

**E.ON UK CHP LIMITED**  
**STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**for the Year Ended 31 December 2018**

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**Registered No: 02684288**

**E.ON UK CHP LIMITED  
STRATEGIC REPORT  
for the Year Ended 31 December 2018**

The directors present their strategic report of the Company for the year ended 31 December 2018.

**Fair review of the business**

During the year, the Company performed in line with expected operational results, and made a profit before exceptional costs of reorganisation and restructuring of £1,279,000 (2017: £1,829,000).

The Company continues to review its contractual obligations and there are no plans at present to initiate any new combined heat and power ("CHP") development projects. During 2018, a decision was made to close down the Kemsley CHP plants between 2019 and 2021, and a provision has been recognised in relation to exceptional costs of reorganisation and restructuring of £2,796,000.

At 31 December 2018, the Company had net assets of £6,980,000 (2017: net assets of £8,219,000). Further information regarding the financial position of the Company at the year end is provided in the Directors' Report.

**Principal risks and uncertainties**

The key business risks and uncertainties affecting the Company are considered to relate to asset performance, credit risks and inflation. The management of risks is undertaken at the E.ON SE consolidated ('group') level. Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided within the financial review section of the group's annual report which does not form part of this report.

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of E.ON SE, which include those of the Customer Solutions Unit UK division of E.ON SE, which includes the Company, are discussed within the financial review section of the group's annual report which does not form part of this report.

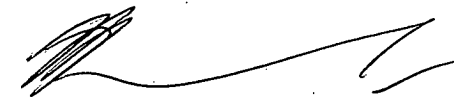
*Brexit*

On 23 June 2016, Britain voted to leave the European Union ('EU'). Article 50 was triggered on 29 March 2017, which started the exit process from the EU. If no agreement is reached as part of this process, Britain would leave the EU without a deal which brings with it a number of consequences. A representative of the Company attends the E.ON UK plc led cross functional working group, which meets regularly to consider the impact of Brexit legislative changes on existing and new contracts, as well as other potential implications of Brexit, and to monitor further Brexit developments and their potential impact on the Company's business. Until such time as the final agreement and/or the transitional arrangements are agreed, the actual impact of Brexit on the Company's business remains uncertain.

**Key performance indicators ('KPIs')**

The Board of Management of E.ON SE manages the group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using KPIs for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the Customer Solutions UK division of E.ON SE, which includes the Company, are discussed within the group's annual report which does not form part of this report. The directors do not believe there are any further relevant KPIs that are not already disclosed within these financial statements.

Approved by the Board of Directors on 4 July 2019 and signed on its behalf by:



**M R French**  
Director

E.ON UK CHP Limited  
Company No: 02684288  
Westwood Way  
Westwood Business Park  
Coventry  
CV4 8LG

**E.ON UK CHP LIMITED  
DIRECTORS' REPORT  
for the Year Ended 31 December 2018**

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2018.

**Directors of the Company**

The directors who held office during the year and up to the date of signing these financial statements are given below:

M G Wake

M R Day (appointed 4 April 2018)

M R French (appointed 1 November 2018)

J A Ireton (resigned 23 March 2018)

B Wagner (resigned 31 October 2018)

**Principal activity**

The Company's principal activity during the year and at the year end was the sale of energy and related services, primarily from the operation of CHP plant.

**Future developments**

The Company's future developments are discussed in the Strategic Report.

**Results and dividends**

The Company's loss for the financial year is £1,191,000 (2017: loss of £36,503,000). No interim dividends were paid during the year (2017: £nil). The directors do not recommend the payment of a final dividend (2017: £nil).

The directors believe that the present level of activity will be sustained in the current year.

**Financial risk management**

***Objectives and policies***

The Company, in common with other E.ON SE subsidiaries, must comply with the E.ON SE group's finance guidelines that set out the principles and framework for managing group-wide finances. The Company also utilises the E.ON UK plc operational treasury team which services the treasury requirements of the business. Further information on the E.ON SE group's policies and procedures is available in the financial statements of the E.ON SE group.

***E.ON SE's central financing strategy***

The operational treasury team employs a continuous forecasting and monitoring process to ensure that the Company complies with all its banking and other covenants that apply to the financing of its business. A group-wide cash forecasting and currency exposure reporting process exists which ensures regular reporting into the UK treasury team. Information is submitted to E.ON SE for incorporation into the E.ON SE group's forecasting processes on a weekly and quarterly basis.

***Price risk, credit risk, liquidity risk and cash flow risk***

***Foreign exchange risk management***

The Company operates within the framework of E.ON SE's guidelines for foreign exchange risk management. The Company's policy is to hedge all contractually committed operational exposures, as soon as the commitment arises. The Company will also partly hedge less certain cash flows when appropriate. The Company determines the hedging of translation exposures (the value of foreign currency liabilities and assets in the balance sheet) on a case by case basis in consultation with the E.ON UK plc treasury team.

***Interest rate risk management***

The Company has a number of funding arrangements and is exposed to movements in interest rates. These interest rate exposures are managed primarily through the use of floating rate borrowings.

