

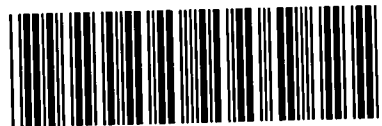
# EDF ENERGY (ENERGY BRANCH) LIMITED

REGISTERED NUMBER: 02449611

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

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**EDF ENERGY (ENERGY BRANCH) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2018**

**CONTENTS**

Strategic Report	1
Directors' Report	2 to 3
Directors' Responsibilities Statement	4
Independent Auditor's Report to the Members of EDF Energy (Energy Branch) Limited	5 to 7
Income Statement	8
Statement of Comprehensive Income	9
Balance Sheet	10 to 11
Statement of Changes in Equity	12
Notes to the Financial Statements	13 to 29

<b>Directors</b>	Matthew Sykes David Tomblin
<b>Auditor</b>	Deloitte LLP Statutory auditor 1 New Street Square London United Kingdom EC4A 3HQ
<b>Registered office</b>	90 Whitfield Street London England W1T 4EZ

**EDF ENERGY (ENERGY BRANCH) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2018**

**STRATEGIC REPORT**

The Directors present their Strategic Report for the year ended 31 December 2018.

**Principal activity**

The principal activity of the company is that of a holding company for investments in projects involving the generation of electricity. It is the intention of the Directors to wind up the Company in the foreseeable future.

**Review of the business**

The profit for the year before taxation amounted to £309,069k (2017: £3,613k) and the profit after taxation amounted to £313,196k (2017: £3,436k). The net current assets at 31 December 2018 amounted to £32,736k (2017: net current liabilities of £219,038k). The profit for the year is largely due to the receipt of dividends from associates of £116,926k and profit on subsequent disposal of the associates, totalling £224,344k.

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**

**EU Referendum**

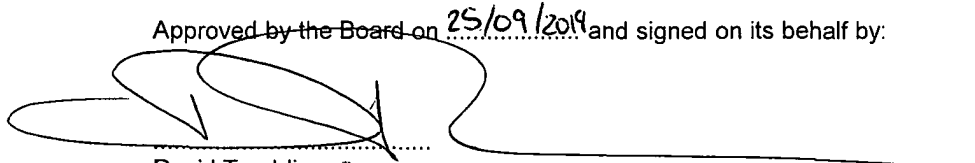
The UK Government has announced that the UK will leave the EU during 2019. Economists have assessed that a no-deal Brexit could result in lower base interest rates and higher inflation, following an expected weakening of sterling compared to other currencies. The impact of such potential changes is expected to be immaterial to the financial statements of the Company.

The Company is not exposed to any significant liquidity, credit currency or interest rate risk.

**Going concern**

The intention of the Directors is to wind up the Company, and as a result, the Directors have prepared the financial statements on the basis that the Company is no longer a going concern. The entity has ceased to trade and has no alternative means to trade. No material adjustment have arisen as a result of ceasing to apply the going concern basis.

Approved by the Board on 25/09/2019 and signed on its behalf by:



David Tomblin  
Director

**EDF ENERGY (ENERGY BRANCH) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2018**

**DIRECTORS' REPORT**

The Directors present their annual report and the audited financial statements for the year ended 31 December 2018.

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:

Matthew Sykes

David Tomblin (appointed 5 February 2018)

Matilda Spencer (appointed 1 January 2018 and resigned 21 January 2019)

Paul Winkle (appointed 1 January 2018 and resigned 21 January 2019)

Charles Lidbetter (appointed 5 September 2018 and resigned 15 April 2019)

Martin Cheetham (resigned 21 January 2019)

Christopher Bebbington (resigned 21 January 2019)

Brian Cowell (resigned 21 January 2019)

Michael Harrison (resigned 1 January 2018)

David Mitchell (resigned 5 February 2018)

Owen Forster (resigned 30 November 2018)

Darren Ramshaw (resigned 30 November 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 19.

No Director (2017: 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**

Dividends of £350m were paid in the year (2017: £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.

**EDF ENERGY (ENERGY BRANCH) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2018**

**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.

**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.

**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 2019, 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 25/09/2019 and signed on its behalf by:

  
David Tomblin  
Director

**EDF ENERGY (ENERGY BRANCH) LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
YEAR ENDED 31 DECEMBER 2018**

**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 the period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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.

**EDF ENERGY (ENERGY BRANCH) LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
YEAR ENDED 31 DECEMBER 2018**

**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 of EDF Energy (Energy Branch) Limited (the 'company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 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 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 19.

