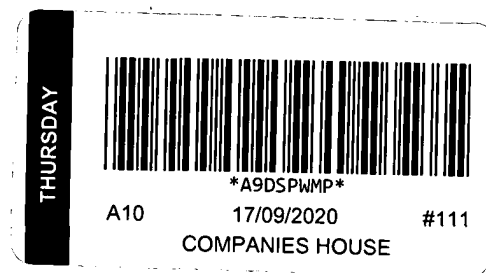


E.ON UK COGENERATION LIMITED
STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the Year Ended 31 December 2019



Registered No: 02730697

E.ON UK COGENERATION LIMITED
STRATEGIC REPORT
for the Year Ended 31 December 2019

The directors present their strategic report of the Company for the year ended 31 December 2019.

Fair review of the business

The Company generated a profit before taxation for the year of £2,159,000 (2018: loss of £1,977,000) in line with expectations.

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. Following a strategic review in the prior year, a decision was made to close down the merchant sites at the end of 2020 and a provision was created in 2018 of £3,619,000, which resulted in the Company making a loss in the prior year. During 2019, £358,000 of the provision was released.

On 18 December 2019 the Company received a capital injection of £4,000,000 from its immediate parent undertaking, E.ON UK CHP Limited.

At 31 December 2019, the Company had net assets of £2,984,000 (2018: net liabilities of £2,725,000). 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 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

Britain left the European Union (EU) on 31 January 2020 with a transitional period until 31 December 2020. This means that, during the transitional period, the arrangements which applied whilst the UK was a member of the EU, remain in place and the arrangements for the future are being discussed and hopefully agreed prior to the end of the transitional period. A cross functional working group was established, 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 transitional arrangements are agreed, the actual impact of Brexit on the Company's business remains uncertain.

COVID-19

The Company's top priorities during the COVID-19 pandemic are a secure energy supply directly from merchant sites and the safety of colleagues and customers. The Company continues to focus on ensuring that energy continues to be supplied from the merchant sites, even under these difficult conditions. The Company was able to draw on previously prepared pandemic and crisis plans, which it implemented accordingly. This has made it possible to maintain key functions whilst operating within the restrictions put in place by the Government, including strict adherence to hygiene and social-distancing rules. The most important measures include strict adherence to hygiene and social-distancing rules. In addition, technicians who do field work, including the operation and maintenance of CHP plant, have special equipment to minimise the risk of infection. In many parts of the business, the Company has made arrangements for a proportion of its employees to work from home, enabling the provision of customer services to continue.

At the end of the first half of 2020, the overall risk situation of the Company's operating business had deteriorated relative to year end 2019 owing to the COVID-19 pandemic. It otherwise remains at the level of year end 2019. The risk profile reflects the business implications of COVID-19 on the basis of a conservative scenario analysis. The main risk factors in the sales business are volume and price effects as well as credit losses. Despite the impact of COVID-19, the directors believe that the Company can meet its obligations as they fall due for a period of at least twelve months from the date of approval of these financial statements.

E.ON UK COGENERATION LIMITED
STRATEGIC REPORT
for the Year Ended 31 December 2019 (continued)

Promoting the success of the Company and Section 172 Statement of the Companies Act 2006 ('Act')

The directors' overarching duty is to promote the success of the Company for the benefit of its shareholders, with consideration of stakeholders' interests, as set out in section 172 of the Act. The directors regard a well-governed business as essential for the successful delivery of its principal activity.

The directors are aware of their duty under section 172 of the Act to act in a way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to the factors detailed in section 172(1) of the Act.

The Company is an indirect subsidiary of E.ON SE, a company listed on the Frankfurt Stock Exchange and which is head-quartered in Essen, Germany. The two main operating divisions of the E.ON SE group are Energy Networks and Customer Solutions.

The Company forms part of the Customer Solutions division of E.ON SE. The board of management of E.ON SE manages the group's operations on a global and divisional basis. The E.ON SE group has in place detailed policies and governance frameworks within which its subsidiaries must operate, including the Company. From the perspective of the directors, due to the E.ON SE group governance structure, the matters that they are responsible for considering under section 172(1) of the Act are also considered to an appropriate extent by the E.ON SE group management board in relation both to the E.ON SE group and the Company. The directors consider the factors detailed under section 172(1) of the Act but are within the framework of the strategy set by the board of management of E.ON SE.

