Eneco,
connection and innovation

Annual report 2015 Eneco Holding N.V.

Eneco

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Consolidated financial statements 2015

Consolidated income statement

x € 1 million	Note	2015	2014
Revenues from energy sales and transmission and energy related activities	3	4,054	4,343
Purchases of energy and transmission and energy related activities		2,417	2,766
Gross margin		**1,637**	**1,577**
Other revenues	4	228	247
Gross margin and other operating revenues		**1,865**	**1,824**
Employee benefit expenses	5	394	414
Cost of contracted work and other external costs		616	653
Depreciation and impairment of property, plant and equipment	13	461	289
Amortisation and impairment of intangible assets	14	34	56
Other operating expenses		26	49
Operating expenses		**1,531**	**1,461**
Operating profit		**334**	**363**
Share of profit of associates and joint ventures	7	9	14
Financial income	8	6	14
Financial expenses	9	–80	–114
Profit before income tax		**269**	**277**
Income tax	10	–61	–71
Profit after income tax from continued operations		**208**	**206**
Profit after income tax from discontinued operations	11	-	-
Profit after income tax		**208**	**206**
Profit distribution:			
Profit after income tax attributable to holders of Eneco Holding N.V. perpetual subordinated bonds		12	1
Profit (loss) after income tax attributable to non-controlling interests		-	-
Profit after income tax attributable to shareholders of Eneco Holding N.V.		196	205
Profit after income tax		**208**	**206**

Consolidated balance sheet

x € 1 million	Note	At 31 December 2015	At 31 December 2014
Non-current assets			
Property, plant and equipment	13	7,487	7,526
Intangible assets	14	315	338
Associates and joint ventures	16	61	58
Deferred income tax assets	17	5	4
Financial assets			
- Derivative financial instruments	18	184	144
- Other financial assets	19	42	62
Total non-current assets		**8,094**	**8,132**
Current assets			
Assets held for sale	20	325	121
Intangible assets		23	11
Inventories		71	59
Trade receivables	21	604	747
Other receivables [1]	22	196	164
Derivative financial instruments	18	221	248
Cash and cash equivalents	23	367	606
Total current assets [1]		**1,807**	**1,956**
TOTAL ASSETS [1]		**9,901**	**10,088**
Equity			
Equity attributable to Eneco Holding N.V. shareholders	24	4,845	4,683
Perpetual subordinated bonds	24	501	501
Non-controlling interests	24	4	4
Total equity		**5,350**	**5,188**
Non-current liabilities			
Provisions for employee benefits	25	34	32
Other provisions	26	82	86
Deferred income tax liabilities	17	431	424
Derivative financial instruments	18	141	176
Interest-bearing debt	27	1,789	1,785
Other liabilities	28	438	419
Total non-current liabilities		**2,915**	**2,922**
Current liabilities			
Liabilities held for sale	20	18	1
Provisions for employee benefits	25	8	3
Other provisions	26	5	30
Derivative financial instruments	18	164	225
Interest-bearing debt	27	54	115
Current income tax liabilities		87	42
Trade and other liabilities [1]	28	1,300	1,562
Total current liabilities [1]		**1,636**	**1,978**
TOTAL EQUITY AND LIABILITIES [1]		**9,901**	**10,088**

[1] 2014 figures restated for comparative purposes.

Consolidated statement of comprehensive income

x € 1 million	2015	2014
Profit after income tax	**208**	**206**
Unrealised gains and losses that will not be reclassified to profit or loss	**-**	**-**
Unrealised gains and losses that may be reclassified to profit or loss		
Exchange rate differences	22	20
Unrealised gains and losses on cash flow hedges	72	–4
Deferred tax liabilities on cash flow hedges and hedge of net investment in foreign operations	–18	1
Total other comprehensive income	**76**	**17**
Total comprehensive income	**284**	**223**
Profit distribution:		
Holders of Eneco Holding N.V. perpetual subordinated bonds (after income tax)	12	1
Non-controlling interests	-	-
Shareholders of Eneco Holding N.V.	272	222
Total comprehensive income	**284**	**223**

Consolidated cash flow statement

x € 1 million	2015	2014
Profit after income tax	**208**	**206**
Adjusted for:		
· Financial income and expense recognised in profit or loss	74	100
· Income tax recognised in profit or loss	61	71
· Share of profit of associates and joint ventures	–9	–14
· Depreciation, amortisation and impairment	495	345
· Result from sale of tangible and intangible assets	5	10
· Movements in working capital	–88	141
· Movements in provisions, derivative financial instruments and other	34	57
Cash flow from business operations	**780**	**916**
Dividend received from associates and joint ventures	2	1
Interest paid	–75	–96
Interest received	7	7
Other financial income received	-	5
Income tax paid / received	–25	–3
Cash flow from operating activities	**689**	**830**
Issued loans granted	–18	–5
Repayments of loans granted	27	50
Acquisition of subsidiaries	–50	–31
Acquisition of joint operations, joint ventures and associates	–1	–4
Disposal of joint operations, joint ventures and associates	3	-
Investments in property, plant and equipment	–706	–839
Disposal of property, plant and equipment	21	3
Investments in intangible assets	–9	–3
Disposal of assets held for sale	34	85
Cash flow from investing activities	**–699**	**–744**
Dividend payments	–104	–120
Issue of perpetual subordinated bonds	-	493
Coupon on perpetual subordinated bonds	–16	-
Repayment of non-current interest-bearing debt	–37	–178
Repayment of current interest-bearing debt [1]	–70	–11
Non-current interest-bearing debt issued	6	9
Current interest-bearing debt issued [1]	-	70
Acquisition of non-controlling interests	–8	-
Cash flow from financing activities	**–229**	**263**
Movements in cash and cash equivalents:	**–239**	**349**
Balance of cash and cash equivalents at 1 January	606	238
Balance of cash and cash equivalents in acquired subsidiaries	-	23
Balance of cash and cash equivalents on disposed subsidiaries and disposal of consolidated entities	-	–4
Balance of cash and cash equivalents at 31 December	**367**	**606**

[1] 2014 figures restated for comparative purposes.

Consolidated statement of changes in equity

x € 1 million	Paid-up and called-up share capital	Share premium	Revaluation reserve	Translation reserve	Cash flow hedge reserve	Retained earnings	Undistributed profit	Total	Perpetual subordinated bonds	Non-controlling interests	Total equity
	Equity attributable to Eneco Holding N.V. shareholders										
At 1 January 2014	**497**	**381**	**861**	**4**	**–32**	**2,636**	**241**	**4,588**	**-**	**5**	**4,593**
Reclassification depreciation regulated networks (after tax)	-	-	–40	-	-	40	-	-	-	-	-
Translation result	-	-	-	20	-	-	-	20	-	-	20
Unrealised gains and losses on cash flow hedges	-	-	-	-	–4	-	-	–4	-	-	–4
Deferred tax liabilities on cash flow hedges	-	-	-	-	1	-	-	1	-	-	1
Total other comprehensive income	**-**	**-**	**–40**	**20**	**–3**	**40**	**-**	**17**	**-**	**-**	**17**
Profit after income tax 2014	-	-	-	-	-	-	205	205	1	-	206
Total comprehensive income	**-**	**-**	**–40**	**20**	**–3**	**40**	**205**	**222**	**1**	**-**	**223**
Profit appropriation 2013	-	-	-	-	-	121	–121	-	-	-	-
Dividend payments relating to 2013	-	-	-	-	-	-	–120	–120	-	–1	–121
Discount and issue costs of perpetual subordinated bonds	-	-	-	-	-	–8	-	–8	-	-	–8
Tax on coupon and issue costs of perpetual subordinated bonds	-	-	-	-	-	1	-	1	-	-	1
Issue of perpetual subordinated bonds	-	-	-	-	-	-	-	-	500	-	500
Reclassification	-	-	-	–1	-	1	-	-	-	-	-
At 31 December 2014	**497**	**381**	**821**	**23**	**–35**	**2,791**	**205**	**4,683**	**501**	**4**	**5,188**
Reclassification depreciation regulated networks (after tax)	-	-	–42	-	-	42	-	-	-	-	-
Translation result	-	-	-	22	-	-	-	22	-	-	22
Unrealised gains and losses on cash flow hedges	-	-	-	-	72	-	-	72	-	-	72
Deferred tax liabilities on cash flow hedges	-	-	-	-	–18	-	-	–18	-	-	–18
Total other comprehensive income	**-**	**-**	**–42**	**22**	**54**	**42**	**-**	**76**	**-**	**-**	**76**
Profit after income tax 2015	-	-	-	-	-	-	196	196	12	-	208
Total comprehensive income	**-**	**-**	**–42**	**22**	**54**	**42**	**196**	**272**	**12**	**-**	**284**
Profit appropriation 2014	-	-	-	-	-	102	–102	-	-	-	-
Dividend payments relating to 2014	-	-	-	-	-	-	–103	–103	-	-	–103
Capital contribution	-	-	-	-	-	-	-	-	-	1	1
Coupon on perpetual subordinated bonds	-	-	-	-	-	-	-	-	–16	-	–16
Tax on coupon on perpetual subordinated bonds	-	-	-	-	-	-	-	-	4	-	4
Acquisition of non-controlling interests	-	-	-	-	-	–8	-	–8	-	-	–8
Reclassification	-	-	-	-	-	1	-	1	-	–1	-
At 31 December 2015	**497**	**381**	**779**	**45**	**19**	**2,928**	**196**	**4,845**	**501**	**4**	**5,350**

Notes to the consolidated financial statements

1. Accounting principles for financial reporting

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, interests in joint operations and joint ventures and associates (referred to as a group as 'Eneco', 'Eneco Group' or the 'Group').

Eneco Group focuses on innovative energy services and products that allow customers to save energy or generate sustainable energy, jointly or alone, and feed it in to the energy network. Eneco also transmits energy (electricity, gas and heating). In line with its mission of 'sustainable energy for everyone', the Eneco Group is investing in making the supply chain more sustainable with the aim of keeping energy clean, available and affordable for customers into the future. In addition to the Netherlands, Eneco operates in Belgium, Germany, France and the United Kingdom.

Eneco's main strategic alliances are its investments and participating interests in onshore and offshore wind farms and start-ups, and memberships of co-operatives. Eneco is also a member of the Enecogen VOF power station partnership and has an interest in Groene Energie Administratie B.V. (Greenchoice).

There is more information on the composition of the Group and the classification under IFRS in the 'Segment information' and 'List of principal subsidiaries, joint operations, joint ventures and associates' sections.

The consolidated financial statements have been prepared by the company's Board of Management for publication on 9 March 2016. The 2015 financial statements were signed by the Supervisory Board during its meeting on 19 February 2016 and will be presented for adoption by the General Shareholders' Meeting on 23 March 2016.

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

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) in force at 31 December 2015, 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 operations, 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

Effective from 1 January 2015, the European Commission has adopted the following new or amended IFRS standards that are relevant to Eneco and they have been applied to the 2015 financial statements:

- IFRIC 21 'Levies' addresses the issue of when to recognise a liability for a levy. It covers liabilities imposed on an entity by local, national or international governments by law or regulations, other than taxes covered by another standard (e.g. income taxes under IAS 12 'Income Taxes') and fines and other penalties arising from failure to comply with laws or regulations. A key concept in IFRIC 21 is an 'obligating event': this is an event or activity that triggers the tax or levy. Eneco has assessed the main categories of taxes and levies, including municipal property tax (OZB) and municipal tax for encroachments on or over public land, in this context. This does not require changes to existing accounting procedures. Consequently, this new interpretation does not have consequences for the 2015 figures.

- Annual Improvements: 2010-2012 Cycle: these are minor adjustments and improvements to existing standards. The main points for Eneco are:

  - IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets': these changes set detailed rules for the measurement of an item of property, plant and equipment or an intangible asset at fair value ('revaluation model') with regard to revaluation of the asset's gross carrying amount and accumulated depreciation/amortisation; these changes do not have consequences for the 2015 figures since these assets have not been revalued during the year;

  - IFRS 3 'Business Combinations': this change clarifies that contingent consideration on a reporting date must always be established at fair value, regardless of whether this amount can or cannot be classified as a financial instrument according to IAS 39 'Financial Instruments: Recognition and Measurement'. Changes in fair value are recognised in profit or loss unless they occur within the one-year period ('measurement period'); the change does not have consequences for the 2015 figures;

  - IFRS 8 'Operating Segments': the changes require management to disclose the judgements made when applying the aggregation criteria to segments, including a description of those segments and economic indicators that have been assessed when determining that the aggregated business segments share similar economic characteristics. The reconciliation of the assets of each business segment and the total assets only has to be disclosed if the assets of these segments are reported periodically to the 'chief operating decision-maker' (in Eneco's case, the Board of Management). Eneco does not apply these aggregation criteria but does aggregate certain business segments that are not regarded separately as "reporting segments". In addition, Eneco already discloses the reconciliation of assets in the notes to the segment information.

The following amendments to existing IFRS standards are relevant to Eneco and have been adopted by the European Commission but are not mandatory for 2015. They will be applied from 1 January 2016.

- IFRS 11 'Joint Arrangements': this is an amendment that states that if a joint operation constitutes a 'business', the investment in that joint operation must be treated as a business combination applying the principles of IFRS 3 'Business Combinations'. This means that all assets and liabilities must be measured at fair value and, if applicable, goodwill must be recognised.

- IAS 1 'Presentation of financial statements': this is the first amendment to this standard as part of the IASB 'Disclosure Initiative' project and addresses revisions to notes to the financial statements, including:

  - Materiality and aggregation: an entity may not obscure significant information in the financial statements by, for example, aggregating material and non-material information or by aggregating certain material items that differ by nature or function. It is not necessary to present a specific note on an item if the information in this note is not material even if another IFRS standard requires a note on that item;

  - Clarification in the standard of the inclusion or omission of a separate line item in the balance sheet and income statement (and the statement of comprehensive income);

  - Statement of comprehensive income: clearer presentation of the share of equity-accounted joint ventures and associates in the statement of comprehensive income;

  - Notes: entities have flexibility in setting the order of the notes in the financial statements and these amendments demonstrate how a systematic order for the notes should be determined.

Other amendments and interpretations that are not relevant to Eneco or that have not yet been adopted by the European Commission 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 operations, non-consolidated joint ventures, 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. Control is based on whether the investor (1) exercises control over the entity, (2) is exposed, or has rights, to variable returns from the investment in the entity and (3) has the ability to affect those returns through its control. 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. Intercompany balance sheet positions, 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 operations / Joint ventures

Joint operations and joint ventures are entities for alliances in respect of which there are contractual undertakings with one or more parties under which they have joint decisive control over that entity. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Joint operations are recognised using the ‘proportional recognition method’ while joint ventures are recognised using the equity method in accordance with the accounting policies of the Eneco Group from the date on which joint control is obtained until the date on which that joint control no longer exists. Under the proportional recognition method, Eneco’s assets, liabilities, income and expenses of joint operations are recognised in the consolidated financial statements along with a proportionate amount of those of the interest in these joint operations.

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 significant 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 2015 financial statements are summarised below. The accounting policies used in these financial statements are consistent with the accounting policies applied in the 2014 financial statements, except for the effect of new and amended standards as set out in 1.2 ‘New and amended IFRS standards’.

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.