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 Financial Reporting Council's (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.

**Emphasis of matter - Financial statements prepared other than on a going concern basis**

We draw attention to note 2 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

**EDF ENERGY (ENERGY BRANCH) LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
YEAR ENDED 31 DECEMBER 2018**

**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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



**EDF ENERGY (ENERGY BRANCH) LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
YEAR ENDED 31 DECEMBER 2018**

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

**Report on other legal and regulatory requirements**

**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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified 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.

**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.

*Nigel Thomas*

Nigel Thomas (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor

London, United Kingdom

25 September 2019

**EDF ENERGY (ENERGY BRANCH) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2018**

**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £ 000	2017 £ 000
Other gains and losses	4	(8,768)	-
Profit on disposal of investments	4	<u>224,344</u>	<u>935</u>
<b>Profit before taxation and finance costs</b>		<b>215,576</b>	<b>935</b>
Investment income	7	119,268	6,715
Finance costs	8	(10,309)	(4,037)
Pension cost	16	<u>(15,466)</u>	<u>-</u>
<b>Profit before taxation</b>		<b>309,069</b>	<b>3,613</b>
Taxation	9	<u>4,127</u>	<u>(177)</u>
<b>Profit for the year</b>		<b><u>313,196</u></b>	<b><u>3,436</u></b>

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

**EDF ENERGY (ENERGY BRANCH) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2018**

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 £ 000	2017 £ 000
Profit for the year	<u>313,196</u>	<u>3,436</u>
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Remeasurements of post employment benefit obligations	3,511	10,374
Income tax effect	<u>(553)</u>	<u>(1,726)</u>
Other comprehensive income for the year, net of tax	<u>2,958</u>	<u>8,648</u>
Total comprehensive income attributable to the owners of the Company for the year	<u><u>316,154</u></u>	<u><u>12,084</u></u>

The income tax effect on defined benefit pensions includes a deferred tax charge of £973k (2017: charge of £2,209k) and a current tax credit of £420k (2017: credit of £483k).

**EDF ENERGY (ENERGY BRANCH) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2018**

**BALANCE SHEET**  
**AT 31 DECEMBER 2018**


	Note	2018 £ 000	2017 £ 000
<b>Non-current assets</b>			
Financial assets	11	16	116,138
Investments in subsidiary undertakings	12	-	159,318
Post-employment benefit asset	16	-	17,948
		<u>16</u>	<u>293,404</u>
<b>Current assets</b>			
Trade and other receivables	13	947	9,611
Cash and cash equivalents		33,939	-
Current tax asset		2,175	1,430
		<u>37,061</u>	<u>11,041</u>
<b>Total assets</b>		<u>37,077</u>	<u>304,445</u>
<b>Current liabilities</b>			
Other liabilities	14	(4,325)	(230,079)
<b>Net current assets/(liabilities)</b>		<u>32,736</u>	<u>(219,038)</u>
<b>Total assets less current liabilities</b>		<u>32,752</u>	<u>74,366</u>
<b>Non-current liabilities</b>			
Deferred tax liability	15		(2,122)
Post-employment benefits provision	16	-	(5,646)
			<u>(7,768)</u>
<b>Total liabilities</b>		<u>(4,325)</u>	<u>(237,847)</u>
<b>Net assets</b>		<u>32,752</u>	<u>66,598</u>

**EDF ENERGY (ENERGY BRANCH) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2018**

**BALANCE SHEET**  
**AT 31 DECEMBER 2018 (CONTINUED)**

	Note	2018 £ 000	2017 £ 000
<b>Equity</b>			
Called up share capital	17	3,000	3,000
Capital redemption reserve	17	(43)	(43)
Retained earnings		<u>29,795</u>	<u>63,641</u>
Shareholders' funds		<u><u>32,752</u></u>	<u><u>66,598</u></u>

The financial statements of EDF Energy (Energy Branch) Limited (registered number 02449611) on pages 8 to 29 were approved by the Board and authorised for issue on ~~25/09/2019~~ **25/09/2019** and signed on its behalf by:

  
 .....  
 David Tomblin  
 Director

**EDF ENERGY (ENERGY BRANCH) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2018**

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £ 000	Capital redemption reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2017	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
Profit for the year	-	-	313,196	313,196
Other comprehensive income for the year	-	-	2,958	2,958
Total comprehensive income	-	-	316,154	316,154
Dividends (note 10)	-	-	(350,000)	(350,000)
At 31 December 2018	3,000	(43)	29,795	32,752

**EDF ENERGY (ENERGY BRANCH) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2018**

**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.

**Adoption of new and revised International Financial Reporting Standards**

**New standards, interpretations and amendments effective**

The following have been applied for the first time from 1 January 2018 and have had no effect on the financial statements:

***IFRS 9 - Financial Instruments***

IFRS 9 "Financial Instruments" became mandatory on 1 January 2018. It introduces new principles for classification and measurement of financial instruments, impairment for credit risk on financial assets, and hedge accounting. In application of the simplified approach allowed by IFRS 9, the comparative figures for the first year of application have not been restated. There have been no changes to the accounting treatment as a result of the adoption of IFRS 9.