**E.ON UK CHP LIMITED  
DIRECTORS' REPORT  
for the Year Ended 31 December 2018 (continued)**

*Credit risk management*

The Company is subject to the E.ON SE group's finance policy which sets a credit limit for each financial institution with which the Company does a significant amount of business. In addition, other counterparty credit risk is subject to the E.ON SE group's credit risk management policy supported by individual business unit policies to establish internal ratings for limit setting. Credit risk assessment involves quantitative and qualitative criteria including ratings by independent rating agencies where these are available.

*Liquidity planning, trends and risks*

The Company has sufficient committed borrowing facilities to meet planned liquidity needs with headroom, through facilities provided by E.ON UK plc.

**Political donations**

No political donations were made during the year (2017: £nil).

**Directors' indemnities**

The Company maintains liability insurance for its directors and officers. This is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. This insurance cover was in force during the year and is still in force at the date of approving these financial statements.

**Going concern**

The directors have prepared these financial statements on the going concern basis and believe that there are no material uncertainties that may cast significant doubt about the ability of the Company to continue as a going concern. The directors of the Company also believe that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of these financial statements.

**Disclosure of information to auditors**

As far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware and each director has taken all the 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 auditors are aware of that information.

**Statement of directors' responsibilities in respect of these financial statements**

The directors are responsible for preparing the Strategic Report, the Directors' Report and these Financial Statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared these financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law the directors must not approve these financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

**E.ON UK CHP LIMITED  
DIRECTORS' REPORT  
for the Year Ended 31 December 2018 (continued)**

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 these financial statements comply with the Companies Act 2006.

The directors 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.

Approved by the Board of Directors on 4 July 2019 and signed on its behalf by:



**M R French**  
Director

E.ON UK CHP Limited  
Company No: 02684288  
Westwood Way  
Westwood Business Park  
Coventry  
CV4 8LG

# **Independent Auditors' Report to the Members of E.ON UK CHP LIMITED**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion, E.ON UK CHP Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, Directors' Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the profit and loss account, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the 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 the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

## **Independent Auditors' Report to the Members of E.ON UK CHP LIMITED (continued)**

### ***Strategic Report and Directors' Report***

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 year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

### **Responsibilities for the financial statements and the audit**

#### ***Responsibilities of the directors for the financial statements***

As explained more fully in the Statement of directors' responsibilities in respect of these financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

#### ***Auditors' 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 auditors' 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 auditors' report.

#### ***Use of this report***

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Other required reporting**

#### **Companies Act 2006 exception reporting**

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

*Simon Evans*

Simon Evans (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham

Date 4 July 2019

**E.ON UK CHP Limited**  
**PROFIT AND LOSS ACCOUNT**  
**for the Year Ended 31 December 2018**

	<i>Note</i>	<b>2018 £000</b>	2017 £000
Turnover	2	<b>36,520</b>	33,725
Cost of sales		<b>(27,536)</b>	(22,321)
<b>Gross profit</b>		<b>8,984</b>	11,404
<i>Administrative expenses before exceptional items</i>		<b>(9,104)</b>	(10,620)
<i>Exceptional costs of reorganisation and restructuring</i>		<b>(2,796)</b>	-
Administrative expenses		<b>(11,900)</b>	(10,620)
Other operating income		<b>1,341</b>	1,045
<b>Operating (loss)/profit</b>	3	<b>(1,575)</b>	1,829
Interest receivable and similar income	6	<b>245</b>	570
Interest payable and similar expenses	7	<b>(187)</b>	(479)
Amounts written off investments	8	-	(38,100)
<b>Loss before taxation</b>		<b>(1,517)</b>	(36,180)
Tax on loss	9	<b>326</b>	(323)
<b>Loss for the financial year</b>		<b>(1,191)</b>	(36,503)

As the Company has no other comprehensive income for the year, a separate statement of comprehensive income has not been presented.

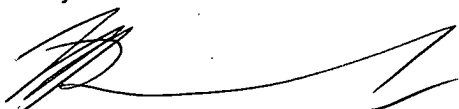
The notes on pages 10 to 26 form part of these financial statements.



**E.ON UK CHP LIMITED**  
**BALANCE SHEET**  
as at 31 December 2018

	<i>Note</i>	<b>2018 £000</b>	<b>2017 £000</b>
<b>Fixed assets</b>			
Intangible assets	10	<b>956</b>	304
Tangible assets	11	<b>11,995</b>	9,919
		<b>12,951</b>	10,223
<b>Current assets</b>			
Stocks	13	<b>830</b>	939
Debtors: amounts falling due after more than one year	14	-	356
Debtors: amounts falling due within one year	15	<b>29,720</b>	21,040
		<b>30,550</b>	22,335
<b>Creditors: amounts falling due within one year</b>	16	<b>(26,881)</b>	(13,237)
<b>Net current assets</b>		<b>3,669</b>	9,098
<b>Total assets less current liabilities</b>		<b>16,620</b>	19,321
<b>Provisions for liabilities</b>	17	<b>(9,640)</b>	(11,102)
<b>Net assets</b>		<b>6,980</b>	8,219
<b>Capital and reserves</b>			
Called up share capital	18	<b>38,100</b>	38,100
Profit and loss account		<b>(31,120)</b>	(29,881)
<b>Total shareholders' funds</b>		<b>6,980</b>	8,219

The financial statements on pages 7 to 26 were approved by the Board of Directors on 4 July 2019 and signed on its behalf by:



**M R French**  
Director  
E.ON UK CHP Limited  
Company No: 02684288

The notes on pages 10 to 26 form part of these financial statements.