The Company's directors believe that, to the extent necessary for an understanding of the development, performance and position of the Company, the requirements of section 172(1) are discussed within the E.ON SE Annual Report 2019 on pages 10 to 101, which does not form part of this report. Further detail in relation to the Company's consideration of section 172(1) of the Act is set out in E.ON UK plc's Directors' Report, for example engagement with its stakeholders and employees.

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 15 September 2020 and signed on its behalf by:



S H Vaghela
Director

E.ON UK Cogeneration Limited
Company No: 02730697
Westwood Way
Westwood Business Park
Coventry
CV4 8LG

E.ON UK COGENERATION LIMITED
DIRECTORS REPORT
for the Year Ended 31 December 2019

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2019.

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 R French
M G Wake
S H Vaghela (appointed 22 April 2020)
R A Strothers (appointed 29 November 2019, resigned 19 March 2020)
M R Day (resigned 29 November 2019)

Principal activity

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

Results and dividends

The Company's profit for the financial year is £1,709,000 (2018: loss of £1,678,000). No interim dividends were paid during the year (2018: £nil). The directors do not recommend the payment of a final dividend (2018: £nil).

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

Post balance sheet event

At the end of the first quarter of 2020, the overall risk situation of the Company's operating business had deteriorated relative to year end 2019 owing to the COVID-19 pandemic. The Company was able to draw on previously prepared pandemic and crisis plans, which it implemented accordingly. This has made it possible to maintain key functions whilst operating within the restrictions put in place by the Government. Despite the impact of COVID-19, the directors believe that the Company can meet its obligations as they fall due for a period of at least twelve months from the date of approval of these financial statements.

This has been discussed further within the Strategic Report.

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 its 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 controlling party'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 COGENERATION LIMITED
DIRECTORS REPORT
for the Year Ended 31 December 2019 (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 (2018: £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.

Future developments

Further discussion of future developments is included in the Strategic Report.

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 these financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

E.ON UK COGENERATION LIMITED
DIRECTORS REPORT
for the Year Ended 31 December 2019 (continued)

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.

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.

Approved by the Board of Directors on 15 September 2020 and signed on its behalf by:



S H Vaghela
Director

E.ON UK Cogeneration Limited
Company No: 02730697
Westwood Way
Westwood Business Park
Coventry
CV4 8LG

Independent Auditors' Report to the Members of E.ON UK COGENERATION LIMITED

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit 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 2019; 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- 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.

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.

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 on, 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 COGENERATION 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 2019 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. 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.

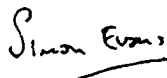
Other required reporting

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

Date: 15 September 2020

E.ON UK COGENERATION LIMITED
PROFIT AND LOSS ACCOUNT
for the Year Ended 31 December 2019

	<i>Note</i>	2019 £000	2018 £000
Turnover	2	22,752	25,596
Cost of sales		(13,405)	(15,733)
Gross profit		9,347	9,863
<i>Administrative expenses before exceptional items</i>		(7,585)	(8,713)
<i>Exceptional credit/(costs) of reorganisation and restructuring</i>	3	358	(3,619)
Administrative expenses		(7,227)	(12,332)
Impairment of tangible asset	3	(36)	(150)
Other operating income	3	4	637
Operating profit/(loss)		2,088	(1,982)
Interest receivable and similar income	6	112	36
Interest payable and similar expenses	7	(41)	(31)
Profit/(loss) before taxation		2,159	(1,977)
Tax on profit/(loss)	8	(450)	299
Profit/(loss) for the financial year		<u>1,709</u>	<u>(1,678)</u>

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 11 to 27 form part of these financial statements.

