

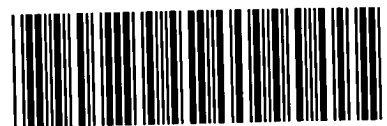
EDF ENERGY PLC

REGISTERED NUMBER: 2366852

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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EDF ENERGY PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2017

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Directors Robert Guyler
Simone Rossi

Company secretary Joe Souto

Auditor Deloitte LLP
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London
United Kingdom
EC4A 3BZ

Registered office 90 Whitfield St
London
England
W1T 4EZ

EDF ENERGY PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2017

STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 December 2017.

Principal activities

The Company's principal activities during the year continued to be procurement of energy and commodities on behalf of other companies within the EDF Energy plc group and the provision of head office services. It will continue these activities for the foreseeable future.

Review of the business

The loss for the year before taxation amounted to £1,037.4m (2016: £59.8m loss) and the loss after taxation amounted to £1,013.3m (2016: £28.1m loss).

EDF Energy plc is a wholly-owned subsidiary of EDF Energy Holdings Limited (the "Group") which manages its operations on a group basis. For this reason, the Company's Directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Group, which includes the Company, and future likely developments of the business are discussed in the Group's Annual Report which does not form part of this report.

Principal risks and uncertainties

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

Margin risk

The Company purchases gas and electricity on behalf of other companies within the Group and recharges the costs to EDF Energy Customers Limited. The Company makes a fixed margin per month relating to its energy trading activities, but margin risk arises as the margin percentage will fluctuate in line with price changes. Risk management is monitored for the whole of EDF Energy, through sensitivity analysis and stop loss per commodity and across commodities, within the Group risks mandate.

Interest rate risk

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

Foreign currency risk

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

Credit risk

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

STRATEGIC REPORT (CONTINUED)

Principal risks and uncertainties (continued)

Health and safety risk

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

Cyber risk

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

Retirement benefit obligations risk

The Company has two defined benefit pension schemes. Low interest rates and changes in demographic factors have led scheme liabilities to grow at a faster rate than assets, resulting in actuarial deficits that have led to increased pension expense and cash contributions. The Company and the pension scheme trustees keep investment risk under review, concentrating on prudent asset allocation and liability hedging. A pension benefit reform has been implemented effective from 1 January 2016 to reduce the actuarial deficit and the required cash costs. See note 27 for more details of pension risks.

Taxation risk

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

Going concern

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

Approved by the Board on 22 June 2018 and signed on its behalf by:



.....
Robert Guyler
Director

EDF ENERGY PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2017

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 2017.

Directors

The Directors who held office during the year and to the date of this report were as follows:

Robert Guyler

Vincent de Rivaz (resigned 31 October 2017)

Simone Rossi (appointed 1 November 2017)

Simone Rossi and Robert Guyler are employed and have service contracts with the Company.

There are no contracts during or at the end of the financial year in which a Director of the Company has a material interest. Neither of the Directors who held office at the end of the financial year had any interests in the shares of the Company or any Group company that are required to be disclosed in accordance with the Companies Act 2006.

Future developments

The future developments of the Company are outlined in the Principal Activity section of the Strategic Report.

Dividends

The Directors do not recommend payment of a dividend (2016: £nil).

Political donations

The company made no political donations in either the current or prior year.

Equal opportunities

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

Employee involvement

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting their employment and on the various factors affecting the performance of the Company and group. This is carried out in a number of ways, including formal and informal briefings, departmental meetings and regular reports in staff newsletters and on the group intranet.

Directors' liabilities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors during the year and these remain in force at the date of this report.

Disclosure of information to the auditor

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

This confirmation is given and should be interpreted in accordance with the provision of s.418 of the Companies Act 2006.

EDF ENERGY PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2017

DIRECTORS' REPORT (CONTINUED)

Post balance sheet events

On 31 December 2017 the Cottam lease terminated with the transfer of the remaining assets to EDF Energy (Thermal Generation) Limited (formerly EDF Energy (West Burton Power) Limited) occurring on 1 January 2018. This lease termination resulted in the write-off of outstanding balances owed by EDF Energy (Cottam Power) Limited to EDF Energy plc. The value of the write-off amounted to a material amount of £216m, which has been subsequently adjusted in the 2017 financial statements of EDF Energy plc.

On 9 April 2018 EDF Energy Group Holdings Limited (formerly EDF Energy Group Holdings plc) transferred its entire shareholding of 2,565,615,899 ordinary shares in EDF Energy Plc to EDF Energy Holdings Limited. There is no financial statement impact to the accounts.

In the first half of 2018, a restructuring plan for the corporate and steering functions was drawn up and announced to impacted employees. The restructuring plan is expected to be completed in 2019. The estimated financial statement impact is a £20m increase in the restructuring provision.

Reappointment of auditor

Deloitte LLP have indicated their willingness to continue in office as auditor to the Company. A resolution to reappoint Deloitte LLP as auditor will be tabled at the forthcoming Annual General Meeting.

Approved by the Board on 22 June 2018 and signed on its behalf by:



.....
Robert Guyler
Director

EDF ENERGY PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
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DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of EDF Energy plc (the 'company') which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 30.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matter	The key audit matter that we identified in the current year was the valuation of investments in subsidiary undertakings.
Materiality	The materiality used in the current year was £50.2m which was determined on the basis of 2.7% of net assets.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

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 of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

This matter was 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 this matter.

Valuation of investments in subsidiary undertakings

Key audit matter description



The company has investments in subsidiary undertakings of £1,078m as at 31 December 2017, valued at cost less provision for impairment. There has been a significant increase in investments in subsidiary undertakings in the current year of £1,063m as a result of the direct acquisition of EDF Energy Customers Limited as well as a further issue of shares by the investee.

As a result, there is a risk in relation to the valuation of this investment and whether any impairment is required as a result of the net asset value of EDF Energy Customers Limited being less than the carrying value of the investment held by EDF Energy plc.

Management have undertaken an impairment exercise in order to ascertain whether any indication of impairment exists. The impairment review conducted involved a number of assumptions relating to the Customers Business Unit such as discount rates, inflation rates and forward power prices as well as other external market conditions that which constitute an impairment trigger. Nothing has been identified by management that would warrant an impairment being recognised.

Further details are included within the critical accounting estimates and judgements in note 3 and note 15 to the financial statements.

How the scope of our audit responded to the key audit matter



Our procedures to address the abovementioned matter included the following:

- testing the mathematical accuracy of the long-term model used in the impairment valuation and through this, verifying the methodology used in computing the net present value;
- reconciliation of the EBITDA figures to the approved Medium Term Plan ("MTP") to assess whether the medium term forecasted amounts are consistent with what has been approved by management and those charged with governance;
- assessing the significant assumptions supporting the model in light of current economic circumstances; and
- performing sensitivity analyses to ascertain whether a reasonable change in any of the significant underlying assumptions would result in a potential impairment.