**E.ON UK CHP LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**for the Year Ended 31 December 2018**

	Called up share capital £000	Profit and loss account £000	Total shareholders' funds £000
At 1 January 2017	-	6,622	6,622
Loss for the financial year	-	(36,503)	(36,503)
New share capital subscribed	38,100	-	38,100
At 31 December 2017	38,100	(29,881)	8,219
Change in accounting policy (note 23)	-	(48)	(48)
Restated balance as at 1 January 2018	38,100	(29,929)	8,171
Loss for the financial year	-	(1,191)	(1,191)
<b>At 31 December 2018</b>	<b>38,100</b>	<b>(31,120)</b>	<b>6,980</b>

The notes on pages 10 to 26 form part of these financial statements.

**E.ON UK CHP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the Year Ended 31 December 2018**

## **1. Accounting policies**

### **General Information**

The Company sells energy and related services, primarily from the operation of CHP plant.

The Company is a private company limited by shares and is incorporated and domiciled in the UK. The address of the Company's registered office is Westwood Way, Westwood Business Park, Coventry, England, CV4 8LG.

### **Basis of preparation of financial statements**

The Company has prepared these financial statements in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101'). These financial statements have been prepared under the going concern basis, historical cost convention and in accordance with the Companies Act 2006 as applicable to companies using FRS 101. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

The Company has adopted disclosure exemptions in relation to the following:

- The requirements of paragraphs 10(d) (statement of cash flows), 16 (statement of compliance with all IFRS), 111 (cash flow statement information) and 134-136 (capital management disclosures) of IAS 1 Presentation of Financial Statements
- The comparative information requirements of paragraph 38 of IAS 1 Presentation of Financial Statements in respect of paragraph 79(a)(iv) of IAS 1, paragraph 73(e) of IAS 16 Property, Plant and Equipment and paragraph 118(e) of IAS 38 Intangible Assets (reconciliations between the carrying amount at the beginning and the end of the year)
- The requirements of IAS 7 Statement of Cash Flows
- The requirements of Paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- The requirements of Paragraph 17 of IAS 24 Related Party Disclosures (key management compensation)
- The requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more wholly owned members of a group
- The requirements of IFRS 7 Financial Instruments: Disclosures
- The requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- The requirements of the second sentence of paragraph 110 and paragraphs 113 (a), 114, 115, 118, 119 (a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers

### **New standards effective in the year**

IFRS 15 Revenue from Contracts with Customers (which replaces IAS 18 Revenue) and IFRS 9 Financial Instruments (which replaces IAS 39 Financial Instruments) are new accounting standards effective for the year ended 31 December 2018. The impact of these standards has been disclosed within note 23. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2018 and which have had a material impact on the Company.

### **Exemption from preparing group financial statements**

The Company is a wholly-owned subsidiary undertaking of E.ON SE, the ultimate parent undertaking, and is included in the publicly available consolidated financial statements of E.ON SE. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of Section 400 of the Companies Act 2006.

**E.ON UK CHP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the Year Ended 31 December 2018 (continued)**

**Going concern**

The directors have prepared these financial statements on the going concern basis and believe that there are no material uncertainties that may cast significant doubt about the ability of the Company to continue as a going concern. The directors of the Company also believe that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of these financial statements.

**Judgement in applying accounting policies and key sources of estimation uncertainty**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of these financial statements, and the reported amounts of revenues and expenses during the reporting year. These judgements are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in these financial statements.

Areas of significant judgement in application of accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

**Finance leases**

Significant judgement is required in determining the fair value of finance lease receivables. Minimum lease payments are calculated based on the initial capital cost of the asset, spread across the lease term, and discounted at the group's cost of capital.

Critical accounting estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

**Taxation**

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**Impairment of financial assets**

The Company has three types of financial assets that are subject to the expected credit loss model:

- trade receivables from the sale of electricity, gas and energy related services;
- finance lease receivables; and
- amounts owed by group undertakings.

The expected future credit loss is calculated by multiplying the probability of default by the carrying amount of the financial asset (exposure at default) and the expected loss ratio (loss given default). The probability of default describes the probability that a debtor will not meet their payment obligations and the receivable will therefore default. Exposure at default is the amount of the financial asset allocated to the Company at the time of default. Loss given default is the expectation of what portion of a financial asset is no longer recoverable in the event of default and is determined taking into account guarantees, other loan collateral and, if appropriate, insolvency ratios.

**Trade receivables**

The Company applies the IFRS 9 simplified approach to measuring expected credit losses for trade receivables, which uses a lifetime expected credit loss allowance. The expected loss rates are based on available external and internal rating information as well as historical default ratios. The estimates and assumptions used to determine the level of expected credit losses are reviewed periodically.

In the prior year under IAS 39, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off and valuation allowances against trade receivables were provided for identifiable individual risks where the loss was probable.