E.ON UK COGENERATION LIMITED
BALANCE SHEET
as at Year Ended 31 December 2019

	Note	2019 £000	2018 £000
Fixed assets			
Intangible assets	9	5	113
Tangible assets	10	-	-
Right of use assets	11	657	-
		662	113
Current assets			
Stocks	12	25	76
Debtors: amounts falling due within one year	13	32,181	19,192
		32,206	19,268
Creditors: amounts falling due within one year	14	(20,531)	(13,939)
Net current assets		11,675	5,329
Total assets less current liabilities		12,337	5,442
Creditors: amounts falling due after more than one year	15	(521)	-
Provisions for liabilities	16	(8,832)	(8,167)
Net assets/(liabilities)		2,984	(2,725)
Capital and reserves			
Called up share capital	17	18,800	14,800
Profit and loss account		(15,816)	(17,525)
Total shareholders' funds/(deficit)		2,984	(2,725)

The financial statements on pages 8 to 27 were approved by the Board of Directors on 15 September 2020 and signed on its behalf by:



S H Vaghela
Director
E.ON UK Cogeneration Limited
Company No: 02730697

The notes on pages 11 to 27 form part of these financial statements.

E.ON UK COGENERATION LIMITED
STATEMENT OF CHANGES IN EQUITY
for the Year Ended 31 December 2019

	Called up share capital £000	Profit and loss account £000	Total shareholders' (deficit)/funds £000
At 1 January 2018	14,800	(15,847)	(1,047)
Loss for the financial year	-	(1,678)	(1,678)
At 31 December 2018	14,800	(17,525)	(2,725)
Profit for the financial year	-	1,709	1,709
New share capital subscribed	4,000	-	4,000
At 31 December 2019	18,800	(15,816)	2,984

The notes on pages 11 to 27 form part of these financial statements.

**E.ON UK COGENERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2019**

1. Accounting policies

General Information

The Company sells energy and related services including 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, as modified by the revaluation of derivative financial assets and financial liabilities measured at fair value, 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 Paragraph 18A 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
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases
- The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

New standards effective in the year

IFRS 16 Leases (which replaced IAS 17 Leases) is a new accounting standard effective for the year ended 31 December 2019. The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The impact of IFRS 16 has been disclosed within note 22. There are no other amendments to accounting standards or IFRIC interpretations that are effective for the year ended 31 December 2019 and which have had a material impact on the Company.

E.ON UK COGENERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2019 (continued)

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.

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 and are disclosed within note 8.

Leases - residual value guarantees

The Company initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. The carrying value of the lease assets and liabilities are disclosed within notes 11, 14 and 15 respectively.

Impairment of financial assets

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

- trade receivables from the sale of electricity, steam and energy related services; 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. The carrying value of the trade receivables is disclosed within note 13.

Amounts owed by group undertakings

For 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. The carrying value of amounts owed by group undertakings is disclosed within note 13.

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.

E.ON UK COGENERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2019 (continued)

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. The carrying value of the provision is disclosed within note 16.

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. The carrying value of the provision is disclosed within note 16.

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.

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 and commercial 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 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

Other intangibles relate to software costs and carbon emission certificates. Software is amortised on a straight-line basis over their useful economic lives.

Emission rights held under national and international emissions rights systems are reported as intangible assets. 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.

Asset class
Software

Amortisation method and rate
Straight line basis over 3 to 5 years

E.ON UK COGENERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2019 (continued)

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 microgeneration assets.

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

Asset class	Depreciation method and rate
Freehold land and buildings	Straight line basis up to 10 years
Plant and machinery	Straight line basis up to 40 years

Estimated useful lives are reviewed annually. No depreciation is provided on freehold land or 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.

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.

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 unless related or matching forward foreign exchange contracts have been entered into when the rate specified in that contract is used. 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. Although these transactions are net settled, as there is no legally enforceable right to do so these balances are presented gross. 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". 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.

E.ON UK COGENERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2019 (continued)

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.

Derivative instruments

The Company uses a range of derivative instruments, including foreign currency exchange contracts. Derivative instruments are used for hedging purposes.

Derivative instruments are recorded as either assets or liabilities in the balance sheet and measured at fair value. Changes in the fair value of derivatives that do not qualify for hedge accounting are recognised in the profit and loss account as they arise.

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 risks specific to the liability.

Future operating costs are not provided for.

Current and deferred income tax

The tax charge for the year comprises current tax and deferred tax. Tax is recognised in the income statement, 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 current income tax charge 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.

E.ON UK COGENERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2019 (continued)

Leases - lessee

The Company leases land and buildings and vehicles. Lease contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of buildings, the Company has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company derives benchmark interest rates from maturity-related risk-free interest rates which are increased by a specific credit-risk premium and adjusted for attributes specific to the lease (e.g. term, country, currency and security).

