil (2009: £730.0m) which relates to money borrowed under a facility extended to EDF Energy plc by EDF S.A., the ultimate parent company. Draw-downs under this facility are re-negotiated on a monthly basis, and either increased/decreased or fully repaid. The remaining short-term borrowing relates to commercial paper, overdrafts and loans from renewables joint venture of £12.6m (2009: £nil) at an interest rate of 1 month LIBOR.
- (iv) These bonds were all issued under the Group's medium term notes programme. In 2004, the Group consolidated two Medium-term notes programmes into a €4.0bn medium-term note programme. This programme was re-issued as a £10.0bn programme on 13 June 2008. Currently the Group has uncommitted lines available under this facility in the region of £7.5bn. During 2009, the Group has issued three new fixed rate sterling bonds under this programme totalling £950m. The bonds which were issued under the medium term notes programme by the networks business were sold as part of the Networks divestment. The €500m Eurobond was repaid during the year.
- (v) In 2008 the Group entered into three bonds totalling €1,600m with another Company within the EDF Group. The €800m bond, maturing on 27 June 2013 has interest payable at a floating rate of EURIBOR 6 months + 0.400%. The principal has been swapped to sterling, and the interest rate has been swapped into a rate of LIBOR 6 months + 0.394%. The €390m bond, maturing on 8 December 2012 has interest payable at a floating rate of EURIBOR 6 months + 2.10%. The principal has been swapped to sterling, and the interest rate has been swapped into a bond at a rate of LIBOR 6 months + 2.201%. The €410m bond, maturing on 12 December 2014 has interest payable at a floating rate of EURIBOR 6 months + 2.30%. The principal has been swapped to sterling, and the interest rate has been swapped into a rate of LIBOR 6 months + 2.409%.
- (vi) In 2010, some of the renewable joint venture companies originated loans with maturity dates between 2020 and 2025. The interest payable on these loans are based on LIBOR 6 months plus margins between 1.89% and 3.00%. The interest has been swapped to fixed rates.

NOTES TO THE FINANCIAL STATEMENTS continued

30 Derivative financial instruments

	GROUP		COMPANY	
	2010 £m	2009 £m	2010 £m	2009 £m
Current				
Derivatives that are designated as hedging instruments in a fair value hedge				
Foreign currency forward contracts	17.2	53.2	17.2	53.2
Derivatives that are designated as hedging instruments in a cash flow hedge.				
Commodity purchase contracts	75.1	(445.7)	75.1	(445.7)
Foreign currency swap contracts	28.9	156.4	29.6	156.4
Derivatives at fair value through profit and loss (FVTPL)				
Commodity purchase contracts	(37.5)	(66.9)	(37.5)	(66.9)
Foreign currency forward contracts	(11.4)	16.2	(11.4)	16.2
Total current derivative financial instruments	72.3	(286.8)	73.0	(286.8)
Split by				
Current assets	160.3	287.1	159.5	287.1
Current liabilities	(88.0)	(573.9)	(86.5)	(573.9)
Non-current				
Derivatives that are designated as hedging instruments in a fair value hedge				
Foreign currency forward contracts	0.6	20.2	0.6	20.2
Derivatives that are designated as hedging instruments in a cash flow hedge				
Commodity purchase contracts	(15.8)	(118.0)	(15.8)	(118.0)
Interest rate swap contracts	-	(6.7)	-	-
Cross currency interest rate swaps	63.1	94.4	63.1	94.4
Foreign currency swap contracts	2.5	25.5	4.2	31.1
Derivatives at fair value through profit and loss (FVTPL)				
Commodity purchase contracts	(13.9)	(25.8)	(13.9)	(25.8)
Foreign currency forward contracts	(1.1)	(12.5)	(1.1)	(12.5)
Total non-current derivative financial instruments	35.4	(22.9)	37.1	(10.6)
Split by.				
Non-current assets	128.8	154.4	127.1	154.4
Non-current liabilities	(93.4)	(177.3)	(90.0)	(165.0)
Total derivative financial instruments	107.7	(309.7)	110.1	(297.4)

Further details of derivative financial instruments are provided in note 42. The change in fair value of derivatives classified at fair value through the income statement is separately disclosed on the face of the income statement.

NOTES TO THE FINANCIAL STATEMENTS continued

31. Provisions for liabilities

The movements in provisions during the current year are as follows

GROUP	At 1 January 2010	Utilised in the year	Released in the year	Arising during the year	Unwinding of discount	Disposed of in the period	At 31 December 2010
	£m	£m	£m	£m	£m	£m	£m
Medway power contract	9.2	(16.2)	-	-	7.0	-	-
Obligations under EU emissions	102.1	(328.2)	-	292.6	-	-	66.5
Renewable obligation certificates	168.5	(236.0)	-	250.8	-	-	183.3
Insurance	25.6	-	(3.1)	8.4	-	(7.3)	23.6
Decommissioning	16.6	-	-	11.6	1.9	-	30.1
Legal disputes	5.2	-	-	-	-	(3.2)	2.0
Onerous lease contracts	33.4	(11.9)	-	-	0.2	-	21.7
Restructuring costs	29.0	(2.2)	-	1.1	-	-	27.9
Rectification costs	2.3	(0.5)	-	1.1	-	(2.9)	-
Other costs	1.3	-	-	-	-	(0.3)	1.0
	393.2	(595.0)	(3.1)	565.6	9.1	(13.7)	356.1

The provisions have been split as follows

GROUP	At 31 December 2010			At 31 December 2009		
	Current	Non-Current	Total	Current	Non-Current	Total
	£m	£m	£m	£m	£m	£m
Medway power contract	-	-	-	8.7	0.5	9.2
Obligations under EU emissions	66.5	-	66.5	102.1	-	102.1
Renewable obligation certificates	183.3	-	183.3	168.5	-	168.5
Insurance	23.6	-	23.6	25.6	-	25.6
Decommissioning	-	30.1	30.1	-	16.6	16.6
Legal disputes	2.0	-	2.0	5.2	-	5.2
Onerous lease contracts	7.5	14.2	21.7	11.1	22.3	33.4
Restructuring costs	27.9	-	27.9	29.0	-	29.0
Rectification costs	-	-	-	2.3	-	2.3
Other costs	1.0	-	1.0	1.0	0.3	1.3
	311.8	44.3	356.1	353.5	39.7	393.2