**E.ON UK CHP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the Year Ended 31 December 2018 (continued)**

*Finance lease receivables and amounts owed by group undertakings*

For lease receivables and amounts owed by group undertakings, the Company first determines the 12 month expected credit loss, with the lifetime expected credit loss being recognised in the event of a significant increase in default risk. This is assumed if the internally determined counterparty risk has been downgraded at least three levels since initial recognition. If external or internal rating information is available, the expected credit loss is determined on the basis of this data. If no rating information is available, the Company determines default ratios on the basis of historical default rates, taking into account forward-looking information on economic developments. The estimates and assumptions used to determine the level of expected credit losses are reviewed periodically to determine if there is a significant increase in default risk.

In the prior year under IAS 39, lease receivables and the amounts owed by group undertakings were assessed to determine whether there was objective evidence that an impairment was required. Impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event had an impact on the estimated future cash flows of the financial asset that could be reliably estimated.

*Decommissioning costs*

The fair value of a liability arising from the decommissioning of an asset is recognised in the period in which it is incurred and a reasonable estimate of the fair value can be made. When the provision is recorded, the Company capitalises the costs of the provision by increasing the carrying amount of the tangible assets. In subsequent periods, the provision is accreted to its present value and the carrying amount of the asset is depreciated over its useful life. Changes to estimates arise, particularly when there are deviations from original cost estimates or changes to the payment schedule or the level of relevant obligation. The provision must be adjusted in the case of both negative and positive changes to estimates. Such an adjustment is usually effected through a corresponding adjustment to tangible assets and is not recognised directly in the profit and loss account.

*Emissions trading scheme*

The Company has adopted an accounting policy which recognises a shortfall in emissions rights within provisions. Expenses incurred for the consumption of emission rights are reported in cost of sales. Forward contracts for sales and purchases of allowances are measured at fair value.

*Impairment*

Impairments of assets are calculated as the difference between the carrying value of the asset and its recoverable amount, if lower. Recoverable amount is defined as the higher of fair value less costs to sell and estimated value in use at the date the impairment review is undertaken. Value in use represents the present value of expected future cash flows, discounted 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. Where such an asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the income generating unit.

Impairments are recognised in the profit and loss account and, where material, are disclosed separately.

If the reasons for previously recognised impairment losses no longer exist, such impairment losses are reversed and recognised in the profit and loss account. Such reversal shall not cause the carrying amount to exceed the amount that would have resulted had no impairment taken place in previous years.

*Other operating income*

Other operating income predominantly relates to the provision of operation and maintenance services for industrial customers. Income is recognised when earned on the basis of a contractual agreement with the customer. All operating expenses associated with these contracts are netted off within other operating income. Other operating income excludes value added tax.

**E.ON UK CHP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the Year Ended 31 December 2018 (continued)**

**Turnover**

All turnover generated by the Company during the year arose from its principal activities. Turnover predominantly comprises revenue from the sale of electricity and steam to industrial customers, along with other income streams directly related to the operation of the plant portfolio. The turnover is recognised when performance obligations have been satisfied and when the services or goods have been transferred to the customer and the customer has control of these. For the Company, this is at the point when the volumes are supplied or over time as services are provided. Turnover excludes value added tax.

A receivable is recognised at the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

**Accrued income**

Income recognised in advance of being billed to the customer is debited to an accrued income account and recognised in the profit and loss account in the period to which it relates.

**Intangible assets**

Emission rights held under national and international emissions rights systems are reported as other intangibles. Emission rights are capitalised at their acquisition costs when issued for the respective reporting period as (partial) fulfilment of the notice of allocation from the responsible national authorities, or purchased from third parties. The consumption of emission rights is recognised at average cost based on emissions made. A shortfall in emission rights is recognised within other provisions at cost. The expenses incurred for the consumption of emission rights and the recognition of a corresponding provision are reported under cost of goods sold.

**Tangible assets**

Tangible assets are stated at original cost less accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Plant and machinery relate primarily to generating assets.

Depreciation is provided on tangible assets so as to write off the cost or valuation, less any estimated residual value, over their expected usefully economic lives as follows:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Plant and machinery	Straight line basis between 12 and 40 years

Estimated useful lives are reviewed annually. No depreciation is provided on assets in the course of construction.

**Overhaul of generation plant**

Major periodic overhaul costs on generation plant are capitalised as part of generating assets and depreciated on a straight-line basis over their useful economic life, typically the period until the next major overhaul.

**Investments**

Investments are stated at historical cost less provision for any diminution in value.

**Stocks**

Stocks are valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks. Net realisable value is based on selling price less anticipated costs to completion and selling costs. In general, stocks are recognised in the profit and loss account on a weighted average cost basis. The Companies Act 2006 requires stocks to be categorised between raw materials, work in progress and finished goods. Stores and fuel stocks are considered to be raw materials under this definition.

**E.ON UK CHP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the Year Ended 31 December 2018 (continued)**

**Foreign currency**

These financial statements are presented in Great British Pounds ("GBP") which is the Company's functional currency. All financial information is presented in GBP and has been rounded to the nearest thousand.

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rates at the balance sheet date. All exchange differences are included in the profit and loss account.

**Inter-company balances**

Inter-company payable and receivable trading balances within the E.ON SE group are recognised initially at fair value and subsequently measured at amortised cost. These balances are consolidated at each period end into a single balance with each group company. These transactions are net settled. As a result the directors consider it appropriate to present inter-company balances within these financial statements on a net basis. Formal loan balances are settled and presented gross.

Inter-company receivable balances are provided for in line with the impairment policy set out on page 12.

