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EDF ENERGY (ENERGY BRANCH) LIMITED

REGISTERED NUMBER: 02449611

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

EDF ENERGY (ENERGY BRANCH) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2017

CONTENTS

Directors	Christopher Bebbington Darren Ramshaw Matthew Sykes Owen Forster Martin Cheetham Paul Winkle Matilda Spencer David Tomblin Brian Cowell
Company secretary	Claire Gooding
Auditor	Deloitte LLP 1 New Street Square London United Kingdom EC4A 3HQ
Registered office	90 Whitfield Street London England W1T 4EZ

STRATEGIC REPORT

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

Principal activity

The principal activity of the company is that of a holding company for investments in projects involving the generation of electricity.

Review of the business

The profit for the year before taxation amounted to £3,613k (2016: £14,477k) and the profit after taxation amounted to £3,436k (2016: £14,453k).

EDF Energy (Energy Branch) 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 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.

Investment risk

The future prospects of the Company are dependent on the performance of its investment in subsidiaries, including joint ventures and associates. The investments in subsidiaries, joint ventures and associates have been reviewed and the carrying value is considered to be recoverable based on their forecasted performance.

Liquidity risk

Liquidity risk is the risk that proceeds from financial assets are not sufficient to fund the obligations arising from the liabilities as they fall due. The Company's exposure to liquidity risk is reduced by its borrowing facilities in place provided by its intermediate parent.

Health & 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 it delivers 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. The Group has invested in technology to protect itself from such threats.

STRATEGIC REPORT (CONTINUED) Principal

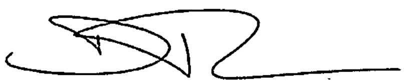
risks and uncertainties (continued)

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 16 for more details of pension risks.

EU Referendum
The UK Government has announced that the UK will leave the EU on 29 March 2019. EDF Energy has identified the key risks and is developing and deploying mitigating actions.

Going concern
The financial statements have been prepared under the going concern basis because EDF Energy plc, the intermediate parent company, has agreed to continue to support the Company financially and not to recall amounts advanced to the Company if it would impact on the ability of the Company to continue trading and meet other liabilities as they fall due.

Approved by the Board on 5 September 2018 and signed on its behalf by:



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David Tomblin
Director

DIRECTORS' REPORT

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

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

Directors

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

Christopher Bebbington

Darren Ramshaw

Matthew Sykes

Owen Forster

Martin Cheetham (appointed 25 July 2017)

Brian Cowell (appointed 1 November 2017)

Vincent Roulet (resigned 31 March 2017)

Stuart Crooks (resigned 31 October 2017)

Gwen Parry-Jones (resigned 22 December 2017)

Michael Harrison (resigned 1 January 2018)

David Mitchell (resigned 5 February 2018)

The following directors were appointed after the year end:
Paul Winkle (appointed 1 January 2018)

Matilda Spencer (appointed 1 January 2018)

David Tomblin (appointed 5 February 2018)

None of the Directors had a service contract with the Company in the current year or prior period. 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 total Directors' remuneration is available in the Group accounts, which are available to the public as set out in note 20.

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

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.

Future developments

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

DIRECTORS' REPORT (CONTINUED)

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, sexual orientation, 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.

Post balance sheet events
In January 2018, there was a restructure of the EDF Energy Renewables group, consisting of EDF Energy Renewables Holdings Limited and its subsidiaries. The restructure involved EDF Energy Renewables Limited replacing EDF Energy Renewables Holdings Limited as the holding company for the EDF Energy Renewables group. This was achieved through EDF Energy Renewables HoldingsLimited transferring its shareholding in EDF Energy Renewables Ltd to EDF Energy (Energy Branch) Limited (50%) and EDF EN UK Limited (50%). EDF Energy (Energy Branch) Limited and EDF EN UK Limited then contributed their 50% shareholdings in EDF Energy Renewables Holdings Limited to EDF Energy Renewables Limited in return for the issue of new ordinary shares. To achieve furthersimplification, there was a transfer of control from EDF Energy (Energy Branch) Limited to EDF EN UK Limited, via the sale of 1% of the shares in the EDF Energy Renewable group from EDF Energy (Energy Branch) Limited to EDF EN UK Limited. Previously the EDF Energy Renewables group was jointly held, and proportionately consolidated, by the two shareholders. This transfer of control hasresulted in the deconsolidation of the EDF Energy Renewables group in the EDF Energy Holdings Limited consolidation.