NOTES TO THE FINANCIAL STATEMENTS continued

31. Provisions for liabilities continued

COMPANY	At 1 January 2010 £m	Utilised in the year £m	Released in the year £m	Arising during the year £m	At 31 December 2010 £m
Onerous lease contracts	2 0	(0 6)	-	0 2	1 6
Obligations under EU emissions	1 0	(1 0)	-	3 8	3 8
Renewable obligation certificates	130 8	(130 8)	-	144 2	144 2
Restructuring costs	24 0	-	-	-	24 0
Insurance	0 1	-	-	1 0	1 1
Legal disputes	-	-	-	2 0	2 0
	157 9	(132 4)	-	151 2	176 7

The provisions have been split as follows

COMPANY	At 31 December 2010			At 31 December 2009		
	Current	Non- Current	Total	Current	Non- Current	Total
	£m	£m	£m	£m	£m	£m
Onerous lease contracts	0.4	1.2	1 6	0 5	1 5	2 0
Obligations under EU emissions	3.8	-	3 8	1 0	-	1 0
Renewable obligation certificates	144.2	-	144 2	130 8	-	130 8
Restructuring costs	24.0	-	24 0	24 0	-	24 0
Insurance	1.1	-	1 1	0 1	-	0 1
Legal disputes	2.0	-	2 0	-	-	-
	175 5	1 2	176 7	156 4	1 5	157 9

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

The provisions for obligations under EU emissions represents 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 2011 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 2011.

The insurance provision is based on an assessment of the Group's known liabilities as at 31 December 2010. The provision is calculated by the Group's captive insurers, using various assumptions and is to cover the Group's estimated exposure on various motor or personal claims. The provision is expected to be utilised within one year based on claim history.

NOTES TO THE FINANCIAL STATEMENTS continued

31 Provisions for liabilities continued

The decommissioning provision is to provide for the future costs of decommissioning Cottam, West Burton and Sutton Bridge power stations. This provision has been calculated on a discounted basis with the discount unwound over the remaining period to decommissioning, between 2020 and 2030.

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. None of the cases are expected to be settled after 2011.

The provision for onerous lease contracts represents the difference between the projected rental income from various properties and the amounts payable by the Group for those properties under currently existing contracts which are expected to be utilised between 2011 and 2014. It also includes onerous contract provisions for electricity volume contracts fair values at the acquisition of British Energy in companies that were subsequently transferred into the EDF Energy plc Group. These will be utilised from 2011 to 2015.

The restructuring provision covers the costs of severance related to restructuring announced before 31 December 2009 and amended during 2010. It is expected to be utilised fully in 2011.

The rectification provision covers the additional cost of work to be carried out in order to fulfil contractual obligations for contracts which have been completed. This provision will be utilised in 2011.

32. Deferred tax

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

GROUP	Accelerated tax depreciation £m	Retirement benefit obligations £m	Fair value of derivative instruments £m	Other £m	Total £m
At 1 January 2009	(970.0)	37.6	125.2	(32.9)	(840.1)
Charge to income	(104.2)	(8.0)	(37.6)	57.0	(92.8)
Credit to equity	-	-	50.6	-	50.6
Booked on acquisitions	1.5	-	-	1.2	2.7
At 1 January 2010	(1,072.7)	29.6	138.2	25.3	(879.6)
Charge to income- continuing operations	95.2	34.6	9.0	(24.6)	114.2
Charge to income- discontinued operations	10.6	(65.1)	-	51.6	(2.9)
Charge to equity	-	-	(161.7)	-	(161.7)
Disposals	889.6	10.3	-	(39.6)	860.3
At 31 December 2010	(77.3)	9.4	(14.5)	12.7	(69.7)

See note 13 for an analysis of the charge in the year and prior year.

NOTES TO THE FINANCIAL STATEMENTS continued

32. Deferred tax continued

COMPANY	Accelerated tax depreciation £m	Retirement benefit obligations £m	Fair value of derivative instruments £m	Other £m	Total £m
At 1 January 2009	0.1	(3.3)	123.4	(0.2)	120.0
Credit/(charge) to income	(1.8)	5.6	(38.0)	6.4	(27.8)
Credit to equity	-	-	50.1	-	50.1
At 1 January 2010	(1.7)	2.3	135.5	6.2	142.3
Credit to income	5.8	2.3	26.0	0.3	34.4
Charge to equity	-	-	(178.8)	-	(178.8)
At 31 December 2010	4.1	4.6	(17.3)	6.5	(2.1)

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

	GROUP		COMPANY	
	2010	2009	2010	2009
	£m	£m	£m	£m
Deferred tax assets	22.1	193.1	15.2	144.0
Deferred tax liabilities	(91.8)	(1,072.7)	(17.3)	(1.7)
At 31 December	(69.7)	(879.6)	(2.1)	142.3

33 Non-controlling interests

	GROUP £m
At 1 January 2010	4.3
Profit arising during the year	0.4
Disposal of non-controlling interests	(4.7)
At 31 December 2010	-

During 2010, the Group sold its network business including its holding in EDF Energy Powerlink Limited, an 80% owned company. As a result the Group has no material non-controlling interests at 31 December 2010.

NOTES TO THE FINANCIAL STATEMENTS continued

34. Commitments

Capital and other commitments

At 31 December 2010, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £769.1m (2009 £864.0m) and contractual commitments for the acquisition of intangible assets of £nil (2009 £nil). The Company had entered into £nil of contractual commitments for the purchase of tangible and intangible assets (2009 £nil).

At 31 December 2010, the Group and the Company had contracted to purchase power, gas and other fuel to the value of £1,478.8m (2009 £1,515.0m).

Operating lease commitments given

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

GROUP	2010	2009
	£m	£m
Within one year	15.9	26.0
After one year but not more than five years	61.4	116.3
More than five years	72.0	174.4
Future lease charges	149.3	316.7

COMPANY	2010	2009
	£m	£m
Within one year	15.9	15.6
After one year but not more than five years	61.4	61.1
More than five years	72.0	81.8
Future lease charges	149.3	158.5

Operating lease commitments received

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

GROUP	2010	2009
	£m	£m
Within one year	36.5	36.1
After one year but not more than five years	49.8	78.2
More than five years	1.7	4.5
Future lease receivables	88.0	118.8

COMPANY	2010	2009
	£m	£m
Within one year	3.4	3.0
After one year but not more than five years	11.8	12.0
More than five years	1.7	4.5
Future lease receivables	16.9	19.5

NOTES TO THE FINANCIAL STATEMENTS continued

34. Commitments (continued)

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	
	2010 £m	2009 £m	2010 £m	2009 £m
Within one year	36.7	36.5	35.4	35.1
After one year but not more than five years	148.8	148.0	125.2	121.7
More than five years	191.2	228.7	125.2	137.5
	376.7	413.2	285.8	294.3
Less: future finance charges	(90.9)	(118.9)		
Minimum lease payments	285.8	294.3		

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

Financing commitments

The Group has committed to provide its share of further equity funding and subordinated debt to joint ventures and associates in respect of public finance initiative projects. These commitments totalled £nil at 31 December 2010 (2009: £25.0m).