**Financial Instruments**

Amortised cost assets (including trade receivables) are primarily financial assets with fixed or determinable payments that are not traded in an active market. Loans and receivables are reported on the balance sheet under "Debtors: amounts falling due within one year." Initial measurement takes place at fair value plus transaction costs. They are subsequently measured at amortised cost, using the effective interest method. Valuation allowances are provided for identifiable individual risks. If the loss of a certain part of the receivables is probable, valuation allowances are provided to cover the expected loss.

Financial liabilities (including trade payables and borrowings) are measured at amortised cost, using the effective interest method. Initial measurement takes place at fair value net of transaction costs incurred. In subsequent periods, the amortisation and accretion of any premium or discount is included in finance costs/income.

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the Company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the profit and loss account.

**Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet, when the Company has a legally enforceable right to set off the recognised amounts and it intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

**Provisions**

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

The amount recognised in the balance sheet as a provision is the best estimate of the expenditure required to settle a present obligation at the balance sheet date. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risk specific to the liability.

Future operating costs are not provided for.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under contract exceed the economic benefits expected to be received under it.

**E.ON UK CHP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Current and deferred income tax**

The tax credit for the year comprises current tax and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is recognised in other comprehensive income or directly in shareholders' funds, respectively.

The income tax credit is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in respect of the relevant years, in the countries where the Company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**Operating leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account evenly over the term of the lease.

**Finance leases**

For assets leased out under a finance lease, the present value of the lease payments is recognised as a debtor at the amount of the net investment in the lease.

Lease payments receivable are apportioned between repayments of capital and interest so as to give a constant rate of return on the net investment in the lease.

**Pensions**

The Company contributes to a defined contribution pension scheme, and a defined benefit group pension scheme operated by E.ON UK plc, the assets of which are invested in a separate trustee-administered fund. Further details of these schemes are available in E.ON UK plc's financial statements.

The Company is unable to identify its share of the underlying assets and liabilities of the group pension scheme. The Company has accounted for its contribution to the group pension scheme as if the scheme was a defined contribution scheme and accounts for contributions payable to the group pension scheme in the accounting period in which they fall due.

**2. Turnover**

The Company's turnover, all of which arises in the course of the Company's principal activity, arises in the UK.



**E.ON UK CHP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the Year Ended 31 December 2018 (continued)**

**3. Operating (loss)/profit**

Operating (loss)/profit is stated after charging/(crediting):

	<b>2018</b> <b>£000</b>	2017 £000
Operating leases	161	150
Depreciation of tangible assets (note 11)	1,990	1,265
Restructuring costs	2,796	-
Release of decommissioning provision (note 17)	(1,500)	-
Foreign currency losses/(gains)	9	(75)
Write down of stocks/(release of stores obsolescence provision)	303	(405)
Stocks recognised as an expense	136	624

Administrative expenses include exceptional costs of reorganisation and restructuring of £2,796,000 (2017: £nil) and relate to employee severance costs in anticipation of the closure of the Kemsley CHP plants between 2019 and 2021.

The impairment of amounts owed to group undertakings recognised as an expense during the year was £40,000, (2017: £nil).

**4. Auditors' remuneration**

Auditors' remuneration for the audit of these financial statements is £20,000 (2017: £30,000), of which £20,000 (2017: £20,000) was borne by the immediate parent undertaking, E.ON UK plc, and not recharged.

**5. Employee information**

The monthly average number of persons (excluding directors) employed by the Company or the E.ON UK plc group in respect of the Company during the year is set out below. In addition, £134,000 (2017: £124,000) was recharged by the Company to other companies within the E.ON UK plc group.

	<b>2018</b> <b>Number</b>	2017 Number
Administration	25	25
Other departments	94	96
	<b>119</b>	<b>121</b>

**E.ON UK CHP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the Year Ended 31 December 2018 (continued)**

The following salaries and related costs of employees, including directors and key management, were incurred during the year:

	2018 £000	2017 £000
Wages and salaries	7,126	6,673
Social security costs	833	781
Other pension costs	2,522	2,259
	<u>10,481</u>	<u>9,713</u>
Restructuring costs (note 3)	2,796	-
	<u>13,277</u>	<u>9,713</u>

Aggregate payroll costs include amounts recognised in other operating income relating to the operation and maintenance service contracts of £3,928,000 (2017: £3,702,000).

The directors received no emoluments from the Company during the year (2017: £nil) in respect of their services to the Company, as they are deemed to be provided as part of their services to the E.ON UK plc group.

**6. Interest receivable and similar income**

	2018 £000	2017 £000
Interest receivable from group undertakings	43	3
Finance lease interest receivable	202	567
	<u>245</u>	<u>570</u>

**7. Interest payable and similar expenses**

	2018 £000	2017 £000
Interest payable to group undertakings	3	25
Interest - provision unwind on contract based provision (note 17)	162	438
Interest - provision unwind on decommissioning provision (note 17)	22	16
	<u>187</u>	<u>479</u>

**8. Amounts written off investments**

	2018 £000	2017 £000
Amounts written off investments (note 12)	-	38,100

The charge in 2017 of £38,100,000 represents the impairment of the Company's investment in E.ON UK Cogeneration Limited to £nil and in Citigen (London) Limited to £nil following a review of the underlying assets.