Key observations



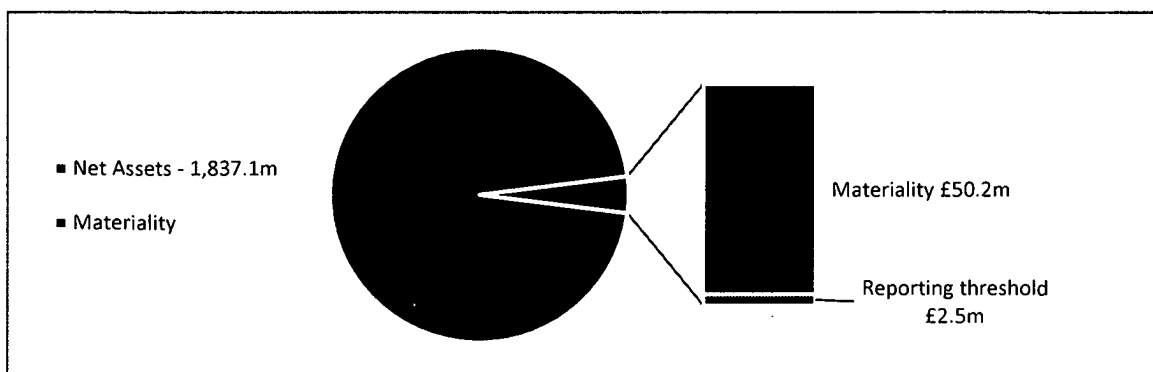
We concluded that the assumptions used in the impairment model were reasonable and therefore the valuation of investments in subsidiary undertakings is appropriate.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£50,200,000
Basis for determining materiality	2.7% of net assets When determining materiality, as the company is part of the EDF Energy Holdings Group, we also considered that this materiality is appropriate for the consolidation of this set of financial statements to the group's results.
Rationale for the benchmark applied	We determined materiality based on net assets due to the nature and purpose of the entity. Given that EDF Energy plc is an intermediate holding company within the greater group with significant investments in the Coal, Gas and Renewables ("CGR") and Customers Business Units, net assets is considered to be the relevant benchmark and indicator to stakeholders of the entity.



We agreed with the Directors that we would report all audit differences in excess of £2.5m, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

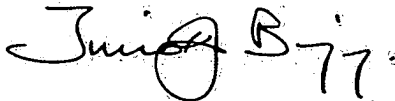
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.



Timothy Biggs FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

22 June, 2018

EDF ENERGY PLC
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INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £ m	2016 £ m
Revenue	4	5,393.3	6,191.9
Fuel, energy and related purchases	6	<u>(5,362.7)</u>	<u>(6,078.5)</u>
Gross margin		30.6	113.4
Materials and contracting costs		(20.6)	(17.8)
Personnel expenses	8	(78.4)	(79.0)
Other operating expenses		(181.2)	(207.5)
Other operating income		<u>193.5</u>	<u>210.5</u>
Operating (loss)/profit		(56.1)	19.6
Gain/(loss) on derivative commodity contracts	5	16.9	(53.0)
Loss on disposal of property, plant and equipment	5	(1.9)	(0.4)
Depreciation and amortisation	5	<u>(31.4)</u>	<u>(28.5)</u>
Loss before taxation and finance costs		(72.5)	(62.3)
Investment income	9	26.2	36.2
Finance costs	10	(986.9)	(42.5)
Other gains and losses		<u>(4.2)</u>	<u>8.8</u>
Loss on ordinary activities before taxation		(1,037.4)	(59.8)
Taxation credit	11	<u>24.1</u>	<u>31.7</u>
Loss for the year		<u>(1,013.3)</u>	<u>(28.1)</u>

The above results were derived from continuing operations in both the current and preceding year.

EDF ENERGY PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 £ m	2016 £ m
Loss for the year	(1,013.3)	(28.1)
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of post-employment benefit	37.7	(24.3)
Income tax effect	(6.8)	4.0
Capital contribution	19.0	-
Items that may be reclassified subsequently to profit or loss		
Gain/(loss) on cash flow hedges (net) (note 26)	<u>103.1</u>	<u>(425.5)</u>
Total comprehensive (loss) attributable to the owners of the Company for the year	<u>(860.3)</u>	<u>(473.9)</u>

The above results were derived from continuing operations in the current and preceding year.

The income tax effect on defined benefit pensions includes a deferred tax charge of £8.1m (2016: credit of £1.9m) and a current tax credit of £1.3m (2016: credit of £2.1m).

The net gain on cash flow hedges includes a deferred tax credit of £22.2m (2016: credit of £91.7m).

EDF ENERGY PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2017

BALANCE SHEET
AT 31 DECEMBER 2017

	Note	2017 £ m	Restated 2016 £ m
Non-current assets			
Intangible assets	12	196.2	226.8
Property, plant and equipment	13	98.0	100.1
Financial assets	14	386.8	829.0
Investments in subsidiary undertakings	15	1,078.1	14.4
Post-employment benefit asset	27	34.3	12.2
Derivative financial instruments	23	48.3	47.1
Deferred tax assets	22	42.0	65.2
		<u>1,883.7</u>	<u>1,294.8</u>
Current assets			
Inventories	16	0.2	260.3
Trade and other receivables	17	1,220.5	2,737.5
Cash and cash equivalents	18	1,879.3	1,562.2
Derivative financial instruments	23	72.3	104.9
		<u>3,172.3</u>	<u>4,664.9</u>
Total assets		5,056.0	5,959.7
Current liabilities			
Other liabilities	19	(1,261.8)	(1,321.5)
Derivative financial instruments	23	(243.0)	(327.8)
Short-term provisions	21	(593.5)	(508.2)
Current tax liability		<u>(256.6)</u>	<u>(126.6)</u>
		<u>(2,354.9)</u>	<u>(2,284.1)</u>
Non-current liabilities			
Borrowings	20	(709.8)	(685.0)
Derivative financial instruments	23	(117.4)	(241.6)
Post-employment benefits provision	27	<u>(36.8)</u>	<u>(51.6)</u>
		<u>(864.0)</u>	<u>(978.2)</u>
Total liabilities		<u>(3,218.9)</u>	<u>(3,262.3)</u>
Net assets		<u>1,837.1</u>	<u>2,697.4</u>

EDF ENERGY PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2017

BALANCE SHEET
AT 31 DECEMBER 2017 (CONTINUED)

	Note	2017 £ m	Restated 2016 £ m
Capital and reserves			
Called up share capital	24	1,496.6	1,496.6
Share premium reserve		13.9	13.9
Capital and redemption reserves		12.9	12.9
Hedging reserve	26	(183.1)	(286.2)
Retained earnings		496.8	1,460.2
Shareholders' funds		<u>1,837.1</u>	<u>2,697.4</u>

The financial statements of EDF Energy plc (registered number 2366852) on pages 11 to 53 were approved and authorised by the Board on 22 June 2018 and signed on its behalf by:



.....
 Robert Guyler
 Director

EDF ENERGY PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2017

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital £ m	Share premium £ m	Capital reserve £ m	Re- demption reserve £ m	Cash flow hedging reserve £ m	Retained earnings £ m	Total £ m
At 1 January 2016	1,296.6	13.9	1.9	11.0	139.3	1,508.6	2,971.3
Loss for the year	-	-	-	-	-	(28.1)	(28.1)
Other comprehensive income	-	-	-	-	(425.5)	(20.3)	(445.8)
New share capital subscribed	<u>200.0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200.0</u>
At 31 December 2016	<u>1,496.6</u>	<u>13.9</u>	<u>1.9</u>	<u>11.0</u>	<u>(286.2)</u>	<u>1,460.2</u>	<u>2,697.4</u>
Loss for the year	-	-	-	-	-	(1,013.3)	(1,013.3)
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>103.1</u>	<u>49.9</u>	<u>153.0</u>
At 31 December 2017	<u><u>1,496.6</u></u>	<u><u>13.9</u></u>	<u><u>1.9</u></u>	<u><u>11.0</u></u>	<u><u>(183.1)</u></u>	<u><u>496.8</u></u>	<u><u>1,837.1</u></u>

NOTES TO THE FINANCIAL STATEMENTS

1 General information

EDF Energy plc is a public company limited by shares. It is incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on the contents page.

Basis of preparation

The Company meets the definition of a qualifying entity under Financial Reporting Standard 101 (FRS 101) "Reduced Disclosure Framework". These financial statements were prepared in accordance with FRS 101 Reduced Disclosure Framework.