35. Contingent liabilities

The Company and certain subsidiary companies have given guarantees in respect of bonds, of the Group's own contracts, and have given guarantees in respect of the Group's share of contractual obligations of associates and joint ventures.

The Group has given a joint and several guarantee of Metronet Alliance's obligations under its contracts with Metronet BCV and SSL. Under the terms of the contract, EDF Energy's maximum share of Metronet Alliance's obligations would be £84.2m. In 2009, there was a guarantee relating to EDF Energy Contracting Limited's obligations under contract to Metronet BCV and SSL which was a maximum of £49.8m, however this guarantee was removed from the Group on the sale of the Networks business. The likelihood of transferring benefit under the terms of these guarantees is considered unlikely. The Group has given letters of credit and guarantees to the value of £5.9m (2009: £10.7m) in relation to tax obligations and relating to performance of contractual obligations.

The Group has given guarantees in respect of the construction of certain National Grid assets relating to the Group's future construction of power plants. A potential liability of £10.4m (2009: £12.4m) could arise as a result of these guarantees and no provision has been made since the Group fully intends to construct the assets and therefore not break these guarantees.

NOTES TO THE FINANCIAL STATEMENTS continued

36 Share capital

GROUP and COMPANY	2010 Number	2009 Number	2010 £m	2009 £m
Authorised				
Ordinary shares of £0.5833 each	2,228,713,439	2,228,713,439	1,300.0	1,300.0
Ordinary shares of £0.50 each	300,000,002	300,000,002	150.0	150.0
	2010 Number	2009 Number	2010 £m	2009 £m
Allotted, called up and fully paid				
Ordinary shares of £0.5833 each	2,222,739,164	2,222,739,164	1,296.6	1,296.6

The Company has one class of ordinary share in issue which carries no right to fixed income

37. Capital and redemption reserves

GROUP	Share premium £m	Capital reserve £m	Redemption reserve £m	Total £m
At 1 January 2009	13.9	9.2	11.0	34.1
Contribution arising on employee share schemes	-	-	-	-
At 1 January and 31 December 2010	13.9	9.2	11.0	34.1

COMPANY	Share premium £m	Capital reserve £m	Redemption reserve £m	Total £m
At 1 January 2009	13.9	1.9	11.0	26.8
Contribution arising on employee share schemes	-	-	-	-
At 1 January and 31 December 2010	13.9	1.9	11.0	26.8

The capital contribution represented the costs incurred in providing the favourable terms to employees in respect of shares in EDF as part of the initial public offering in 2005, see note 10. The change in the capital contribution in 2009 relates to the ACT2007 shares.

The redemption reserve relates to the repurchase of its own shares by the company in 1994 and 1995, and their subsequent cancellation.

NOTES TO THE FINANCIAL STATEMENTS continued

38 Retained earnings

	GROUP £m	COMPANY £m
At 1 January 2009	1,075.1	129.6
Profit for the year	436.8	100.7
Equity dividends paid (note 15)	(270.0)	(270.0)
At 1 January 2010	1,241.9	(39.7)
Profit for the year	598.4	1,804.5
At 31 December 2010	1,840.3	1,764.8

39 Hedging reserve

	GROUP £m	COMPANY £m
At 1 January 2009	(213.4)	(194.0)
Net losses on items in cash flow hedge	(181.1)	(179.1)
Deferred taxation on net losses in cash flow hedge	50.6	50.1
At 1 January 2010	(343.9)	(323.0)
Net gains on items in cash flow hedge	599.1	591.4
Deferred taxation on net gains in cash flow hedge	(161.8)	(178.8)
At 31 December 2010	93.4	89.6

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

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

GROUP	31 December 2010 £m	31 December 2009 £m
Less than one year	108.2	(357.0)
Between one to five years	14.3	(111.6)
More than five years	(1.2)	(9.1)
Total fair value gains/(losses) on derivatives designated as effective cash flow hedges	121.3	(477.7)
Deferred taxation	(27.9)	133.8
Total	93.4	(343.9)

During the year a profit of £436.2m (2009 a loss of £107.5m) was recycled from the hedging reserve and included within fuel, energy and related purchases, in relation to contracts which had matured. A gain of £6.9m was recycled from the hedging reserve in relation to the Networks disposal and included in profit on disposal of network activities.

NOTES TO THE FINANCIAL STATEMENTS continued

39. Hedging reserve continued

COMPANY	31 December 2010 £m	31 December 2009 £m
Less than one year	108.5	(357 0)
Between one to five years	14.3	(111 6)
More than five years	-	-
Total fair value gains/(losses) on derivatives designated as effective cash flow hedges	122 8	(468 6)
Deferred taxation	(33 2)	145 6
Total	89.6	(323 0)