In June 2018 49% of EDF Energy Renewables Holdings shareholding in the EDF Energy Renewables group was sold to Dalmore Capital Limited for consideration of £701m. This reduced the Company's investment in EDF Energy Renewables Holdings and its subsidiaries from 49% to 24.99%. As part of this external sale the £116m loan to joint ventures was repaid.

On 1 January 2018 the Company's subsidiary, EDF Energy (Cottam Power) Limited, sold its 2,000MW coal-fired power station to EDF Energy (Thermal Generation) Limited.

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.

DIRECTORS' REPORT (CONTINUED)

Reappointment of auditor
It is noted that in order for (a) Deloitte LLP to be appointed and deemed to be re-appointed as the auditor to the Company for the financial year ending 31 December 2018, and for subsequent financial years, in accordance with the provisions of Section 487(2) of the Companies Act 2006, and for (b) the Directors to be authorised to fix the remuneration of the auditor, it is necessary to obtain the approval of the members of the Company and a members shareholder written resolution has been prepared and will be circulated for approval.

Approved by the Board on 5 September 2018 and signed on its behalf by:

....
David Tomblin
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 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 the year. 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 Financial Reporting Standard 101 Reduced Disclosure Framework has 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 EDF ENERGY (ENERGY BRANCH) LIMITED

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 profit 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 (Energy Branch) Limited (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 20.

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, 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.

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.

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

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. 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.

We have nothing to report in respect of these matters.

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.

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

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 and the Directors' Report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

....
Timothy Biggs, FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor

London, United Kingdom

5 September 2018

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £ 000	2016 £ 000
Profit on disposal of investments	4	935	2,816
Profit before taxation and finance costs		**935**	2,816
Investment income	7	6,715	16,599
Finance costs	8	(4,037)	(4,938)
Profit before taxation		**3,613**	14,477
Taxation	9	(177)	(24)
Profit for the year		**3,436**	14,453

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

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017 £ 000	2016 £ 000
Profit for the year	3,436	14,453
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of post employment benefit obligations	10,374	11,418
Income tax effect	(1,726)	(1,977)
Other comprehensive income for the year, net of tax	8,648	9,441
Total comprehensive income attributable to the owners of the Company for the year	12,084	23,894

The income tax effect on defined benefit pensions includes a deferred tax charge of £2,209k (2016: charge of £2,887k) and a current tax credit of £483k (2016: credit of £910k).

BALANCE SHEET
AT 31 DECEMBER 2017

	Note	2017 £ 000	2016 £ 000
Non-current assets			
Financial assets	10	116,138	116,796
Investments in subsidiary undertakings	11	159,318	159,318
Post-employment benefit asset	16	17,948	6,986
		293,404	283,100
Current assets			
Trade and other receivables	12	9,611	9,830
Cash and cash equivalents	13	-	1,290
Current tax asset		1,430	1,583
		11,041	12,703
Total assets		304,445	295,803
Current liabilities			
Other liabilities	14	(230,079)	(236,069)
Net current liabilities		(219,038)	(223,365)
Total assets less current liabilities		74,366	59,735
Non-current liabilities			
Deferred tax liability	15	(2,122)	(372)
Post-employment benefits provision	16	(5,646)	(4,848)
		(7,768)	(5,220)
Total liabilities		(237,847)	(241,289)
Net assets		66,598	54,514

BALANCE SHEET
AT 31 DECEMBER 2017 (CONTINUED)

	Note	2017 £ 000	2016 £ 000
Capital and reserves			
Called up share capital	17	3,000	3,000
Capital redemption reserve		(43)	(43)
Retained earnings		63,641	51,557
Shareholders' funds		66,598	54,514