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right of use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the profit and loss account over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right of use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right of use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right of use asset is depreciated over the underlying asset's useful life.

Payments associated with short term and low-value lease assets are recognised on a straight-line basis as an expense in the profit and loss account. Short term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of fixtures and fittings and plant and machinery

E.ON UK COGENERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2019 (continued)

Variable lease payments are recognised in the profit and loss account in the period in which the condition that triggers these payments occur.

In the prior year, leases where the Company was the lessee were classified as either finance leases or operating leases. Leases were classified as finance leases whenever the terms of the lease transferred substantially all the risks and rewards of ownership of the asset to the lessee.

All other leases were classified as operating leases. Payments made under operating leases were charged to the profit and loss account evenly over the term of 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.

3. Operating profit/(loss)

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

	2019	2018
	£000	£000
Operating lease	-	69
Expenses relating to leases of low-value assets and short-term leases	74	-
Depreciation of right of use assets (note 11)	150	-
Exceptional credit/(costs) of reorganisation and restructuring (note 16)	(358)	3,619
Foreign currency (gains)/losses	(3)	21
Derivative losses/(gains)	1	(18)
Impairment of tangible assets (note 10)	36	150
Impairment losses of financial assets (note 13)	39	42
Amortisation of intangible assets (note 9)	2	2
Stock recognised as an expense	3	27
Write down of stocks	48	36

Exceptional credit/(costs) of reorganisation and restructuring of £358,000 release (2018: £3,619,000 provision created) in respect of employee severance costs in anticipation of the merchant site closures in 2020.

Stock write-downs during the year were £48,000 (2018: £36,000) and relate to stores at CHP sites where their recoverability is considered impaired due to the trading performance at the relevant sites.

4. Auditors' remuneration

Auditors' remuneration for the audit of these financial statements of £17,500 (2018: £17,500) was borne by E.ON UK plc, the intermediate parent undertaking, and not recharged.

E.ON UK COGENERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2019 (continued)

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, £128,000 (2018: £134,000) was recharged to the Company by other companies within the E.ON UK plc group.

	2019 Number	2018 Number
Production	<u>32</u>	<u>36</u>

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

	2019 £000	2018 £000
Wages and salaries	1,885	1,901
Social security costs	198	203
Other pension costs	800	682
	<u>2,883</u>	<u>2,786</u>
Restructuring costs (note 3)	(358)	3,619
	<u>2,525</u>	<u>6,405</u>

The directors received no emoluments from the Company during the year (2018: £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

	2019 £000	2018 £000
Interest receivable from group undertakings	<u>112</u>	<u>36</u>

7. Interest payable and similar expenses

	2019 £000	2018 £000
Interest - provision unwind (note 16)	25	31
Interest - lease liabilities	16	-
	<u>41</u>	<u>31</u>

E.ON UK COGENERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2019 (continued)

8. Tax on profit/(loss)

	2019 £000	2018 £000
Current tax:		
UK corporation tax charge on profits/(losses) for the year	529	239
Adjustment in respect of prior years	32	3
Total current tax charge	561	242
Deferred tax:		
Origination and reversal of timing differences	(99)	(551)
Adjustment in respect of prior years	(17)	(3)
Impact of change in tax rates	5	13
Total deferred tax credit	(111)	(541)
Tax charge/(credit) on profit/(loss)	450	(299)

Factors affecting tax charge/(credit) for the year

The tax charge/(credit) for the year is higher (2018: lower) than the standard rate of corporation tax in the UK for the year-ended 31 December 2019 of 19% (2018: 19%). The differences are explained below.

The tax rate for the current year is the same as the prior year:

	2019 £000	2018 £000
Profit/(loss) before taxation	2,159	(1,977)
Tax charge/(credit) on profit/(loss) before taxation at 19% (2018: 19%)	410	(375)
Effects of:		
Expenses not subject to tax/deductible for tax purposes	8	-
Impact of rate change between corporation tax and deferred tax	17	76
Adjustment in respect of prior years - deferred tax	(17)	(3)
Adjustment in respect of prior years - current tax	32	3
Tax charge/(credit) for the year	450	(299)

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2017 (on 6 September 2017). This included a reductions to the main corporation tax rate, to reduce the rate to 17% from 1 April 2020. In the spring 2020, the government announced from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing it to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted at the balance sheet date, would be to reduce the tax expense for the year by £194,000 and to increase the deferred tax asset by £194,000.