NOTES TO THE FINANCIAL STATEMENTS continued

40. Notes to the cash flow statement

	GROUP		COMPANY	
	2010	2009	2010	2009
	£m	£m	£m	£m
Profit before taxation from continuing operations	92 3	91 8	1,739 5	131 9
Adjustments for				
Loss/(gain) on derivatives	45 8	(125 3)	45.8	(125 3)
Depreciation	470 7	121 3	24.6	12 7
Amortisation of intangible assets	27 9	28 1	-	5 9
Utilisation of carbon and renewable obligations certificates	182 2	256 2	178.3	256 2
Other (gains) and losses	-	(2 0)	-	0 5
Finance cost/(income)	75 7	81 6	(37.0)	(142 5)
(Gain)/loss on disposal of property, plant and equipment	(1 4)	1 8	(5.6)	(0 6)
Gain on disposal of subsidiaries	(435 6)	-	(1,846 8)	-
Impairment of loans	-	-	181.0	-
(Decrease)/increase in provisions	(30.4)	(52 3)	18 8	34 5
Increase/(decrease) in post-employment benefits	14 4	(13 0)	4 3	(1 7)
IFRS 2 share costs	-	2 6	-	3 7
Release of Metronet provision	-	(0 7)	-	-
Operating cash flows before movements in working capital	441 6	390 1	302 9	175 3
Decrease/(increase) in inventories	54.5	-	55 7	(3 5)
Decrease/(increase) in receivables	189 5	913 6	(1,126.4)	(86 7)
Increase/(decrease) in payables	139 8	(623 6)	1,321.3	179 0
Cash generated by operations	825 4	680 1	553 5	264 1
Pension deficit payment	(8 5)	(10 0)	(2 0)	(2 7)
Income taxes received	142 7	32 5	144.1	114 6
Net cash from continuing operating activities	959 6	702 6	695.6	376 0
Profit before taxation from discontinued operations	453 6	552 0	-	-
Adjustments for				
Depreciation	282.3	388 6	-	-
Amortisation of intangible assets	-	0 1	-	-
Other gains	-	(0 4)	-	-
Gain on disposal of property, plant and equipment	(3 7)	(6 8)	-	-
Finance cost	194.5	59 8	-	-
Decrease in provisions	(2 2)	(11 6)	-	-
Increase/(decrease) in post-employment benefits	35 3	(7 4)	-	-
IFRS 2 share costs	-	1 2	-	-
Amortisation of customer contributions	-	(212 0)	-	-
Operating cash flows before movements in working capital	959 8	763 5	-	-
(Increase)/decrease in inventories	(6.9)	13 3	-	-
Decrease in receivables	104 3	52 2	-	-
Decrease in payables	(18 6)	(89 4)	-	-
Cash generated by operations	1,038.6	739 6	-	-
Pension deficit payment	(189 2)	(26 5)	-	-
Income taxes paid	(135 9)	(91 9)	-	-
Net cash from discontinued operating activities	713 5	621 2	-	-
Net cash from operating activities	1,673 1	1,323 8	695.6	376 0

NOTES TO THE FINANCIAL STATEMENTS continued

41. Retirement benefit schemes

At the start of 2010, EDF Energy plc had two principal pension schemes, EDF Energy Pension Scheme (EEPS) and the EDF Energy Group of the Electricity Supply Pension Scheme (ESPS). Both of these schemes are defined benefit schemes. The Group closed its ESPS pension arrangements with effect from 29 February 2004. A new scheme, the EEPS, a final salary arrangement, replaced these for future service from 1 March 2004. In October 2010, the sale of the Networks business results in a change to the pension arrangements of the Group. Detailed analysis was performed on the Group's employees to identify the level of pension deficit which was sold to Cheung Kong Infrastructure with its purchase of the Networks business. Based on the profile of the scheme, the ESPS scheme was transferred along with the Networks business and any members who remained part of the Group had their deficit transferred into a new scheme, the EDF Energy Generation and Supply pension scheme ("EEGS"). Network members of the EEPS were transferred into a new scheme which was set up by the Networks business. Therefore the pension deficit at 31 December 2010 is considerably smaller as a result of the Networks disposal.

Due to the level of the work involved in splitting the pension schemes, the Networks disposal provided an opportunity to re-visit the allocation of pension deficit between legal entities across the Group. Although this had zero impact on the Group deficit, this led to a change in the allocation of the unrecognised portion of the deficit to the Company. The new methodology re-allocated the deficits between companies at 31 December 2010 based on which entity legally employed each employee at date of allocation, or the date that the employee ceased to be an employee of the Group. The actuaries provided analysis of the share of deficit of each employee which was used to allocate the assets and liabilities of the scheme to each company. This was in contrast to the previous method of allocation which was headcount driven rather than allocated on the basis of individuals.

The latest full actuarial valuations of the EEGS and EEPS were carried out by Hewitts, consulting actuaries, as at 31 March 2010 and were agreed on 29 March 2011 and 21 March 2011 respectively. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method. In 2009 and 2010, the regular ongoing employer's contribution was assessed as 10% of pensionable. However it was amended to 11.4% from 1 April 2011 following the agreement of the triennial valuation.

On 8 July, the Government announced that it considered the Consumer Price Index ("CPI") to be a better measure of pensioner inflation than the retail price index ("RPI") and that it would legislate to replace RPI with CPI for occupational pension schemes. For EEGS, this will only impact on payments post 88 GMP (The Guaranteed Minimum Pension is the minimum pension which a United Kingdom occupational pension scheme has to provide for those employees who were contracted out of the State Earnings-Related Pension Scheme between 6 April 1978 and 5 April 1997) and resulted in a reduction in scheme liabilities of £9m for the year ended 31 December 2010. For the EEPS, this will impact on deferment as well as post 88 GMP and results in a reduction of scheme liabilities of £12m. These changes have been accounted for as a change in actuarial assumption during the year.

In addition, employees of EDF Energy Powerlink Limited, are members of the LRT Pension Fund which is a defined benefit scheme and is operated by TfL. In prior years, this scheme gave rise to a pension receivable to the Group, within trade receivables because of a contractual obligation on London Underground Limited to fund the deficit. EDF Energy Powerlink Limited was sold as part of the networks disposal and there is no further obligation to the Group in relation to this scheme.

NOTES TO THE FINANCIAL STATEMENTS continued

41. Retirement benefit schemes continued

The principal financial assumptions used to calculate EECS and EEPS liabilities under IAS 19 were

	31 December 2010 % p a.	31 December 2009 % p a
Discount rate EECS	5.5	5.7
Discount rate EEPS	5.4	5.6
RPI inflation assumption EECS	3.6	3.6
RPI inflation assumption EEPS	3.6	3.8
CPI inflation assumption EECS	2.8	2.8
CPI inflation assumption EEPS	2.8	3.0
Rate of increase in salaries		
- EECS	5.1	5.6
- EEPS	5.1	5.3
Rate of increase of pensions in deferment		
- EECS	3.6	3.6
- EEPS - pre April 2009 pensions	2.8	3.8
- EEPS - post April 2009 pensions	2.5	2.5
Rate of increase of pensions in payment		
- EECS - pensions in excess of GMP	3.6	3.6
- EEPS - post 88 GMP	2.2	2.6
- EEPS - pre 2006 excess pensions	3.4	3.5
- EEPS - post 2006 excess pensions	2.2	2.3
- EEPS - post 88 GMP	2.2	2.6

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

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

Mortality assumptions have been determined based on standard mortality tables, specifically the 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 2007, which determined the Group's contribution rate for future years.