The financial statements of EDF Energy (Energy Branch) Limited (registered number 02449611) on pages 10 to 35 were approved by the Board and authorised for issue on 5 September 2018 and signed on its behalf by:

....
David Tomblin
Director

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

	Called up share capital £ 000	Capital redemption reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2016	3,000	(43)	27,663	30,620
Profit for the year	-	-	14,453	14,453
Other comprehensive income for the year	-	-	9,441	9,441
Total comprehensive income	-	-	23,894	23,894
At 31 December 2016	3,000	(43)	51,557	54,514
Profit for the year	-	-	3,436	3,436
Other comprehensive income for the year	-	-	8,648	8,648
Total comprehensive income	-	-	12,084	12,084
At 31 December 2017	3,000	(43)	63,641	66,598

NOTES TO THE FINANCIAL STATEMENTS

1 General information

EDF Energy (Energy Branch) Limited is a private company limited by shares 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 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.

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 disclosures have been given in the group accounts which are available to the public as set out in note 20.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Going concern

The financial statements have been prepared under the going concern basis because EDF Energy plc, the intermediate parent company, has agreed to continue to support the Company financially and not to recall amounts advanced to the Company if it would impact on the ability of the Company to continue trading and meet other liabilities as they fall due.

Exemption from preparing group accounts

The financial statements contain information about EDF Energy (Energy Branch) 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 parent, EDF Energy Holdings Limited, a company incorporated in United Kingdom.

Finance income and costs

Investment income, including dividend income, is earned on financial assets and recognised in the Income Statement on an accruals basis. Finance costs are accounted for on an accruals basis in the Income Statement based upon contracted rates.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

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.

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.

An investment is derecognised on disposal. Gains or losses arising from derecognition of an investment, measured as the difference between the net disposal proceeds and the carrying amount of the investment, are recognised in the income statement when the investment is derecognised.

Cash and cash equivalents
Cash and cash equivalents comprises cash at bank and in hand, including short term deposits with a maturity date of three months or less from the date of acquisition and restricted cash. The Group operates a cash concentration arrangement which physically offsets cash balances and overdrafts between subsidiary companies.

Retirement benefit costs
The Company operates two defined benefit pension schemes. The cost of providing benefits is determined using the Projected Unit Credit method with actuarial valuations being carried out at each balance sheet date. Remeasurement 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 costs.

The retirement benefit obligation recognised on the balance sheet represents the deficit or surplus in the Company'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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Impairment of non-financial assets
At each balance sheet date, the Group reviews the carrying amounts of its fixed asset investments 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 Group estimates the recoverable amount of the investment.

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.

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 pair 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).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

Key sources of estimation uncertainty
The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Pension deficit/asset
The pension deficit/asset are 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 in the consolidated financial statements of the Group, which are available as disclosed in note 20.

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.

Critical judgements in applying accounting policies
There are no critical judgements that the Directors have made in the process of applying the accounting policies of the Company, that are deemed to have a significant effect on the amounts recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Profit before taxation and finance costs

Profit before taxation and finance costs has been arrived at after crediting the following gains:

	2017 £ 000	2016 £ 000
Profit on disposal of investments	935	2,816

The profit on disposal of investments in 2017 relates to changes to the profit on disposal of Fallago as a result of the release of a tax related provision.

The profit on disposal of investments in 2016 related to the sale of the Company's 100% investment in The Barkantine Heat and Power Company Limited ('Barkantine') and its 18.6% interest in Barking Power Limited.

In 2017, an amount of £38,791 (2016: £37,845) was paid to Deloitte LLP for audit services. This charge was borne by another Group company in the current and prior year. In 2017, amounts payable to Deloitte LLP by the Company in respect of other assurance services was £nil (2016: £nil).