If the functional currency of a foreign subsidiary, joint operation, joint venture or associate is not the euro, foreign currency exchange differences arising from translation are recognised as translation differences in equity. The accumulated translation difference is recognised through the income statement when a foreign subsidiary, joint operation, joint venture or associate is sold.

Netting off

Assets and liabilities with a counterparty are netted off if there is a contractual right and the intention to do so. In the absence of an intention or actual netted settlement, the existence of an asset or liability is determined for each contract.

Segment information

Business segments are based on Eneco's internal organisation and management reporting structure. The results of business segments are reviewed regularly by the Board of Management ('chief operating decision maker') to make decisions about resources to be allocated to a segment and assess its performance. Transfer prices for internal products and services are on arm's length terms. The group accounting policies are also applied in the segment reports. The results of individual segments do not include financial income and expense, share of profit of associates and joint ventures or the tax charge.

2.2 Revenues

Revenues are recognised when it is probable that the economic benefits will be attributed to Eneco and the revenues can be reliably measured. Revenues are recognised less discounts, taxes and levies, such as energy tax and value added tax. Amounts that are invoiced and collected for third parties are not recognised as revenues.

Energy supply and transmission

Revenues from the sale of energy and transmission services to end users are recognised at the time of supply, when the rewards of ownership and risk of any impairment are transferred to the customer.

Regulated sales of electricity, gas and metering services to large-volume consumers are billed monthly based on meter readings. The mandatory suppliers model for retail consumers has been in place since 1 August 2013. Transmission revenues are billed to the grid operator by energy suppliers with a one month delay.

Actual costings under the applicable regulatory method settled through regulated tariff decisions are recognised as revenue in the year in which the tariff is actually generated on the basis of the service provided in that year.

Energy-related activities

Revenues from the construction, maintenance and leasing of energy installations and equipment, the sale of solar panels and rental of smart thermostats are recognised as revenues from energy-related activities.

Services and construction contracts

Revenues are recognised through the income statement using the percentage of completion method when they become reasonably certain. The extent to which performance has been delivered is determined on the basis of either the relationship between the costs incurred and the total expected costs or an analysis of the work performed.

Trading of energy commodities and CO_2 emission rights

When sale and purchase contracts for energy commodities and emission rights not concluded for the company's own use but for trading purposes are entered into, countervailing sales and purchase contracts are concluded at virtually the same time. Gains and losses arising from such trading transactions are netted and recognised as Other revenues from the time the relevant transactions are concluded. Gains and losses arising from the revaluation to fair value of a trading contract are recognised directly through the income statement as Other revenues.

Government grants

Government grants are recognised when it is reasonably certain that the conditions related to receiving the grants have been or will be met and that the grants have been or will be forthcoming. Grants related to income as a contribution to costs are recognised as revenues in the period in which those costs are incurred.

2.3 Purchase cost of energy

The purchase cost of energy contracts and commodities intended for the company's own use are recognised in the same period as that in which the revenues from the sale are realised.

2.4 Financial income and expenses

Financial income and expenses comprise interest income from outstanding investments, dividend revenues from other capital interests, interest charges on borrowings, foreign exchange rate gains and losses and gains and losses on financial hedge instruments recognised through the income statement. Interest income and expense are recognised using the effective interest method. Dividend revenues from other capital interests are recognised when they fall due.

2.5 Income taxes

Income taxes comprise current taxes and movements in deferred taxes. These amounts are recognised through the income statement unless they concern items that are recognised directly through equity.

Current tax is the likely amount of income taxes payable or recoverable in respect of the taxable profit or loss for the year under review and is calculated on the basis of applicable tax legislation and rates.

Income taxes comprise all taxes based on taxable profits and losses, including taxes which subsidiaries, associates or joint ventures must pay on distributions to Eneco Holding N.V.

Additional income taxes on the result before dividend distributions are recognised at the same time as the obligation to distribute that dividend is recognised.

2.6 Property, plant and equipment

Networks and network-related assets in the regulated domain

Stedin's networks and network-related assets in the regulated domain are measured at fair value less accumulated depreciation and impairment.

The fair value of these network assets is measured at the beginning of each regulatory period. If in the interim the fair value differs significantly from the carrying amount, the revaluation will be adjusted. An increase in the carrying amount as a result of a revaluation of networks and network-related assets in the regulated domain is recognised directly in equity through the revaluation reserve. A reduction in the carrying amount is also recognised directly in equity through the revaluation reserve up to the amount of any previous increase in the same asset. If that figure is exceeded, the excess is recognised as a charge in the income statement.

The difference between depreciation based on the revalued carrying amount and depreciation based on the original cost, less deferred tax, is transferred periodically from the revaluation reserve to retained earnings.

Other property, plant and equipment

Other property, plant and equipment is recognised at cost less accumulated depreciation and impairment. Cost comprises the initial acquisition price plus all directly attributable costs. Cost of assets constructed by the company comprises the cost of materials and services, direct labour and other directly attributable costs. Contributions towards cost from third parties and government grants are deducted from the cost, provided they are not contributions from customers. Cost includes an estimate of the present value of the cost of dismantling, demolishing and removing the item when it ceases to be used and of restoring the site on which it is located, if there is a legal or constructive obligation to do so. Financing costs (interest) directly attributable to the purchase, construction or production of an eligible asset are recognised in cost. If an asset comprises multiple significant components with differing useful lives, these components are recognised separately.

Government grants

Government grants are recognised when it is reasonably certain that the conditions related to receiving the grants have been or will be met and that the grants have been or will be forthcoming. Grants contributing to the cost of an asset are deducted from the asset's cost and reflected in the depreciation throughout the useful life of the asset.

Expenditure incurred subsequent to initial recognition

Expenses incurred at a later date are only added to the carrying amount of an asset if and to the extent that the condition of the asset is improved compared to the originally formulated performance standards. Repair and maintenance are recognised through the income statement in the period in which the costs are incurred.

Depreciation

The depreciation charge for each period is recognised through the income statement using the straight-line method based on estimated useful life, taking into account the estimated residual value. Useful lives and residual values are reassessed annually and any changes are recognised prospectively. Land, sites and assets under construction are not depreciated.

The following useful lives are applied:

Category	Useful life in years
Buildings	25 - 50
Machinery and equipment	10 - 50
Networks, regulated	10 - 50
Other operating assets	3 - 25

2.7 Leases (Eneco as lessee)

A lease where Eneco, as lessee, has in fact all the benefits and risks of ownership is designated as a finance lease; otherwise, such agreements are recognised as operating leases.

Property, plant and equipment acquired on a finance lease are recognised, when the lease commences, at the lower of fair value of the leased asset and the present value of the lease instalments. These assets are then recognised pursuant to the accounting policies for property, plant and equipment. Lease instalments are broken down into interest and repayment components. The interest component is based on a constant periodic rate of interest on the carrying amount of the investment. The interest component is recognised through the income statement in the relevant period. The repayment component is deducted from the lease obligation.

Operating lease instalments are recognised in equal amounts through the income statement over the term of the lease.

2.8 Goodwill

The acquisition price of a subsidiary, joint venture or associate is equal to the amount paid to purchase the interest. If the acquisition price is higher than the share in the fair value at the date of acquisition of the identifiable assets, liabilities and contingent liabilities, the excess is recognised as goodwill. Any shortfall is recognised as a gain (bargain purchase) through the income statement.

Goodwill is measured at cost less impairment. Goodwill is allocated to one or more cash-generating units. Goodwill is tested for impairment annually.

Goodwill purchased on acquisition of subsidiaries and joint operations is recognised in the balance sheet as intangible assets. Goodwill paid to acquire an interest in a joint venture or associate is included in the cost of acquisition.

2.9 Other intangible assets

Other intangible assets comprise customer databases acquired with acquisitions, software and licences, concessions, permits, rights and development costs. The related costs are capitalised if it is probable that these assets will have an economic benefit and their costs can be reliably measured. Other intangible assets are recognised at cost less accumulated amortisation and impairment.

Customer databases
A customer database obtained from an acquiree is initially recognised at fair value. This value is determined on the date of acquisition on the basis of the most recent comparable transactions if the economic conditions are comparable or, if they are not, the fair value is determined from the present value of the estimated future net cash flow from this asset.

Software
Software is capitalised at cost. Cost of standard and customised software comprises the one-time costs of licences plus the costs of making the software ready for use. All costs attributable to software which qualifies as an intangible asset are recognised at cost. Costs of software maintenance are recognised as an expense in the period in which they are incurred.

Development costs
Development costs are the costs of applying knowledge acquired through research by the company or a third party for a plan or design for the manufacture or application of improved materials, products, processes, systems or services, prior to the commencement of commercial manufacture or use. Development costs are only capitalised if they can be regarded as intangible assets. If this is not the case, they are recognised as an expense in the period in which they are incurred. Research costs are the costs of research aimed at the acquisition of new scientific or technical knowledge and understanding and are recognised through the income statement in the period in which they are incurred.

Amortisation
Amortisation is recognised as an expense on the basis of the estimated useful life from the time that the relevant asset is taken into use. Other intangible assets are amortised using the straight-line method. The residual value of these assets is nil.

The following useful lives are applied:

Categorie	Useful life in years
Customer databases	5 - 20
Licences	3 - 30
Software	3 - 5
Concessions, permits and rights	3 - 30
Development costs	5 - 15

2.10 Emission rights

Emission rights are categorised on initial recognition either as rights intended for the company's own use or as rights destined to be traded.

Emission rights held for periodic redeeming to the government for actual CO_2 emissions (company's own use) are recognised as intangible assets and recognised at cost. Rights of a current nature are presented as intangible assets. A provision, also carried at cost, is formed for this redemption obligation. If a shortfall in the quantity required for redeeming is expected, an addition, charged through the income statement, is made to this provision for the lower of the market value of that shortfall or the penalty expected to be due for that shortfall.

Emission rights held for trading purposes are recognised as derivative financial instruments. The profit or loss arising from revaluing these rights to fair value is recognised directly through the income statement as Other revenues.

2.11 Deferred taxes

Deferred taxes are calculated using the balance sheet method for the relevant differences between the carrying amount and taxable value of assets and liabilities. Deferred taxes are measured using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on applicable tax rates and tax laws. Deferred taxes are recognised at face value.

Deferred tax assets are recognised for temporary differences available for relief, tax losses carried forward and the settlement of unused tax credits if and to the extent it is probable that future taxable profit will become available, so enabling an offset of unrelieved tax losses and unused taxed credits.

Deferred tax assets for all temporary differences available for relief relating to investments in subsidiaries, joint operations and interests in associates and joint ventures are only recognised if it is probable that the temporary difference will be settled in the near future and that future taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred tax liabilities are recognised for all taxable temporary differences arising from investments in subsidiaries, joint operations and interests in associates and joint ventures, unless Eneco can determine the time at which the temporary difference will be settled and it is probable that the temporary difference will not be settled in the near future.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off tax assets against tax liabilities and where the deferred tax assets and liabilities relate to taxes levied by the same tax authority on the same taxable unit.

2.12 Derivative financial instruments

There is exposure to risks in operational and financing activities arising from developments in market prices of energy commodities (electricity, gas, oil, etc.), foreign currencies, interest rates and emission rights. Derivative financial instruments such as financial option, future and swap contracts are used to manage these risks. In the case of commodity contracts, the instruments are categorised as for own use, trading or hedging when the transaction is entered into. Derivative financial instruments other than commodity contracts are generally only entered into to hedge risk.

Measurement and recognition

Derivative financial instruments are measured at fair value, which is based on listed bid prices for assets held or for liabilities to be issued and current offer prices for the assets to be acquired or the obligations held (mark-to-market). Derivative financial instruments for energy commodity contracts are measured using mid-prices.

Derivative financial instruments with a positive value are recognised as current (settlement within one year) or non-current (settlement after one year) assets. Instruments with a negative value are recognised as current or non-current liabilities. Assets and liabilities with each counterparty are netted off if there is a contractual right and the intention to settle the contracts net.

Movements in the fair value of derivative financial instruments are recognised directly through the income statement, unless the derivative financial instruments are for own use or risk hedging.

Own use

Contracts are classified for own use if they are settled by physical delivery or receipt of energy commodities or emission rights in line with the company's needs. Transactions based upon these contracts are recognised through the income statement in the period in which delivery or receipt takes place (accrual accounting).

Hedge accounting

Contracts are classified as hedging instruments if the risk of fluctuations in current or future cash flows which could affect the result is hedged. If the hedge can be attributed to a particular risk or to the full movement in the transaction (energy contracts) associated with an asset, liability or highly probable forecast transaction, the attributed derivative financial instruments are recognised as hedging instruments.

If the conditions for hedge accounting are met, the effective portion of the changes to the fair value of the derivative financial instruments concerned are recognised directly in the equity through the cash flow hedge reserve. The ineffective portion is recognised through the income statement.

Amounts recognised through equity are recognised through the income statement when the hedged asset or liability is settled. When a hedge instrument expires, is sold, terminated or exercised, or when the conditions for hedge accounting are no longer met, although the underlying future transaction has yet to take place, the accumulated result remains in equity until the forecast future transaction has taken place. If the forecast future transaction is no longer likely to take place, the cumulative result is transferred directly from equity to the result.

Net investment hedge accounting is applied to mitigate translation differences on foreign non-euro operations. Application of this type of hedge accounting means that foreign currency exchange differences arising from translation of foreign operations and those on financial instruments (such as loans) allocated to them are recognised through the translation reserve (taking into account deferred tax) until the end of the hedging relationship or earlier termination.

2.13 Other financial assets

Other financial assets are mainly long-term items with a term of more than one year, such as loans, receivables and prepayments due from associates, joint ventures or third parties. Long-term receivables, loans and prepayments are measured at amortised cost using the effective interest method.

2.14 Assets/liabilities held for sale

Assets/liabilities held for sale and discontinued operations are classified as held for sale when the carrying amount will be recovered through a sale transaction rather than through continuing use. The classification is only made if it is highly probable that the assets/liabilities or operations are available for immediate sale in their present condition. The sale is expected to be completed within one year. Assets/liabilities held for sale are measured at the lower of the carrying amount preceding classification as held for sale and fair value less costs to sell.

2.15 Inventories

Inventories are recognised at the lower of weighted average cost and net recoverable amount. Cost of inventories is the purchase price including directly attributable costs incurred to bring the inventories to their current location and state. Net recoverable amount is the estimated sales price in the ordinary course of business less forecast costs of sale. Impairment of inventories is recognised through the income statement if the carrying amount exceeds the net recoverable amount.

2.16 Trade and other receivables

Trade and other receivables have a term of less than one year. These receivables also include the net amounts that on the reporting date have yet to be billed for energy supplied or transmission services rendered. Receivables are measured at amortised cost less impairment losses. Receivables with a term of less than one year are not discounted.

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and deposits.

2.18 Perpetual subordinated bonds

The perpetual subordinated bonds are measured at face value. The discount and transaction costs relating to the issue of the bonds, the annual coupon interest and associated tax effects are recognised through equity.

2.19 Provisions for employee benefits

Pensions

Pension liabilities of almost all business units have been placed with the industry-wide pension funds: Stichting Pensioenfonds ABP (ABP) and the Stichting Pensioenfonds Metaal en Techniek (PMT). A limited number of employees have individual plans insured with various insurance companies.

The amount of the pension depends on age, salary and years of service. Employees may opt to retire earlier or later than the state retirement age (ABP - between 60 and the state retirement age plus 5 years; PMT - between 62 and the state retirement age), in which case their pension is adjusted accordingly.