Adoption of new and revised International Financial Reporting Standards

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet mandatory and therefore not adopted; IFRS 15 Revenue from Contracts with Customers, IFRS 9 Financial Instruments and IFRS 16 Leases.

On 22 September 2016, the European Union (EU) adopted IFRS 15 "Revenue from Contracts with Customers", which will be mandatory for financial years beginning on or after 1 January 2018. The full retrospective approach will be applied for IFRS 15 and the impact of adopting this standard is not deemed to have a material impact in the Company's accounts.

The Company intends to apply the new rules introduced by IFRS 9 "Financial Instruments" from 1 January 2018. Application of this new standard is not expected to have any significant impacts on the financial statements at the transition date. Implementation of these provisions is currently ongoing in the Company.

IFRS 16 "Leases" was adopted by the European Union on 31 October 2017 and will be mandatory for financial years beginning on or after 1 January 2019. The Company has no plans for early application of this standard. Data collection and analysis works are being carried out and the Company is continuing its calculations regarding the impact of the first application of IFRS 16.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the asset. The financial statements are presented in pounds sterling as that is the currency for the primary economic environment in which the company operates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Summary of disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a) The requirements of IFRS 7 Financial Instruments: Disclosures;
- b) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- c) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1;
- d) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- e) the requirements of IAS 7 Statement of Cash Flows;
- f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- h) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- i) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Where relevant equivalent disclosure have been given in the group accounts which are available to the public as set out in note 30.

Going concern

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

Exemption from preparing group accounts

The financial statements contain information about EDF Energy plc as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of EDF Energy Holdings Limited, a company incorporated in United Kingdom.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Company's activities. Revenue is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

The Company recognises revenue when;

- the amount of revenue can be reliably measured;
- it is probable that future economic benefits will flow to the entity; and
- and specific criteria have been met for each of the company activities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Finance income and costs policy

Finance costs of debt are recognised in the income statement over the term of such instruments, at a constant rate on the carrying amount.

Foreign currency transactions and balances

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

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

EU Emissions trading scheme and Renewable Obligations Certificates

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

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

Taxation

Current tax

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Deferred tax

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

Deferred tax arising from (1) the initial recognition of goodwill, (2) the initial recognition of assets or liabilities in a transaction (other than in a business combination) that affects neither the taxable profit nor the accounting profit, or (3) differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future, is not provided for.

Deferred tax assets are recognised to the extent it is more likely than not that future taxable profits will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply for the period when the asset is realised or the liability is settled based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

Current tax and deferred tax for the year

Current tax and deferred tax are recognised in the income statement, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment is stated at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is calculated on a straight-line basis, less any residual value, over the estimated useful life of the asset and charged to the income statement as follows:

Asset class	Depreciation method and rate
Information technology	Three to ten years
Tools and equipment	Five years
Meters	Twenty years
Fixtures and equipment	Four to five years
Motor vehicles	Five years

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Impairment of non-financial assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of the fair value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

Intangible assets

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

Investments

Fixed asset investments are shown at cost less any provision for impairment. Current assets investments are stated at the lower of cost and net realisable value.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs

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

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

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

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Leases

Rentals payable under operating leases are charged in the income statement on a straight-line basis over the lease term, even if payments are not made on such a basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Defined benefit pension obligation

The Group operates three defined benefit pension schemes. The cost of providing benefits is determined using the Projected Unit Credit method with actuarial valuations being carried out at each balance sheet date. Remeasurements comprising actuarial gains and losses and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs include current service, past service cost and gains or losses on curtailments and settlements which are included in personnel expenses. It also includes net interest expense which is included in finance cost.

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

Investment in associates

An associate is an entity over which the Company is in a position to exercise significant influence, but not control or jointly control, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are carried in the balance sheet at cost plus post-acquisition changes in the Company's share of net assets of the associate less any impairment in the value of the individual investments. Losses of the associates in excess of the Company's interest in those associates are not recognised, only to the extent that the Company has not incurred legal or constructive obligations, or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Company's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. Any deficiency of the cost of acquisition below the Company's share of the fair value of the net identifiable assets of the associate at the date of acquisition (i.e. discount on acquisition) is credited in the income statement in the period of acquisition.

Interest in joint operations

The Company's interests in joint operations are accounted for by recognising a proportionate share of the joint operation's assets, liabilities, income and expense with similar items in the financial statements on a line-by-line basis.

Where the Company transacts with its jointly-controlled entities, unrealised profit and losses are eliminated to the extent of the Company's interest in the joint operation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Derivative financial instruments

The Company enters into financial instruments to manage its exposure to fluctuations in foreign exchange rates, interest rates and commodity prices (including gas, coals, carbon and electricity), including FX forwards, interest rate swaps and forward sales and purchases of energy or commodities. Further details of derivative financial instruments are disclosed in note 23.

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

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

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

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

The use of derivatives and other financial instruments is governed by the Company's policies and approved by appropriate management. The Company does not use derivatives and other financial instruments for speculative purposes.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Hedge accounting

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

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

The Company classifies hedges in the following categories:

Cash flow hedges

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Financial instruments

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

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

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

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, described in note 2, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Goodwill and asset impairment

The Company performs impairment testing of other assets where there is an indication of potential impairment. The impairment review involves a number of assumptions including discount rates, output values, asset lives and forward power prices.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Pension deficit

The pension deficit is calculated by independent qualified actuaries, based on actual payroll data and certain actuarial assumptions. These actuarial assumptions are made to model potential future costs and benefits and include: life expectancy, rates of returns on plan assets, inflation, discount rate and expected retirement age. These assumptions are reviewed on an annual basis and may change based on current market data. Further information is available about pensions in note 27.

Fair value measurement

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

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

Key sources of estimation uncertainty

There are no estimation uncertainties that the Directors have identified in the process of applying the accounting policies of the Company, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4 Revenue

The analysis of the Company's revenue for the year from continuing operations is as follows:

	2017	2016
	£ m	£ m
Sales of goods and services	5,393.3	6,191.9
Investment revenue (note 9)	15.7	20.0
	<u>5,409.0</u>	<u>6,211.9</u>

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5 Operating (loss)/profit

(Loss)/profit for the year has been arrived at after (crediting)/charging the following gains and losses:

	2017	2016
	£ m	£ m
Depreciation expense (note 13)	18.1	18.7
Amortisation expense (note 12)	13.3	9.8
Foreign exchange losses/(gains)	9.0	(16.2)
Operating lease expense - property	9.8	12.6
Loss on disposal of property, plant and equipment	1.9	0.4
(Gain)/loss on derivative commodity contracts	(16.9)	53.0
(Gain)/loss on derivative foreign exchange contracts	<u>(10.5)</u>	<u>14.5</u>

In 2017 an amount of £51,250 (2016: £50,000) was paid to Deloitte LLP for audit services. In 2017, amounts payable to Deloitte LLP by the Company in respect of other assurance services were £0.1m (2016: £0.3m).

6 Fuel, energy and related purchases

	2017	2016
	£ m	£ m
Purchase of energy	3,948.0	4,738.0
Distribution and transmission	655.1	667.2
Carbon certificates	-	21.1
Renewable obligation certificates	<u>759.6</u>	<u>652.2</u>
	<u>5,362.7</u>	<u>6,078.5</u>

7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2017	2016
	£ m	£ m
Aggregate remuneration	1.6	1.2
Amounts receivable under long-term incentive schemes	0.5	0.2
Expatriate related benefits	<u>0.3</u>	<u>0.3</u>
Total remuneration	<u>2.4</u>	<u>1.7</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 Directors' remuneration (continued)

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2017	2016
	No.	No.
Accruing benefits under defined benefit pension scheme	<u>2</u>	<u>1</u>

In respect of the highest paid director:

	2017	2016
	£ m	£ m
Aggregate remuneration	1.0	0.7
Amounts receivable under long term incentive schemes	<u>0.4</u>	<u>0.2</u>
Total remuneration excluding expatriate related benefits	<u>1.4</u>	<u>0.9</u>
Expatriate related benefits	<u>0.3</u>	<u>0.3</u>
Total remuneration	<u>1.7</u>	<u>1.2</u>

The Directors of the Company are paid by the Company for services provided to all companies within the Group and have been set out above.