**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.

**EDF ENERGY (ENERGY BRANCH) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2018**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 Accounting policies (continued)**

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 paragraph 10(d), 10(f), 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;
- 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; and

Where relevant, equivalent disclosures have been given in the group accounts which are available to the public as set out in note 19.

**Going concern**

The intention of the Directors is to wind up the Company, and as a result, the Directors have prepared the financial statements on the basis that the Company is no longer a going concern. The entity has ceased to trade and has no alternative means to trade. No material adjustment have arisen as a result of ceasing to apply the going concern basis.

**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.



**EDF ENERGY (ENERGY BRANCH) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2018**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 Accounting policies (continued)**

**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.

**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.

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.

**EDF ENERGY (ENERGY BRANCH) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2018**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 Accounting policies (continued)**

**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.

**Trade receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost, less provision for expected credit loss. The estimated expected credit loss for 2018 is deemed immaterial and is set at nil.

**Post employment benefit costs**

The Group 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 post employment benefit obligation recognised on the balance sheet represents the deficit or surplus in the Groups's defined benefit schemes allocated to the Company. 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.

On 31 December 2018, the EDF Energy Limited group of companies re-assessed the way in which the two pension schemes; EEPS and EEGSG should be allocated. The costs, assets, liabilities and unrecognised actuarial gains and losses of the pension schemes are to be wholly reflected in the financial statements of the sponsoring employer, EDF Energy Limited. As such the assets and liabilities associated with these schemes have been transferred to EDF Energy Limited with no consideration payable. As a result of this transaction, the Company has transferred out a pension asset and accounted for a one-off pension cost of £15,466k.

**EDF ENERGY (ENERGY BRANCH) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2018**

**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 paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or asset or (where appropriate) a shorter period, to the net carrying amount on initial recognition).

**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.

**EDF ENERGY (ENERGY BRANCH) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2018**

**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.

There are no critical judgements or estimations 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.

**4 Profit before taxation and finance costs**

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

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
Other gains and losses	(8,768)	-
Profit on disposal of investments	<u>224,344</u>	<u>935</u>

Other gains and losses relate to the write off of development costs which are no longer considered recoverable. Refer to note 13 for further details.

The profit on disposal of investments relates to the sale of all interest in subsidiaries, joint ventures and associates.

In 2018, an amount of £11,970 (2017: £38,791) was paid to Deloitte LLP for audit services. This charge was borne by another Group company in the current and prior year. In 2018, amounts payable to Deloitte LLP by the Company in respect of other assurance services was £nil (2017: £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 19.

No Director (2017: none) held any interests in the shares or debentures of the Company or the Group required to be disclosed under the Companies Act 2006.

**EDF ENERGY (ENERGY BRANCH) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2018**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6 Personnel expenses**

The aggregate payroll costs were as follows:

	2018 £ 000	2017 £ 000
Wages and salaries	25,762	26,902
Social security costs	2,939	3,179
Pension costs	8,648	9,859
Recharged to other Group companies	<u>(37,349)</u>	<u>(39,940)</u>
	<u>-</u>	<u>-</u>

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

	2018 No.	2017 No.
Production in subsidiaries	<u>441</u>	<u>478</u>

**7 Investment income**

	2018 £ 000	2017 £ 000
Dividend income	116,926	2,618
Interest receivable on loans to joint ventures	-	4,062
Interest receivable on loans to other Group companies	2,123	-
Pension scheme interest	<u>219</u>	<u>35</u>
	<u>119,268</u>	<u>6,715</u>

**8 Finance costs**

	2018 £ 000	2017 £ 000
Interest payable on loans from other Group companies	<u>10,309</u>	<u>4,037</u>

**EDF ENERGY (ENERGY BRANCH) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2018**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**9 Tax on profit**

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

	2018 £ 000	2017 £ 000
<b>Current taxation</b>		
UK corporation tax charge/(credit) on profits made during the year	(1,033)	628
Adjustments in respect of previous years' reported tax charges	<u>-</u>	<u>18</u>
Total current tax charge/(credit) in the year	<u>(1,033)</u>	<u>646</u>
<b>Deferred taxation</b>		
Current year (credit)	(3,063)	(469)
Effect of decreased tax rate on opening balance	<u>(31)</u>	<u>-</u>
Total deferred tax (credit) in the year	<u>(3,094)</u>	<u>(469)</u>
Income tax (credit)/charge reported in the income statement	<u><u>(4,127)</u></u>	<u><u>177</u></u>

(b) The tax on profit before tax for the year is lower (2017: lower) than the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%).

