BRITISH ENERGY LIMITED

REGISTERED NUMBER: SC162273

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

CONTENTS

Strategic Report	1 to 2
Directors' Report	3 to 4
Directors' Responsibilities Statement	5
Independent Auditor's Report to the Members of British Energy Limited	6 to 7
Income Statement	8
Statement of Comprehensive Income	9
Balance Sheet	10
Statement of Changes in Equity	11
Notes to the Financial Statements	12 to 27

Directors	Stuart Crooks David Mitchell
Auditor	Deloitte LLP 2 New Street Square London, United Kingdom EC4A 3BZ
Registered office	GSO Business Park East Kilbride G74 5PG

STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 December 2016.

Principal activity

The principal activity of British Energy Limited (the "Company") during the year continued to be to act as an intermediate holding company of EDF Energy Nuclear Generation Limited and its subsidiaries. The Company also provides information management, engineering and administrative services to EDF Energy Nuclear Generation Group Limited and its subsidiaries, the costs of which are recharged to group companies. It will continue with this activity for the foreseeable future.

Review of the business

The profit for the year before taxation amounted to £8m (2015: £41m) and the profit after taxation amounted to £6m (2015: £41m).

British Energy Limited is a wholly-owned subsidiary of EDF Energy Holdings Limited (the "Group") which manages its operations on a business segment 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 Generation Business Unit, which includes the Company, and future likely developments of the business is discussed in the Group's Annual Report which does not form part of this report.

Principal risks and uncertainties

The future prospects of the Company are dependent on the performance of the investments in its subsidiaries. The investments have been reviewed and the carrying value is considered to be recoverable based on forecast performance of those subsidiaries.

The main financial risk faced by the Company through its normal business activities are liquidity risk, credit risk and foreign exchange risk. These risks and the Company's approach to dealing with them are described below:

Liquidity risk is the risk that the proceeds from financial assets, including investments in subsidiaries, are not sufficient to fund the obligations arising from liabilities as they fall due. The Company's exposure to liquidity risk is reduced due to the significant net current asset position.

Credit risk is mitigated by the nature of the debtor balances owed, with these due from other Group companies who are able to repay these if required.

The Company is exposed to the financial risk of changes in foreign currency exchange rates. The Company keeps minimum levels of cash in foreign currency and the Group uses foreign exchange forward contracts to hedge any significant exposure, other than contracts within the EDF SA Group.

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.

STRATEGIC REPORT (CONTINUED)

Going concern

The company is a holding company and is dependent on the continued forecast profitability and cash generation of its subsidiaries. After making enquiries and reviewing cash flow forecasts and available facilities for at least the next twelve months, 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 within 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 ....1.... September 2017 and signed on its behalf by:

David Mitchell
Director

DIRECTORS' REPORT

The Directors present their annual report and the financial statements financial statements for the year ended 31 December 2016.

Principal risks, going concern and a review of the business are discussed within the Strategic Report.

Directors

The Directors who held office during the year were as follows:

Stuart Crooks

David Mitchell

None of the Directors had a service contract with the Company in the current or prior year. They are all employed by associated companies within the group, and no portion of their remuneration can be specifically attributed the their services to the company. Details of total Directors' remuneration is available in the group accounts, which are available to the public as set out in note 22.

No Director (2015: none) held any interests in the shares or debentures of the Company or the Group in note 22 that are required to be disclosed under the Companies Act 2006.

Dividends

The Directors do not recommend payment of a dividend (2015: £nil).

Employees

The Company's policies and procedures relating to Health and Safety at work continued to exceed the requirements of current legislation and are kept under constant review to ensure a safe and healthy working environment for all employees.

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, marital status, disability, race, colour, nationality or ethnic origin in accordance with the appropriate legislation and Government guidelines. 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.

Political donations

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

Future developments

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

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.

DIRECTORS' REPORT (CONTINUED)

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.

Reappointment of auditor

It is noted that Deloitte LLP as appointed by the members are deemed to be re-appointed as the auditors to the Company for the financial year ending 31 December 2017 in accordance with the provisions of Section 487(2) of the Companies Act 2006 and that the Directors have been authorised to fix the remuneration of the auditors.