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

NOTES TO THE FINANCIAL STATEMENTS continued

41. Retirement benefit schemes continued

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

GROUP	EEGS 2010 £m	EEPS 2010 £m	Total 2010 £m	Total 2009 £m
Present value of defined benefit obligations	(533 1)	(250 2)	(783 3)	(3,405 0)
Fair value of scheme assets	424.6	181 5	606.1	2,514 9
Deficit in scheme	(108.5)	(68 7)	(177 2)	(890 1)
Unrecognised actuarial losses	83 9	57.7	141 6	778 5
Liability recognised in the balance sheet	(24 6)	(11 0)	(35.6)	(111 6)

This amount is presented in post employment benefits provision

The costs associated with these defined benefit schemes are as follows

GROUP	EEGS 2010 £m	EEPS 2010 £m	TFL 2010 £m	Total 2010 £m	Total 2009 £m
Current service cost	36 0	32 5	0 6	69 1	36 3
Interest cost	149.0	15 4	1.1	165 5	155 0
Expected return on scheme assets	(123 6)	(10 6)	(1 1)	(135 3)	(127 2)
Actuarial (gains)/losses	33 4	2 0	-	35.4	(0 9)
Changes arising on curtailments/settlements	1.0	-	-	1.0	1 0
Total pension costs	95.8	39 3	0.6	135 7	64 2

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

GROUP	EEGS 2010 £m	EEPS 2010 £m	Tfl 2010 £m	Total 2010 £m	Total 2009 £m
At 1 January	3,085 1	278 9	41 0	3,405 0	2,440 0
Service cost	36 0	32 5	0 6	69 1	36 3
Changes arising on curtailments/settlements	1 0	-	-	1 0	1 0
Interest cost	149 0	15 4	1 1	165 5	155 0
Actuarial losses/(gains)	(27 0)	3 0	(2 9)	(26 9)	862 4
Bulk transfers in	-	-	-	-	16 5
Benefits paid	(113 0)	(3 0)	(1 8)	(117 8)	(129 4)
Contributions by employees	9 0	14 4	-	23 4	23 2
Impact of sale of networks business	(2,607 0)	(91 0)	(38 0)	(2,736 0)	-
At 31 December	533 1	250 2	-	783.3	3,405 0

NOTES TO THE FINANCIAL STATEMENTS continued

41. Retirement benefit schemes continued

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

GROUP	EEGS 2010 £m	EEPS 2010 £m	TfL 2010 £m	Total 2010 £m	Total 2009 £m
At 1 January	2,291 0	194 2	29 7	2,514 9	2,177 0
Expected return on scheme assets	123 6	10 6	1 1	135.3	127 2
Actuarial gains/(losses)	94 4	7 4	(18)	100.0	208 3
Contributions by employer	31 8	22 0	10 4	64.2	55 3
Deficit repair payments	33 3	-	-	33 3	37 3
Bulk transfers in	-	-	-	-	16 0
Benefits paid	(113 0)	(3 0)	(18)	(117 8)	(129 4)
Contributions by employees	9 0	14 4	-	23.4	23 2
Impact of sale of networks business	(2,045 5)	(64 1)	(37 6)	(2,147.2)	-
At 31 December	424 6	181 5	-	606.1	2,514 9

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

GROUP	Expected return			Fair value of assets			
	EEGS 2010 %	EEGS 2009 %	TfL 2009 %	EEGS 2010 £m	EEPS 2010 £m	Total 2010 £m	Total 2009 £m
Gilts - fixed	4 3	4 6	-	52 0	-	52 0	245 0
- index linked	4 2	4 5	-	50 0	-	50 0	259 0
Equities	7 9	8 2	7 5	165 6	55 7	221 3	1,102 9
Property	7.8	8 7	-	18 0	18 0	36 0	55 0
Corporate bonds	5 4	5 9	4 1	115 0	52 0	167 0	728 7
Cash	1.4	0 7	4 0	24 0	26 0	50 0	124 0
Other	-	-	-	-	30 0	30 0	0 3
				424 6	181 7	606.3	2,514 9

NOTES TO THE FINANCIAL STATEMENTS continued

41. Retirement benefit scheme continued

The history of experience adjustments is as follows

GROUP	EEGS 2010 £m	EEPS 2010 £m	Total 2010 £m	Total 2009 £m	Total 2008 £m	Total 2007 £m	Total 2006 £m
Present value of defined benefit obligations	(533.1)	(250.2)	(783.3)	(3,405 0)	(2,440 0)	(2,883 3)	(2,765 4)
Fair value of scheme assets	424 6	181.5	606 1	2,514 9	2,177 0	2,627 3	2,437 8
Deficit in the scheme	(108 5)	(68 7)	(177 2)	(890 1)	(263 0)	(256 0)	(327 6)
Experience adjustments on scheme liabilities	106.0	-	106.0	26 2	(6 8)	(121 9)	(6 0)
Percentage of scheme liabilities	19.9%	-	19.9%	0 8%	0 3%	4 2%	0 2%
Experience adjustments on scheme assets	94 0	6.0	100 0	208 3	(594 1)	5 5	25 2
Percentage of scheme assets	22.1%	3.3%	16.5%	8 4%	(27 3)%	0 2%	1 0%

The estimated amounts of contributions expected to be paid to the scheme during 2011 is £60 0m

In addition to the pension provision recognised, there is an additional amount of £5 8m (2009 £5 4m) included within other liabilities which relates to the unapproved pension scheme amounts

Pension disclosures relating to the Company are as follows

COMPANY	EEGS 2010 £m	EEPS 2010 £m	Total 2010 £m	Total 2009 £m
Present value of defined benefit obligations	(189 8)	(110 1)	(299 9)	(256 9)
Fair value of scheme assets	151 3	79 9	231 2	188 4
Deficit in scheme	(38 5)	(30 2)	(68 7)	(68 5)
Unrecognised actuarial losses	33 2	24 9	58 1	60 3
Liability recognised in the balance sheet	(5 3)	(5 3)	(10 6)	(8 2)

This amount is presented in post employment benefits provision

NOTES TO THE FINANCIAL STATEMENTS continued

41 Retirement benefit scheme continued

Amounts recognised in expenses in respect of these defined benefit schemes are as follows

COMPANY	EEGS 2010 £m	EEPS 2010 £m	Total 2010 £m	Total 2009 £m
Current service cost	9.9	8.6	18.5	8.1
Interest cost	9.4	4.8	14.2	9.8
Expected return on scheme assets	(7.5)	(3.3)	(10.8)	(9.0)
Actuarial losses/(gains)	2.0	2.6	4.6	(0.9)
Changes arising on curtailments/settlements	-	-	-	0.9
Changes arising on disposal of networks	(5.0)	(0.2)	(5.2)	-
Total operating cost	8.8	12.5	21.3	8.9

Of the charge for the year £23.1m (2009 £9.0m) has been included in personnel costs, net of recharges, and there was a net £3.4m interest charge (2009 £0.8m) which has been included in interest