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

	2018 £ 000	2017 £ 000
Profit before tax	<u>309,069</u>	<u>3,613</u>
Tax at the UK corporation tax rate of 19.00% (2017: 19.25%)	58,723	696
Non-taxable dividends receivable	(22,216)	(504)
Non-taxable profit on disposal of investments	(40,963)	(87)
Current year effect of deferred tax rate change	360	54
Impact of decreased tax rate on opening deferred tax balance	(31)	-
Adjustment to prior-year corporation tax charge	<u>-</u>	<u>18</u>
Income tax (credit)/charge reported in the income statement	<u><u>(4,127)</u></u>	<u><u>177</u></u>

**EDF ENERGY (ENERGY BRANCH) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2018**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**9 Tax on profit (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 £973k (2017: charge of £2,209k) in respect of pension movements has been recognised in equity.

A current tax credit of £420k (2017: credit of £483k) 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 2018 has been calculated at 17.00% (31 December 2017: 17.25%). This is the average tax rate at which the reversal of the net deferred tax liability is expected to occur.

**10 Dividends**

	2018 £ 000	2017 £ 000
Ordinary dividends on equity shares	<u>350,000</u>	<u>-</u>

Dividends per share for the period was 116.7p (2017: nil)

**EDF ENERGY (ENERGY BRANCH) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2018**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**11 Financial assets**

	2018 £ 000	2017 £ 000
<b>Non-current financial assets</b>		
Loans to joint ventures	-	116,122
Other investments	16	16
	<u>16</u>	<u>116,138</u>

Loans to joint ventures were repaid early in June 2018 as part of the restructure of the EDF Energy Renewables Group. Further details are included in note 12.

The other investment relates to 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.

**12 Investment in subsidiary undertakings**

	£ 000
<b>Cost</b>	
At 1 January 2017 & 31 December 2017	162,704
Disposals during the year	<u>(162,704)</u>
At 31 December 2018	<u>-</u>
<b>Provision</b>	
At 1 January 2017 & 31 December 2017	(3,386)
Eliminated on disposals	<u>3,386</u>
At 31 December 2018	<u>-</u>
<b>Carrying amount</b>	
At 31 December 2018	<u>-</u>
At 31 December 2017	<u>159,318</u>

In December 2018, the Company sold its investment in the EDF Energy Renewables group to EDF Energy Limited. In 2017 the Companies investments in the EDF Energy Renewables group were joint ventures and the profit on disposal in 2018 was £234,344k.

The subsidiary undertakings at 31 December 2018, which are incorporated in the United Kingdom and are registered and operate in England and Wales, or Scotland (unless otherwise stated), are as follows:



**EDF ENERGY (ENERGY BRANCH) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2018**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**12 Investment in subsidiary undertakings (continued)**

Name of subsidiary	Principal activity	Proportion of ownership of ordinary shares and voting rights held	
		2018	2017
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%

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

**EDF ENERGY (ENERGY BRANCH) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2018**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**13 Trade and other receivables**

	2018 £ 000	2017 £ 000
Amounts owed by other group companies	947	-
Other debtors	-	8,768
	<u>947</u>	<u>8,768</u>

Amounts owed by other Group companies were interest free, unsecured and repayable on demand. Development costs included within other debtors have been written off in the year as they are no longer considered recoverable.

**14 Other liabilities**

	2018 £ 000	2017 £ 000
Accruals	764	641
Amounts owed to other Group companies	3,561	13,030
Borrowings due to other Group companies	-	216,408
	<u>4,325</u>	<u>230,079</u>

Interest of overnight LIBOR + 0.125% (2017: LIBOR + 0.125%) is charged on amounts owed to other Group companies. Balances are unsecured and are repayable on demand.

Borrowings due to other Group companies were repaid fully in December 2018.