Approved by the Board on ...1...... September 2017 and signed on its behalf by:

....
David Mitchell
Director

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 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 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 BRITISH ENERGY LIMITED

We have audited the financial statements of British Energy Limited for the year ended 31 December 2016, 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 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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

Respective responsibilities of Directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRITISH ENERGY LIMITED (CONTINUED)

Opinion 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 and the Directors' Report.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, 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; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

William Brooks FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP,
Statutory Auditor

London, United Kingdom

1 September 2017

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £ m	2015 £ m
Revenue	4	61	58
Materials and contracting costs		(11)	(11)
Personnel expenses	5	(10)	(11)
Other operating expenses		(27)	(23)
Operating profit		**13**	13
Depreciation and amortisation		(10)	(10)
Profit before taxation and finance costs	6	**3**	3
Investment income	7	5	2
Finance costs	8	-	(6)
Other gains and losses	9	-	42
Profit on ordinary activities before taxation		**8**	41
Taxation	11	(2)	-
Profit for the year		**6**	41

All results are derived from continuing operations in both the current and preceding year.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £ m	2015 £ m
Profit for the year		6	41
Items that may be reclassified subsequently to profit or loss			
Net gains/(losses) on available for sale assets	13	1	(2)
Total comprehensive income attributable to the owners of the Company for the year		7	39

BALANCE SHEET
AT 31 DECEMBER 2016

	Note	2016 £ m	2015 £ m
Non-current assets			
Property, plant and equipment	12	20	22
Financial assets	13	10	9
Investments in subsidiary undertakings	14	518	518
Deferred tax assets	15	4	5
		552	554
Current assets			
Trade and other receivables	16	1,427	1,415
Total assets		1,979	1,969
Current liabilities			
Other liabilities	17	(26)	(26)
Current tax liability		(2)	(1)
		(28)	(27)
Net current assets		1,399	1,388
Total assets less current liabilities		1,951	1,942
Non-current liabilities			
Long-term employee benefits provision	18	(14)	(12)
Total liabilities		(42)	(39)
Net assets		1,937	1,930
Capital and reserves			
Called up share capital	19	-	-
Share premium reserve	19	1,144	1,144
Capital redemption reserve	19	350	350
Merger reserve	19	187	187
Retained earnings		256	249
Shareholders' funds		1,937	1,930

The financial statements of British Energy Limited (registered number SC162273) on page 8 to 27 were approved by the Board and authorised for issue on .....(..... September 2017 and signed on its behalf by:

....

David Mitchell

Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital £ m	Share premium reserve £ m	Capital redemption reserve £ m	Merger reserve £ m	Retained earnings £ m	Total £ m
At 1 January 2015	-	1,144	350	187	210	1,891
Profit for the year	-	-	-	-	41	41
Other comprehensive income	-	-	-	-	(2)	(2)
Total comprehensive income	-	-	-	-	39	39
At 31 December 2015	-	1,144	350	187	249	1,930
Profit for the year	-	-	-	-	6	6
Other comprehensive income	-	-	-	-	1	1
Total comprehensive income	-	-	-	-	7	7
At 31 December 2016	-	1,144	350	187	257	1,938

NOTES TO THE FINANCIAL STATEMENTS

1 General information

British Energy Limited is a private company limited by shares. It is incorporated in the United Kingdom under the Companies Act 2006 and is registered in Scotland. 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.

Amendments to IFRSs that are mandatorily effective for the current year
The Company has adopted the amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation and the amendments to IFRSs included in the Annual Improvements to IFRSs 2012 - 2014 Cycle for the first time in the current year. The adoption of these amendments has had no impact on the Company's financial statements.

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 the period presented, unless otherwise stated.

The financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period as explained in the accounting policies in note 2. Historical cost is generally based on the fair value of the consideration given in exchange for the asset.

Fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the balance sheet date.

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:
(i) paragraph 79(a)(iv) of IAS 1;
(ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
d) the requirements of IAS 7 Statement of Cash Flows;
e) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
f) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
g) 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
h) 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 disclosures have been given in group accounts of EDF Energy Holdings Limited, which are available to the public as set out in note 22.

Going concern

As set out in the Strategic Report, after making enquiries, the Directors' have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Exemption from preparing group accounts

The financial statements contain information about British Energy Limited 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 its intermediate parent, 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.

Finance income and costs policy

Finance charges are accounted for on an accruals basis in the Income Statement based upon effective rates.

Investment income is earned on financial assets and recognised on an accruals basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Property, plant and equipment
Fixed assets comprise assets acquired or constructed by the Company. Expenditure of a capital nature incurred to improve operational performance or to improve safety in order to meet increased regulatory standards is also capitalised. Other expenditure including that incurred on preliminary studies and on the initiation of new technologies not yet adopted is charged to the income statement as incurred.