5 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 total Directors' remuneration is available in the group accounts, which are available to the public as set out in note 20.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 Personnel expenses

The aggregate payroll costs were as follows:

	2017 £ 000	2016 £ 000
Wages and salaries	26,902	26,910
Social security costs	3,179	3,102
Pension costs	9,859	6,647
Severance	-	17
Recharged to other Group companies	(39,940)	(36,676)
	-	-

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

	2017 No.	2016 No.
Production in subsidiaries	478	504

7 Investment income

	2017 £ 000	2016 £ 000
Income from investment	2,618	12,713
Interest receivable on loans to joint ventures	4,062	3,886
Pension scheme interest	35	-
	6,715	16,599

8 Finance costs

	2017 £ 000	2016 £ 000
Interest payable on loans from other Group companies	4,037	4,397
Pension scheme interest	-	541
	4,037	4,938

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 Tax on profit on continuing activities

(a) Analysis of tax charge in the year

	2017 £ 000	2016 £ 000
Current taxation		
UK corporation tax charge on profits made during the year	628	35
UK corporation tax adjustment to prior periods	18	-
Adjustment in respect of previous years' reported tax charge	-	13
Total current tax charge in the year	646	48
Deferred taxation		
Current year (credit)	(469)	(38)
Effect of decreased tax rate on opening balance	-	14
Total deferred tax (credit) in the year	(469)	(24)
Income tax charge reported in the income statement	177	24

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

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

	2017 £ 000	2016 £ 000
Profit before tax	3,613	14,477
Tax at the UK corporation tax rate of 19.25% (2016: 20.00%)	696	2,895
Non-taxable dividends receivable	(504)	(2,543)
Other non-deductible expenses and non-taxable income	(87)	(362)
Current year effect of deferred tax rate change	54	7
Impact of decreased tax rate on opening deferred tax balance	-	14
Adjustment to prior-year corporation tax charge	18	13
Tax charge reported in the income statement	177	24

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 Tax on profit on continuing activities (continued)

(c) Other factor 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 £2,209k (2016: charge of £2,887k) has been recognised in equity. This is in respect of pension movements.

A current tax credit of £483k (2016: credit of £910k) 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.

10 Financial assets

	2017 £ 000	2016 £ 000
Non-current financial assets		
Loans to joint ventures	116,122	116,780
Other investments	16	16
	116,138	116,796

Loans to joint ventures are unsecured and interest is charged at overnight LIBOR + 1.8%. These loans were due to mature in December 2024 but were repaid early in June 2018. Further details are included in note 19.

The other investment relates to a 1.59% investment in South East London Combined Heat and Power Ltd which is a municipal waste incinerator, operating and registered in the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 Investment in subsidiary undertakings

	£ 000
Cost	
At 1 January 2016	159,712
Additions	13,095
Disposals	(10,103)
At 31 December 2016 & 31 December 2017	162,704
Provision	
At 1 January 2016	(3,386)
At 31 December 2016 & 31 December 2017	(3,386)
Carrying amount	
At 31 December 2017	159,318
At 31 December 2016	159,318

The subsidiary undertakings at 31 December 2017, which are incorporated in the United Kingdom and are registered and operate in England and Wales, or Scotland (unless otherwise stated), are as follows:

Name of subsidiary	Principal activity	Proportion of ownership of ordinary shares and voting rights held 2017	2016
EDF Energy (Cottam Power) Limited	Provision and supply of electricity generation	100%	100%
EDF Energy (Thermal Generation) Limited formerly EDF Energy (West Burton Power) Limited	Power generation	100%	100%
Sutton Bridge B Limited (formerly West Burton Limited)*	Dormant company	100%	100%
West Burton Property Limited*	Dormant company	100%	100%

* indirectly held

The registered address of the subsidiary undertakings listed above is 90 Whitfield Street, London, England, W1T 4EZ.