In the event of future shortfalls, the pension funds may only adjust future contributions and only within a limited range. Under IFRS these plans are classified as multi-employer defined-contribution plans. A defined-contribution plan is a plan in which a fixed contribution is paid for the benefit of an employee without any further claim by or liability to that employee. Liabilities in respect of contributions to pension and related plans on the basis of available contributions are recognised as an expense in the period to which they relate.

Other provisions for employee benefits

A provision is recognised for the obligation to pay out amounts related to long-service benefits and on the retirement of employees. A provision is also recognised for the obligation to contribute towards the health insurance premiums of retired employees, salary payments in the event of illness and the employer's risk under the Unemployment Act. Where appropriate, these liabilities are calculated at the reporting date using the projected unit credit method, using a pre-tax discount rate which reflects the current market assessment of the time value of money.

2.20 Other provisions

A provision is recognised when, due to a past event, there is a present legal or constructive obligation that is of an uncertain size or that will occur at an uncertain future date, and where its settlement will probably lead to outgoings of an economic nature. Provisions that will be settled within one year of the reporting date, or that are of limited material significance, are recognised at face value. Other provisions are recognised at the present value of the expected expenditure. The specific risks inherent to the relevant obligation are taken into account when determining this expenditure. The present value is calculated using a pre-tax discount rate which reflects the current market assessment of the time value of money. The determination of the expected expenditure is based on detailed plans in order to limit the uncertainty regarding the amount.

Decommissioning

A provision is recognised that equals the present value of the expected costs where there is an obligation to dismantle, demolish or remove an item of property, plant or equipment when it ceases to be used. The initial recognition of the decommissioning provision for an asset is included in the cost of that asset. Interest is added periodically to the decommissioning provision.

Onerous contracts

A provision for onerous contracts is recognised when it is probable that the unavoidable costs of meeting the contractual obligations exceed the economic benefits to be derived from the contract.

Restructuring

A restructuring provision is recognised if a formal plan for the restructuring has been approved and its main features have been announced to those affected by it and there is a valid expectation that the restructuring will be carried out. A restructuring provision only includes the expenditures necessarily entailed by the restructuring and not those relating to continuing activities.

2.21 Interest-bearing debt

On initial recognition, interest-bearing debt is carried at fair value plus the transaction costs directly attributable to this debt. Subsequent to initial recognition, interest-bearing debt is recognised at amortised cost using the effective interest method.

2.22 Leases (Eneco as lessor)

A lease where Eneco, as lessor, has in fact all the benefits and risks of ownership is designated as an operating lease; otherwise, such agreements are recognised as finance leases.

Property, plant and equipment made available to third parties by means of an operating lease is recognised in accordance with the accounting policies for property, plant and equipment. Lease instalments are allocated to the various periods so that a constant annual return is made on the net investment.

Property, plant and equipment made available to third parties by means of a finance lease is recognised as a receivable for the net investment in the assets. Lease instalments are then broken down into interest and repayment components based on a constant periodic rate of interest. The interest component is recognised through the income statement in the relevant period. The repayment component is deducted from the lease obligation.

2.23 Trade and other payables

Trade payables and other financial liabilities are initially recognised at fair value and subsequently at amortised cost. Due to the usually short-term of these liabilities, fair value and amortised cost are generally virtually equal to the face value.

Notes to the consolidated income statement

All amounts in millions of euros unless stated otherwise.

3. Revenues from energy sales and transmission and energy-related activities

	2015	2014
Electricity	2,066	2,207
Gas	1,662	1,793
District heat	220	247
Energy-related activities	106	96
Total	**4,054**	**4,343**

Sales to large-volume consumers are billed monthly based on meter readings. Billing for sales to retail consumers is based on meter readings taken throughout the year. The amount of energy supplied and transmission services to retail consumers during the reporting period and the resulting revenues are, therefore, estimated in part on the basis of historical consumption information, standard customer profiles and applicable energy tariffs.

The geographical breakdown of revenues is presented in the segment information.

4. Other revenues

	2015	2014
Operation of street lighting	52	60
Infrastructural works	69	99
Government grants and payment collection services	13	10
Other	94	78
Total	**228**	**247**

5. Employee benefits

	2015	2014
Wages and salaries	285	293
Social security contributions	40	42
Pension contributions	34	41
Other employee benefits	35	38
Total	**394**	**414**

Employee benefits of € 20 million (2014: € 23 million) have been recognised as part of Purchases of energy and transmission and energy-related activities in view of their direct relationship with revenue. Including these and capitalised employee benefits, total employee benefits were € 517 million (2014: € 526 million).

Headcount

The table below shows headcount by business segment expressed in full-time equivalents (FTE) at year-end. See 'Segment information' for further information on the composition of the segments.

FTE	At 31 December 2015	At 31 December 2014[1]
Energy company Eneco	2,997	3,282
Stedin	2,826	2,956
Other	766	669
Total	**6,589**	**6,907**
• of whom, working outside the Netherlands	303	324

[1] 2014 figures restated for comparative purposes following changes to segmentation.

In 2015, average headcount expressed in FTEs was 6,711 (2014: 7,023).

6. Remuneration of the Board of Management and Supervisory Board

The remuneration policy for the Board of Management (see 'Remuneration 2015' in the annual report) proposed by the Supervisory Board was approved at the General Shareholders' Meeting on 20 May 2005. The remuneration of the Board of Management is set by the Supervisory Board on the recommendation of the Remuneration Committee. The Remuneration Report for 2015 will be published on Eneco Holding N.V.'s website.

The remuneration of the members of the Board of Management consists of a fixed salary and a variable salary. The variable salary amounts to 20% of the total salary. In 2015, the variable salary was again dependent on performance criteria including socially-relevant results. The main criteria for the variable salary were:

- Customer satisfaction (Consumers, Business and Stedin);
- Financial results (EBIT);
- Performance (cost measures);
- Eneco's long-term growth (strong growth in Toon thermostat); and
- Innovation and long-term targets (new prospects, partners, innovation structure).

The pension entitlements of the members of the Board of Management come under Eneco Holding N.V.'s standard pension plan.

The current employment contracts with the members of the Board of Management are for an unlimited time with a period of notice for the company of four months. Each member of the Board of Management has been appointed for a period of four years. Messrs Rameau, Dubbeld and van der Linden are entitled to payment of 12 months salary and Mr de Haas to 24 months salary if dismissed by the company.

Total remuneration was as follows:

Remuneration of the Board of Management

x € 1,000	Gross salary	Variable remuneration	Pension contributions	Other	Total 2015
J.F. de Haas [1]	424	96	28	51	599
C.J. Rameau	377	71	23	35	506
G.A.J. Dubbeld	377	71	23	35	506
M.W.M. van der Linden	337	58	21	26	442
Total	**1,515**	**296**	**95**	**147**	**2,053**

[1] Remuneration adjusted in connection with special leave during 2015.

Since 1 January 2015, tax facilities for accrual of pension entitlements have been limited to a maximum gross annual salary of € 100,000. As a result, the short-term contribution to pensions for the part of the gross salary over € 100,000 has taken a different form and is presented in the 'Other' column.

x € 1,000	Gross salary	Variable remuneration	Pension contributions	Total 2014
J.F. de Haas	491	118	84	693
C.J. Rameau	366	89	63	518
G.A.J. Dubbeld	361	82	60	503
M.W.M. van der Linden	294	66	46	406
Total	**1,512**	**355**	**253**	**2,120**

Remuneration of the Supervisory Board

The remuneration of the chairman of the Supervisory Board is € 36,500 per year. The other members of the Supervisory Board each receive an annual fee of € 28,700. Members of committees each receive an additional annual payment as follows:

Committee	€
Audit committee	5,200
Remuneration committee	3,150
Selection and appointments committee	3,150
Works Council committee	1,600

The fixed expense allowance is € 1,150 per annum.

7. Share of profit of associates and joint ventures

The associates and joint ventures are included in the List of principal subsidiaries, joint operations, joint ventures and associates in these financial statements.

	2015	2014
Share in net profit	7	11
Result on disposal	3	3
Impairment	–1	-
Total	**9**	**14**

8. Financial income

	2015	2014
Interest income	6	7
Result on disposal of other capital interests	-	5
Other	-	2
Total	**6**	**14**

9. Financial expenses

	2015	2014
Interest expense	74	87
Interest added to provisions	4	5
Impairment of financial fixed assets	1	12
Other	1	10
Total	**80**	**114**

10. Income tax

The company and almost all its Dutch subsidiaries form a fiscal unity for corporate income tax purposes.
The table below shows the income taxes:

	2015	2014
Current tax expense	77	47
Movements in deferred taxes	–15	28
Adjustment for prior years movements deferred taxes	–1	– 4
Income tax	**61**	**71**

The movements in deferred taxes include a reduction of € 4 million in the Energy Investment Allowance to be amortised (2014: increase of € 7 million).

The table below shows the current tax expense:

	2015	2014
Profit before income tax	**269**	**277**
Participation exemption	–9	–12
Non tax-deductible expenses	6	36
Depreciation at non-statutory rates	48	–15
Addition to provisions treated differently for tax purposes	–4	–18
Disallowable losses	1	29
Adjustment prior years results	–4	–15
Taxable profit	**307**	**282**
Carry forward of losses	-	–96
Taxable amount	**307**	**186**
Nominal tax rate	25.0%	25.0%
Current tax expense	**77**	**47**

The table below shows the effective tax burden expressed as a percentage of the profit before income tax:

	2015	2014
Nominal tax rate	25.0%	25.0%
Effect of:		
- Participation exemption	–0.9%	–1.1%
- Non tax-deductible expenses	0.6%	3.2%
- Tax incentives (Energy Investment Allowance, EIA scheme)	–2.1%	–1.8%
- Other	0.1%	0.3%
Effective tax rate	**22.7%**	**25.6%**

11. Result after tax on discontinued operations

No operations previously classified as discontinued operations were settled during 2015 and no new operations have been classified as such. A few discontinued operations (of a limited size) still had to be settled at year-end 2015.

12. Government grants

Government grants recognised in the result were as follows:

	2015	2014
Environmental Quality of Electricity Production (MEP scheme)	93	92
Energy Investment Allowance (EIA scheme)	6	4
Stimulation Sustainable Energy Production (SDE scheme)	46	12
Other government grants	1	–
Total	**146**	**108**

Notes to the consolidated balance sheet

All amounts in millions of euros unless stated otherwise.

13. Property, plant and equipment

	Land and buildings	Machinery and equipment	Regulated networks	Other operating assets	Assets under construction	Total
Cost						
At 1 January 2014	**85**	**2,576**	**7,447**	**193**	**438**	**10,739**
Investments	-	36	439	2	362	839
Acquisitions	-	29	-	-	2	31
Disposals	-	−9	−17	−12	−1	−39
Reclassification from / to assets held for sale	-	−23	−61	-	-	−84
Reclassification other	5	333	44	−1	−389	−8
Translation differences	-	11	-	-	8	19
At 31 December 2014	**90**	**2,953**	**7,852**	**182**	**420**	**11,497**
Investments	1	37	350	4	314	706
Acquisitions	20	27	-	-	-	47
Disposals	-	−19	−33	−21	-	−73
Reclassification from / to assets held for sale	-	-	−516	−1	−4	−521
Reclassification other	3	611	−87	−1	−528	−2
Translation differences	-	12	-	-	7	19
At 31 December 2015	**114**	**3,621**	**7,566**	**163**	**209**	**11,673**
Accumulated depreciation and impairment						
At 1 January 2014	**24**	**958**	**2,664**	**112**	**3**	**3,761**
Annual depreciation and impairment	1	54	217	12	-	284
Acquisitions	-	2	-	-	-	2
Disposals	-	−11	−8	−8	-	−27
Reclassification from / to assets held for sale	-	−20	−25	-	-	−45
Reclassification other	-	−14	19	−7	−2	−4
At 31 December 2014	**25**	**969**	**2,867**	**109**	**1**	**3,971**
Annual depreciation and impairment	3	194	223	14	27	461
Disposals	-	−5	−22	−21	−1	−49
Reclassification from / to assets held for sale	-	-	−196	−1	-	−197
Reclassification other	1	38	−37	−2	-	-
At 31 December 2015	**29**	**1,196**	**2,835**	**99**	**27**	**4,186**
Carrying amount						
At 31 December 2014	65	1,984	4,985	73	419	7,526
At 31 December 2015	**85**	**2,425**	**4,731**	**64**	**182**	**7,487**

Regulated networks

The regulated networks category relates to different types of Stedin's assets in the regulated domain such as the electricity and gas networks, gas connections and meters required for gas and electricity distribution and transmission activities. Regulated network activities are subject to regulation by the Office of Energy Regulation of the Netherlands Authority for Consumers and Markets (ACM).

Fair value of regulated networks

The information for measuring the regulated networks is covered by 'level 1' in the fair value hierarchy as specified in IFRS 13 'Fair Value Measurement' (see Note 18 Derivative financial instruments). These measurement models use observable market prices, being the Standardised Asset Value tariffs set by the government.

At 31 December 2015, the carrying amount of the regulated networks at historical cost was € 3,685 million (31 December 2014: € 3,884 million).

Capitalised interest

During the reporting period, € 18 million (2014: € 13 million) of attributable interest was capitalised for property, plant and equipment as required by the relevant reporting standards. The capitalisation rate for interest in 2015 was 4.8% (2014: 4.5%).

Assets under construction

Assets under construction were mainly offshore and onshore wind farms, and standard investment in gas, electricity and district heating networks. In September 2015, the United Kingdom government refused consent for the development and construction of the Navitus Bay offshore wind farm in southern England. Consequently management decided to charge the entire amount of capitalised development costs against the 2015 result. This impairment has been recognised in 'Depreciation and impairment of property, plant and equipment'.

14. Intangible assets

	Goodwill	Customer databases	Licences and software	Concessions, permits and rights	Development costs	Total
Cost						
At 1 January 2014	**170**	**180**	**90**	**245**	**4**	**689**
Investments	-	-	2	1	-	3
Acquisitions	-	18	-	3	2	23
Disposal of consolidated entities	-	-	-	–19	-	–19
Translation differences	1	-	-	1	-	2
Disposals	-	-	-	-	–1	–1
Reclassification other	-	-	3	-	–2	1
At 31 December 2014	**171**	**198**	**95**	**231**	**3**	**698**
Investments	-	-	7	1	1	9
Translation differences	1	-	-	1	-	2
Disposals	–10	-	–14	–150	-	–174
Reclassification from / to assets held for sale	-	-	–1	-	-	–1
Reclassification other	–1	1	1	1	-	2
At 31 December 2015	**161**	**199**	**88**	**84**	**4**	**536**
Accumulated depreciation and impairment						
At 1 January 2014	**10**	**89**	**68**	**141**	**4**	**312**
Annual depreciation and impairment	-	14	8	34	-	56
Disposal of consolidated entities	-	-	-	–7	-	–7
Disposals	-	-	-	-	–1	–1
Reclassification other	-	-	-	2	–2	-
At 31 December 2014	**10**	**103**	**76**	**170**	**1**	**360**
Annual depreciation and impairment	-	20	9	5	-	34
Disposals	–10	-	–14	–150	-	–174
Reclassification from / to assets held for sale	-	-	–1	-	-	–1
Reclassification other	-	-	1	1	-	2
At 31 December 2015	**-**	**123**	**71**	**26**	**1**	**221**
Carrying amount						
At 31 December 2014	161	95	19	61	2	338
At 31 December 2015	**161**	**76**	**17**	**58**	**3**	**315**

Goodwill

In principle, goodwill is allocated to one or more cash-generating units which independently or in aggregate form a business segment. The goodwill of € 161 million at 31 December 2015 (2014: € 161 million) was fully attributable to the group of cash-generating units which form the Eneco Energy Company segment. An impairment analysis was performed on this goodwill which showed that the recoverable amount (in this case, value in use) of this group of cash-generating units was higher than their carrying amount. The following assumptions were used to establish the value in use: the value in use of the cash-generating units which make up the Eneco Energy Company segment was based on expected future cash flows for 5 years as in Eneco's long-term plans (based in part on historical figures) and thereafter extrapolated on the expected life of the property, plant and equipment and intangible assets of these cash-generating units, which is generally longer than the five-year period; long-term growth of 1% was taken into account. The pre-tax discount rates, which reflect the risks of the activities of the relevant cash-generating units, were 6%-7% (2014: 6%-7% for all cash-generating units). The discount rates are based on the weighted average cost of capital (WACC), whose parameters are derived from data from a peer group and market information. The calculation of the value in use of these assets is sensitive to the following assumptions: the discount rate, the growth figure applied for extrapolating cash flows beyond the 5-year plan and the average life of the assets. Of these factors, the discount rate is the most sensitive and an adjustment of 0.5 percentage points would change the value in use by some € 0.2 billion but would not lead to impairment.