No Director (2016: none) held any interest in shares or debentures of the Company or the Group that are required to be disclosed under the Companies Act 2006.

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

The remuneration of all Directors disclosed above is also included in the financial statements of EDF Energy Holdings Limited.

8 Personnel expenses

The aggregate payroll costs (including directors' remuneration) were as follows:

	2017	2016
	£ m	£ m
Wages and salaries	54.9	57.0
Social security costs	4.9	6.6
Pension costs	18.2	14.8
Severance	<u>0.4</u>	<u>0.6</u>
	<u>78.4</u>	<u>79.0</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 Personnel expenses (continued)

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2017	2016
	No.	No.
Corporate and Steering Functions	838	856
Customers	79	97
Generation	75	83
Nuclear	4	4
	<u>996</u>	<u>1,040</u>

9 Investment income

	2017	2016
	£ m	£ m
Interest on bank deposits	0.4	0.4
Interest receivable from other Group companies	14.8	19.6
Other finance income	<u>0.5</u>	<u>-</u>
Total investment revenue	15.7	20.0
Foreign exchange gains	-	16.2
Fair value gains of foreign currency derivatives	<u>10.5</u>	<u>-</u>
Total investment income	<u>26.2</u>	<u>36.2</u>

10 Finance costs

	2017	2016
	£ m	£ m
Interest on bonds	24.9	24.9
Interest on bank overdrafts and borrowings	2.2	1.5
Interest payable on loans from other Group companies	0.8	0.7
Fair value losses of foreign currency derivatives	-	14.5
Pension scheme interest	1.5	1.7
Foreign exchange loss	9.0	-
Provision against recoverability of intercompany amounts due	336.4	-
Waiver of Intercompany loans	<u>612.1</u>	<u>-</u>
Total finance cost	986.9	43.3
Less: amounts included in the cost of qualifying assets	<u>-</u>	<u>(0.8)</u>
Total borrowing costs	<u>986.9</u>	<u>42.5</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Finance costs (continued)

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 3.643% (2016: 3.643%) per annum. This is a fixed rate and is checked periodically.

The £336m provision against recoverability of intercompany amounts, of which £120m relate to an intercompany loan, has arisen as a result of the Cottam lease termination on 31 Dec 2017. This lease termination resulted in the balances owed by EDF Energy (Cottam Power) Limited to EDF Energy plc being provided for. Refer to note 29 for further information.

In 2017, EDF Energy Plc waived the following intercompany loans owed; £500m EDF Energy (Dormant Holdings) Limited, £60m EDF Energy (Metro Holdings) Limited, £29m 51 Limited, £16m EDF Energy (Projects) Limited and £7m Deletopicnic Limited.

11 Tax

(a) Tax (credited) / charged in the income statement

	2017 £ m	2016 £ m
Current taxation		
UK corporation tax (credit) on loss made in the year	(11.3)	(26.9)
Adjustments in respect of previous years' reported tax (credits)	<u>(5.8)</u>	<u>(6.2)</u>
Total current tax (credit) in the year	<u>(17.1)</u>	<u>(33.1)</u>
Deferred taxation		
Current year (credit) / charge	(4.0)	1.3
Adjustments in respect of previous years' reported tax (credits) / charges	(3.0)	0.2
Effect of decreased tax rate on opening balance	<u>-</u>	<u>(0.1)</u>
Total deferred tax charge for the year	<u>(7.0)</u>	<u>1.4</u>
Income tax credit reported in the income statement	<u><u>(24.1)</u></u>	<u><u>(31.7)</u></u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 Tax (continued)

(b) The tax on loss before tax for the year is higher than (2016: lower than) the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%).

The (credit) for the year can be reconciled to the (loss) in the income statement as follows:

	2017 £ m	2016 £ m
Loss before tax	<u>(1,037.3)</u>	<u>(59.8)</u>
Tax at the UK corporation tax rate of 19.25% (2016: 20.00%)	(199.7)	(12.0)
Effect of:		
Non-deductible waiver of intercompany balances	117.8	-
Non-deductible provision against recoverability of intercompany amounts due	64.8	-
Other non-deductible expenses and non-taxable income	1.3	5.1
Group relief (surrendered) for more than statutory rate	-	(18.7)
Current year effect of deferred tax rate change	0.5	-
Adjustment to prior-year corporation tax (credit)	(5.8)	(6.2)
Adjustment to prior-year deferred tax (credit) / charge	(3.0)	0.2
Impact of decreased tax rate on opening deferred tax balance	-	(0.1)
Income tax credit reported in the income statement	<u>(24.1)</u>	<u>(31.7)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 Tax (continued)

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

The accounting for deferred tax follows the accounting treatment of the underlying item on which deferred tax is being provided and hence is booked within equity if the underlying item is booked within equity.

In the current year a deferred tax charge of £26.7m (2016: credit of £93.6m) has been recognised in equity. This consists of a charge of £4.6m (2016: credit of £1.9m) in respect of pension movements and a charge of £22.1m (2016: credit of £91.7m) in respect of movements in cash flow hedges.

A current tax credit of £1.3m (2016: credit of £2.1m) has also been recognised in equity in respect of pension movements.

Changes to the main rate of corporation tax were announced in Finance (No. 2) Act 2015. These comprised a reduction in the main rate of corporation tax for the financial year beginning 1 April 2017 from 20% to 19% and a further reduction for the financial year beginning 1 April 2020 from 19% to 18%.

Finance Act 2016 announced a reduction in the main rate of corporation tax for the financial year beginning 1 April 2020 from 18% to 17%.

The closing deferred tax balance at 31 December 2017 has been calculated at 17.25% (31 December 2016: 17.4%). This is the average tax rate at which the reversal of the net deferred tax liability is expected to occur.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 Intangible assets

	IT software £ m	EU Emissions trading certificates £ m	Renewable obligations certificates £ m	Total £ m
Cost or valuation				
At 1 January 2017	93.2	20.7	171.8	285.7
Re-classification between asset classes	1.4	-	-	1.4
Additions	7.8	33.7	533.6	575.1
Disposals	-	(54.4)	(539.4)	(593.8)
At 31 December 2017	<u>102.4</u>	<u>-</u>	<u>166.0</u>	<u>268.4</u>
Amortisation				
At 1 January 2017	(58.9)	-	-	(58.9)
Amortisation charge	(13.3)	-	-	(13.3)
At 31 December 2017	<u>(72.2)</u>	<u>-</u>	<u>-</u>	<u>(72.2)</u>
Carrying amount				
At 31 December 2017	<u>30.2</u>	<u>-</u>	<u>166.0</u>	<u>196.2</u>
At 31 December 2016	<u>34.3</u>	<u>20.7</u>	<u>171.8</u>	<u>226.8</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 Property, plant and equipment