The corporation tax payable has been reduced by £561,000 because of group relief received from fellow group undertaking for which a payment will be made (2018: £242,000).

E.ON UK COGENERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2019 (continued)

9. Intangible assets

	Other intangibles £000
Cost	
At 1 January 2019	117
Additions	1,072
Disposals	(1,178)
At 31 December 2019	11
Accumulated amortisation	
At 1 January 2019	4
Charge for the year	2
At 31 December 2019	6
Net book value	
At 31 December 2019	<u>5</u>
At 31 December 2018	<u>113</u>

Other intangibles relate to capitalised software and carbon emission certificates.

10. Tangible assets

	Freehold land and buildings £000	Plant and machinery £000	Total £000
Cost or valuation			
At 1 January 2019	13	130,842	130,855
Additions	-	36	36
At 31 December 2019	13	130,878	130,891
Accumulated depreciation			
At 1 January 2019	13	130,842	130,855
Impairment	-	36	36
At 31 December 2019	13	130,878	130,891
Net book value			
At 31 December 2019	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2018	<u>-</u>	<u>-</u>	<u>-</u>

During the year changes in accounting estimate for the decommissioning provision resulted in additions of £36,000 (2018: £148,000) being recorded in these financial statements.

E.ON UK COGENERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2019 (continued)

11. Right of use assets

	Land and buildings £000	Vehicles £000	Total £000
Cost or valuation			
At 1 January 2019 (see note 22)	792	15	807
Additions	-	13	13
Disposals	-	(15)	(15)
At 31 December 2019	792	13	805
Accumulated depreciation			
At 1 January 2019 (see note 22)	-	-	-
Charge for the year	144	6	150
Disposals	-	(2)	(2)
At 31 December 2019	144	4	148
Net book value			
At 31 December 2019	648	9	657
At 31 December 2018	-	-	-

The expense during the year relating to short term leases was £74,400.

The total cash outflow for leases during the year was £158,000.

12. Stocks

	2019 £000	2018 £000
Fuel stocks	25	76

Stores are stated net of provisions for impairment of £10,000 (2018: £10,000).

E.ON UK COGENERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2019 (continued)

13. Debtors: amounts falling due within one year

	2019 £000	2018 £000
Trade receivables	5,130	1,473
Amounts owed by group undertakings	25,235	15,848
Deferred tax	1,647	1,536
Other debtors	2	3
Other taxation and social security	49	77
Prepayments and accrued income	118	255
	32,181	19,192

Amounts owed by group undertakings include a loan to E.ON UK plc of £24,345,000 (2018: £14,459,000) which incurs interest at LIBOR minus 5 basis points (2018: LIBOR minus 5 basis points). All other amounts are unsecured, interest free and repayable on demand.

Trade receivables and amounts owed by group undertakings are stated after loss allowances of £nil (2018: £nil) and £107,000 (2018: £68,000) respectively.

Analysis of deferred tax

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

	2019 £000	2018 £000
Decelerated capital allowances	338	237
Other timing differences	1,309	1,299
	1,647	1,536
Asset at beginning of year	1,536	990
Transfer to equity	-	5
Deferred tax credit for the year (note 8)	111	541
Asset at year end	1,647	1,536

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 corporation tax rate, to reduce the rate to 17% from 1 April 2020. In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing it to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to reduce the tax expense for the year by £194,000 and to increase the deferred tax asset by £194,000.

Included in the deferred tax asset of £1,647,000 (2018: £1,536,000) is £1,033,800 (2018: £1,490,000) due after more than one year.

E.ON UK COGENERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2019 (continued)

14. Creditors: amounts falling due within one year

	2019 £000	2018 £000
Bank loans and overdrafts	443	-
Lease liabilities	144	-
Trade payables	600	861
Amounts owed to group undertakings	12,905	7,788
Other taxation and social security	371	525
Accruals and deferred income	6,065	4,762
Commodity and other derivative financial instruments	1	-
Other creditors	2	3
	20,531	13,939

Amounts owed to group undertakings include a loan of €71,900 (2018: €30,000) which is unsecured, bears interest at a rate of LIBOR plus 52 basis points (2018: 52 basis points), and rolls forward (in principal and interest) on a daily basis. All other amounts are unsecured, interest free and repayable on demand.