Customer databases

Customer databases relate mainly to DONG Energy Sales (acquired in 2014), Oxxio (acquired in 2011) and REMU N.V. (acquired in 2003).

Concessions, permits and rights

Concessions, permits and rights consist mainly of capitalised permits granted for existing and future wind farms in Belgium and the United Kingdom.

15. Business combinations

On 2 January 2015, Eneco acquired a number of electricity/district heating production sites and the associated heat distribution network in Utrecht from NUON/Vattenfall in a business combination subject to the rules of IFRS 3 'Business Combinations'.

The acquisition was effected by purchasing the entire share capital and associated control in a cash transaction completed in 2015. The final purchase price depends on settlement of specific items and had not been determined on the reporting date. The settlement may to some extent affect the allocation of the purchase price of some € 50 million (based on fair value) to the identified assets and liabilities and so the acquisition has been recognised provisionally in these 2015 financial statements. This acquisition fits Eneco's strategy of having the entire supply chain under its control to achieve greater operational efficiency. Eneco will also be able to make innovations to the heating network. The acquisition reinforces Eneco's market position.

The assets and liabilities were recognised on the acquisition date at their provisional fair value and consisted of some € 47 million of property, plant and equipment, € 7 million of inventory and € 4 million of current liabilities. This acquisition is very unlikely to lead to the recognition of goodwill. The costs related to this transaction were some € 0.7 million. The acquisition has been effectively recognised in Eneco's consolidated figures from 2 January 2015. The acquisition has reduced the purchase cost of energy/heating and increased operating expenses. This acquisition is making a positive contribution to the profit after income tax.

16. Associates and joint ventures

Eneco Group participates with one or more parties in businesses in the form of an associate or joint venture to perform shared operations.

Movements in the value of associates and joint ventures[1] were as follows in 2015:

	2015	2014
Carrying amount at 1 January	**58**	**49**
Investments	1	-
Reclassification from assets held for sale	-	–5
Share in net profit of associates	7	11
Dividend received	–2	–1
Impairment	–1	-
Reclassification other	–2	4
Carrying amount at 31 December	**61**	**58**

[1] Non-material joint ventures which have been combined with the associates for presentation purposes.

The table below summarises the financial data of the associates and joint ventures:

	At 31 December 2015[1]	At 31 December 2014[1]
Property, plant and equipment	17	13
Current assets	171	135
Non-current liabilities	2	1
Current liabilities	117	106
Net assets (100%)	**69**	**41**
Eneco's share of net assets	39	36
Carrying amount of interest in associates and joint ventures (incl. acquired goodwill)	**61**	**58**
Revenues (100%)	442	326
Profit after income tax (100%)	27	22
Total other comprehensive income (100%)	–	–
Total comprehensive income (100%)	27	22
Eneco's share of total comprehensive income	**7**	**11**
Eneco's share of profit after income tax and total comprehensive income	**7**	**11**

[1] These figures have been prepared using the most recently published/available financial information of these associates and joint ventures.

17. Deferred taxes

The table below shows the deferred tax assets and liabilities:

	Assets		Liabilities	
	At 31 December 2015	At 31 December 2014	At 31 December 2015	At 31 December 2014
Property, plant and equipment	-	–	413	419
Intangible fixed assets	-	–	15	16
Cash flow hedges	-	–	8	– 10
Loss carry forwards	5	4	– 19	– 15
Losses at non-resident participating interests	-	–	20	21
Provisions	-	–	– 6	– 7
Total	**5**	**4**	**431**	**424**

Deferred tax assets and liabilities related to cash flow hedges have been recognised through equity. The regulations for preventing double taxation create the deferred tax liability presented for losses at non-resident participating interests.

Movements in deferred taxes during 2015 were as follows:

	Net balance at 1 January 2015	Recognised in profit or loss[1]	Recognised in other comprehensive income	Other	Net balance at 31 December 2015	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	– 419	6	–	–	– 413	1	– 414
Intangible fixed assets	– 16	1	–	-	– 15	1	– 16
Cash flow hedges	10	–	– 18	-	– 8	24	– 32
Loss carry forwards	19	5	–	–	24	24	-
Losses at non-resident participating interests	– 21	1	–	–	– 20	-	– 20
Provisions	7	– 1	–	–	6	6	-
Tax assets (liabilities) before set-off	**– 420**	**12**	**– 18**	**–**	**– 426**	**56**	**– 482**
Set-off of tax						– 51	51
Net tax assets (liabilities)						**5**	**– 431**

[1] This amount is included in 'Movements in deferred taxes' as part of 'Income tax'. See Note 10 (Income tax).

Movements in deferred taxes during 2014 were as follows:

	Net balance at 1 January 2014	Recognised in profit or loss[1]	Recognised in other comprehensive income	Other	Net balance at 31 December 2014	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	– 398	– 21	–	–	– 419	2	– 421
Intangible fixed assets	– 24	5	–	3	– 16	2	– 18
Cash flow hedges	8	–	1	1	10	10	–
Loss carry forwards	20	– 1	–	–	19	4	15
Losses at non-resident participating interests	– 26	5	–	–	– 21	–	– 21
Provisions	12	– 5	–	–	7	7	–
Tax assets (liabilities) before set-off	**– 408**	**– 17**	**1**	**4**	**– 420**	**25**	**– 445**
Set-off of tax						– 21	21
Net tax assets (liabilities)						**4**	**– 424**

[1] This amount is included in 'Movements in deferred taxes' as part of 'Income tax'. See Note 10 (Income tax).

The table below shows the expiry periods for temporary differences available for relief at 31 December 2015:

Expiry periods for differences available for relief after 31 December 2015

Property, plant and equipment	1 - 50 jr
Intangible fixed assets	1 - 25 jr
Cash flow hedges	1 - 30 jr
Losses available for relief	1 - 10 jr
Provisions	1 - 10 jr

No deferred tax asset has been recognised on pre-consolidation and other losses of € 105 million (2014: € 95 million) since it is not certain whether sufficient taxable profits will be available in the future at the participations and permanent establishment, which are not members of the fiscal unity. The tax regulations state that this relief is only available against profits made in the years 2016 to 2021 (there is unlimited carry forward in Belgium). A loss of € 32 million (2014: € 32 million) has been recognised in the Netherlands for losses at non-resident participating interests. No deferred tax liability has been recognised since these losses can only be offset against future profits of those participating interests.

18. Derivative financial instruments

The table below shows the fair value of derivative financial instruments (full statement):

	At 31 December 2015		At 31 December 2014	
	Assets	Liabilities	Assets	Liabilities
Interest rate swap contracts	–	5	–	7
Currency swap contracts	41	73	9	106
Energy commodity contracts	356	226	374	287
CO_2 emission rights	8	1	9	1
Total	**405**	**305**	**392**	**401**
Classification				
Current	221	164	248	225
Non-current	184	141	144	176
Total	**405**	**305**	**392**	**401**

The table below shows the fair value of derivative financial instruments for which movements in fair value have been recognised through the income statement:

	At 31 December 2015		At 31 December 2014	
	Assets	Liabilities	Assets	Liabilities
Currency swap contracts	–	–	–	–
Energy commodity contracts	222	222	279	273
CO_2 emission rights	8	1	9	1
Total	**230**	**223**	**288**	**274**
Classification				
Current	165	160	224	212
Non-current	65	63	64	62
Total	**230**	**223**	**288**	**274**

The table below shows the fair value of derivative financial instruments for which movements in fair value have been recognised in equity through the cash flow hedge reserve:

	At 31 December 2015		At 31 December 2014	
	Assets	Liabilities	Assets	Liabilities
Interest rate swap contracts	–	5	–	7
Currency swap contracts	41	73	9	106
Energy commodity contracts	134	4	95	14
Total	**175**	**82**	**104**	**127**
Classification				
Current	56	4	24	13
Non-current	119	78	80	114
Total	**175**	**82**	**104**	**127**

These instruments are used in cash flow hedge transactions to hedge interest rate, currency and energy price risks.

The following hierarchy was used for the measurement of the financial instruments.

Level 1

Level 1 recognises financial instruments whose fair value is measured using unadjusted quoted prices in active markets for identical instruments.

Level 2

Level 2 recognises financial instruments whose fair value is measured using market prices or pricing statements and other available information. Where possible, the measurement method uses observable market prices. Level 2 energy commodity contracts are measured using market prices or pricing statements for periods in which an active market exists for the underlying commodities such as electricity, gas (title transfer facility), oil-related prices and emission rights. Other contracts are measured by agreement with the counterparty, using observable interest rate and foreign currency forward curves.

Level 3

Level 3 recognises financial instruments whose fair value is measured using calculations involving significant inputs that are not based on observable market data.

The hierarchy of derived financial instruments measured at fair value was as follows:

At 31 December 2015	Level 1	Level 2	Level 3	Total
Assets				
Energy commodity contracts	69	295	–	364
Interest rate and currency swap contracts	–	41	–	41
	69	**336**	**–**	**405**
Liabilities				
Energy commodity contracts	–	227	–	227
Interest rate and currency swap contracts	–	78	–	78
	–	**305**	**–**	**305**

At 31 December 2014	Level 1	Level 2	Level 3	Total
Assets				
Energy commodity contracts	59	324	–	383
Interest rate and currency swap contracts	1	8	–	9
	60	**332**	**–**	**392**
Liabilities				
Energy commodity contracts	1	287	–	288
Interest rate and currency swap contracts	–	113	–	113
	1	**400**	**–**	**401**

Note 24 presents the movements in the cash flow hedge reserve.

The cash flow hedge instruments are derivative financial instruments that are subject to net settlement between parties. The table below shows the periods in which the cash flows from the cash flow hedges are expected to be realised:

	At 31 December 2015	At 31 December 2014
Expected cash flow		
Within 1 year	132	64
From 1 to 5 years	203	298
After 5 years	– 99	– 61
Total	**236**	**301**

The total cash flow hedges recognised through the income statement in the future are recognised in the cash flow hedge reserve after deduction of taxes.

The table below shows the periods in which the cash flows from the cash flow hedges are expected to be realised:

	At 31 December 2015	At 31 December 2014
Expected recognition in result after tax		
Within 1 year	28	– 1
From 1 to 5 years	27	19
After 5 years	– 36	– 53
Total	**19**	**– 35**

19. Other financial assets

	At 31 December 2015	At 31 December 2014
Other capital interests	1	-
Related party receivables	7	10
Other receivables	34	52
Total	**42**	**62**

20. Assets/liabilities held for sale

	At 31 December 2015	At 31 December 2014
Buildings	7	6
Assets for disposal	318	115
Total assets	**325**	**121**
Liabilities for disposal	18	1
Total liabilities	**18**	**1**
Total held for sale	**307**	**120**

The amount at 1 January 2015 included a property that was sold on 30 December 2015. After renovation, this property will be leased back for an initial period of 15 years.

Beneficial ownership of Stedin's high-voltage networks in Utrecht was transferred to TenneT on 1 January 2015. Legal ownership was transferred on 17 November 2015 with the financial settlement (€ 43 million). A small book profit was realised on this transaction.

The assets for sale (and associated liabilities) at 31 December 2015 relate, on the one hand, to the expected sale of part of the gas and electricity networks of business segment Stedin and, on the other hand, to the expected sale of half of the 50% interest of business segment Energy Company Eneco in the Belgian offshore Norther wind farm (joint operation) under development.

The gas and electricity networks in the Noordoost Friesland, Amstelland, Kennemerland and Midden Limburg regions consist chiefly of property, plant and equipment. Under IFRS, assets held for sale must be measured at the lower of carrying amount and realisable value less cost of disposal. The carrying amount of these networks at 31 December 2015 was € 319 million. No indications of impairment have been identified. The revaluation reserve in equity includes € 39 million for these assets. The sale is expected before the end of 2016.

The Norther assets consist primarily of capitalised development costs for the construction of the wind farm. In January 2016 provisional agreement was reached with a potential investor who will purchase half of this investment. It is expected that this proposed transaction will be completed in 2016. The associated assets and liabilities are recognised at carrying amount in the balance sheet.

21. Trade receivables

	At 31 December 2015	At 31 December 2014
Energy receivables	595	765
Other trade receivables	99	83
Less: impairments	–90	–101
Total	**604**	**747**

The table below shows the aged analysis of the outstanding receivables:

	At 31 December 2015	At 31 December 2014
Prior to due date	445	584
After due date		
- under 3 months	88	108
- 3 to 6 months	20	26
- 6 to 12 months	43	42
- over 12 months	98	88
Face value	**694**	**848**
Less: impairments	– 90	– 101
Total	**604**	**747**

The table below shows the aged analysis of the impaired receivables:

	At 31 December 2015	At 31 December 2014
Prior to due date	3	3
After due date		
- under 3 months	5	10
- 3 to 6 months	6	10
- 6 to 12 months	17	20
- over 12 months	59	58
Total	**90**	**101**

Movements in the impairment losses on receivables were as follows:

	2015	2014
At 1 January	**101**	**115**
Additions	16	26
Withdrawals	–26	– 32
Release	-	– 8
Other movements	–1	-
At 31 December	**90**	**101**

In view of their short-term nature, the carrying amount of trade receivables is their fair value.

22. Other receivables

	At 31 December 2015	At 31 December 2014
Prepayments and accrued income	121	100
Margin calls	25	-
Other receivables [1]	50	64
Total [1]	**196**	**164**

[1] 2014 figures restated for comparative purposes following reclassification of construction contracts.

In view of their short-term nature, the carrying amount of other receivables is their fair value.

23. Cash and cash equivalents

Cash and cash equivalents comprised bank balances, cash and deposits of € 367 million at 31 December 2015 (2014: € 606 million). This included an amount of € 50 million at 31 December 2015 (2014: € 43 million) relating to term deposits and blocked accounts which are not freely available.