	Land and buildings £ m	Other property, plant and equipment £ m	Assets under construction £ m	Total £ m
Cost				
At 1 January 2017	38.3	122.7	36.9	197.9
Re-classification between asset classes	0.9	0.7	(3.0)	(1.4)
Additions	-	-	19.1	19.1
Transfers	0.3	6.6	(6.9)	-
Disposals	(2.3)	(4.5)	-	(6.8)
At 31 December 2017	<u>37.2</u>	<u>125.5</u>	<u>46.1</u>	<u>208.8</u>
Depreciation				
At 1 January 2017	(10.6)	(87.2)	-	(97.8)
Charge for the year	(0.4)	(17.7)	-	(18.1)
Eliminated on disposal	0.6	4.5	-	5.1
At 31 December 2017	<u>(10.4)</u>	<u>(100.4)</u>	<u>-</u>	<u>(110.8)</u>
Carrying amount				
At 31 December 2017	<u>26.8</u>	<u>25.1</u>	<u>46.1</u>	<u>98.0</u>
At 31 December 2016	<u>27.7</u>	<u>35.5</u>	<u>36.9</u>	<u>100.1</u>

Assets in the course of construction mainly relates to various PPE projects and include an amount of £nil m (2016: £0.8m) in respect of borrowing costs capitalised.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 Financial assets

	2017 £ m	2016 £ m
Non-current financial assets		
Loans to third parties	-	0.3
Loans to subsidiary companies	<u>386.8</u>	<u>828.7</u>
	<u>386.8</u>	<u>829.0</u>

£386.8m (2016: £328.8m) of the loans to subsidiary companies is interest bearing and £nil (2016: £499.9m) is interest free. Of the £386.8m, £216.4m has interest calculated at 3 month LIBOR + 1.8% and £64.7m is calculated at 6.275%. The remaining interest on the loans is calculated at 1 month LIBOR plus 40bps. The loans are repayable on demand.

In the year, a loan of £120m was granted to EDF Energy (Cottam Power) Limited. This loan has been provided against in full, please refer to note 10 for further details.

15 Investment in subsidiary undertakings

	£ m
Cost	
At 1 January 2016	14.4
At 31 December 2016	14.4
Additions during the year	<u>1,063.7</u>
At 31 December 2017	<u>1,078.1</u>
Carrying amount	
At 31 December 2017	<u>1,078.1</u>
At 31 December 2016	<u>14.4</u>

During the year, EDF Energy Investments sold its direct investment in EDF Energy Customers Limited to EDF Energy plc for £573.6m. There was a further issue of shares in EDF Energy Customers Limited amounting to £490.1m purchased by EDF Energy plc. These two transactions account for the addition in the year of £1,063.7m.

Details of the subsidiaries as at 31 December 2017, which are incorporated in the United Kingdom and are registered and operate in England and Wales (unless otherwise stated), are as follows:

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 Investment in subsidiary undertakings (continued)

Name of subsidiary	Principal activity	Proportion of ownership interest and voting rights held	
		2017	2016
British Energy Direct Limited (1)	Sale of electricity	100%	100%
Cheshire Cavity Storage 1 Limited	Provision of gas storage facilities	100%	100%
EDF Energy (Cottam Power) Limited	Provision and supply of electricity	100%	100%
EDF Energy Customers Limited*	Electricity retailing	100%	100%
EDF Energy (Dormant Holdings) Limited*	Holding company	100%	100%
EDF Energy Investments*	Holding company	100%	100%
EDF Energy (Thermal Generation) Limited (formerly EDF Energy (West Burton Power) Limited)	Power generation	100%	100%
EDF Energy (Gas Storage Hole House) Limited	Provision of gas storage	100%	100%
Cheshire Cavity Storage Group Limited*	Holding company	100%	100%
EDF Energy (Energy Branch) Limited*	Investment in electricity generation	100%	100%
EDF Energy Fleet Services Limited*	Provision and supply of transport services	100%	100%
EDF Energy Pension Scheme Trustee Limited*	Dormant company	100%	100%
EDF Energy ESPS Trustee Limited*	Dormant company	100%	100%
EDF Energy R&D UK Centre Limited	Provision of research services	100%	100%
Hoppy Limited (formerly SWEB Energy Limited)	Generation and supply of heat and electricity	100%	100%
West Burton Power Limited*	Dormant company	100%	100%
West Burton Limited	Dormant company	100%	100%
West Burton Property Limited	Dormant company	100%	100%

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15 Investment in subsidiary undertakings (continued)

* indicates direct investment of EDF Energy plc

(1) Registered address: Barnett Way, Barnwood, Gloucester, GL4 3RS.

Unless otherwise stated, the registered address of the subsidiary undertakings listed is 90 Whitfield Street, London, W1T 4EZ.

During 2017, EDF Energy 1 Limited, Deletpicnic Limited, EDF Energy (London Heat & Power) Limited, EDF Energy (Metro Holdings) Limited, EDF Energy (Projects) Limited, SEEBOARD Energy Limited, SEEBOARD Energy Gas Limited, Jade Power Generation Limited, London ESCO Limited, Norfolk Offshore Wind Limited, SEEB Limited, Sutton Bridge Power Limited, 51 Limited, Associated Electricity Supplies Limited and EDF Energy (South East Generation) Limited were placed in voluntary liquidation and subsequently dissolved.

Following year end, EDF Energy (Dormant Holdings) Limited and EDF Energy Investments were placed in voluntary liquidation and subsequently dissolved.

Associates

Details of the associates as at 31 December 2017 are as follows:

Name of associate	Principal activity	Proportion of ownership interest and voting rights held	
		2017	2016
Navitus Bay Development Limited (1)	Renewable energy	25%	25%
Lewis Wind Power Holdings Limited (2)	Renewable energy	25%	25%
Stornoway Wind Farm Limited (2)	Renewable energy	25%	25%
Uisenis Power Limited (2)	Renewable energy	25%	25%
Green Rigg Windfarm Limited (3)	Renewable energy	10%	10%
Rusholme Windfarm Limited (3)	Renewable energy	10%	10%
Glass Moor II Windfarm Limited (3)	Renewable energy	10%	10%
Fenland Windfarm Limited (4)	Renewable energy	10%	0%
Bicker Fen Windfarm Limited (4)	Renewable energy	10%	0%
Fallago Rig Windfarm Limited (5)	Renewable energy	10%	10%
EDF Energy Services Limited	Development of generation and supply	50%/49%	50%/49%
The Barkantine Heat and Power Company Limited	Generation and supply of heat and electricity	50%/49%	50%/49%
ESSCI Limited (6)	Development of generation and supply	50%/49%	0%
ESSCI Engineering Services Limited (6)	Development of generation and supply	50%/49%	0%

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 Investment in subsidiary undertakings (continued)

Imtech Engineering Services North Ltd (8)	Development of generation and supply	50%/49%	0%
Imtech Engineering Services Central Ltd (7)	Development of generation and supply	50%/49%	0%
Imtech Engineering Services London and South Ltd (6)	Development of generation and supply	50%/49%	0%
Imtech Aqua Ltd (9)	Development of generation and supply	50%/49%	0%
Imtech Aqua Building Services Ltd (9)	Development of generation and supply	50%/49%	0%
Imtech Aqua Controls Ltd (9)	Development of generation and supply	50%/49%	0%
Imtech Low Carbon Solutions Ltd (7)	Development of generation and supply	50%/49%	0%
ESSCI Technical Facilities Management Limited (6)	Development of generation and supply	50%/49%	0%
Inviron Holdings Limited (10)	Development of generation and supply	50%/49%	0%
Imtech Inviron Limited (10)	Development of generation and supply	50%/49%	0%
Inviron Property Limited (10)	Development of generation and supply	50%/49%	0%
Imtech Aqua Maintenance Ltd (10)	Development of generation and supply	50%/49%	0%
ESSCI Technical Services Limited (6)	Development of generation and supply	50%/49%	0%
Capula Group Limited (11)	Development of generation and supply	50%/49%	0%
Capula Limited (11)	Development of generation and supply	50%/49%	0%
ESSCI Ireland Limited (6)	Development of generation and supply	50%/49%	0%
Suir Engineering Limited (Ireland) (12)	Development of generation and supply	50%/49%	0%