EDF ENERGY (ENERGY BRANCH) LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
YEAR ENDED 31 DECEMBER 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**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:

	Post employment benefit obligations £ 000
At 1 January 2017	(372)
Credit/(charge) to income	
o <i>Current year</i>	469
Charge to equity	
o <i>Current year</i>	(2,212)
o <i>Effect of decreased tax rate on opening liability</i>	3
o <i>Business acquisitions</i>	(10)
<b>At 1 January 2018</b>	<b>(2,122)</b>
Credit/(charge) to income	
o <i>Current year</i>	3,063
o <i>Effect of decreased tax rate on opening liability</i>	31
Charge to equity	
o <i>Current year</i>	(972)
<b>At 31 December 2018</b>	<b>-</b>

**EDF ENERGY (ENERGY BRANCH) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2018**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**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.

On 31 December 2018, the EDF Energy Limited group of companies re-assessed the way in which the two pension schemes; EEPS and EEGSG should be allocated. The costs, assets, liabilities and unrecognised actuarial gains and losses of the pension schemes are to be wholly reflected in the financial statements of the sponsoring employer, EDF Energy Limited. As such the assets and liabilities associated with these schemes have been transferred to EDF Energy Limited with no consideration payable. As a result of this transaction, the Company has transferred out a pension asset and accounted for a one-off pension cost of £15,466k.

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 19.

**EDF ENERGY (ENERGY BRANCH) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2018**

**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:

	<b>EEPS 2018 £ 000</b>	<b>EEGSG 2018 £ 000</b>	<b>Total 2018 £ 000</b>	<b>Total 2017 £ 000</b>
Fair value of scheme assets	23,583	204,466	228,049	229,461
Present value of scheme liabilities	(28,431)	(184,152)	(212,583)	(217,159)
Re-estimation of allocation	<u>4,849</u>	<u>(20,313)</u>	<u>(15,466)</u>	<u>-</u>
Defined benefit pension scheme surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,302</u>

***Scheme assets***

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

	<b>EEPS 2018 £ 000</b>	<b>EEGSG 2018 £ 000</b>	<b>Total 2018 £ 000</b>	<b>Total 2017 £ 000</b>
Fair value at start of year	20,655	208,806	229,461	206,717
Return on plan assets, excluding amounts included in interest income/(expense)	583	5,252	5,835	5,744
Actuarial gains and losses arising from changes in demographic assumptions	(1,311)	(7,968)	(9,279)	13,782
Deficit repair payments	371	1,837	2,208	2,507
PCAE bulk transfers	-	-	-	(110)
Employer contributions	2,845	3,588	6,433	6,740
Benefits paid	(245)	(7,049)	(7,294)	(6,588)
Members Contributions	685	-	685	669
Re-estimation of allocation	<u>(23,583)</u>	<u>(204,466)</u>	<u>(228,049)</u>	<u>-</u>
Fair value at end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>229,461</u>

**EDF ENERGY (ENERGY BRANCH) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2018**

**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:

	<b>EEPS 2018 £ 000</b>	<b>EEGS 2018 £ 000</b>	<b>Total 2018 £ 000</b>	<b>Total 2017 £ 000</b>
Present value at start of year	26,301	190,858	217,159	204,579
Current service cost	3,804	5,404	9,208	9,492
Actuarial gains and losses arising from changes in demographic assumptions	(3,001)	(11,568)	(14,569)	2,781
Actuarial gains and losses arising from experience adjustments	152	1,627	1,779	685
Interest cost	735	4,880	5,615	5,709
Benefits paid	(245)	(7,049)	(7,294)	(6,588)
PCAE bulk transfers	-	-	-	(168)
Members Contributions	685	-	685	669
Re-estimation of allocation	(28,431)	(184,152)	(212,583)	-
Present value at end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>217,159</u>

***Amounts recognised in the income statement***

	<b>2018 £ 000</b>	<b>2017 £ 000</b>
<b>Amounts recognised in operating profit</b>		
Current service cost	<u>(9,208)</u>	<u>(9,492)</u>
<b>Amounts recognised in finance income or costs</b>		
Pension interest income (note 7)	<u>219</u>	<u>35</u>
Total recognised in the income statement	<u><u>(8,989)</u></u>	<u><u>(9,457)</u></u>

**EDF ENERGY (ENERGY BRANCH) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2018**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**17 Share capital and reserves**

**Allotted, authorised, called up and fully paid shares**

	No. 000	2018 £ 000	No. 000	2017 £ 000
Ordinary Share of £1 each	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>

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 wholly owned members of the group, which would be required for disclosure under IAS 24.

**19 Parent undertaking and controlling party**

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

At 31 December 2018, 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.