24. Equity

	At 31 December 2015	At 31 December 2014
Share capital	497	497
Share premium	381	381
Revaluation reserve	779	821
Translation reserve	45	23
Cash flow hedge reserve	19	– 35
Retained earnings	2,928	2,791
Undistributed result for the financial year	196	205
Equity attributable to Eneco Holding N.V. shareholders	**4,845**	**4,683**
Perpetual subordinated bonds	501	501
Non-controlling interests	4	4
Total equity	**5,350**	**5,188**

Share capital

Eneco Holding N.V.'s authorised share capital is € 2 billion, divided into 20 million shares with a nominal value of € 100 each. At 31 December 2015, 4,970,978 shares had been issued and fully paid. There were no changes in 2015. Eneco Holding N.V. has only issued ordinary shares.

Share premium

Eneco Holding N.V. was incorporated in 2000. Shareholders then holding shares in N.V. Eneco acquired a shareholding in the company by contributing their interests in N.V. Eneco to Eneco Holding N.V. Insofar as the value of that interest exceeded the nominal value of the shares in Eneco Holding N.V. that excess value was taken to share premium. The share premium can be considered as paid-up share capital.

Revaluation reserve

The revaluation reserve relates to the measurement of networks and network-related assets at fair value. The difference between depreciation based on the revalued carrying amount and depreciation based on the original historical cost, less deferred tax, has been transferred from the revaluation reserve to retained earnings. The revaluation reserve is not freely at the disposal of the shareholders.

Translation reserve

Assets and liabilities of foreign group companies denominated in foreign currency and funding of those subsidiaries relating to long-term loans denominated in foreign currency, after tax, are translated into euros at the reporting date at the exchange rate prevailing on the reporting date. Foreign currency exchange differences arising on this are recognised in the translation reserve in equity. In addition, as a result of the application of net investment hedge accounting from April 2015, foreign currency exchange differences on attributed financial instruments are included with an opposite effect in this reserve. The results of foreign group companies are translated into euros at the average rate. The difference between the profit after income tax at the average rate and based on the exchange rate prevailing on the reporting date is recognised through equity in the translation reserve. If an investment in a foreign operation is ended or reduced, the related accumulated translation differences are recognised through the income statement. The translation reserve is not freely at the disposal of the shareholders.

Cash flow hedge reserve

The cash flow hedge reserve recognises gains and losses in the fair value of the effective portion of derivative financial instruments designated as cash flow hedges for which the hedge transaction has not yet been settled. Consequently, Eneco meets the conditions for cash flow hedge accounting. The cash flow hedge instruments are mainly forward and swap contracts agreed with other market parties in order to cover the market price risks of purchasing and selling energy commodities. This reserve also recognises the effective portion of hedging with interest rate and currency swap contracts. The cash flow hedge reserve is not freely at the disposal of the shareholders.

The movements in the cash flow hedge reserve were as follows:

	Energy commodities	Interest rate swap contracts	Currency swap contracts	Total
At 1 January 2014	**41**	**– 5**	**– 68**	**– 32**
Newly defined cash flow hedges in financial year	55	–	–	55
Movements in fair value cash flow hedges	24	–	– 30	– 6
Deferred income tax liabilities	– 7	–	8	1
Non-effective portion of cash flow hedges	– 6	–	–	– 6
Discontinued cash flow hedges	– 47	–	–	– 47
At 31 December 2014	**60**	**– 5**	**– 90**	**– 35**
Newly defined cash flow hedges in financial year	26	–	– 1	25
Movements in fair value cash flow hedesg	39	2	25	66
Deferred income tax liabilities	– 11	– 1	– 6	– 18
Non-effective portion of cash flow hedges	– 6	–	–	– 6
Discontinued cash flow hedges	– 12	–	– 1	– 13
At 31 December 2015	**96**	**– 4**	**– 73**	**19**

Perpetual subordinated bonds

On 1 December 2014, Eneco Holding N.V. issued perpetual subordinated bonds ('Perpetual Fixed Rate Reset Securities') with a total nominal amount of € 500 million at an annual interest coupon of 3.25% and an issue price of 99.232% resulting in proceeds of € 496 million. Directly attributable costs of € 3 million were deducted from this, so that € 493 million was added to group equity in 2014. The bonds are listed on the Euro MTF Market of the Luxembourg stock exchange.

The perpetual subordinated bonds are regarded as equity and are subordinated to all of Eneco Group's creditors but have certain preference compared with the shareholders in the event of the company's winding up. Eneco has no contractual obligation to redeem the loan. Any payment of current or deferred coupon interest is conditional and dependent on distributions to shareholders. Consequently, the bondholders cannot force Eneco to pay the coupon interest or to redeem all or part of the loan.

Non-controlling interests

These are third-party shares in the equity of subsidiaries of which Eneco Holding N.V. is not the sole shareholder.

25. Provisions for employee benefits

	Long-service benefits	Other	Total
At 1 January 2014	**29**	**2**	**31**
Additions	5	–	5
Withdrawals	–	– 1	– 1
At 31 December 2014	**34**	**1**	**35**
Additions	1	7	8
Withdrawals	– 1	– 3	– 4
Reclassification	–	3	3
At 31 December 2015	**34**	**8**	**42**
Classificatiom			
Current	2	6	8
Non-current	32	2	34
At 31 December 2015	**34**	**8**	**42**

Long-service benefits

This provision covers the obligation to pay amounts on achieving a certain number of years of employment and retirement of employees. The following actuarial assumptions were used for the provisions:

	2015	2014
Discount rate at reporting date	1.8%	1.8%
Future salary increases	1.0% - 1.9%	1.0%
Mortality table	GBM & GBV 2005-2010	GBM & GBV 2005-2010

Expenditures from the provisions for employee benefits are made over the long term. The provisions are remeasured annually using current employee information and properly reflect the expected cash flows.

Other employee benefits

The other provisions for employee benefits include the obligations for salary payments in the event of illness and unemployment benefits since Eneco bears this risk under the Unemployment Act. In view of their predominantly short-term nature, these provisions are measured at nominal value.

26. Other provisions

	Decommissioning provision	Onerous contracts	Reorganisation	Other	Total
At 1 January 2014	**55**	**26**	**23**	**19**	**123**
Additions	8	1	20	6	35
Withdrawals	– 1	– 15	– 13	– 4	– 33
Release	–	– 7	– 1	– 3	– 11
Reclassification	–	–	1	1	2
At 31 December 2014	**62**	**5**	**30**	**19**	**116**
Additions	13	–	6	2	21
Withdrawals	–	– 5	– 20	– 3	– 28
Release	– 8	–	– 8	– 3	– 19
Reclassification	–	–	–	– 3	– 3
At 31 December 2015	**67**	**–**	**8**	**12**	**87**
Classification					
Current	–	–	5	–	5
Non-current	67	–	3	12	82
At 31 December 2015	**67**	**–**	**8**	**12**	**87**

Interest in a range of 2.5% to 4.8% has been added to the provisions in 2015 (2014: 4.5%). In view of its normally short-term nature, no interest is added to the restructuring provision.

Decommissioning

The decommissioning provision is of a long-term nature. The cash flows will generally occur after ten years and within twenty years. The amounts are the best estimate and are reviewed annually for expected future movements in the cost of removing assets.

Restructuring provision

In 2015, € 6 million (2014: € 20 million) was added to the restructuring provision that relates mainly to an earlier restructuring of the now defunct Joulz and a restructuring of the head office departments of the Energy Company Eneco.

Other

Expenditure on the other provisions is expected to be made over a longer period. This expenditure is difficult to estimate. The current amounts are the best estimate on the reporting date.

27. Interest-bearing debt

Interest-bearing debt was as follows:

	At 31 December 2015	At 31 December 2014
Private loans	1,625	1,661
Green loans	101	103
Non-recourse / subordinated loans	117	136
Total	**1,843**	**1,900**

See Note 32 for details of the repayment periods.

	At 31 December 2015	At 31 December 2014
Classification		
Current	54	115
Non-current	1,789	1,785
Total	**1,843**	**1,900**

Collateral of € 119 million (2014: € 178 million) has been provided for the interest-bearing debt for financing wind farms in the form of mortgages of wind farms and pledges of shares in the legal entities, energy purchase contracts or grants for the construction of wind farms. No collateral has been provided for the other interest-bearing debt.

The private loans are predominantly loans from institutional investors and banks and included € 338 million in US dollars (2014: € 305 million), € 153 million in Japanese yen (2014: € 138 million) and € 102 million in pounds sterling (2014: € 96 million). The "green" loans were borrowed to finance specific sustainable energy infrastructure investments. Investors enjoy tax advantages on green loans and so the interest charges are below the market interest rate.

The credit facilities are explained in Note 32.

Repayment obligations for the first year after the reporting date are recognised under current liabilities.

Borrowings of € 1,726 million (2014: € 1,694 million) are fixed rate (fair value risk). Variable interest rates that track market rates apply to the other borrowings (cash flow/interest rate risk). Derivative financial instruments (interest rate swap contracts) have been used for certain variable interest rates.

The table below shows the average interest rate (excluding capitalised interest) and the fair value of the loans:

	2015	2014
Average interest rate (excl. money market loans)	4.9%	5.2%
Average interest rate (total interest-bearing debt)	4.8%	4.5%
Fair value of loans	2,083	2,190

The average interest rate in 2015 was calculated as the weighted average monthly interest expense directly related to the interest-bearing debt, excluding other financial expense.

The fair value of the loans is estimated using the present value method ('income approach') based on relevant market interest rates for comparable debt. Consequently, the information for establishing value is covered by 'level 2' in the fair value hierarchy.

28. Trade and other payables

	At 31 December 2015	At 31 December 2014
Trade creditors	712	863
Accruals and deferred income [1]	348	454
Pension contributions	4	5
Other liabilities	674	659
Total [1]	**1,738**	**1,981**
Classification		
Current [1]	1,300	1,562
Non-current	438	419
Total [1]	**1,738**	**1,981**

[1] 2014 figures restated for comparative purposes following reclassification of construction contracts.

In view of their nature, the carrying amount of trade and other payables is their fair value.

29. Operating leases

Costs and liabilities of operating leases

Eneco has operating lease agreements for IT facilities and the vehicle fleet. There are also rental agreements for land and a number of business premises. A cost of € 54 million (2014: € 55 million) has been recognised through the income statement in this respect.

The minimum obligations under these agreements fall due as follows:

	At 31 December 2015	At 31 December 2014
Within 1 year	54	54
From 1 to 5 years	176	159
After 5 years	208	167
Total	**438**	**380**

Revenues from operating leases

Equipment and energy installations are leased for periods of 5 to 15 years while the assets concerned remain the property of Eneco. The lease covers making the equipment available to users and maintenance. Revenues of € 30 million (2014: € 28 million) have been recognised through the income statement.

The minimum receivables from non-terminable lease agreements fall due as follows:

	At 31 December 2015	At 31 December 2014
Within 1 year	27	31
From 1 to 5 years	91	90
After 5 years	68	60
Total	**186**	**181**

30. Contingent assets and liabilities

Contingent assets and liabilities other than guarantees are measured at present value, calculated using a discount rate that reflects current market assessments of the time value of money.

Energy purchase and sale commitments

Eneco has energy purchase commitments of € 5.9 billion (2014: € 7.4 billion) under contracts relating to 2016 and later years. The purchase commitments comprise energy contracts for the company's own use with various energy generators. There are sales commitments of € 2.6 billion (2014: € 3.0 billion) for 2016 and later years.

There are commitments of € 0.8 billion (2014: € 0.7 billion) for the purchase of heat until 2043. The perpetual commitments for the purchase of heat are € 0.3 billion per year (2014: € 0.3 billion).

Investment obligations

At 31 December 2015 Eneco had entered into investment obligations with a total amount of € 0.2 billion (2014: € 0.3 billion).

Other (contingent) obligations

At 31 December 2015 there were other contractual obligations of € 0.5 billion (2014: € 0.8 billion), mainly maintenance contracts.

Guarantees

Eneco has issued group and bank guarantees of € 0.4 billion (2014: € 0.2 billion) to third parties. Of these, € 0.3 billion (2014: € 0.2 billion) have been issued by Eneco Holding N.V. The remaining group guarantees have been issued by subsidiaries for which Eneco Holding N.V. has issued a declaration of joint and several liability pursuant to Section 403(1)(f), Part 9, Book 2 of the Dutch Civil Code.

Fiscal unity

Eneco has formed fiscal unities for corporate income tax and VAT purposes. Eneco Holding N.V. and the subsidiaries in these fiscal unities are jointly and severally liable for the tax obligations of the fiscal unities. Stedin Netbeheer B.V. and its subsidiaries form a separate fiscal unity for VAT purposes.

Cash pool

Under its participation in the Group cash pool, Eneco Holding N.V., like the other participants, is jointly and severally liable for deficits in the cash pool as a whole.

Legal proceedings

Eneco Group is involved either as plaintiff or defendant in various legal and regulatory claims and proceedings related to its operations. Management ensures proper representation in these matters. The amounts claimed in some of these proceedings may be significant to the consolidated financial statements. Liabilities and contingencies in connection with these claims and proceedings are assessed periodically based on the latest information available, usually with the assistance of lawyers and other specialists. A liability is only recognised if an adverse outcome is probable and the amount of the loss can be reasonably estimated. The actual outcome of proceedings or a claim may differ from the estimated liability and, consequently, could have a material adverse effect on the financial performance and position of the Group.

Supreme Court ruling on unbundling

The Eneco Group includes companies that manage electricity and gas networks and companies that focus on generating, delivering and trading in electricity and gas. This is not permitted under statutory provisions known as the group prohibition (or forced unbundling).

The Dutch Supreme Court issued a ruling on the forced unbundling of Dutch energy companies on 26 June 2015. The Supreme Court ruled that the provisions on the group prohibition in the Electricity and Gas Act, also known as the Independent Network Management Act, do not conflict with European Union legislation on the free movement of capital and freedom of establishment. The Supreme Court referred judgement on whether the forced unbundling is an infringement of the right to the protection of property (Article 1 of the First Protocol to the European Convention on Human Rights), which Eneco (and Delta) also invoked, to the Court of Appeal in Amsterdam. The Court of Appeal in Amsterdam must examine whether the Act is in contravention of that Article of the First Protocol. The referral proceedings commenced during 2015 but it is not known when the Court will deliver its judgement.

Consequently, pending the outcome of the legal proceedings, there is still uncertainty about whether the group prohibition is legally valid.

The Netherlands Authority for Consumers and Markets (ACM) has issued an 'enforcement decree' under which Eneco Holding N.V. must be unbundled by 31 January 2017 subject to a penalty of a default fine of € 4.5 million per week, up to € 90 million. Eneco Holding N.V. submitted an objection against this enforcement decree on 13 January 2016. The outcome of the objection process is not yet known.

At the same time, Eneco Holding N.V. is preparing an unbundling plan which it will submit to the ACM in the first half of 2016. Despite its continuing opposition to the group prohibition, Eneco has been forced to start preparations for an unbundling to meet the ACM's enforcement decree.

31. Related party transactions

Associates, joint ventures and the company's Management and Supervisory Boards are considered as related parties. Shareholders in Eneco with significant influence are also related parties.

Sales to and purchases from related parties are on terms of business normally prevailing with third parties. Receivables and liabilities are not covered by collateral and are paid by bank transactions.

The table below shows the trading transactions with the principal related parties:

	Sales		Purchases	
	2015	2014	2015	2014
Associates	125	144	17	22
Joint ventures	–	–	4	2

	Assets		Liabilities	
	At 31 December 2015	At 31 December 2014	At 31 December 2015	At 31 December 2014
Associates	14	15	3	3
Joint ventures	2	1	1	6

Note 6 provides details of the remuneration of members of the Management and Supervisory Boards.