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 Investment in subsidiary undertakings (continued)

- (1) Registered address: The Exchange, 5 Bank Street, Bury, Lancashire, BL9 0DN
- (2) Registered address: EDF Energy, GSO Business Park, East Kilbride, G74 5PG
- (3) Registered address: Squire Patton Boggs (UK) LLP, Rutland House, 148 Edmund Street, Birmingham, West Midlands, B3 2JR
- (4) Registered Address: 27-28 Eastcastle Street, London, England, W1W 8DH
- (5) Registered Address: Atria One, Level 7 144 Morrison Street, Edinburgh, Scotland, EH3 8EX
- (6) Registered Address: Imtech House, Woodthorpe Road, Ashford, Middlesex, England, TW15 2RP
- (7) Registered Address: G&H House, Hooton Street, Carlton Road, Nottingham, NG3 5GL
- (8) Registered Address: Calder House, St Georges Park Kirkham, Preston, Lancashire, PR4 2DZ
- (9) Registered Address: Aqua House, Rose & Crown Road, Swavesey, Cambridge, CB24 4RB
- (10) Registered Address: 3100 Park Square, Solihull Parkway Birmingham, Business Park Birmingham, B37 7YN
- (11) Registered Address: Orion House, Unit 10 Walton Industrial Estate, Stone, Staffordshire, ST15 0LT
- (12) Registered Address: Hipley House, Woking, Hipley Street, GU22 9LQ

Unless otherwise stated, the registered address of the associates listed above is 90 Whitfield Street, London, W1T 4EZ.

Joint operations

Details of the joint operations indirectly held as at 31 December 2017 are as follows:

Name of Joint operations	Principal activity	Proportion of ownership interest and voting rights held	
		2017	2016
EDF Energy Renewables Limited	Renewable energy	50%	50%
Fallago Rig II Windfarm Limited	Renewable energy	50%	50%
Braemore Wood Windfarm Limited	Renewable energy	50%	50%
Royal Oak Windfarm Limited	Renewable energy	50%	50%
Burnfoot Windfarm Limited	Renewable energy	50%	50%
Fairfield Windfarm Limited	Renewable energy	50%	50%
Boundary Lane Windfarm Limited	Renewable energy	50%	50%
Walkway Windfarm Limited	Renewable energy	50%	50%
Teesside Windfarm Limited	Renewable energy	50%	50%
Longpark Windfarm Limited	Renewable energy	50%	50%
Road Windfarm Limited	Renewable energy	50%	50%
Burnhead Moss Windfarm Limited	Renewable energy	50%	50%
EDF Energy Renewables Holdings Limited	Renewable energy	50%	50%
Barmoor Wind Power Limited	Renewable energy	50%	50%
Park Spring Wind Farm Limited	Renewable energy	50%	50%
Corriemollie Windfarm Limited	Renewable energy	50%	50%

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 Investment in subsidiary undertakings (continued)

Dorenell Windfarm Limited	Renewable energy	50%	50%
Beck Burn Windfarm Limited	Renewable energy	50%	50%
Pearie Law Windfarm Limited	Renewable energy	50%	50%
EDF EN Services UK Limited	Renewable energy	50%	50%
Cemmaes Windfarm Limited	Renewable energy	50%	50%
Llangwryfon Windfarms Limited	Renewable energy	50%	50%
Great Orton Windfarm II Limited	Renewable energy	50%	50%
Cold Northcott Windfarm Limited	Renewable energy	50%	50%
First Windfarm Holdings Limited	Renewable energy	50%	50%
High Hedley Hope Wind Limited	Renewable energy	50%	50%
Stranoch Windfarm Limited (formerly Cumbria Wind Farms Limited)	Renewable energy	50%	50%
Red Tile Wind Limited	Renewable energy	50%	50%
EDF Energy Round 3 Isle of Wight Limited	Renewable energy	51%	51%
Kirkheaton Wind Limited	Renewable energy	37.5%	37.5%
EDF ER Development Limited	Renewable energy	50%	0%
South Clare Windfarm Limited	Renewable energy	50%	0%
Mosscastle Windfarm Limited	Renewable energy	50%	0%
EDF ER Nominee Limited	Renewable energy	50%	0%
Camilty Windfarm Limited	Renewable energy	50%	0%
Cloich Windfarm Limited	Renewable energy	50%	0%
Heathland Windfarm Limited	Renewable energy	50%	0%
Newcastleton Windfarm Limited	Renewable energy	50%	0%
The Mosses Windfarm Limited	Renewable energy	50%	0%
Tinnisburn Windfarm Limited	Renewable energy	50%	0%
Wauchope Windfarm Limited	Renewable energy	50%	0%
West Benhar Windfarm Limited	Renewable energy	50%	0%
Camilty Windfarm Partnership LLP	Renewable energy	50%	0%
Cloich Windfarm Partnership LLP	Renewable energy	50%	0%
Heathland Windfarm Partnership LLP	Renewable energy	50%	0%
Newcastleton Windfarm Partnership LLP	Renewable energy	50%	0%
The Mosses Windfarm Partnership LLP	Renewable energy	50%	0%
Tinnisburn Windfarm Partnership LLP	Renewable energy	50%	0%
Wauchope Windfarm Partnership LLP	Renewable energy	50%	0%
West Benhar Windfarm Partnership LLP	Renewable energy	50%	0%

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 Investment in subsidiary undertakings (continued)

All joint operations above are with EDF Énergies Nouvelles, another subsidiary of EDF S.A.

All joint operations listed above are registered at Alexander House 1 Mandarin Road, Rainton Bridge Business Park, Houghton Le Spring, Sunderland, England DH4 5RA.

On 11 July 2017, EDF Energy Renewables Holdings Limited ("EDF ERH") acquired a 100% interest in Partnerships for Renewables Construction Holdco 2 Limited, now known as EDF ER Development Limited, and its subsidiaries. EDF ERH acquired this at a cost of £4m, of which 50% is recognised by the Group. EDF ER Development Limited and its subsidiaries are accounted for the same way as the existing Renewables joint operations.

On 31 October 2017, EDF Energy Renewables Holdings Limited, a joint operation, announced the completion of the reduction in ownership from 50% to 10% in Fenland Windfarms Limited and Bicker Fen Windfarm Limited as a single transaction, which resulted in these entities becoming associates rather than joint operations.

16 Inventories

	2017 £ m	2016 £ m
Raw materials and consumables	<u>0.2</u>	<u>260.3</u>

17 Trade and other receivables

	2017 £ m	2016 £ m
Trade receivables	103.7	75.0
Amounts owed by other Group companies	1,035.3	2,606.4
VAT	55.3	32.5
Other debtors	<u>26.2</u>	<u>23.6</u>
	<u>1,220.5</u>	<u>2,737.5</u>

Amounts owed by other Group companies are unsecured, interest free and are repayable on demand. The carrying amount of trade and other receivables approximates to their fair value.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 Cash and cash equivalents

	2017	2016
	£ m	£ m
Cash at bank	2.5	9.1
Cash pooling with Group companies	1,876.8	1,553.1
	<u>1,879.3</u>	<u>1,562.2</u>

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. EDF Energy plc operates a cash concentration arrangement which physically offsets cash balances and overdrafts between subsidiary companies. Within cash pooling with Group companies, an amount of £386.4m (2016: £266.9m) is pooled with an intermediate parent company.