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

COMPANY	EEGS 2010 £m	EEPS 2010 £m	Total 2010 £m	Total 2009 £m
At 1 January	170.3	86.6	256.9	159.7
Service cost	9.9	8.6	18.5	8.1
Interest cost	9.4	4.8	14.2	9.8
Actuarial (gains)/losses	(2.4)	7.6	5.2	79.8
Bulk transfers out/(in)	-	-	-	1.1
Benefits paid	(6.2)	(4.8)	(11.0)	(7.3)
Contributions by employees	0.5	0.9	1.4	4.8
Changes arising on curtailments/settlements	-	-	-	0.9
Impact of sale of networks business	8.3	6.4	14.7	-
At 31 December	189.8	110.1	299.9	256.9

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

COMPANY	EEGS 2010 £m	EEPS 2010 £m	Total 2010 £m	Total 2009 £m
At 1 January	128.2	60.2	188.4	151.4
Expected return on scheme assets	7.5	3.3	10.8	9.0
Actuarial losses/(gains)	5.6	9.7	15.3	16.9
Contributions by employer	6.9	5.6	12.5	11.7
Benefits paid	(6.2)	(4.8)	(11.0)	(7.3)
Contributions by employees	0.5	0.9	1.4	4.8
Deficit payments	2.0	-	2.0	1.9
Impact of sale of networks business	6.8	5.0	11.8	-
At 31 December	151.3	79.9	231.2	188.4

NOTES TO THE FINANCIAL STATEMENTS continued

41 Retirement benefit scheme continued

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

COMPANY	Expected return		Fair value of assets			Total 2009 £m
	2010 %	2009 %	EEGS 2010 £m	EEPS 2010 £m	Total 2010 £m	
Gilts – fixed	4.3	4.6	18.5	-	18.5	13.7
- index linked	4.2	4.5	17.8	-	17.8	14.5
Equities	7.9	8.2	59.1	34.5	93.6	85.2
Property	7.8	8.7	6.4	8.5	14.9	4.5
Corporate bonds	5.4	5.9	41.0	24.6	65.6	58.3
Cash	1.4	0.7	8.5	12.3	20.8	12.2
			151.3	79.9	231.2	188.4

The history of experience adjustments is as follows

COMPANY	EEGS 2010 £m	EEPS 2010 £m	Total 2010 £m	Total 2009 £m
Present value of defined benefit obligations	(189.8)	(110.1)	(299.9)	(256.9)
Fair value of scheme assets	151.3	79.9	231.2	188.4
Deficit in the scheme	(38.5)	(30.2)	(68.7)	(68.5)
Experience adjustments on scheme liabilities	5.9	-	5.9	1.4
Percentage of scheme liabilities	3.1%	-	3.1%	0.6%
Experience adjustments on scheme assets	4.6	1.8	6.4	16.1
Percentage of scheme assets	3.0%	2.3%	2.8%	8.6%

The estimated amounts of contributions expected to be paid to the scheme during the current financial year is £18.3m

In addition to the pension provision recognised, there is an additional amount of £5.8m (2009 £5.4m) included within other liabilities which relates to the unapproved pension scheme amounts

NOTES TO THE FINANCIAL STATEMENTS continued

42. Financial instruments

The Group has entered into a variety of financial instruments to mitigate its exposure to commodity price, interest rate, foreign currency and credit rate risk. Financial instruments are disclosed gross as derivative and other financial instruments, obligations under finance leases and interest-bearing liabilities on the Group balance sheet. Commodity derivative contracts include contracts related to the purchase of power, coal, gas, gas oil, fuel oil and EU carbon emissions certificates.

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

The table below shows the carrying value of Group and Company financial instruments by category.

	GROUP		COMPANY	
	2010 £m	2009 £m	2010 £m	2009 £m
Financial assets				
Cash and cash equivalents (note 27)	2,585.9	398.4	2,472.4	32.3
Derivative instruments (note 30)	289.1	441.5	286.6	441.5
Held to maturity investments	0.9	1.0	-	-
Loans and receivables	1,462.2	2,323.9	3,322.9	2,293.3
Financial liabilities				
Derivative instruments (note 30)	(181.4)	(751.2)	(176.5)	(738.9)
Borrowings and other liabilities at amortised cost	(3,620.6)	(7,565.3)	(3,913.6)	(3,793.9)

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

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

a) Capital risk management

The Group manages its capital through focusing on its net debt which comprises borrowings including finance lease obligations and accrued interest, cash and cash equivalents (note 27) and derivative liabilities. Given that the Group is a 100%-owned subsidiary, any changes in capital structure are generally achieved via additional borrowings from its ultimate parent company or other companies within the EDF S A group. Historically, the Group has also raised debt via external bond issuance such as the £950m of bonds issued under the medium term note programme in 2009.

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

NOTES TO THE FINANCIAL STATEMENTS continued

42 Financial instruments continued

b) Margin risk management

Margin price risk arises from the necessity to effectively forecast customer demand for gas, coal and electricity, and to adequately procure the various commodities at a price competitive enough to allow a favourable tariff proposition for our customers. Due to the vertically-integrated nature of the Group, the electricity procured from the generation business provides a natural hedge for the electricity demand from the retail business. Any residual exposure to movements in the price of electricity, gas or coal is mitigated by entering into contracts and hedging options on the forward markets. Risk management is monitored through sensitivity analysis and value at risk limits per commodity and across commodity for the whole of EDF Energy consistently with its Group risks mandate.

At a Group and a Company level, margin risk exposure is measured looking at sensitivity analysis. Under IAS 39, at the reporting date, if the purchase price of commodities had been 10% higher (10% being management's estimate of a reasonable, possible change), and all other variables remained constant, then the Group's profit for the year would have been £49.1m higher (2009: £34.0m) and hedging reserves would have been £230.8m higher (2009: £184.1m), as a result of the changes in trade valuation. There have been no changes in the method of preparing the sensitivity analysis since 2009.

c) Interest rate risk management

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

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates at the reporting date, assuming that the rate change took effect at the start of the reporting period and remained in place for the full period, and assuming the closing borrowing and cash position was in place throughout the year. There has been no change in the method of preparing the sensitivity analysis since 2009. There is no material impact of interest rate sensitivity on the carrying value of the interest rate swaps which had a negligible fair value at 31 December 2010 (2009: loss of £6.7m).

If the floating and indexed-linked interest rate 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 £10.2m higher (2009: £23.7m lower) and £nil lower (2009: £2.4m) respectively.

If the floating interest rate had been 100 basis points higher at the reporting date, and on the basis of the assumptions outlined above, then the Company's profit for the year would have been £0.9m higher (2009: £20.6m lower).