Tangible fixed assets are stated at cost, net of depreciation and provision for impairment. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation
Depreciation is charged so as to write off the cost of assets over their estimated useful lives, as follows:

Asset class	Depreciation rate
Plant and equipment	5 years

Investments
Fixed asset investments are carried at cost less any provision for impairment.

Trade and other receivables
Trade receivables are interest free and are stated at their nominal value.

Trade and other payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Amounts owed to other Group companies are interest free and are stated at their nominal value.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Long-term employee benefits
Unfunded long-term employee benefits are provided to eligible employees. The cost and actuarial gains and losses of providing such benefits are charged to the Income Statement. The cost of ex-gratia and supplementary long-term employee benefits is charged to the Income Statement to the extent that the arrangements are not covered by the surplus in the scheme, in the accounting period in which they are granted.

Share capital
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Capital Redemption Reserve
The capital redemption reserve was created following a return of value and purchase and cancellation of own shares by the Company in the year ended 31 March 2000.

Merger Reserve
The merger reserve reflects a capital contribution from the parent company to the Company following restructuring in 2005.

Financial assets
Financial assets are classified into the following specified categories: Financial assets at 'fair value through the profit or loss' (FVTPL); 'held to maturity' investments; 'available for sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the workplace.

Financial assets at FVTPL

Financial assets are classified at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is held for trading if it has been acquired principally for the purpose of selling it in the near term; or if on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actually pattern of short-term profit taking; or it is a derivative which is not designated and effective as a hedging instrument.

A financial asset which is not held for trading may be designated as at FVTPL on initial recognition if such a designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or if it forms part of a group of financial assets and/or financial liabilities which is managed on a fair value basis in accordance with the Company's risk management strategy; or it is part of a contract which contains an embedded derivative.

Financial assets at FVTPL are stated at fair value with any gains or losses on remeasurement recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Financial assets (continued)
Available for sale financial assets

Available for sale financial assets comprise non-consolidated equity investments. On initial recognition, available for sale financial assets are recorded at fair value plus transaction costs attributable to their acquisition. They are subsequently readjusted to fair value at each reporting date through other comprehensive income.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intention and ability to hold until maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest rate method less any impairment.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables are initially measured at original invoice amount and are subsequently measured at fair value. An allowance is recognised in the income statement for irrecoverable amounts when there is evidence that the asset is impaired. The allowance is calculated as the difference between the carrying amount and the expected future cash flows from the asset. Interest income is recognised by applying the effective interest rate except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets other than those at FVTPL are tested for impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the asset have been impacted.

De-recognition of financial assets

The Company de-recognises a financial asset when the contractual rights to the cashflows from the asset expire, or when it transfers the financial asset along with substantially all the risks and rewards of ownership to a third party. On de-recognition of a financial asset in its entirety, the difference between the asset's carrying value and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 Critical accounting judgements and key sources of estimation uncertainty

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

Fair value measurement
In estimating the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the balance sheet date.

Recoverability of investments
The Company reviews the recoverability of investments on an annual basis where there is an indicator of impairment. The impairment review involves a number of assumptions including discount rates, output values, asset lives and forward power prices.

4 Revenue

Revenue, which is stated net of value added tax, arises entirely in the United Kingdom and is attributable to the continuing activity of recharging management charges to EDF Energy Nuclear Generation Limited and its subsidiaries and other miscellaneous income and is recognised on an accruals basis.

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

	2016	2015
	£ m	£ m
Sales of goods and services	61	58

5 Personnel expenses

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

	2016	2015
	£ m	£ m
Wages and salaries	7	8
Social security costs	1	1
Pension costs	2	2
	10	11

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 Personnel expenses (continued)

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

	2016 No.	2015 No.
Engineering, technical and corporate support	108	120

6 Profit before taxation and finance costs for the year

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

	2016 £ m	2015 £ m
Depreciation expense (note 12)	10	10
Foreign exchange (gains) / losses (note 7,8)	(5)	5
Profit on disposal of investment (note 9)	-	(42)

In 2016 an amount of £6,000 (2015: £6,000) was paid to Deloitte LLP for audit services. This charge was borne by another group company in both the current and prior year. In 2016 no non-audit services were provided to the Company (2015: £nil).