During 2017, EDF Energy (London Heat & Power) Limited, EDF Energy (Northern Offshore Wind) Limited, Jade Power Generation Limited and Norfolk Offshore Wind Limited were placed in voluntary liquidation and subsequently dissolved.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 Investment in subsidiary undertakings (continued)

The joint ventures at 31 December 2017, which are incorporated in the United Kingdom and are registered and operate in England and Wales, or Scotland (unless otherwise stated), are as follows:

Name of joint venture	Principal activity	Proportion of ownership of ordinary shares and voting rights held 2017	2016
EDF Energy Renewables Holdings Limited*	Holding Company	50%	50%
Braemore Wood Windfarm Limited*	Renewable energy generation	50%	50%
Royal Oak Windfarm Limited*	Construction of renewable energy generation	50%	50%
Burnfoot Windfarm Limited*	Renewable energy generation	50%	50%
Fairfield Windfarm Limited*	Renewable energy generation	50%	50%
Boundary Lane Windfarm Limited*	Renewable energy generation	50%	50%
Walkway Windfarm Limited*	Renewable energy generation	50%	50%
Teesside Windfarm Limited*	Renewable energy generation	50%	50%
Longpark Windfarm Limited*	Renewable energy generation	50%	50%
Roade Windfarm Limited*	Renewable energy generation	50%	50%
Burnhead Moss Wind Farm Limited*	Renewable energy generation	50%	50%
EDF Energy Renewables Limited	Renewable energy generation	50%	50%
Barmoor Wind Power Limited*	Renewable energy generation	50%	50%
Cemmaes Windfarm Limited*	Renewable energy generation	50%	50%
Llangwyryfon Windfarms Limited*	Renewable energy generation	50%	50%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 Investment in subsidiary undertakings (continued)

Great Orton Windfarm II Limited*	Renewable energy generation	50%	50%
Cold Northcott Windfarm Limited*	Renewable energy generation	50%	50%
First Windfarm Holdings Limited*	Renewable energy generation	50%	50%
High Hedley Hope Wind Limited*	Renewable energy generation	50%	50%
Red Tile Wind Limited*	Renewable energy generation	50%	50%
Corriemollie Windfarm Limited*	Renewable energy generation	50%	50%
Park Spring Wind Farm Limited*	Renewable energy generation	50%	50%
Pearie Law Windfarm Limited*	Renewable energy generation	50%	50%
Cumbria Wind Farms Limited*	Renewable energy generation	50%	50%
Beck Burn Windfarm Limited*	Renewable energy generation	50%	50%
Dorenell Windfarm Limited*	Renewable energy generation	50%	50%
EDF EN Services UK Limited	Renewable energy generation	50%	50%
Fallago Rig II Windfarm Limited*	Renewable energy generation	50%	50%
EDF Energy Round 3 Isle of Wight Limited	Renewable energy generation	51%	51%
Kirkheaton Wind Limited*	Renewable energy generation	50%	37.5%

* indirectly held

The registered address of the subsidiary undertakings above is Alexander House 1 Mandarin Road, Rainton Bridge Business Park, Houghton Le Spring Sunderland, England, DH4 5RA.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 Investment in subsidiary undertakings (continued)

On 31 October 2017, the Group announced the completion of the reduction in ownership from 50% to 10% in Bicker Fen Windfarm Limited and Fenland Windfarms Limited to Greencoat UK Wind PLC as a single transaction. This sale has led to a change in the level of control exerted by the Group over the entities, which has resulted in them ceasing to be considered as a joint operation, and instead the companies have been accounted for as an associate.

The associates at 31 December 2017, which are incorporated in the United Kingdom and are registered and operate in England and Wales, or Scotland (unless otherwise stated), are as follows:

Name of associate	Principal activity	Proportion of ownership of ordinary shares and voting rights held	
		2017	2016
Navitus Bay Development Limited* (1)	Construction of renewable generation	25.5%	25.5%
Stornoway Wind Farm Limited* (2)	Construction of renewable generation	25%	25%
Fallago Rig Windfarm Limited* (2)	Operation of renewable generation	10%	10%
Green Rigg Windfarm Limited*	Operation of renewable generation	10%	10%
Rusholme Windfarm Limited*	Operation of renewable generation	10%	10%
Glass Moor II Windfarm Limited*	Operation of renewable generation	10%	10%
Wind Prospect Developments 2 Limited* (3)	Development of renewable generation	0%	25%
Lewis Wind Power Holdings Limited* (4)	Holding company	25%	0%
Uisenis Power Limited* (4)	Development of renewable generation	25%	0%
Bicker Fen Windfarm Limited* (5)	Renewable energy generation	10%	50%
Fenland Windfarms Limited* (5)	Renewable energy generation	10%	50%