**E.ON UK CHP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the Year Ended 31 December 2018 (continued)**

**9. Tax on loss**

	2018 £000	2017 £000
<b>Current tax:</b>		
UK corporation tax charge on losses for the year	35	401
Adjustment in respect of prior years	(258)	(133)
<b>Total current tax (credit)/charge</b>	<b>(223)</b>	<b>268</b>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(272)	(26)
Adjustment in respect of prior years	225	100
Impact of change in tax rates	(56)	(19)
<b>Total deferred tax (credit)/charge</b>	<b>(103)</b>	<b>55</b>
<b>Tax (credit)/charge on loss</b>	<b>(326)</b>	<b>323</b>

**Factors affecting tax (credit)/charge for the year**

The tax credit for the year is higher (2017: tax charge is higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2018 of 19% (2017: 19.25%). The differences are explained below:

	2018 £000	2017 £000
Loss before taxation	(1,517)	(36,180)
Tax credit on loss before taxation at 19% (2017: 19.25%)	(288)	(6,964)
<i>Effects of:</i>		
Impact of changes in tax rates	(18)	(21)
Expenses not deductible for tax purposes	-	7,334
Initial recognition exemption impact	13	7
Adjustment in respect of prior years - deferred tax	225	100
Adjustment in respect of prior years - current tax	(258)	(133)
<b>Tax (credit)/charge for the year</b>	<b>(326)</b>	<b>323</b>

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2017 (on 6 September 2017). This included a reduction to the main rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

The corporation tax receivable has been reduced by £223,000 because of group relief surrendered to a fellow group undertaking for which a payment will be received (2017: payment received of £268,000). Accordingly no tax losses are available for carry forward.

**E.ON UK CHP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the Year Ended 31 December 2018 (continued)

**10. Intangible assets**

	Other intangibles £000
<b>Cost</b>	
At 1 January 2018	304
Additions	971
Disposals	(319)
At 31 December 2018	956
<b>Accumulated amortisation</b>	
At 1 January 2018	-
Charge for the year	-
At 31 December 2018	-
<b>Net book value</b>	
At 31 December 2018	<b>956</b>
At 31 December 2017	304

**11. Tangible assets**

	Plant and machinery £000
<b>Cost or valuation</b>	
At 1 January 2018	95,898
Additions	4,066
At 31 December 2018	99,964
<b>Accumulated depreciation</b>	
At 1 January 2018	85,979
Charge for the year	1,990
At 31 December 2018	87,969
<b>Net book value</b>	
At 31 December 2018	<b>11,995</b>
At 31 December 2017	9,919

During the year, changes in accounting estimates for the decommissioning provision resulted in an addition of £255,000 (2017: £84,000) being recorded in these financial statements (note 17). The closing net book value includes £530,000 (2017: £319,000) relating to the assets associated with the cost of decommissioning the sites.

Payments in advance and assets in the course of construction of £770,000 (2017: £1,441,000) are included in plant and machinery.

**E.ON UK CHP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the Year Ended 31 December 2018 (continued)**

**12. Investments**

	2018 £000	2017 £000
Shares in group undertakings and participating interests	-	-
<b>Shares in group undertakings and participating interests</b>		
		<b>Subsidiary undertakings £000</b>
<b>Cost or valuation</b>		
At 1 January 2018		73,606
At 31 December 2018		73,606
<b>Provision for impairment</b>		
At 1 January 2018		73,606
At 31 December 2018		73,606
<b>Net book value</b>		
At 31 December 2018		-
At 31 December 2017		-

**Details of undertakings**

Details of the investments which the Company directly holds are as follows:

<b>Undertaking</b>	<b>Holding</b>	<b>Proportion of voting rights and shares held</b>	<b>Principal Activity</b>
<b>Subsidiary undertakings</b>			
E.ON UK Cogeneration Limited	Ordinary shares	100%	Sale of energy services involving the operation of CHP plants
Citigen (London) Limited	Ordinary shares	100%	Sale of energy services involving the supply of heating, hot water and ventilation

The undertakings disclosed above are incorporated in the United Kingdom and have a registered office address of Westwood Way, Westwood Business Park, Coventry, England, CV4 8LG.

**E.ON UK CHP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the Year Ended 31 December 2018 (continued)

**13. Stocks**

	2018 £000	2017 £000
Fuel stocks	57	165
Stores	773	774
	<u>830</u>	<u>939</u>

Stores are stated net of provisions for impairment of £224,000 (2017: £1,370,000).

**14. Debtors: amounts falling due after more than one year**

	2018 £000	2017 £000
Finance lease receivables (note 19)	-	356
	<u>-</u>	<u>356</u>

**15. Debtors: amounts falling due within one year**

	2018 £000	2017 £000
Trade receivables	8,853	2,781
Amounts owed by group undertakings	18,472	6,880
Finance lease receivables (note 19)	356	4,023
Deferred tax	1,618	1,505
Other debtors	51	58
Prepayments and accrued income	370	5,793
	<u>29,720</u>	<u>21,040</u>

Amounts owed by group undertakings include a loan to E.ON UK plc of £15,827,000 (2017: £5,213,000) which is unsecured, bears interest at a rate of LIBOR minus 5 basis points and rolls forward (in principal and interest) on a daily basis. All other amounts are unsecured, interest free and repayable on demand.