There is no other relationship between the members of the Management and Supervisory Boards and Eneco except that of customer and supplier on normal arm's length terms and conditions. Eneco applies the exemption from disclosures on related party transactions with government-related entities. The Municipality of Rotterdam has significant influence. There is no relationship other than the shareholder relationship, except that of customer and supplier on normal arm's length terms and conditions.

32. Financial risk management

Normal business activities involve exposure to credit, commodity market, interest rate and liquidity risk. Eneco's policy is designed to minimise the adverse consequences of unforeseen circumstances on its financial results. The aims formulated to this end are derived from the company's strategic objectives. Procedures and guidelines have been drawn up in accordance with these objectives and are evaluated at least once a year and, if required, adjusted.

The Board of Management is responsible for risk management. In this context, it sets out procedures and guidelines and ensures they are complied with. Authority to commit Eneco is specified in the Corporate Authority Manual. Mandates have also been drawn up for all business units, including Eneco's purchasing and trading department and sales channels, to manage the above risks such as commodity (electricity, gas, heating, emission rights and fuels) risks.

The Board of Management and senior business unit management regularly review the results, key figures such as changes in working capital and the trading position, the principal risks (or concentration of certain risks) and the measures to manage them. Stress tests are developed for the principal identified risks and incorporated in the long-term financial plan. This clarifies the impact of risk on operations. Senior business unit management reports to the Board of Management by means of an In Control Statement every year.

The internal Audit & Risk Committee, Commodity Risk Committee and Investment Risk Committee are in charge of the formulation and application of the company's risk policy and advise the Board of Management accordingly.

The Supervisory Board exercises supervision over the course of business and risk management by conducting reviews of strategic plans, budgets, critical performance indicators, forecasts and results.

32.1 Credit risk

Credit risk is the risk of a loss if a counterparty or its guarantor cannot or will not meet its obligations. For the purposes of managing this risk, a distinction is drawn between debtor risk and counterparty risk.

Debtor risk

Debtor risk is the risk that a debtor fails to pay a receivable. Most receivables are of limited size and there are a great number of debtors. There is, therefore, no concentration of risk.
Policy is designed not to provide customers with any credit going beyond normal supplier credit as set out in the applicable conditions of supply. Policy is also formulated at a decentralised level within the organisation. The effectiveness of that policy is monitored at the corporate level and adjustments are made as required.
Measures in place to limit debtor risk are:

- an active debt collection policy;
- credit limits, bank guarantees and/or margining (cash collateral) for business customers;
- recourse to debt collection agencies and different collection methods for current and former customers.

The amount of a receivable is adjusted pursuant to a set procedure. The adjustment depends on the time that the receivable has remained outstanding and the probability that it will not be paid in full. There are also individual reviews for business customers.

Counterparty risk

Counterparty risk is the risk that a trading partner cannot or will not meet its delivery or payment obligations. This risk is primarily encountered in trading in energy commodities, emission rights and interest rate and foreign currency hedge transactions. The basis for the management of this risk is set out in the Counterparty Mandate (part of the Eneco Energy Trade commodity mandate) and the Treasury Charter drawn up by the Board of Management.

The size of the counterparty risk is primarily determined by the replacement value of the future deliveries and the commodity delivered which has not yet been paid for. The replacement value is calculated each day for each counterparty based on current market prices for future deliveries. The risk position is measured against the risk tolerance. That tolerance is drawn up for each contract party on the basis of an assessment of the creditworthiness of that counterparty derived from a public or internal rating and/or alternative assessment methods.

Counterparty risk is limited by:

- setting financial limits based on the financial strength of the counterparty;
- setting trading volume restrictions for each counterparty (position management);
- the use of standard agreements, in particular based on EFET and ISDA terms;
- use of third-party margining and clearing;
- use of bilateral margining agreements with counterparties;
- executing risk-reducing transactions with counterparties leading to partly-offsetting positions;
- requiring additional guarantees from counterparties, e.g. bank guarantees;
- credit insurance taken if necessary to cover exposures exceeding the limits.

Third-party margining and clearing is in place for futures. This transfers the counterparty risk of a futures contract to a clearing bank. This bank is linked to a clearing house that facilitates settlement of futures transactions through exchanges such as ICE ENDEX (InterContinental Exchange European Energy Derivatives Exchange N.V.), EEX (European Energy Exchange A.G.) and the ECX (European Climate Exchange). Every day, the clearing house settles interim changes in market value with its clearing banks which in turn settle with the market parties concerned (margin calls). This neutralises counterparty risk for each party to the contract.

Bilateral margining implies similar daily settlement directly with the counterparty to the transaction. The contract with the counterparty sets an initial minimum value (threshold). Bilateral margining is only applied if the threshold is exceeded.

The margining system creates liquidity risk and so risk policy is designed to monitor and match counterparty risk by forward trading and liquidity risk by margining. There is a system for monitoring internal limits using regular reports, to manage both risks.

The maximum credit risk is equal to the carrying amount of the financial assets, including derivative financial instruments.

Where Eneco meets the IFRS criteria for netting, financial assets and financial liabilities are netted and recognised net in the balance sheet. Transactions in derived financial instruments use standardised terms and conditions and contract types such as the master netting agreements based on ISDA and EFET terms. Most of Eneco's contracts for derivative financial instruments meet netting criteria since there is a legally enforceable right to set off the recognised amounts and in addition all amounts relating to netted financial assets and financial liabilities are settled as a single sum.

The table below sets out only the financial assets and financial liabilities netted in the balance sheet in accordance with the criteria in IAS 32. As the table does not include all the financial assets and liabilities in the balance sheet, it is not possible to reconcile these figures with the net amounts presented in the balance sheet.

At 31 December 2015	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position
Activa			
Derivative financial instruments	1,483	1,119	364
Cash and cash equivalents	367	–	367
Other financial instruments	600	439	161
	2,450	**1,558**	**892**

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position
Passiva			
Derivative financial instruments	1,346	1,119	227
Current liabilities to credit institutions	–	–	–
Other financial instruments	813	439	374
	2,159	**1,558**	**601**

At 31 December 2014	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position
Activa			
Derivative financial instruments	1,053	690	363
Cash and cash equivalents	695	331	364
Other financial instruments	837	616	221
	2,585	**1,637**	**948**

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position
Passiva			
Derivative financial instruments	971	690	281
Current liabilities to credit institutions	331	331	–
Other financial instruments	1,135	616	519
	2,437	**1,637**	**800**

Financing instruments

Management of financing instruments is set out the Treasury Charter drawn up by the Board of Management and Supervisory Board. Counterparty risk on borrowing money is very limited. The risk tolerance formulated in the Treasury Charter is taken into account when lending money. The risk position of a counterparty is measured against the risk tolerance. Risk tolerance is set for each contracting party using an assessment of the counterparty's creditworthiness according to a public credit rating. Counterparty risk is further reduced by dispersion across a number of parties, predetermined limits for each counterparty and maximum lending terms.

The counterparty risk for financial instruments (swap contracts) is limited by:

- the use of framework agreements on ISDA terms;
- procedures for regular assessment of counterparty risk;
- margining as a result of the agreed credit support agreements.

The margining system based on credit support agreements creates liquidity risk. The risk policy is designed to monitor this through regular reporting.

32.2 Market risk

Market risk is the exposure to changes in value in current or future cash flows and financial instruments arising from changes in market prices, market interest rates and exchange rates.

Price risk

Exposure to market price risk on the commodity portfolios for purchasing and supply to customers is initially limited by back-to-back transactions for purchase and sales obligations, for which derivative financial instruments are also used. Structured hedging strategies are used where back-to-back hedging is not possible, or only with excessively high transaction charges. In these cases, positions are hedged temporarily in other countries, commodities and/or periods which have an historically strong correlation with the price risks to be hedged. These instruments are deployed within a conservative mandate and limit structure that includes on-going registration, monitoring and analysis of trading positions and market value.

The market price risk on the company's own generation and long-term structured commodity purchase contracts is also limited through back-to-back transactions and structured hedging strategies as described above. It should be noted that there is no liquid energy trading market for exposures that lie further in the future and they are difficult or impossible to hedge.

Price risks inherent to energy commodity trading portfolios and emission rights are managed using position limits, MtM limits, Value at Risk (VaR) measures and stop-loss limits. The limits that can best be applied to manage risks are determined for each business activity. VaR represents the potential loss on a portfolio in the event of a poor scenario over a 10-day period, at a 95% confidence level. VaR calculations are based on price history and include data such as correlations between products, markets and time periods. Retrospective testing is conducted to check the calculated VaR values and the model used is checked. The risk managers and energy traders are notified each day of the VaR, the MtM and positions in relation to the limit. Limit infringements are reported immediately, in accordance with the Eneco Energy Trade commodity mandate. The VaR in the trading portfolio at 31 December 2015 was € 2.1 million (2014: € 2.3 million). The average VaR in 2015 was € 1.7 million (2014: € 2.2 million).

Foreign currency risk

Foreign currency risk is the exposure to changes in value of financial instruments arising from changes in exchange rates. The Treasury department is responsible for managing the Group's other foreign currency risk. Companies included in the consolidation are not permitted to maintain open positions in foreign currencies in excess of € 250,000 without the Treasury department's approval. Based upon the aggregate foreign currency position and the associated limit set for open positions, the Treasury department determines whether hedging is desirable and the strategy to be followed. Foreign currency risk attaching to commodity-related financial instruments is managed in accordance with the price risk.

Loans were entered into in 2009 in US dollars, Japanese yen and pounds sterling to meet the group's funding requirements. Eneco has hedged the foreign currency risk in the dollar and yen loans for their full term using cross-currency swap contracts. Before net investment hedging was applied (see Note 24 'Equity'), the foreign currency risk in the sterling loans was also hedged using cross-currency swap contracts. These were settled during the first half of 2015. As a result of the net investment hedge, the sterling loans (£75 million) have been allocated as a partial ('natural') hedge for the translation differences resulting from the net investment in the United Kingdom.

The sensitivity of the Translation reserve in equity to a 1% movement in the sterling/euro exchange rate in 2015 was € 3.3 million.

Interest rate risk

Interest rate risk is the exposure to changes in value in financial instruments arising from changes in market interest rates. The Treasury department manages interest rate risk. The interest rate risk policy is aimed at managing the net financing liabilities through fluctuations in market interest rates. A specified range for the proportions of loans at fixed and variable interest rates serves as the base tool. Eneco may use derivative financial instruments such as interest rate swap contracts to achieve the desired risk profile. If all other variables remain constant, it is estimated that a general increase of 1 percentage point in Euribor (for a period of twelve months) would lead to a decrease in profit before tax of € 0.1 million (at 31 December 2014: € 0.1 million).

32.3 Liquidity risk

Eneco is a capital-intensive business. Its financing policy is aimed at the development and retention of an optimum financing structure taking into account its current asset base and investment programme. The criteria are access to the capital market and flexibility at acceptable financing costs.

Financing is drawn centrally and apportioned internally. Subsidiaries are financed by a combination of equity and intercompany loans.

A specific liquidity risk arises from margining through clearing houses and contracts with bilateral margin obligations. Risk limits have been set in the Counterparty Mandate to cover both the outstanding balance and price change sensitivity for the purposes of managing this. This risk is the subject of weekly reports to senior management and six-monthly reports to the Commodity Risk Committee, which includes two members of the Board of Management. The sensitivity of the margin call to a 1% price change was € 1.5 million in 2015 (2014: € 1.4 million). Another liquidity risk arises from the margining of the market value of the cross-currency swap contracts entered into with a number of banks. If the market value of these contracts exceeds the contractual limits, Eneco has to deposit the excess with these banks. At 31 December 2015, Eneco had deposited a total of € 0 million (2014: € 0 million).
Great importance is attached to managing all the above risks to avoid Eneco finding itself in a position in which it could not meet its financial obligations. In addition, liquidity needs are planned on the basis of long, medium and short-term cash flow forecasts. The cash flow forecasts incorporate operating and investing cash flows, dividends, interest payable and debt redemption. The Treasury department sets this capital requirement against available funds. A report is submitted to the Board of Management every month.
Uncommitted credit and guarantee facilities totalling € 251 million have been agreed with a number of banks (2014 restated for comparative purposes: € 251 million). There is also a committed credit facility available up to an amount of € 1.25 billion up to October 2018 (2014: € 1.25 billion). This facility was not drawn during 2015.
The table below shows forecast nominal cash outflows and any interest arising from financial instruments over the coming years. The cash flows from derivatives are based on the prices and volumes in the contracts.

At 31 December 2015	Within 1 year	From 1 to 5 years	After 5 years	Total
Derivative financial instruments	158	50	99	307
Interest-bearing debt	137	1,177	1,119	2,433
Trade and other payables	1,300	91	347	1,738
Total	**1,595**	**1,318**	**1,565**	**4,478**

At 31 December 2014	Within 1 year	From 1 to 5 years	After 5 years	Total
Derivative financial instruments	492	251	54	797
Interest-bearing debt	201	1,228	1,190	2,619
Trade and other payables [1]	1,562	130	289	1,981
Total [1]	**2,255**	**1,609**	**1,533**	**5,397**

[1] 2014 figures restated for comparative purposes following reclassification of construction contracts.

33. Capital management

The primary aim of capital management at Eneco is to maintain good creditworthiness and healthy solvency to support operations and minimise the cost of debt. Eneco regards both capital (including the perpetual subordinated bonds issued in 2014) and net debt as relevant elements of its financing and so of its capital management. Eneco can influence its capital structure by altering the proportions of equity and debt. Net interest-bearing debt (excluding discontinued operations) is defined as long-term and current interest-bearing debt less cash and cash equivalents.

No changes were made to the aims, policy and processes for capital management in 2015.

Eneco monitors its capital using the 'Financial Management Framework', which sets out various ratios that have to be regularly monitored by the Board of Management. One of these ratios is equity/total assets. Eneco's policy is to keep this above 45%. At year-end 2015, it was 54.0% (2014: 51.4%). Management within this Framework includes ratios relevant to the credit rating. In this context, the perpetual subordinated bonds issued in 2015 are classified by Standard & Poor's as an instrument with 50% equity credit and a 50% debt component ('intermediate basket'), which is in contrast to IFRS, under which the perpetual subordinated bonds are regarded entirely as equity.

34. Events after the reporting date

There have been no significant events since the reporting date that require further disclosure.

Notes to the consolidated cash flow statement

The cash flow statement has been prepared using the indirect method. To reconcile the movement in cash and cash equivalents, the result after tax is adjusted for items in the income statement and movements in balance sheet that did not affect receipts and payments during the year.

The cash flow statement distinguishes between cash flows from operating, investing and financing activities. The cash flow from operating activities includes interest and income tax payments and interest and dividend receipts. Development costs, investments in and disposals of non-current assets (including financial interests) are included in cash flow from investing activities. Dividends paid out are recognised as outgoing cash flow from financing activities.