* indirectly held

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 Investment in subsidiary undertakings (continued)

(1) Registered Address: The Exchange, 5 Bank Street, Bury, Lancashire, England, BL9 0DN.
(2) Registered Address: Atria One, Level 7 144 Morrison Street, Edinburgh, Scotland, EH3 8EX.
(3) Registered Address: 25 Shirelys, Ditchling, Hassocks, England, BN6 8UD.
(4) Registered Address: EDF Energy, Gso Business Park, East Kilbride, Scotland, G74 5PG.
(5) Registered Address: 27-28 Eastcastle Street, London, England, W1W 8DH.

Unless stated otherwise, the registered address of the subsidiary undertakings above is Squire Patton Boggs (UK) Llp (Ref:Csu) Rutland House, 148 Edmund Street, Birmingham, West Midlands, B3 2JR.

In March 2017, the Group sold its shares in Wind Prospect Developments 2 Limited.

12 Trade and other receivables

	2017 £ 000	2016 £ 000
Amounts owed by Group undertakings	843	6,735
Other debtors	8,768	3,095
	9,611	9,830

Amounts owed by other Group companies are interest free, unsecured and repayable on demand.

13 Cash and cash equivalents

	2017 £ 000	2016 £ 000
Short-term deposits	-	1,290

14 Other liabilities

	2017 £ 000	2016 £ 000
Accruals	641	878
Amounts owed to other Group companies	13,030	12,263
Borrowings due to other Group companies	216,408	222,928
	230,079	236,069

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 Other liabilities (continued)

The Company is included in a cash concentration arrangement which physically offsets cash balances with overdrafts with other participating Group companies. In the current year the element of the Company overdraft of £10,356k which relates to the collective net overdraft balance is shown above within amounts owed to other Group companies. In 2016, the Company had cash which covered overdrafts in other Group companies of £6,684k which was presented within Amounts owed by other Group companies.

Interest of overnight LIBOR + 0.125% (2016: LIBOR + 0.125%) is charged on amounts owed to other Group companies. Interest of overnight LIBOR +1.8% (2016: LIBOR + 1.8%) is charged on borrowings due to other Group companies. Balances are unsecured and are repayable on demand.

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:

	Retirement benefit obligations
	£'000
At 1 January 2016	2,491
Credit/(charge) to income	
o current year	38
o effect of decreased tax rate on opening liability	(14)
Charge to equity	
o current year	(2,778)
o effect of decreased tax rate on opening liability	(109)
At 1 January 2017	**(372)**
Credit/(charge) to income	
o current year	469
o Effect of decreased tax rate on opening liability	-
Charge to equity	
o current year	(2,212)
o Effect of decreased tax rate on opening liability	3
o Business acquisitions	(10)
At 31 December 2017	**(2,122)**

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:

	2017	2016
	£m	£m
Deferred tax assets	-	-
Deferred tax liabilities	(2,122)	(372)
At 31 December	(2,122)	(372)

16 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 20.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 Pension and other schemes (continued)

Financial impact of defined benefit pension schemes

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

	EEPS 2017 £ 000	EEGSG 2017 £ 000	Total 2017 £ 000	Total 2016 £ 000
Fair value of scheme assets	20,655	208,806	229,461	206,717
Present value of scheme liabilities	(26,301)	(190,858)	(217,159)	(204,579)
Defined benefit pension scheme (deficit)/surplus	(5,646)	17,948	12,302	2,138

Scheme assets

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

	EEPS 2017 £ 000	EEGSG 2017 £ 000	Total 2017 £ 000	Total 2016 £ 000
Fair value at start of year	15,627	191,090	206,717	163,245
Return on plan assets, excluding amounts included in interest income/(expense)	471	5,273	5,744	6,472
Actuarial gains and losses arising from changes in demographic assumptions	917	12,865	13,782	35,074
Deficit repair payments	290	2,217	2,507	4,550
PCAE bulk transfers	(110)	-	(110)	-
Employer contributions	3,049	3,691	6,740	6,607
Benefits paid	(258)	(6,330)	(6,588)	(9,634)
Members Contributions	669	-	669	403
Fair value at end of year	20,655	208,806	229,461	206,717

