



Eneco, at the heart of society

Annual Report 2012 Eneco Holding N.V.



Notes to the consolidated financial statements

1. Accounting principles

1.1 General information

Eneco Holding N.V. ('the company') is a two-tier company incorporated under Dutch law, with its registered office in Rotterdam. It is the holding company of subsidiaries and joint ventures (referred to as a group as 'Eneco'). Eneco's activities are in energy supply, including the production, purchase and sale, transmission, distribution and delivery of energy, heating and cooling and the construction, management and operation of networks, promoting and providing information on the effective and economic use of energy, and research and development into new energy products and services.

The consolidated financial statements have been prepared by the company's Board of Management for publication on 8 March 2013. The 2012 financial statements were signed by the Supervisory Board during its meeting on 1 March 2013 and will be presented for adoption by the General Shareholders' Meeting to be held on 27 March 2013.

Unless otherwise stated, all amounts in the financial statements are in millions of euros.

The company's consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) in force at 31 December 2012, as adopted by the European Commission, and with the provisions of Part 9, Book 2 of the Dutch Civil Code. Where necessary, accounting policies of joint ventures and associates have been aligned with those of Eneco Holding N.V. The consolidated financial statements have been prepared on a going-concern basis using the accrual basis of accounting.

The company income statement is presented in an abridged form pursuant to the provisions of Section 402, Part 9, Book 2 of the Dutch Civil Code.

1.2 New and amended IFRS standards

The accounting policies in these financial statements are consistent with those in the 2011 financial statements.

The European Commission has adopted the following amended IFRS standard that is relevant to Eneco:

IFRS 7 'Financial Instruments: Disclosures' has been amended to improve the transparency of reporting of financial assets. This amendment has no effect on Eneco.

Amendments and interpretations which had not been adopted by the European Commission on 1 March 2013 are not addressed further.

1.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of Eneco Holding N.V., its subsidiaries and the relevant proportion of the joint ventures, non-consolidated associates and other capital interests.

Subsidiaries

A subsidiary is an entity where the company exercises control. This means that the company controls, directly or indirectly, that entity's financial and business operations with the purpose of gaining economic benefits from the activities of that entity. In general, the company holds more than half the shares in its subsidiaries.

The financial statements of a subsidiary are recognised in the consolidated financial statements according to the full consolidation method from the date on which control is obtained until the date on which that control no longer exists. Potential voting rights which can be exercised immediately are also taken into account when determining whether control exists. Pursuant to the full consolidation method, 100% of the assets, liabilities, income and expenses from subsidiaries are recognised in the consolidated financial statements. Balance sheet positions, intercompany transactions and results on such transactions between subsidiaries are eliminated.

Non-controlling interests consist of the capital interests of minority shareholders in the fair value of the identifiable assets and liabilities when a subsidiary is acquired and the non-controlling interest in subsequent changes to the equity. Non-controlling interests in the equity and results of subsidiaries are disclosed separately.

Joint ventures

A joint venture is an entity in respect of which there are contractual undertakings with one or more parties under which they have joint decisive control over that entity. The financial statements of a joint venture are recognised in the consolidated financial statements using the proportional consolidation method applying the accounting policies of Eneco Holding N.V., from the date on which joint control is obtained until the date on which that joint control no longer exists. Under the proportional consolidation method the assets, liabilities, income and expenses of joint ventures are recognised in the consolidated financial statements in proportion to the interest in that joint venture.

Associates

An associate is an entity where there is significant influence over the financial and operating strategy, but not control. In general, 20% to 50% of the voting rights are held in an associate.

The share in associates is recognised in the consolidated financial statements using the equity accounting method, in which initial recognition is at historical cost with the carrying amount being adjusted for the share in the result. Dividends received are deducted from the carrying amount. Associates are recognised from the date on which substantial influence has been obtained until the date on which that influence no longer exists. Results on transactions with associates are eliminated in proportion to the interest in the associate. Impairment losses on associates are not eliminated.

Losses on associates are recognised up to the amount of the net investment in the associate, including both the carrying amount and any loans granted to the associate. A provision is only formed for the share in further losses if Eneco has assumed liability for those losses.

Other capital interests

Other capital interests are investments in entities in which Eneco has an interest but where neither control nor significant influence can be exercised. These interests are carried at fair value. If its fair value cannot be reliably measured, a capital interest is carried at historical cost. Dividends are recognised through the income statement when they fall due.

2. Accounting policies

2.1 General

The principal accounting policies used when preparing the 2012 financial statements are summarised below.

Judgements, estimates and assumptions

In preparing the financial statements, management used judgements, estimates and assumptions which affect the reported amounts and rights and obligations not disclosed in the balance sheet. In particular, they relate to the revenues from sales to retail customers, the useful life of property, plant and equipment, the fair value of the relevant assets and liabilities, impairment of assets and the size of provisions. The judgements, estimates and assumptions that have been made are based on market information, knowledge, historical experience and other factors that can be deemed reasonable in the circumstances. Actual results could, however, differ from the estimates. Judgements, estimates and assumptions are reviewed on an on-going basis. Changes in accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period. If the revision also affects future periods, the change is made prospectively in the relevant periods. Any points of particular importance with regard to judgements, estimates and assumptions are set out in the notes to the income statement and balance sheet items.

Impairment of assets

There is evidence of an impairment when the carrying amount of an asset is higher than the recoverable amount. The recoverable amount of an asset is the higher of the sale price less costs to sell and the value in use. An asset's value in use is based on the present value of estimated future cash flows calculated using a pre-tax discount rate which reflects the time value of money and the specific risks of the asset. The recoverable amount of an asset which does not independently generate a cash flow and is dependent on the cash flows of other assets or groups of assets is determined for the cash-generating unit of which the asset is part.

A cash-generating unit is the smallest identifiable group of assets separately generating cash flows that are significantly independent of the cash flows from other assets or groups of assets. Cash-generating units are distinguished on the basis of the economic interrelationship between assets and the generation of external cash flows and not on the basis of separate legal entities.

Goodwill is allocated on initial recognition to one or more cash-generating units in line with the way in which the goodwill is assessed internally by the management.

Impairment tests are performed each half year. If there is evidence of impairment, the recoverable amount of the relevant asset or cash-generating unit is determined. The recoverable amount of goodwill is determined each year.

When the carrying amount of assets allocated to a cash-generating unit is higher than the recoverable amount, the carrying amount is reduced to the recoverable amount. This impairment is recognised through the income statement. Impairment of a cash-generating unit is first deducted from the goodwill attributed to that unit (or group of units) and then deducted proportionately from the carrying amount of the other assets of that unit (or group of units).

Impairment may be reversed through the income statement if the reasons for it no longer exist or have changed. Impairment is only reversed up to the original carrying amount less regular depreciation. Impairment losses on goodwill are not reversed.

Foreign currencies

The euro (€) is Eneco's functional currency and the currency in which the financial statements are presented. Transactions in foreign currencies are translated into euros at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies on the reporting date are translated into euros at the exchange rate prevailing on the reporting date. Foreign currency exchange differences that arise on translation are recognised through the income statement.