Movements in working capital

Working capital consists of inventories and current receivables less short-term non-interest-bearing debt. The table below shows movements in working capital recognised in the cash flow from operating activities:

	2015	2014
Movements in intangible current assets	–12	–2
Movements in inventories	–6	6
Movements in trade receivables	112	129
Movements in other receivables	62	–6
Movements in non-interest bearing debt	–244	14
Total	**–88**	**141**

Segment information

Segment information

Business segments are based on Eneco's internal organisation and management reporting structure. Since 1 January 2015, Eneco's business segments have been the two core businesses: Energy Company Eneco and Stedin. The Energy Company Eneco segment purchases, generates, trades and sells electricity, gas and district heating and constructs, maintains and manages district heating networks and offers consultancy services. The Stedin segment is the manager of the gas and electricity networks.

In the second half of 2015, it was decided to form a new Innovation segment for all activities related to investment in start-ups, innovative energy projects and strategic partnerships. The new Eneco Innovation & Ventures business unit is positioned separately within the Eneco Group and reports directly to the Board of Management ('chief operating decision maker'). As this business unit's revenues and results, and so also its cash flows, will be largely independent of other business units within the Energy Company Eneco, it is regarded as a separate Innovation segment. The energy consultancy activities of Ecofys are also regarded as an separate segment. This also applies to the activities of Joulz Energy Solutions, which is now part of a separate Infrastructure services segment. The new Innovation, Energy consultancy and Infrastructure services segments are non-reportable segments according to the criteria in IFRS 8 'Operating Segments'. Consequently, these three segments are included in the Other activities segment that, since it is not material, is included in the 'Other activities, non-allocated and eliminations' column in the tables below.

The result is two reporting segments, Energy Company Eneco and Stedin, and one non-reporting segment, Other activities. Where applicable, the comparative figures for 2014 have been restated to the new structure at the end of 2015.

The group accounting policies are also applied in the segment reports.

Transfer prices for internal products and services are on arm's length terms.

Revenues and profit by business segment

2015	Segment Energy Company Eneco	Segment Stedin	Other activities, non-allocated and eliminations	Total
Revenues from energy sales and transmission, energy related activities and other operating revenues	3,162	1,053	67	4,282
Inter-segment operating revenues	30	21	– 51	–
Purchases of energy and energy related and other operating expenses	– 2,852	– 564	– 37	– 3,453
Operating profit before depreciation, amortisation and impairment	**340**	**510**	**– 21**	**829**
Depreciation, amortisation and impairment	– 258	– 224	– 13	– 495
Operating profit	**82**	**286**	**– 34**	**334**
Share of profit of associates and joint ventures				9
Financial income and expenses				– 74
Profit before income tax				**269**

2014	Segment Energy Company Eneco	Segment Stedin	Other activities, non-allocated and eliminations	Total
Revenues from energy sales and transmission, energy related activities and other operating revenues	3,384	1,124	82	4,590
Inter-segment operating revenues	40	12	– 52	–
Purchases of energy and energy related and other operating expenses	– 3,241	– 603	– 38	– 3,882
Operating profit before depreciation, amortisation and impairment	**183**	**533**	**– 8**	**708**
Depreciation, amortisation and impairment	– 108	– 223	– 14	– 345
Operating profit	**75**	**310**	**– 22**	**363**
Share of profit of associates and joint ventures				14
Financial income and expenses				– 100
Profit before income tax				**277**

Balance sheet by business segment

At 31 December 2015	Segment Energy Company Eneco	Segment Stedin	Other activities, non-allocated and eliminations	Total
Assets				
Assets	4,679	5,101	60	9,840
Associates and joint ventures	60	–	1	61
Total assets	**4,739**	**5,101**	**61**	**9,901**
Liabilities				
Equity and non-current liabilities	3,506	4,703	56	8,265
Current liabilities	1,233	398	5	1,636
Total liabilities	**4,739**	**5,101**	**61**	**9,901**

At 31 December 2014	Segment Energy Company Eneco	Segment Stedin	Other activities, non-allocated and eliminations	Total
Assets				
Assets	4,786	5,150	95	10,031
Associates and joint ventures	57	–	–	57
Total assets	**4,843**	**5,150**	**95**	**10,088**
Liabilities				
Equity and non-current liabilities	3,400	4,775	– 65	8,110
Current liabilities	1,443	375	160	1,978
Total liabilities	**4,843**	**5,150**	**95**	**10,088**

Other data by business segment

2015	Segment Energy Company Eneco	Segment Stedin	Other activities, non-allocated and eliminations	Total
Investments in property, plant and equipment and intangible assets	347	365	3	715
Depreciation/amortisation of property, plant and equipment and intangible assets	258	235	2	495

2014	Segment Energy Company Eneco	Segment Stedin	Other activities, non-allocated and eliminations	Total
Investments in property, plant and equipment and intangible assets	396	444	2	842
Depreciation/amortisation of property, plant and equipment and intangible assets	107	229	9	345

Revenues by country

	2015	2014
Netherlands	4,046	4,348
Belgium	176	212
United Kingdom	43	17
Other	17	13
Total	**4,282**	**4,590**

Property, plant and equipment by country

	2015	2014
Netherlands	7,046	7,153
Belgium	376	372
United Kingdom	401	353
Other	40	44
Total	**7,863**	**7,922**

List of principal subsidiaries, joint operations, joint ventures and associates

Subsidiaries

Name	Seat	Share
AgroPower B.V. *	Delft	100%
BioEnergieCentrale Delfzijl B.V.	Rotterdam	100%
CityTec B.V. *	Rotterdam	100%
Ecofys Netherlands B.V.	Utrecht	100%
Eneco B.V. *	Rotterdam	100%
Eneco België B.V. *	Rotterdam	100%
Eneco Consumenten B.V. *	Rotterdam	100%
Eneco Energy Trade B.V. *	Rotterdam	100%
Eneco Gasspeicher B.V. *	Rotterdam	100%
Eneco Innovation & Ventures B.V.	Rotterdam	100%
Eneco Installatiebedrijven Groep B.V. *	Rotterdam	100%
Eneco Solar Assets France 1	Avignon (F)	100%
Eneco Solar Belgium N.V.	Gent (B)	100%
Eneco Solar, Bio & Hydro B.V. *	Rotterdam	100%
Eneco Warmte & Koude B.V. *	Rotterdam	100%
Eneco Warmteproductie Utrecht B.V.	Rotterdam	100%
Eneco Wind B.V. *	Rotterdam	100%
Eneco Wind Belgium S.A.	Waver (B)	100%
Eneco Wind UK Ltd.	London (UK)	100%
Eneco Windenergie Delfzijl Noord v.o.f.	Rotterdam	100%
Eneco Windmolens Offshore B.V.	Rotterdam	100%
Eneco Zakelijk B.V. *	Rotterdam	100%
Jedlix B.V.	Rotterdam	100%
Joulz Energy Solutions B.V.	Rotterdam	100%
Luminext B.V.	Amsterdam	100%
LZN Ltd.	London (UK)	100%
N.V. Eneco Beheer *	Rotterdam	100%
Oxxio Nederland B.V. *	Hilversum	100%
Quby Products B.V.	Amsterdam	100%
Stedin Meetbedrijf B.V. *	Rotterdam	100%
Stedin Netbeheer B.V. *	Rotterdam	100%
Stedin Operations B.V. *	Rotterdam	100%
Tullo Wind Farm Ltd.	London (UK)	100%
Windpark Afrikahaven B.V.	Maasbergen	100%
Windpark de Beemden B.V.	Rotterdam	100%
Windpark De Graaf B.V.	Oosterhout	100%
Windpark Houten B.V.	Rotterdam	100%
Windpark Logistiekweg B.V.	Utrecht	100%
Windpark Martens B.V.	Oosterhout	100%
Windpark Martina Cornelia B.V.	Rotterdam	100%
Windpark Oudenstaart B.V.	Rotterdam	100%
Windpark Romerswaal B.V.	Rotterdam	100%
Windpark Sabina-Henrica B.V.	Rotterdam	100%
Windpark van Luna B.V.	Utrecht	100%
Windpark van Pallandt B.V. *	Rotterdam	100%

** Eneco Holding N.V. has issued a declaration of joint and several liability for the subsidiaries marked with an *, pursuant to Section 403(1f), Part 9, Book 2 of the Dutch Civil Code.*

Joint operations

Name	Seat	Share
CDMA Utilities B.V.	Arnhem	50%
Enecogen v.o.f.	Rotterdam	50%
Navitus Bay Development Limited	London (UK)	50%
Norther S.A.	Brussels (B)	50%
Q10 Offshore Wind B.V.	Rotterdam	50%
Warmtetransportbedrijf Amstelland Zuid-Amsterdam (WAZA) B.V.	Amsterdam	50%
Windpark Sabina-Henricapolder v.o.f.	Rotterdam	50%
Zonnepark Ameland B.V.	Ameland	33.3%

Joint ventures

Name	Seat	Share
PVNED Holding B.V.	Middelburg	50%

Associates

Name	Seat	Share
Groene Energie Administratie B.V.	Rotterdam	30%
Peeeks B.V.	Delft	50%

A full list of companies has been filed with the trade registry in Rotterdam pursuant to Section 379 of Part 9, Book 2 of the Dutch Civil Code.

Company financial statements

Company income statement

x € 1 million	2015	2014
Share of profit of subsidiaries	264	271
Other results after income tax	–56	– 65
Profit after income tax	**208**	**206**
Profit distribution:		
Resultaatverdeling:		
Profit after income tax attributable to holders of Eneco Holding N.V. perpetual subordinated bonds	12	1
Profit after income tax attributable to shareholders of Eneco Holding N.V.	196	205
Profit after income tax	**208**	**206**

Company balance sheet
Before profit appropriation

x € 1 million	Note	At 31 December 2015	At 31 December 2014
Non-current assets			
Financial assets	2	8,622	8,255
Current assets			
Receivables from group companies [1]		42	80
Current income tax assets [1]		–	–
Other receivables		1	1
Cash and cash equivalents		156	521
Total current assets [1]		**199**	**602**
TOTAL ASSETS [1]		**8,821**	**8,857**
Equity			
Share capital		497	497
Share premium		381	381
Revaluation reserve		779	821
Translation reserve		45	23
Cash flow hedge reserve		19	– 35
Reserve for undistributed profit of associates		36	32
Reserve for research and development expenses		2	–
Retained earnings		2,890	2,759
Undistributed profit		196	205
Equity attributable to Eneco Holding N.V. shareholders		**4,845**	**4,683**
Perpetual subordinated bonds		501	501
Total equity	3	**5,346**	**5,184**
Non-current liabilities			
Deferred income tax liabilities		10	–
Interest-bearing debt	4	1,691	1,672
Other liabilities		72	106
Total non-current liabilities		**1,773**	**1,778**
Current liabilities			
Interest-bearing debt [1]	4	35	72
Liabilities to group companies [1]		1,565	1,759
Current tax liabilities [1]		82	41
Other liabilities		20	23
Total current liabilities [1]		**1,702**	**1,895**
TOTAL EQUITY AND LIABILITIES [1]		**8,821**	**8,857**

[1] 2014 figures restated for presentation purposes.

Notes to the company financial statements

All amounts in millions of euros unless stated otherwise.

1. Accounting policies

The company financial statements have been prepared in accordance with the provisions of Part 9, Book 2 of the Dutch Civil Code, and the same accounting policies have been applied as in the consolidated financial statements as permitted by Section 362(8), Part 9, Book 2 of the Dutch Civil Code, except that subsidiaries are carried at net asset value determined on the basis of the IFRS accounting policies used in the consolidated financial statements. The descriptions of the activities and structure of the enterprise as stated in the notes to the consolidated financial statements also apply to the company financial statements.

2. Financial assets

	Subsidiaries	Receivables from subsidiaries	Other receivables	Derivative financial instruments	Deferred income tax assets	Total
At 1 January 2014	**5,882**	**1,715**	**23**	**–**	**3**	**7,623**
Share of profit of subsidiaries	271	–	–	–	–	271
Movements in deferred tax assets	–	–	–	–	1	1
Movements in loans to subsidiaries	–	311	–	–	–	311
Movements in other loans	–	–	1	–	–	1
Movements in fair value of derivative financial instruments in equity	20	–	–	8	–	28
Translation differences	4	14	2	–	–	20
At 31 December 2014	**6,177**	**2,040**	**26**	**8**	**4**	**8,255**
Share of profit of subsidiaries	264	–	–	–	–	264
Movements in deferred tax assets	–	–	–	–	– 4	– 4
Movements in loans to subsidiaries	–	50	–	–	–	50
Movements in other loans	–	–	– 26	–	–	– 26
Movements in fair value of derivative financial instruments in equity	35	–	–	45	–	80
Sale of derivative financial instruments	–	–	–	– 13	–	– 13
Acquisition of non-controlling interests	– 8	–	–	–	–	– 8
Translation differences	6	15	3	–	–	24
At 31 December 2015	**6,474**	**2,105**	**3**	**40**	**–**	**8,622**

3. Equity

Details of changes in equity are set out in the consolidated statement of changes in equity in the consolidated financial statements. The individual components of equity are disclosed in Note 24 to the consolidated financial statements.

Legal reserves are recognised pursuant to Part 9, Book 2 of the Dutch Civil Code. Eneco Holding N.V.'s legal reserves are a revaluation reserve, translation reserve, cash flow hedge reserve, reserve for undistributed profit of associates and a reserve for research and development costs.

Distributable results

A dividend of € 20.62 per share was paid in 2015 (2014: € 24.24). In 2015, Eneco made € 102.5 million dividend available to its shareholders (2014: € 120 million). This was distributed in April 2015. The non-distributable capital attributable to Eneco Holding N.V. shareholders was € 1,032 million at 31 December 2015 (2014: € 1,031 million). The individual method was used for the cash flow hedge reserve.

4. Interest-bearing debt

Interest-bearing debt is mainly the private loans obtained from institutional investors as set out in Note 27 to the consolidated financial statements. The 2014 comparative figures have been restated for presentation purposes, making a transfer within the current liabilities from interest-bearing debt to liabilities to group companies.

5. Contingent assets and liabilities

Assumption of liability

Eneco Holding N.V. has issued a declaration of joint and several liability pursuant to Section 403(1)(f), Part 9, Book 2 of the Dutch Civil Code for the subsidiaries marked with an * in the List of principal subsidiaries, joint operations, joint ventures and associates and those similarly indicated in the full list filed with the Trade Registry in Rotterdam.

Eneco Holding N.V. and almost all its subsidiaries form a fiscal unity for corporate income tax purposes. All companies in this fiscal unity are jointly and severally liable for the tax obligations of the fiscal unity. Eneco Holding N.V. is also a member of a fiscal unity for VAT purposes, covering part of the Group. All companies in this fiscal unity are jointly and severally liable for the tax obligations of the fiscal unity.

Under its participation in the Group cash pool, Eneco Holding N.V., like the other participants, is jointly and severally liable for deficits in the cash pool as a whole.

Contingent assets and liabilities

Guarantees

See Note 30 ‘Contingent assets and liabilities’ to the consolidated financial statements for group guarantees issued by Eneco Holding N.V.

Other liabilities

Eneco Holding N.V. had other contingent liabilities at 31 December 2015 of € 15 million (2014: € 9 million). These sums are included in Notes 29 'Operating leases' and 30 ‘Contingent assets and liabilities’ to the consolidated financial statements.

6. Auditor’s fees

The fees below relate to audit and consultancy services by Eneco’s external auditor, Deloitte Accountants B.V., as defined in Section 1.1 of the Audit Firms Supervision Act (Wet toezicht accountantsorganisaties - Wta), and include those charged by entities associated with the auditor in the Deloitte network.

x € 1.000	2015	2014
Audit of the financial statements	945	912
Other audit engagements	973	851
Other non-audit services	331	155
Total	**2,249**	**1,918**

The fee for the audit of the Eneco Holding N.V. financial statements included audit work on the consolidated and company financial statements of this company.