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 Pension and other schemes (continued)

Scheme liabilities

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

	EEPS 2017 £ 000	EEGS 2017 £ 000	Total 2017 £ 000	Total 2016 £ 000
Present value at start of year	20,475	184,104	204,579	176,858
Current service cost	4,216	5,276	9,492	7,226
Actuarial gains and losses arising from changes in demographic assumptions	671	2,110	2,781	23,656
Actuarial gains and losses arising from experience adjustments	51	634	685	-
Interest cost	645	5,064	5,709	7,014
Benefits paid	(258)	(6,330)	(6,588)	(9,634)
PCAE bulk transfers	(168)	-	(168)	-
Liabilities extinguished on settlements	-	-	-	(944)
Members Contributions	669	-	669	403
Present value at end of year	26,301	190,858	217,159	204,579

Amounts recognised in the income statement

	2017 £ 000	2016 £ 000
Amounts recognised in operating profit		
Current service cost	(9,492)	(7,226)
Losses/(gains) on curtailments and settlements	-	944
Recognised in arriving at operating profit	(9,492)	(6,282)
Amounts recognised in finance income or costs		
Amounts recognised in finance income or costs	35	(542)
Total recognised in the income statement	(9,457)	(6,824)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 Pension and other schemes (continued)

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.

17 Share capital

Allotted, authorised, called up and fully paid shares

		2017		2016
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	3,000	3,000	3,000	3,000

The Company has one class of ordinary shares which carries no right to fixed income.

Capital redemption reserve
The capital redemption reserve arose between 2007 and 2010 and relates to share based payments to employees. EDF Energy (Energy Branch) Limited's ultimate parent company, EDF S.A., is partially listed on Euronext, the French Stock Exchange. Company contributions to the scheme were charged to the Income Statement in the period they arose, at fair value. A corresponding amount was recognised as a capital contribution from EDF within equity. Any repayment required to EDF was measured at market value at the end of the respective period and recorded as a liability and reduced capital contribution.

18 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)

19 Post balance sheet events

In January 2018, there was a restructure of the EDF Energy Renewables group, consisting of EDF Energy Renewables Holdings Limited and its subsidiaries. The restructure involved EDF Energy Renewables Limited replacing EDF Energy Renewables Holdings Limited as the holding company for the EDF Energy Renewables group. This was achieved through EDF Energy Renewables Holdings Limited transferring its shareholding in EDF Energy Renewables Ltd to EDF Energy (Energy Branch) Limited (50%) and EDF EN UK Limited (50%). EDF Energy (Energy Branch) Limited and EDF EN UK Limited then contributed their 50% shareholdings in EDF Energy Renewables Holdings Limited to EDF Energy Renewables Limited in return for the issue of new ordinary shares. To achieve further simplification, there was a transfer of control from EDF Energy (Energy Branch) Limited to EDF EN UK Limited, via the sale of 1% of the shares in the EDF Energy Renewable group from EDF Energy (Energy Branch) Limited to EDF EN UK Limited. Previously the EDF Energy Renewables group was jointly held, and proportionately consolidated, by the two shareholders. This transfer of control has resulted in the deconsolidation of the EDF Energy Renewables group in the EDF Energy Holdings Limited consolidation.

In June 2018 49% of EDF Energy Renewables Holdings shareholding in the EDF Energy Renewables group was sold to Dalmore Capital Limited for consideration of £701m. This reduced the Company's investment in EDF Energy Renewables Holdings and its subsidiaries from 49% to 24.99%. As part of this external sale the £116m loan to joint ventures was repaid.

On 1 January 2018 the Company's subsidiary, EDF Energy (Cottam Power) Limited, sold its 2,000MW coal-fired power station to EDF Energy (Thermal Generation) Limited.

20 Parent undertaking and controlling party

EDF Energy 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 90 Whitfield Street, London, England, 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.