7 Investment income

	2016 £ m	2015 £ m
Foreign exchange gains	5	-
Interest receivable from other Group companies	-	2
	5	2

8 Finance costs

	2016 £ m	2015 £ m
Foreign exchange losses	-	5
Pension scheme interest	-	1
	-	6

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 Other gains and losses

The analysis of the company's other gains and losses for the year is as follows:

	2016 £ m	2015 £ m
Gain from disposals of investments in subsidiary undertakings	-	42

10 Directors' remuneration

None of the Directors had a service contract with the Company in the current or prior year. They are all employed by associated companies within the group and no portion of their remuneration can be specifically attributed to their services to the Company. Details of the total Directors renumeration is available in the group accounts, which are available to the public as set out in note 22.

No Director (2015: none) held any interests in the shares or debentures of the Company or the Group in note 22 that are required to be disclosed under the Companies Act 2006.

11 Tax

(a) Tax charged in the income statement

	2016 £ m	2015 £ m
Current taxation		
UK corporation tax charge on profits made in the year	2	-
Adjustments in respect of previous years' reported tax credits	(2)	-
	-	-
Total current tax charge for the year	-	-
Deferred taxation		
Current year credit	-	-
Effect of decreased tax rate on opening balance	2	-
Total deferred tax charge for the year	2	-
Income tax charge reported in the income statement	2	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 Tax (continued)

(b) The tax on profit before tax for the year is lower (2015: lower) than the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%).

The charge for the year can be reconciled to the profit in the income statement as follows:

	2016 £ m	2015 £ m
Profit before taxation	8	41
Tax at the UK corporation tax rate of 20.00% (2015: 20.25%)	2	8
Effect of:		
Non-deductible expenses and non-taxable income	-	(8)
Adjustment to prior-year corporation tax charge	(2)	-
Adjustment to prior year deferred tax charge	2	-
Income tax charge reported in the income statement	2	-

(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.

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 2016 has been calculated at 17.4% (31 December 2015: 18.3%). This is the average tax rate at which the reversal of the net deferred tax liability is expected to occur.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 Property, plant and equipment

	Plant and equipment £ m	Total £ m
Cost		
At 1 January 2016	85	85
Additions	8	8
At 31 December 2016	93	93
Depreciation		
At 1 January 2016	63	63
Charge for the year	10	10
At 31 December 2016	73	73
Carrying amount		
At 31 December 2016	20	20
At 31 December 2015	22	22

13 Financial assets

	2016 £ m	2015 £ m
Available-for-sale investments		
Interest in insurance fund	10	9

Fair value of the available-for-sale investment is determined as the Company's percentage share of the net asset value of the insurance fund in Euros. This is converted to the Company's functional currency using the spot rate on the date of conversion. The fair value of the investment is retranslated at the spot rate at balance sheet date. The movement of £1m, which is the change in the fair value of the investment, is recognised as the net gains/(losses) on available for sale assets in the statement of total comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 Investment in subsidiary undertakings

	£ m
Cost	
At 1 January 2015	518
At 31 December 2015 and 31 December 2016	518
Carrying amount	
At 31 December 2015 and 31 December 2016	518

Details of the subsidiaries as at 31 December 2016, which are incorporated in the United Kingdom and are registered and operate in England and Wales (unless otherwise stated), are as follows:

Name of subsidiary	Principal activity	Proportion of ownership interest and voting rights held 2016	2015
British Energy Finance Limited*	Financial activities	100%	100%
British Energy Generation (UK) Limited*	Holding company	100%	100%
British Energy Holdings Limited (Canada) (1)	Holding company	100%	100%
British Energy International Holdings Limited	Holding company	100%	100%
British Energy Investment Limited	Investment company	100%	100%
British Energy Renewables Limited*	Investment company	100%	100%
British Energy Trading and Sales Limited*	Sale of electricity	100%	100%
British Energy Trading Services Limited	Sale of electricity	100%	100%
British Energy Technical Services Limited*	Holding company	100%	100%
EDF Energy Nuclear Generation Limited (2)	Power generation	100%	100%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 Investment in subsidiary undertakings (continued)

Eggborough Power (Holdings) Limited*	Holding company	100%	100%
Lochside Insurance Limited (Guernsey) (3)*	Insurance company	100%	100%