Trade receivables, finance lease receivables and amounts owed by group undertakings are stated after loss allowances of £nil, £nil and £73,000 respectively.

The closing loss allowances for trade receivables, finance lease receivables and amounts owed by group undertakings as at 31 December 2018 have been reconciled to the opening loss allowances within note 23.

**E.ON UK CHP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the Year Ended 31 December 2018 (continued)**

**Analysis of deferred tax**

The following are the deferred tax assets recognised by the Company and movements thereon during the year:

	2018 £000	2017 £000
Decelerated capital allowances	91	449
Other timing differences	1,527	1,056
	<u>1,618</u>	<u>1,505</u>
Asset at beginning of year	1,505	1,560
Deferred tax credit to reserves	10	-
Deferred tax credit/(charge) for the year (note 9)	103	(55)
<b>Asset at year end</b>	<u><b>1,618</b></u>	<u><b>1,505</b></u>

The Finance Act (No. 2) 2015 included legislation to reduce the main rate of corporation tax to 19% with effect from 1 April 2017. The Finance Act 2016 further reduced the main rate to 17% from 1 April 2020. The deferred tax asset at 31 December 2018 has been measured accordingly.

Within the deferred tax credit of £103,000 (2017: deferred tax charge of £55,000), the amount that relates to the change in the tax rate is a £56,000 credit (2017: credit of £19,000).

There are no unused tax losses or tax credits.

Included in the deferred tax asset of £1,618,000 (2017: £1,505,000) is £661,000 (2017: £1,181,000) due after more than one year.

**16. Creditors: amounts falling due within one year**

	2018 £000	2017 £000
Bank loans and overdrafts	1	10
Trade payables	2,742	2,529
Amounts owed to group undertakings	18,706	5,990
Other taxation and social security	1,644	1,129
Accruals and deferred income	3,755	3,579
Other creditors	33	-
	<u><b>26,881</b></u>	<u><b>13,237</b></u>

Amounts owed to group undertakings include loans from E.ON UK plc of €262,000 (2017: €216,000) and US\$204,000 (2017: US\$173,000), both of which are unsecured, bear interest at a rate of LIBOR plus 52 basis points (2017: 55 basis points) and currently roll forward (principal and interest) on a daily basis. All other balances are unsecured, interest free and repayable on demand.

**E.ON UK CHP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the Year Ended 31 December 2018 (continued)

**17. Provisions for liabilities**

	<b>Emissions obligations £000</b>	<b>Decommissioning provision £000</b>	<b>Restructuring provision £000</b>	<b>Contract based provisions £000</b>	<b>Other provisions £000</b>	<b>Total £000</b>
At 1 January 2018	355	3,964	-	3,304	3,479	11,102
Debited/(credited) to the profit and loss account	416	(1,500)	2,796	-	34	1,746
Utilised during the year	(350)	(74)	-	(3,223)	-	(3,647)
Accretion of discount	-	22	-	162	-	184
Additions to tangible assets	-	255	-	-	-	255
<b>At 31 December 2018</b>	<b>421</b>	<b>2,667</b>	<b>2,796</b>	<b>243</b>	<b>3,513</b>	<b>9,640</b>

Emissions obligation provisions represent amounts payable to national authorities for emissions made during the year. Emissions obligations are settled on an annual basis.

Decommissioning provisions comprise amounts set aside for the estimated costs of decommissioning CHP plants and subsequent site restoration costs at CHP sites which will be utilised as each CHP plant closes. The amount capitalised in tangible assets relates to a change in the estimated cost of decommissioning the CHP plant and to a change in the discount rate. The provision will be utilised when the CHP sites are closed between 2018 and 2023. Following a reassessment, £1,500,000 was released from the provision during the year.

Contract based provisions relate to the Stoke and Kemsley CHP sites. No tax credit or charge arose as a result of the creation of this provision. The provision for the Stoke CHP site was utilised in March 2017. The provision for the Kemsley CHP site is utilised monthly, reviewed annually and it is expected to be utilised by the end of 2019.

Restructuring provision relates to employee severance costs in anticipation of the closing of the Kemsley CHP plants between 2019 and 2021.

Other provisions relate primarily to costs associated with the disposal of the Winnington CHP site and is reviewed annually.

**18. Called up share capital**

	<b>2018 £000</b>	<b>2017 £000</b>
<b>Allotted, called up and fully paid</b>		
38,100,002 (2017: 38,100,002) Ordinary shares of £1 each	<b>38,100</b>	<b>38,100</b>



**E.ON UK CHP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the Year Ended 31 December 2018 (continued)

**19. Additional disclosures on financial instruments**

**Finance lease receivables**

The finance lease granted by the Company arose on the provision of a CHP plant at one client site and which provides steam and power to one principal client. The lease ends in 2019 and the lessee has the option to acquire the asset at the end of the term. The maturities of the finance lease are set out below:

	2018 £000	2017 £000
<b>Net investment in finance lease comprises:</b>		
Total amount receivable	359	4,614
Less: Interest allocated to future periods	(3)	(235)
	<u>356</u>	<u>4,379</u>
Finance leases – gross receivables due within one year	356	4,023
Finance leases – gross receivables due after one year	-	356
	<u>356</u>	<u>4,379</u>

**20. Related party transactions**

During the year, the Company had the following related party transactions with one company in the Uniper Group, which was a related party until 26 June 2018 by virtue of it then being 47% owned by E.ON SE, the ultimate controlling party of the Company:

**Uniper Technologies Limited**

This related party provided engineering services to the Company amounting to £74,000 during the period from 1 January to 26 June 2018 (2017: £1,025,000). No amounts were owed by the Company at the year end (2017: £468,000).