19 Other liabilities

	2017	2016
	£ m	£ m
Trade payables	324.5	524.7
Accruals	118.0	120.9
Amounts due to other Group companies	762.5	627.0
Other payables	56.5	48.8
Interest payable	0.3	0.2
	<u>1,261.8</u>	<u>1,321.6</u>

Within amounts due to other Group companies is an amount of £81.1m that is owed to EDF Energy Holdings Limited. This value calculates interest at three month LIBOR + 0.75%. The remaining amounts due to other Group companies are unsecured, interest free and are repayable on demand.

The carrying amount of other liabilities approximates to their fair value.

20 Borrowings

	2017	2016
	£ m	£ m
Non-current loans and borrowings		
€800m Eurobond	<u>709.8</u>	<u>685.0</u>

All borrowings are denominated in sterling and valued at amortised cost unless otherwise stated. The borrowings are unsecured.

On 27 June 2013 a ten year Eurobond was entered into for €800m with fixed interest rate of 2.8% which was subsequently swapped into a sterling bond of £684m with fixed interest payable at 3.6%. The bond is carried at the sterling equivalent of €800m at the balance sheet date as shown above.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 Provisions for liabilities

	Renewable obligation certificates £ m	Restructuring Costs £ m	Insurance £ m	Total £ m
At 1 January 2017	500.6	6.4	1.2	508.2
Provisions used	(500.6)	(2.6)	-	(503.2)
Arising during the year	<u>573.2</u>	<u>4.2</u>	<u>11.1</u>	<u>588.5</u>
At 31 December 2017	<u>573.2</u>	<u>8.0</u>	<u>12.3</u>	<u>593.5</u>

The provision for renewable obligations' certificates represents the additional certificates required to cover the Company's obligations to supply its customers with certain amounts of electricity which have been generated from renewable energy sources. This provision will be utilised in 2018.

The restructuring provision covers the costs of severance related to restructuring which has been announced to impacted employees. It is expected to be utilised in 2018.

Insurance provisions relate to various immaterial potential claims.

22 Deferred tax

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

	Accelerated capital allowances £m	Short term timing differences £m	Pensions £m	Financial Instruments £m	Total £m
At 31 December 2015	2.1	1.9	6.4	(37.4)	(27.0)
Credit / (charge) to income:					
- Current year	(0.1)	(0.3)	(1.5)	0.6	(1.3)
- Adjustments in respect of previous years' reported tax charges	(0.1)	(0.1)	-	-	(0.2)
- Effect of decreased tax rate on opening liability	(0.1)	(0.1)	-	0.3	0.1
Credit / (Charge) to equity:					
- Current year	-	-	2.2	90.2	92.4
- Effect of decreased tax rate on opening liability	-	-	(0.3)	1.5	1.2
At 31 December 2016	<u>1.8</u>	<u>1.4</u>	<u>6.8</u>	<u>55.2</u>	<u>65.2</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 Deferred tax (continued)

Credit/(charge) to
income:

- Current year	1.4	0.3	1.7	0.6	4.0
- Adjustments in respect of previous years' reported tax charges	2.2	0.8	-	-	3.0

Credit / (Charge) to
equity:

- Current year	-	-	(4.5)	(21.7)	(26.2)
- Effect of decreased tax rate on opening liability	-	-	(0.1)	(0.4)	(0.5)
- Intra-scheme transfers	-	-	(3.5)	-	(3.5)

At 31 December 2017	5.4	2.5	0.4	33.7	42.0
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Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2017	2016
	£m	£m
Deferred tax assets	42.0	65.2
	42.0	65.2

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23 Derivative financial instruments

	Carrying value	
	2017	2016
	£m	£m
Financial assets		
Current		
<i>Derivatives that are designated as hedging instruments in a cash flow hedge (CFH)</i>		
Foreign currency forward contracts	0.9	6.3
Commodity purchase contracts	(174.4)	(238.3)
Cross-currency interest rate swaps	(0.2)	-
Total current derivative financial instruments	<u>(173.7)</u>	<u>(232.0)</u>
Split by:		
Current assets	61.3	69.4
Current liabilities	<u>(235.0)</u>	<u>(301.4)</u>
	<u>(173.7)</u>	<u>(232.0)</u>
Non-current		
<i>Derivatives that are designated as hedging instruments in a cash flow hedge (CFH)</i>		
Foreign currency forward contracts	(0.1)	3.3
Commodity purchase contracts	(73.7)	(158.9)
Cross-currency interest rate swaps	39.5	19.6
Total non-current derivative financial instruments	<u>(34.3)</u>	<u>(136.0)</u>
Split by:		
Non-current assets	46.6	43.8
Non-current liabilities	<u>(80.9)</u>	<u>(179.8)</u>
	<u>(34.3)</u>	<u>(136.0)</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23 Derivative financial instruments (continued)

	Carrying value	
	2017	2016
	£m	£m
Financial assets		
Current		
<i>Derivatives at fair value through profit and loss (FVTPL)</i>		
Foreign currency forward contracts	1.4	(7.6)
Commodity purchase contracts	1.6	16.7
Total current derivative financial instruments	3.0	9.1
Split by:		
Current assets	11.0	35.5
Current liabilities	(8.0)	(26.4)
	3.0	9.1
Non-current		
<i>Derivatives at fair value through profit and loss (FVTPL)</i>		
Foreign currency forward contracts	0.8	(4.3)
Commodity purchase contracts	(35.6)	(54.2)
Total non-current derivative financial instruments	(34.8)	(58.5)
Split by:		
Non-current assets	1.7	3.3
Non-current liabilities	(36.5)	(61.8)
	(34.8)	(58.5)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23 Derivative financial instruments (continued)

Valuation methods and assumptions

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

24 Share capital

Allotted, called up and fully paid shares

	No. m	2017 £ m	No. m	2016 £ m
Ordinary shares of £0.58 each	<u>2,566</u>	<u>1,497</u>	<u>2,566</u>	<u>1,497</u>

The Company has one class of Ordinary Shares which carry no right to fixed income.

25 Other financial commitments

Other commitments

The Company has given letters of credit and guarantees to the value of £37.3m (2016: £62.4m) in relation to credit support for energy trading and use of distribution systems, performance of contractual obligations and HMRC obligations.

The Company contracted to purchase power and renewable obligation certificates to the value of £2,728.3m (2016: £2,249.7m).

Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases relating to land and buildings as at 31 December are as follows:

Operating leases which expire:

	2017 £ m	2016 £ m
Within one year	8.0	12.2
In two to five years	26.0	23.8
In over five years	<u>25.0</u>	<u>8.8</u>
	<u>59.0</u>	<u>44.8</u>

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25 Other financial commitments (continued)

Individual rental leases contain break options (whereby the Company could serve notice to terminate the lease) and rent reviews (whereby the landlord could renegotiate the rental base on market prices).

As at 31 December, the Company had contracted with lessees for the following future minimum lease payments:

	2017	2016
	£m	£m
Within one year	-	0.1
In two to five years	0.1	0.2
In over five years	-	0.1
	<u>0.1</u>	<u>0.4</u>

26 Hedging reserve

	2017	2016
	£m	£m
Balance at start of year	(286.2)	139.3
<i>Net gains/(losses) arising on changes in fair value of instruments in a cash flow hedge:</i>		
Commodity purchase contracts	(124.6)	210.1
Cross currency interest rate swaps	(5.0)	(0.3)
Foreign currency forward contracts	(10.6)	13.9
<i>Net gains/(losses) arising on changes in fair value of hedging instruments transferred to profit or loss:</i>		
Commodity purchase contracts	260.3	(734.0)
Foreign currency forward contracts	5.1	(6.9)
Deferred tax on net gains in cash flow hedge	(22.1)	91.7
Total movement in year	<u>103.1</u>	<u>(425.5)</u>
Balance at end of year	<u>(183.1)</u>	<u>(286.2)</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26 Hedging reserve (continued)

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

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

	2017	2016
	£m	£m
Less than one year	(169.4)	(233.4)
Between one to five years	(63.5)	(130.1)
More than five years	11.8	16.9
Total fair value losses on derivatives designated as effective cash flow hedges	(221.1)	(346.6)
Deferred tax	38.0	60.4
Total	(183.1)	(286.2)

During the year a gain of £265.5m (2016: £740.9m) was recycled from the hedging reserve and included within fuel, energy and related purchases, in relation to contracts which had matured.