Interest rate profile

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

	GROUP		COMPANY	
	2010	2009	2010	2009
Floating rate borrowings	1,468.1	2,442.2	1,377.2	2,150.8
Fixed rate borrowings	157.5	3,009.4	-	444.1
Total borrowings	1,625.6	5,451.6	1,377.2	2,594.9
Fixed rate finance lease obligations	285.8	294.3	-	-

NOTES TO THE FINANCIAL STATEMENTS continued

42 Financial instruments continued

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

	GROUP		COMPANY	
	2010	2009	2010	2009
Weighted average fixed interest rate %	8.5%	6.4%	-	5.2%
Weighted average floating interest rate %	2.0%	1.8%	2.2%	1.6%

At 31 December 2010, the Group had four interest rate swaps (2009 one) and three cross currency interest rate swaps (2009 three). The fair value of the interest rate swaps outstanding at 31 December 2010 was zero (2009 liability of £6.7m) and hence any sensitivity impact is negligible. The fair value of the cross-currency interest rate swaps outstanding at 31 December 2010 in both the Group and Company was an asset of £66.3m and a liability of £3.2m (2009 asset only of £94.4m). If exchange rates moved by 10%, the value of the asset and the hedging reserve would move by £2.5m (2009 £2.3m). If interest rates moved by 100bps the value of the asset and the hedging reserve would move by £3.1m (2009 £3.1m). The Company had no interest rate swaps in 2010 (2009 none).

d) Foreign currency risk management

The Group's present exposure to foreign currency risk is limited to the currency exposure on the service of interest and capital on US dollar and euro-denominated debt, and the purchase of energy and EU emissions certificates. The Group policy is to hedge/fix known currency exposures as they arise. The US dollar and Euro currency swap agreements fix the sterling equivalent that will be required to service the interest and capital repayments of foreign currency debt instruments. These are accounted for as cash flow hedges. The Group enters into forward currency purchase contracts to fix the sterling price for future foreign currency denominated transactions. These were accounted for as fair value hedges, until 1 July 2008 and any new contracts after this date have been accounted for as cash flow hedges to bring the treatment in line with that of swap contracts. There was a net gain on foreign currency hedging instruments in a fair value hedge of £5.3m (2009 gain of £77.1m), offsetting a net loss on the hedged risk of £17.8m (2009 loss of £73.4m). There was a net gain of £33.9m (2009 gain of £90.4m) on foreign currency forward contracts in a cash flow hedge.

At the balance sheet date, the following foreign currency contracts were outstanding

GROUP and COMPANY		Average exchange rate		Fair value	
		2010 rate	2009 rate	2010 £m	2009 £m
Fair value hedge					
Buy US Dollars	< 1year	1.885	1.916	14.7	59.7
	2-5 years	1.853	1.884	0.6	11.8
Sell US Dollars	< 1year	1.879	1.768	(7.4)	(34.5)
	2-5 years	1.855	1.688	(0.4)	(5.5)
Buy Euros	< 1year	1.296	1.343	25.8	87.4
	2-5 years	1.219	1.288	1.5	36.9
Sell Euros	< 1year	1.310	1.312	(15.9)	(60.6)
	2-5 years	1.231	1.257	(1.1)	(26.8)

NOTES TO THE FINANCIAL STATEMENTS continued

42. Financial instruments continued

d) Foreign currency risk management continued

GROUP and COMPANY		Average exchange rate		Fair value	
		2010 rate	2009 rate	2010 £m	2009 £m
Cash flow hedge					
Buy US Dollars	< 1year	1 631	1 725	28 3	45 9
	2-5 years	1 570	1 655	7 3	13 0
Sell US Dollars	< 1year	1.561	1 768	(5.5)	(34 5)
	2-5 years	1 551	1 668	(1 9)	(5 5)
Buy Euros	< 1year	1 186	1 201	8.0	14 8
	2-5 years	1.166	1 186	2.7	21 9
Sell Euros	< 1year	1.181	1 312	(1 7)	(60 6)
	2-5 years	1.169	1 257	(3 7)	(26 8)
Buy Swiss Francs	< 1year	1.594	-	0 5	-

If the exchange rate had been 10% lower at the reporting date, there would have been no impact on the Group or Company 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 £27 2m higher (2009 £134 8m), this excludes the exchange rate sensitivity on cross currency interest rate swaps. There has been one change in the method of preparing the sensitivity analysis since 2009, the pre tax effect has been disclosed in 2010 compared with the post tax effect in 2009. The comparatives have been updated accordingly.

NOTES TO THE FINANCIAL STATEMENTS continued

42 Financial instruments continued

e) Credit risk management

The Group's credit risk is primarily attributable to its trade receivables. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. For commercial customers with poor credit ratings, the Group on occasion will receive security deposits which can be used in the event of default by the customer.

The Group has no significant concentration of external credit risk, with exposure spread over a large number of external counterparties and customers. Due to the nature of the Group's trading with other EDF Group companies in Europe, there are large trading balances with other Group companies, however these are not considered to be a risk.

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

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.

GROUP

	2010 £m	2009 £m
Guarantee provided by subsidiary relating to performance of contractual obligations	2.6	7.4
Guarantee provided by joint venture relating to tax obligations	0.3	0.3
Guarantee relating to tax obligations	3.0	3.0

COMPANY

	2010 £m	2009 £m
Guarantee relating to tax obligations	3.0	3.0

NOTES TO THE FINANCIAL STATEMENTS continued

42. Financial instruments continued

f) Liquidity risk management

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

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

GROUP

At 31 December 2010

	0-30 days	30-90 days	3-6 months	6-12 months	1-2 yrs	2-5yrs	>5yrs	Total
Obligations under finance lease	-	(9 2)	(9 2)	(18 4)	(36 9)	(111 9)	(191 1)	(376 7)
Borrowings	-	-	(31 3)	(31 2)	(62 2)	(1,439 6)	(165 6)	(1,729 9)
Other liabilities	(1,340 7)	(306 9)	(1 1)	(45 8)	(70 6)	(6 7)	(0 3)	(1,772 1)
Derivative and other financial instruments	(896 6)	(196 5)	(292 2)	(591 9)	(897 2)	(245 2)	-	(3,119 6)