* indicates direct investment of British Energy Limited

(1) Registered Address: 100 King Street West, 1600, 1 First Canadian Place, Toronto ON M5X 1G5, Canada
(2) Registered Address: Barnett Way, Barnwood, Gloucester, GL4 3RS
(3) Registered Address: PO Box 34, St Martin's House, Le Bordage, St Peter Port, Guernsey, Channel Islands, GY1 4AU
Unless stated otherwise, the registered address of the subsidiary undertakings listed above is EDF Energy, Gso Business Park, East Kilbride, Scotland, G74 5PG

15 Deferred tax

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

	Accelerated capital allowances	Short term timing differences	Total
	£m	£m	£m
At 1 January 2015	3	2	**5**
Credit/(charge) to income:			
o current year	-	-	**-**
At 1 January 2016	3	2	**5**
Credit/(charge) to income:			
Current year	1	-	**1**
Adjustments in respect of previous years' reported tax charges	(2)	-	**(2)**
At 31 December 2016	2	2	**4**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 Deferred tax (continued)

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:

	2016	2015
	£m	£m
Deferred tax assets	4	5

16 Trade and other receivables

	2016	**2015**
	£ m	**£ m**
Amounts owed by other Group companies	1,427	1,415

Amounts owed by other Group companies are interest free (2015: interest charged at LIBOR + 0.8%), unsecured and repayable on demand.

17 Other liabilities

	2016	**2015**
	£ m	**£ m**
Trade payables	2	1
Accruals	19	20
Amounts owed to other Group companies	5	5
	26	26

Amounts owed by other Group companies are interest free (2015: interest charged at LIBOR + 0.8%), unsecured and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 Provisions for liabilities

	Long-term employee benefits £ m
At 31 December 2015	12
Increase in existing provisions	2
At 31 December 2016	14

In 2016 an actuarial loss of £2m (2015: £ nil) was recognised in the income statement in respect of the unfunded long-term employee benefits.

19 Share capital and reserves

Allotted, called up and fully paid shares

		2016		2015
	No.	£	No.	£
Ordinary Shares of £0.45 each	1,000	447	1,000	447
Special rights of £1 each	1	1	1	1
	1,001	448	1,001	448

The special rights redeemable preference share is redeemable at par at any time after 30 September 2006 at the option of the Secretary of State, after consulting the Company. This share, which may only be held by and transferred to one or more of Her Majesty's Secretaries of State, another Minister of the Crown, the Solicitor for the affairs of Her Majesty's Treasury or any person acting on behalf of the Crown, does not carry any rights to vote at general meetings, but entitles the holder to attend and speak at such meetings. The special share confers no rights to participate in the capital or profits of the Company beyond its nominal value. The consent of the holder of the special share is required for certain matters including the alteration or removal of the provisions in the Company's Articles of Association relating to the special share and to the limitations on the shareholdings.

In addition, consent of the holder of the special share is required in relation to, amongst others, certain amendments to the Articles of Association of EDF Energy Nuclear Generation Limited or British Energy Generation (UK) Limited or a disposal by the Company of its shares in these companies. However the holder of the special share will only be entitled to withhold consent to such an amendment or disposal if, in the holder's opinion, the matter in question would be contrary to the interest of national security. The Articles of Association include full details of these restrictions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 Share capital and reserves (continued)

Reserves
The share premium reserve relates to shares issued on restructuring in January 2005 for greater than their nominal value. The merger reserve reflects a capital contribution from the parent company to the Company following the restructuring in 2005. The capital redemption reserve was created following a return of value and purchase and cancellation of own shares by the Company in the year ended 31 March 2000.

20 Contingent liabilities

The Company has given certain indemnities and guarantees in respect of its subsidiary undertakings. No losses are anticipated to arise under these indemnities and guarantees, provided relevant subsidiary undertakings continue on a going concern basis.

The Company has given a guarantee and indemnity to the Secretary of State for Business, Energy and Industrial Strategy and Nuclear Liabilities Fund Limited along with a number of EDF Energy Nuclear Generation Group Limited and its subsidiaries companies in respect to their compliance with, among other agreements, the Nuclear Liabilities Funding Agreement.

The Company has provided a debenture comprising fixed and floating charges to the Secretary of State for Business, Innovation and Skills and the Nuclear Liabilities Fund along with a number of other companies in EDF Energy Nuclear Generation Group Limited in respect of any decommissioning default payment.

21 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 otherwise be required for disclosure under IAS 24.

22 Parent undertaking and controlling party

British Energy Bond Finance plc 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 40 Grosvenor Place, Victoria, London, SW1X 7EN.

At 31 December 2016, 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.