Other audit engagements are the audit of the statutory financial statements of subsidiaries and related engagements. Other non-audit services are those permitted by Wta and include those charged by entities associated with the auditor in the Deloitte network (2015: € 331,000 and 2014: € 155,000).

Rotterdam, 19 February 2016

Eneco Holding N.V.

Board of Management

J.F. (Jeroen) de Haas, chairman
C.J. (Kees-Jan) Rameau
G.A.J. (Guido) Dubbeld
M.W.M. (Marc) van der Linden

Supervisory Board

E.H.M. (Edo) van den Assem, chairman
H.G. (Henk) Dijkgraaf
M.B.A. (Marco) Keim
M. (Marike) van Lier Lels
A. (Atzo) Nicolaï
M. (Mirjam) Sijmons
K.G. (Klaas) de Vries
R. (Rob) Zandbergen

Other information

1. Events after the reporting date

See Note 34 to the consolidated financial statements for events after the reporting date.

2. Profit appropriation

According to the company's articles of association the Board of Management may, with the approval of the Supervisory Board, increase the reserves by an amount equal to, at most, half of the profit available for distribution. The remaining portion is at the disposal of the General Shareholders' Meeting. The General Shareholders' Meeting can decide to distribute all or part of the remaining portion. Undistributed profit is added to the reserves.

Proposal for appropriation of profit for 2015

A proposal will be put to the General Shareholders' Meeting to pay a dividend of 50% of the profit after income tax attributable to the shareholders of Eneco Holding N.V. This would represent a total distribution of € 98 million for 2015 or € 19.72 per share. The dividend will become payable on the customary date: 21 April 2016.

3. Independent auditor's report and assurance report

To: The shareholders and the Supervisory Board of Eneco Holding N.V. and all other stakeholders

Report on the financial statements 2015 and assurance report on the Strategic Key Performance Indicators included in the annual report 2015

Our opinion

Regarding the financial statements

We have audited the financial statements 2015 of Eneco Holding N.V. (the "Company"), based in Rotterdam. The financial statements include the consolidated and the company financial statements.

In our opinion:

- the consolidated financial statements give a true and fair view of the financial position of the Company as at December 31, 2015 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("EU-IFRS") and with Part 9 Book 2 of the Dutch Civil Code; and
- the company financial statements give a true and fair view of the financial position of the Company at December 31, 2015 and of its result for the year then ended in accordance with Part 9 Book 2 of the Dutch Civil Code.

Regarding the Strategic Key Performance Indicators

In our opinion:

- the Strategic Key Performance Indicators on pages 4-5, with numbers 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13 and 14 (the "KPIs") in the Management Report 2015 are, in all material respects, a reliable and adequate reflection of the policies of the Company with respect to Corporate Social Responsibility and the business operations, the events, and the performances in that area during 2015; and
- the Management Report on pages 2-85 and 151-166 (the "Report") has, in all material respects, been prepared in accordance with the Sustainability Reporting guidelines Version 4, level "Core" of the Global Reporting Initiative (the "GRI").

What we have audited

Regarding the financial statements

The consolidated financial statements comprise:

- the consolidated balance sheet as at December 31, 2015;
- the following statements for the year ended December 31, 2015: the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated statements of changes in equity; and
- the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at December 31, 2015;
- the company income statement for the year ended December 31, 2015; and
- the notes comprising a summary of the significant accounting policies and other explanatory information.

Regarding the Strategic Key Performance Indicators

We have audited the KPIs in the Report and we have established that the G4 Guidelines of the GRI have been applied correctly to the Report. This report includes a description of the policies of the company with respect to Corporate Social Responsibility and the business operations, the events and the performances in that area during 2015.

As regards 2013 and 2014, we have not audited KPI number 10.

Basis for our opinion

General

We are independent of the Company as required under the Regulation on Auditor Independence in Assurance Engagements ("Verordening inzake de onafhankelijkheid van accountants" – ViO) and other relevant independence requirements in the Netherlands relevant to the engagement. Furthermore, we have complied with the Regulation Code of Conduct and Professional Practice Auditors ("Verordening gedrags- en beroepsregels accountants" – VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Regarding the financial statements

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements and the Report" section of our report.

Regarding the Strategic Key Performance Indicators

We conducted our audit in accordance with Dutch law, including the Dutch Standard 3810N, "Assurance engagements regarding reports on corporate social responsibility". Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements and the Report" section of our report.

Our audit approach

Regarding the financial statements

As part of our audit we have determined materiality and used it to assess the risks of material misstatements in the financial statements. We have specifically assessed risks of material misstatement related to account balances, classes of transactions and disclosures associated with a relatively high level of subjectivity, i.e., where significant estimates and judgement is used. We have likewise specifically focused on the risk of management override of controls and the risk of material misstatement due to fraud. In addition, our audit expressly took into account the continuity and reliability of the automated data processing.

Regarding the Strategic Key Performance Indicators

As part of our audit we have determined materiality per KPI and used it to assess the risks of material misstatement in the Report. During our audit we have specifically focused on the KPIs relating to One Planet Thinking (numbers 6 and 7) and we have ascertained whether the Report has, in all material respects, been prepared in accordance with the Sustainability Reporting Guidelines Version 4, level "Core", of the GRI.

Materiality

General

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Regarding the financial statements

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 33 million. This materiality is based on a weighing of several factors, the most significant of which are the following:

- 0.8% of the revenues from energy sales and transmission and energy related activities over the last 3 years; and
- 10% of the profit before tax over the last 3 years.

We also take into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 1.6 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Materiality overview

Materiality for the financial statements as a whole	EUR 33 million
Basis for the materiality	0.8% of revenues 10% of profit before tax
Threshold for reporting uncorrected misstatements	EUR 1,6 million

Regarding the Strategic Key Performance Indicators

We have determined the materiality per KPI. This materiality per KPI is based on 5% of the value realized in 2015.

We also take into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

Scope of the group audit

The Company is the head of a group of entities (the "Group"). The financial information of the Group is included in the consolidated financial statements of the Company.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities (i.e., business unites). Decisive were the size and/or the risk profile of the business units. On this basis, we selected business units for which an audit or review had to be carried out on the complete set of financial information or on specific items.

Our audit has particularly focused on significant business units. We have:

- performed a full audit of Stedin's financial information; and
- at other business units we have performed an audit of specific account balances, classes of transactions or disclosures, or we have performed specific audit procedures or review procedures. For Eneco Belgium we used the work of other auditors within the Deloitte network.

Audit coverage

Audit coverage consolidated revenue	84%
Audit coverage aggregate assets	85%

By performing the procedures mentioned above at business units, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the Group's financial information to provide an opinion about the financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Estimation uncertainty related to the energy reconciliation

Description of the key audit matter	How we have audited this key matter
The energy reconciliation for electricity and gas is where purchases and sales are reconciled. The following processes play a key part in preparing the energy reconciliation: allocation, reconciliation, gross margin modelling, reconciliation records, and grid loss estimation. The energy reconciliation thus forms the basis for (the completeness of) the revenues from energy sales. The estimation of revenues within the energy reconciliation was one of our key audit matters, because to some extent the estimation process is complex and subjective and it is based on assumptions, among which the customers' consumption of electricity and gas. In this respect we also refer to Note 3 "Revenues from energy sales and transmission and energy-related activities", where the estimation of revenues is explained in more detail.	We have tested the design and the implementation of the internal control measures of the Company in respect of the process for preparing the energy reconciliation. In addition, we have verified the arithmetic integrity of the energy reconciliation model, we have verified the reliability of the information on which the estimation of revenues has been based and we have assessed the reasonableness, relevance and consistency of the assumptions applied. In this respect we have specifically focused on the standard annual consumption and the estimation of the influence of weather conditions on this consumption. In addition, we have performed audit procedures on the revenues still to be invoiced after year-end, including subsequent review testing in 2016.

Impairment of (in)tangible fixed assets

Description of the key audit matter	How we have audited this key matter
The (in)tangible fixed assets constitute a significant part of the balance sheet of the Company. Regulatory developments and circumstances on the energy markets may lead to impairment of (in)tangible fixed assets. Both (1) the examination of possible impairment triggers relating to the cash flow generating units of the assets, and (2) testing for an impairment - which the Company is obliged to perform under EU IFRS in respect of cash flow generating units to which goodwill has been allocated - are significant to our audit given the volatility of electricity and gas prices and because to some extent the estimation process is complex and subjective and it is based on assumptions, among which the discount rate. The regulated assets form the main part of (in)tangible fixed assets (61%). The regulated networks are valued in accordance with the EU-IFRS revaluation model, in which a periodical reconciliation is made with the standardized assets value ("SAV"). Within the regulation, a grid operator is given the opportunity to recover the SAV through a (regulated) yield. Hence, the risk of impairment for this category of assets is limited. The non-regulated assets mainly comprise sustainable production assets (37%). Since these assets do not generate a cash inflow that is largely independent of other assets, these assets are reviewed for possible impairments together. Capitalization of expenditures on significant projects under construction (2%) takes place in accordance with Eneco's "decision gate" model, in which the decisive factor is the extent in which the expenditures meet the EU-IFRS capitalization criteria.	We have assessed management's examination of impairment triggers relating to the cash flow generating units of the assets. We have performed an impairment test on the goodwill, which is allocated to the group of cash flow generating units (CGUs) that forms the segment 'Energy Company Eneco', using our own valuation experts. We have evaluated the design and tested the implementation of internal control measures focused on the realization of the management's impairment test. We have verified the reliability of the information on which the expectations have been based and assessed the reasonableness, relevance and consistency of the assumptions applied. In this respect we have specifically focused on the weighted average cost of capital (WACC) applied and the forecast of the cash flows in the value-in-use model. Furthermore, we have examined the disclosures regarding the assumptions used in and the outcome of the impairment tests as included in Note 14 "Intangible assets" of the financial statements, which specifically states that the recoverable amount (value in use) of this group of CGUs exceeds the carrying amount.

Reliability and continuity of the automated data processing

Description of the key audit matter	How we have audited this key matter
The Company heavily depends on the IT infrastructure for the continuity of its business operations and for the reliability of its financial reporting. The accounting processes on which the financial reporting is based are fed and supported by a large number of systems, applications and interfaces (the “IT infrastructure”), which to some extent are mutually dependent on each other. The design, implementation and operating effectiveness of the IT controls through which these systems and applications are managed are critical for the reliability and continuity of Eneco’s accounting processes and, thus, for the realization of the financial statements. An example of this regards the IT infrastructure supporting the customer processes: this infrastructure processes large volumes of transactions. Impairment of the integrity of customer data or downtime of the systems, applications and interfaces used in respect of customer relatead processes, may lead to the fact that the invoicing of revenues is not being performed accurately, completely and timely. Another critical component regards the IT infrastructure supporting the Company’s trade activities. This is due to the large volume and complexity of the transactions and the significance of these transactions for the financial results of the Company. This is why change management and data protection were among the major focus areas when performing our procedures.	We have tested the reliability and continuity of the automated data processing, solely to the extent necessary within the scope of the financial statements audit. To this end we have included specialized IT auditors in our audit team. Our procedures comprised the assessment of the IT infrastructure developments and testing the internal control measures regarding IT systems and processes relevant to our financial statements audit. Our management letter to the Board of Management includes various relevant deficiencies that we have identified and recommendations for further improvements. Following additional, substantive procedures we have established that the deficiencies identified have not resulted in material misstatements in the financial statements. We refer to the paragraph “Risk clusters” on pages 159-160.

Responsibilities of the Board of Management and the Supervisory Board for the financial statements and the Report

The Board of Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Annual Report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, The Board of Management is responsible for such internal control as The Board of Management determines is necessary to enable the preparation of the Report and the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Board of Management is responsible for assessing the company’s ability to continue as a going concern. Based on the financial reporting framework mentioned, the Board of Management should prepare the financial statements using the going concern basis of accounting unless the Board of Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Board of Management should disclose events and circumstances that may cast significant doubt on the Company’s ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company’s financial reporting process.

The Board of Management of the Company is also responsible for preparing the Report in accordance with the Sustainability Reporting Guidelines Version 4, level “Core”, of Global Reporting Initiative, including the identification of stakeholders and the determination of material topics. The choices regarding the scope of the Report and the reporting policy, made by the Board of Management, are explained in the chapter “Reporting policy”.

Our responsibilities for the audit of the financial statements and the Report

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

For an overview of our responsibilities we refer to the appendix of this audit report as included on pages 149-150.

Report on other legal and regulatory requirements

Report on the annual report and the other information

Pursuant to legal requirements of Part 9 Book 2 of the Dutch Civil Code (concerning our obligation to report on the Annual Report and the other information) we report:

- that we have no deficiencies to report as a result of our examination as to whether the annual report, to the extent we can assess, has been prepared in accordance with Part 9 Book 2 of the Dutch Civil Code, and whether the other information as required under Part 9 Book 2 of the Dutch Civil Code has been annexed; and
- that the annual report, to the extent we can assess, is consistent with the financial statements.

Engagement

We were engaged by the general meeting of shareholders as auditor of the Company for the financial year 1997 and have operated as statutory auditor since that year.

Rotterdam, February 19, 2016

Deloitte Accountants B.V.

Signed on the original:

J.A. de Bruin

Appendix: An overview of our responsibilities

Appendix: An overview of our responsibilities

Regarding the financial statements

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by The Board of Management.
- Concluding on the appropriateness of The Board of Management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal controls that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Regarding the Strategic Key Performance Indicators

We have performed our audit on the Report in accordance with Dutch law, including Dutch Standard 3810N, "Assurance engagements regarding reports on corporate social responsibility". This requires us to comply with the applicable ethical regulations and to plan and perform our audit such that reasonable assurance is obtained that the Report does not contain material misstatements.

The procedures selected depend on the auditor's judgment, including an assessment of the risks that the Report contains a material misstatement due to fraud or errors. When assessing these risks the auditor takes into account the internal controls relevant for preparing the Report, aimed at designing audit procedures appropriate under the circumstances. These risk assessments do not, however, aim to provide an opinion on the operating effectiveness of the internal control of the entity. An assurance engagement to issue reasonable assurance likewise includes an evaluation of the appropriateness of the principles applied for the Report and of the reasonableness of the estimations made by the Management Board of the entity, as well as an evaluation of the overall presentation of the Report.

Our main procedures comprised:

- performing an environmental analysis and obtaining an understanding of the relevant social topics and issues, relevant legislation and regulations and the characteristics of the organization;
- evaluating the acceptability of the reporting policy and its consistent application, which includes an evaluation of the reasonableness of estimations made by the The Board of Management;
- evaluating the application level according to the Sustainability Reporting Guidelines Version 4 of GRI;
- evaluating the design and implementation and testing the operating effectiveness of the systems and processes for data collection and processing for the information in the Report;
- conducting interviews with management responsible for the sustainability strategy and policy;
- conducting interviews with relevant employees responsible for providing information for the Report, for performing internal audits in this respect and for consolidating the data in the Report;
- verifying relevant data and internal and external documentation, based on sample tests, to establish the reliability of the information in the Report; and
- performing an analytical evaluation of data and trends with respect to the KPIs.