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27 Pension and other schemes

Defined benefit pension schemes

The Company participates in two defined benefit pension schemes for qualifying employees; the EDF Energy Pension Scheme ("EEPS") and the EDF Energy Generation & Supply Group of the Electricity Supply Pension Scheme ("EEGSG"). These schemes are administered by separate boards of trustees which are legally separate from the Group.

The Group operates a policy of allocating the pension deficit for EEPS and EEGSG among the wholly owned employing companies within the Group. The allocation of the deficit is performed through identifying an individual's share of their overall deficit for each scheme. Assets and liabilities are apportioned to legal entities based on their employee's share. For individuals who are no longer employed by the company, their deficit remains with their last employing company. Payroll contributions are attributed to the company which bears the cost of those employees, regardless of whether or not they are employing companies. Pension interest payable and receivable, actuarial gains and losses and benefits paid are all allocated to employing companies, based on that company's share of the assets and liabilities at the start of the year. A full review of the allocation is performed every three years based on updated triennial valuations.

During 2017, a Pension Covenant Alignment Exercise (PCAE) took place where EDF Energy and the relevant trustees reached an agreement on bulk transfers. These transfers aligned the employers participating in the various schemes with the agreed financial support for these schemes.

UK legislation requires that pension schemes are funded prudently.

Further details of the Group defined benefit schemes are included in note 40 of the consolidated financial statements of the Group which are available as disclosed in note 30.

Financial impact of defined benefit pension schemes

The amounts recognised in the statement of financial position are as follows:

	EEPS	EEGSG	Total	
	2017	2017	2017	2016
	£ m	£ m	£ m	£ m
Fair value of scheme assets	227.7	485.9	713.6	520.9
Present value of scheme liabilities	(264.5)	(451.6)	(716.1)	(560.3)
Defined benefit pension scheme deficit	<u>(36.8)</u>	<u>34.3</u>	<u>(2.5)</u>	<u>(39.4)</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27 Pension and other schemes (continued)

Scheme assets

Changes in the fair value of scheme assets are as follows:

	EEPS 2017 £ m	EEGSG 2017 £ m	Total 2017 £ m	Total 2016 £ m
Fair value at start of year	219.1	301.8	520.9	408.2
Expected return on scheme assets	6.7	8.3	15.0	14.4
Actuarial gains and losses arising from changes in demographic assumptions	12.9	20.3	33.2	75.9
Employer contributions	18.8	3.0	21.8	20.2
Deficit repair payments	3.1	3.9	7.0	10.6
Benefits paid	(3.4)	(10.0)	(13.4)	(10.8)
Member Contributions	4.1	-	4.1	2.4
Intra-scheme transfers	(33.6)	158.6	125.0	-
Fair value at end of year	<u>227.7</u>	<u>485.9</u>	<u>713.6</u>	<u>520.9</u>

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	EEPS 2017 £ m	EEGSG 2017 £ m	Total 2017 £ m	Total 2016 £ m
Present value at start of year	270.7	289.6	560.3	443.6
Current service cost	26.0	4.2	30.2	21.1
Actuarial gains and losses arising from changes in demographic assumptions	8.9	3.3	12.2	120.2
Actuarial gains and losses arising from experience adjustments	0.7	1.0	1.7	(21.1)
Interest cost	8.5	8.0	16.5	16.1
Benefits paid	(3.4)	(10.0)	(13.4)	(10.8)
Member contributions	4.1	-	4.1	2.4
Intra-scheme transfers	(51.0)	155.5	104.5	-
Effect of curtailments	-	-	-	(11.2)
Present value at end of year	<u>264.5</u>	<u>451.6</u>	<u>716.1</u>	<u>560.3</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27 Pension and other schemes (continued)

Amounts recognised in the income statement

	EEPS	EEGSG	Total	
	2017	2017	2017	2016
	£ m	£ m	£ m	£ m
Amounts recognised in operating profit				
Current service cost	(26.0)	(4.2)	(30.2)	(21.1)
Losses / (gains) on amendments and settlements	-	-	-	11.2
Recognised in arriving at operating profit	<u>(26.0)</u>	<u>(4.2)</u>	<u>(30.2)</u>	<u>(9.9)</u>
Amounts recognised in finance income or costs				
Interest cost	<u>(1.9)</u>	<u>0.4</u>	<u>(1.5)</u>	<u>(1.7)</u>
Total recognised in the income statement	<u><u>(27.9)</u></u>	<u><u>(3.9)</u></u>	<u><u>(31.7)</u></u>	<u><u>(11.6)</u></u>

Sensitivity of pension defined benefit obligations to changes in assumptions:

The significant actuarial assumptions for the determination of the defined benefit obligations are discount rate, salary increase and inflation rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, holding all other assumptions constant.

At 31 December 2017:

Impact of a 25bp increase/decrease in discount rate -5.9% to +6.5%

Impact of a 25bp increase/decrease in salary increase assumption -0.5% to +0.5%

Impact of a 25bp increase/decrease in inflation rate -4.1% to +4.3%

In calculating the sensitivities, the present value of the obligation has been calculated using the projected unit credit method at the end of the reporting period which is consistent with how the defined benefit obligation has been calculated and recognised on the balance sheet.

28 Related party transactions

The Company has taken advantage of the exemption in FRS 101 Reduced Disclosure Framework from disclosing transactions with other members of the group, which would be required for disclosure under IAS 24.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29 Post balance sheet events

On 31 December 2017 the Cottam lease terminated with the transfer of the remaining assets to EDF Energy (Thermal Generation) Limited (formerly EDF Energy (West Burton Power) Limited) occurring on 1 January 2018. This lease termination resulted in the write-off of outstanding balances owed by EDF Energy (Cottam Power) Limited to EDF Energy plc. The value of the write-off amounted to a material amount of £216m, which has been subsequently adjusted in the 2017 financial statements of EDF Energy plc.

On 9 April 2018 EDF Energy Group Holdings Limited (formerly EDF Energy Group Holdings plc) transferred its entire shareholding of 2,565,615,899 ordinary shares in EDF Energy Plc to EDF Energy Holdings Limited. There is no financial statement impact to the accounts.

In the first half of 2018, a restructuring plan for the corporate and steering functions was drawn up and announced to impacted employees. The restructuring plan is expected to be completed in 2019. The estimated financial statement impact is a £20m increase in the restructuring provision.

30 Parent undertaking and controlling party

EDF Energy Holdings Limited holds a 100% interest in the Company and is considered to be the immediate parent company. EDF Energy Holdings Limited is the smallest group for which consolidated financial statements are prepared. Copies of that company's consolidated financial statements may be obtained from the registered office at 90 Whitfield Street, London, W1T 4EZ.

At 31 December 2017, Électricité de France SA, a company incorporated in France, is regarded by the Directors as the Company's ultimate parent company and controlling party. This is the largest group for which consolidated financial statements are prepared. Copies of that company's consolidated financial statements may be obtained from the registered office at Électricité de France SA, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.