**21. Commitments**

**Operating lease commitments**

As at 31 December 2018, the Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

Operating leases which expire:

	2018 £000	2017 £000
<b>Land and buildings</b>		
Not later than one year	35	-
Later than one year and not later than five years	120	-
	<u>155</u>	<u>-</u>

**Other commitments**

The Company is recharged for certain operating leases by E.ON UK plc. Further information on these lease commitments is available in the financial statements of E.ON UK plc.

**E.ON UK CHP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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## **22. Pension schemes**

The Company participates in a funded group pension scheme operated by E.ON UK plc ('Scheme'), which is part of an industry wide scheme, the Electricity Supply Pension Scheme. The Scheme is primarily of the defined benefit type and its assets are held in a separate trustee-administered fund.

The fund is valued every three years by the Scheme Actuary who determines the rates of contribution payable. In the intervening years the Actuary reviews the appropriateness of the rates. The latest Actuarial Valuation of the Scheme was at 31 March 2018 and a funding plan has recently been agreed with the Scheme Trustees.

Due to the complexity of actuarial calculations and the number of different companies contributing to the Scheme, the Company is unable to identify its share of the underlying assets and liabilities in the Scheme. Consequently, the Company accounts for the Scheme as a defined contribution scheme. The cost of contributions, to the Scheme during the year amounts to £2,522,000 (2017: £2,259,000).

Further details of the Scheme are available in E.ON UK plc's financial statements. Due to a deficit in the Scheme, as at 31 March 2018, E.ON UK plc agreed to pay £298.8 million to the Scheme in 2019 with further contingent contributions of up to £91.5 million due in both 2022 and 2023. None of this cost is expected to be recharged to the Company.

## **23. Changes in accounting policies**

### **(a) Transition to IFRS 15**

The Company has adopted IFRS 15 Revenue from Contracts with Customers (which replaces IAS 18 Revenue) from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in these financial statements. In accordance with the transitional provisions in IFRS 15, comparative figures have not been restated.

The Company has elected to apply IFRS 15 only to contracts that are not completed as at the date of initial application, being 1 January 2018. The Company has also elected to apply the practical expedient for contract modifications.

There is no impact on the Company's opening retained earnings balance as a result of applying IFRS 15.

### **(b) Transition to IFRS 9**

IFRS 9 Financial Instruments replaces the provisions of IAS 39 Financial Instruments that relate to the recognition, classification and measurement of financial assets and liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments recognised in these financial statements. The new accounting policies are set out in note 1. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

The total impact on the Company's retained earnings as at 1 January 2018 is as follows:

	Notes	2018 £000
Closing retained earnings 31 December 2017		(29,881)
Increase in provisions for amounts owed to group undertakings	(i)	(32)
Increase in provisions for finance lease receivables	(i)	(26)
Increase in deferred tax assets relating to provisions	(i)	10
Adjustment to retained earnings from adoption of IFRS 9 on 1 January 2018		(48)
Opening retained earnings 1 January 2018		<u>(29,929)</u>

**E.ON UK CHP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the Year Ended 31 December 2018 (continued)**

**(i) Impairment of financial assets**

The Company was required to revise its impairment methodology under IFRS 9 for each of the classes of assets identified in the table above.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses on trade receivables, using a lifetime expected credit loss allowance. The full expected credit loss model was used for calculating expected credit losses on amounts owed by group undertakings and finance lease receivables. See note 1 for details about the calculation of the allowance.

The loss allowance increased by a further £41,000 to £73,000 for amounts owed by group undertakings, and decreased by £26,000 to £nil for finance lease receivables as at 31 December 2018.

The closing loss allowances for trade receivables, finance lease receivables and amounts owed by group undertakings as 31 December 2018 reconcile to the opening loss allowances as follows:

	Trade receivables 2018 £000	Finance lease receivables 2018 £000	Amounts owed by group undertakings 2018 £000
31 December 2017 - calculated under IAS 39	-	-	-
Amounts restated through opening retained earnings	-	26	32
Opening loss allowance as at 1 January 2018 - calculated under IFRS 9	-	26	32
(Decrease)/Increase in loss allowance recognised in profit or loss during the year	-	(26)	41
At 31 December 2018	<u>-</u>	<u>-</u>	<u>73</u>

**(ii) Reclassifications of financial instruments on adoption of IFRS 9**

On the date of initial application, there were no reclassifications of financial instruments within the Company which resulted in any subsequent remeasurement of the underlying financial asset or liability.

**24. Ultimate holding company**

The immediate parent undertaking is E.ON UK plc. The ultimate parent undertaking and controlling party is E.ON SE, a company incorporated in Germany, which is the parent company of the largest and smallest group to consolidate these financial statements. Copies of E.ON SE's financial statements are available from the offices of E.ON SE at the following address:

E.ON SE  
Brüsseler Platz 1  
45131  
Essen  
Germany