GROUP

At 31 December 2009

	0-30 days	30-90 days	3-6 months	6-12 months	1-2 yrs	2-5yrs	>5yrs	Total
Obligations under finance lease	-	(9 1)	(9 1)	(18 3)	(36 7)	(111 3)	(228 7)	(413 2)
Borrowings	(754 2)	(105 8)	(74 9)	(443 4)	(197 5)	(2,060 2)	(4,123 7)	(7,759 7)
Other liabilities	(1,459 3)	(432 3)	(142 8)	(327 3)	(20 1)	(4 5)	(42 6)	(2,428 9)
Derivative and other financial instruments	(1,014 1)	(237 4)	(336 1)	(743 4)	(1,130 7)	(278 0)	-	(3,739 7)

COMPANY

At 31 December 2010

	0-30 days	30-90 days	3-6 months	6-12 months	1-2 yrs	2-5yrs	>5yrs	Total
Borrowings	-	-	(14 9)	(14 9)	(369 1)	(1,018 9)	-	(1,417 8)
Other liabilities	(2,528 4)	(4 9)	(1 2)	(45 8)	(70 7)	(6 9)	(1 3)	(2,659 2)
Derivative and other financial instruments	(896 6)	(196 5)	(292 2)	(591 9)	(897 2)	(245 2)	-	(3,119 6)

COMPANY

At 31 December 2009

	0-30 days	30-90 days	3-6 months	6-12 months	1-2 yrs	2-5yrs	>5yrs	Total
Borrowings	(730 3)	-	(18 1)	(365 1)	(7 8)	(1,342 7)	-	(2,464 0)
Other liabilities	(1,154 0)	(31 2)	(2 2)	(120 4)	(9 3)	(4 5)	(3 6)	(1,325 2)
Derivative and other financial instruments	(1,014 1)	(237 4)	(336 1)	(743 4)	(1,130 7)	(278 0)	-	(3,739 7)

There have been no changes in the method of preparing the analysis since 2009.

NOTES TO THE FINANCIAL STATEMENTS continued

42 Financial instruments continued

g) Fair values of assets and liabilities

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

- The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes of similar instruments
- The fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives

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

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

GROUP	At 31 December 2010				At 31 December 2009			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	£m	£m	£m	2010 £m	£m	£m	£m	2009 £m
Derivative financial instruments								
Hedging instruments carried at fair value	-	17.8	-	17.8	-	73.4	-	73.4
Hedging instruments in a cash flow hedge	-	153.8	-	153.8	-	(294.1)	-	(294.1)
Instruments designated at FVTPL	-	(63.9)	-	(63.9)	-	(89.0)	-	(89.0)
Available-for-sale financial assets								
Unquoted equities	-	-	0.8	0.8	-	-	1.8	1.8
Total	-	107.7	0.8	108.5	-	(309.7)	1.8	(307.9)

NOTES TO THE FINANCIAL STATEMENTS continued

42. Financial instruments continued

COMPANY	At 31 December 2010				At 31 December 2009			
	Level 1 £m	Level 2 £m	Level 3 £m	Total 2010 £m	Level 1 £m	Level 2 £m	Level 3 £m	Total 2009 £m
Derivative financial instruments								
Hedging instruments carried at fair value	-	17.8	-	17.8	-	73.4	-	73.4
Hedging instruments in a cash flow hedge	-	156.2	-	156.2	-	(281.8)	-	(281.8)
Instruments designated at FVTPL	-	(63.9)	-	(63.9)	-	(89.0)	-	(89.0)
Total	-	110.1	-	110.1	-	(297.4)	-	(297.4)

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

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

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

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

GROUP	Carrying amount		Fair value	
	2010 £m	2009 £m	2010 £m	2009 £m
Financial liabilities				
Borrowings at amortised cost	(3,620.6)	(7,565.3)	(3,670.8)	(7,684.4)

COMPANY	Carrying amount		Fair value	
	2010 £m	2009 £m	2010 £m	2009 £m
Financial liabilities				
Borrowings at amortised cost	(3,913.6)	(3,793.9)	(3,966.8)	(3,877.8)

NOTES TO THE FINANCIAL STATEMENTS continued

43 Related parties

During the year group companies entered into the following transactions and had the following outstanding balances with related parties who are not members of the Group

GROUP		Sales to related parties £m	Purchases from related parties £m	Interest paid to related parties £m	Interest received from related parties £m	Amounts owed by related parties £m	Amounts owed to related parties £m
Associates	2010	-	(57.0)	-	-	-	-
	2009	-	(81.6)	-	-	-	-
Joint ventures	2010	19.6	(16.2)	-	0.2	-	-
	2009	2.5	(21.5)	-	0.3	0.2	2.2
Transactions with other EDF SA group companies	2010	99.4	(2,487.9)	(38.2)	4.9	2,775.7	(2,014.8)
	2009	24.3	(3,672.5)	(12.7)	-	33.5	(2,443.7)
Finance lease commitments with other EDF SA group companies	2010	-	-	(17.2)	-	-	(285.8)
	2009	-	-	(19.8)	-	-	(294.3)

Details of transactions with the pension scheme are disclosed in note 41

EDF Energy plc trades with other group companies which are part of the EDF SA group

COMPANY		Sales to related parties £m	Purchases from related parties £m	Interest paid to related parties £m	Interest owed by related parties £m	Amounts owed by related parties £m	Amounts owed to related parties £m
Transactions with other EDF SA group companies	2010	3.4	(2,383.9)	(38.2)	4.9	11.5	(743.9)
	2009	24.3	(2,783.3)	(55.4)	48.5	33.5	(2,189.8)
Other EDF Energy plc group companies	2010	4,260.2	(383.4)	(0.2)	24.3	3,389.0	(262.5)
	2009	4,596.4	(416.0)	(31.8)	1.0	2,167.3	(339.8)

NOTES TO THE FINANCIAL STATEMENTS continued

43 Related parties continued

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. For the year end the company has not raised any provision for doubtful debts relating to amounts owed by related parties (2009 - £nil). 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

	2010 £m	2009 £m
Loans payable to other EDF subsidiaries	-	730 0
Bonds payable to other EDF subsidiaries	1,377 2	1,421 0

In 2010 there are no amounts repayable to EDF International SA, an intermediary holding company. In 2009 an interest rate of 0.512% per annum was charged on the outstanding loan balances and was repayable within one month.

The Group and Company enter into derivative contracts at normal market prices with another EDF SA group company. The total value of outstanding contracts reflected at fair value in the Group and Company balance sheet was £692.5m (2009: £2,813.7m).

Transactions with key management personnel

GROUP and COMPANY	2010 £m	2009 £m
Short-term benefits	6 0	4 2
Post-employment benefits	0.3	0 2
	6 3	4 4

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

44 Parent undertaking and controlling party

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

At 31 December 2010, 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.