15. Creditors: amounts falling due after more than one year

	2019 £000	2018 £000
Lease liabilities	521	-

The maturity profile of the carrying amount of the Company's long-term borrowings was as follows:

	2019 £000	2018 £000
In more than one year, but not more than two years	127	-
In more than two years, but not more than five years	394	-
	521	-

E.ON UK COGENERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2019 (continued)

16. Provisions for liabilities

	Emissions obligations £000	Decommissioning provision £000	Restructuring provision £000	Other provisions £000	Total £000
At 1 January 2019	402	4,003	3,619	143	8,167
Debited to the profit and loss account	923	-	-	24	947
Change in accounting estimate	-	384	-	-	384
Release during the year	(369)	-	(358)	-	(727)
Accretion of discount	-	25	-	-	25
Additions to tangible assets	-	36	-	-	36
At 31 December 2019	956	4,448	3,261	167	8,832

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

Decommissioning provisions comprise amounts set aside for the estimated costs of decommissioning CHP plant and subsequent site restoration costs at CHP sites which will be utilised as each CHP plant closes. The provision will be utilised when the CHP sites are closed between 2019 and 2022.

Restructuring provision relates to employee severance costs in anticipation of the closing of the merchant CHP sites in 2020.

Other provisions consist of a potential retrospective undercharge of rent for one of the Company's CHP sites.

17. Called up share capital

	2019 £000	2018 £000
Allotted, called up and fully paid		
18,800,002 Ordinary shares of £1 each (2018: 14,800,002)	18,800	14,800
	18,800	14,800

E.ON UK COGENERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2019 (continued)

18. Commitments

As at 31 December 2019, the Company had commitments under non-cancellable leases which expire as follows:

	2019 £000	2018 £000
Land and buildings		
Within one year	-	133
Within two and five years	-	194
	<u>-</u>	<u>327</u>

The Company is recharged for other leases from E.ON UK plc, which are included with the values of right of use assets and lease liabilities in notes 11, 14 and 15 respectively. The Company has no other commitments.

19 Related Parties

During the prior year, the Company had the following related party transaction 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

In the prior year, the related party provided engineering services to the Company amounting to £3,000.

20. Pension schemes

The Company participates in a funded group pension scheme operated by E.ON UK plc, 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 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 in the year amounts to £800,000 (2018: £682,000).

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 both in 2022 and 2023. None of the cost is expected to be recharged to the Company.

21. Post balance sheet events

At the end of the first half of 2020, the overall risk situation of the Company's operating business had deteriorated relative to year end 2019 owing to the COVID-19 pandemic. The Company was able to draw on previously prepared pandemic and crisis plans, which it implemented accordingly. This has made it possible to maintain key functions whilst operating within the restrictions put in place by the Government. Despite the impact of COVID-19, the directors believe that the Company can meet its obligations as they fall due for a period of at least twelve months from the date of approval of these financial statements.

This has been discussed further within the Strategic Report.

E.ON UK COGENERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2019 (continued)

22. Changes in accounting policies

22 (a) Transition to IFRS 16

The Company has adopted IFRS 16 Leases (which replaces IAS 17 Leases) retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and adjustments arising from the new leasing standard are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 1.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.85%.

For leases previously classified as finance leases, the Company recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right of use assets immediately after the date of initial application.

On transition, right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right of use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

E.ON UK COGENERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2019 (continued)

(ii) Reconciliation of lease liabilities

	2019 £000
Operating lease commitments disclosed as at 31 December 2018	327
Discounted using the incremental borrowing rate at the date of initial application	(41)
Add: adjustments as a result of different treatment on implementation	521
Lease liability recognised as at 1 January 2019	807
Of which are:	
Lease liabilities falling due within one year	144
Lease liabilities greater than one year	663
	807

(iii) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right of use assets - increase by £807,000
- Lease liabilities - increase by £807,000

There was no net impact on accumulated losses on 1 January 2019.

23. Ultimate holding company

The immediate parent undertaking is E.ON UK CHP Limited. 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