

POWERGEN INTERNATIONAL LIMITED
STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the Year Ended 31 December 2018

Registered No: 03548380

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POWERGEN INTERNATIONAL 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

Both the level of business during the year and the financial position of the Company at the year end were as expected. At 31 December 2018, the Company had net assets of £796,162,000 (2017: net assets of £796,187,000).

The directors are currently considering the future of the Company.

Principal risks and uncertainties

The key business risks and uncertainties affecting the Company are considered to relate to the valuation of investments held. 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 Regional 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 will 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 Regional Unit 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 27 June 2019 and signed on its behalf by:



D C A Baumber
Director

Powergen International Limited
Company No: 03548380
Westwood Way
Westwood Business Park
Coventry
CV4 8LG

POWERGEN INTERNATIONAL 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:

D C A Baumber
D Gandley

Principal Activities

The Company's principal activity during the year and at the year end was that of an investment holding company. Future developments have been discussed 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 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 the 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.

Liquidity risk

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

Results and dividends

The Company's profit for the financial year is £266,000 (2017: profit of £111,000). No interim dividends were paid during the year (2017: £nil). The directors do not recommend the payment of a final dividend (2017: £nil).

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.

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.

POWERGEN INTERNATIONAL LIMITED
DIRECTORS' REPORT
for the Year Ended 31 December 2018 (continued)

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.

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 27 June 2019 and signed on its behalf by:



D C A Baumber
Director

Powergen International Limited
Company No: 03548380
Westwood Way
Westwood Business Park
Coventry
CV4 8LG

Independent Auditors' Report to the Members of POWERGEN INTERNATIONAL LIMITED (continued)

Report on the audit of the financial statements

Opinion

In our opinion, Powergen International 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 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 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 POWERGEN INTERNATIONAL 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. 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.

Lucy Gartside

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

Date 27 June 2019

POWERGEN INTERNATIONAL LIMITED
PROFIT AND LOSS ACCOUNT
for the Year Ended 31 December 2018

	<i>Note</i>	2018 £000	2017 £000
Net impairment losses on financial assets	2	(1)	-
Operating (loss)/result	2	(1)	-
Interest receivable and similar income	5	330	138
Profit before taxation		329	138
Tax on profit	6	(63)	(27)
Profit for the financial year		266	111

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 9 to 15 form part of these financial statements.

POWERGEN INTERNATIONAL LIMITED
BALANCE SHEET
as at 31 December 2018

	<i>Note</i>	2018 £000	2017 £000
Fixed assets			
Investments	7	737,278	737,278
Current assets			
Debtors: amounts falling due within one year	8	68,082	68,189
Creditors: amounts falling due within one year	9	(9,198)	(9,280)
Net current assets		58,884	58,909
Total assets less current liabilities		796,162	796,187
Net assets		796,162	796,187
Capital and reserves			
Called up share capital	10	84,153	84,153
Share premium account		757,372	757,372
Profit and loss account		(45,363)	(45,338)
Total equity		796,162	796,187

The financial statements on pages 6 to 15 were approved by the Board of Directors on 27 June 2019 and signed on its behalf by:



D C A Baumber
Director
Powergen International Limited
Company No: 03548380

The notes on pages 9 to 15 form part of these financial statements.

POWERGEN INTERNATIONAL LIMITED
STATEMENT OF CHANGES IN EQUITY
for the Year Ended 31 December 2018

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 January 2017	84,153	757,372	(45,449)	796,076
Profit for the financial year	-	-	111	111
At 31 December 2017	84,153	757,372	(45,338)	796,187
Change in accounting policy (note 11)	-	-	(291)	(291)
Restated balance as at 1 January 2018	84,153	757,372	(45,629)	795,896
Profit for the financial year	-	-	266	266
At 31 December 2018	84,153	757,372	(45,363)	796,162

The notes on pages 9 to 15 form part of these financial statements.

POWERGEN INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2018

1. Accounting policies

General information

The Company acts as an intermediary holding company within the E.ON UK plc group.

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 11. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2018 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.

POWERGEN INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2018 (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.

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 estimates provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Impairment of financial assets

The Company has amounts owed by group undertakings which are subject to the expected credit loss model.

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.

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.

In the prior year under IAS 39, 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.

Fixed asset investments

Fixed asset investments are stated at historical cost less provision for any diminution in value.

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.

POWERGEN INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2018 (continued)

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 10.

Current and deferred income tax

The tax charge 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 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.

2. Operating (loss)/result

Operating loss/result is stated after charging:

	2018 £000	2017 £000
Impairment of financial assets (note 8)	<u>1</u>	<u>-</u>

3. Auditors' remuneration

Auditors' remuneration for the audit of these financial statements of £3,000 (2017: £3,000) was borne by the immediate parent undertaking, E.ON UK plc, and not recharged.

4. Employee information

The Company had no employees during the year (2017: none).

The directors received no emoluments from the Company during the year (2017: £nil) in respect of services to the Company.

5. Interest receivable and similar income

	2018 £000	2017 £000
Interest receivable from group undertakings	<u>330</u>	<u>138</u>

POWERGEN INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2018 (continued)

6. Tax on profit

	2018 £000	2017 £000
Current tax:		
UK corporation tax charge on profits for the year	63	27
Tax charge on profit	<u>63</u>	<u>27</u>

The tax rate for the year is the same (2017: the same) as the standard rate of corporation tax in the UK for the year ended 31 December 2018 of 19% (2017: 19.25%).

The tax rate for the year is lower than the prior year, due to changes in the UK corporation tax rate, which decreased from 20% to 19% from 1 April 2017. Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2017 (on 6 September 2017). These included reductions to the main rate from 1 April 2020. These changes were substantively enacted at the balance sheet date and their impact has been included in these financial statements.

The corporation tax payable has been reduced by £63,000 because of group relief received from a fellow group undertaking for which a payment will be made (2017: payment of £27,000).

7. Investments

	2018 £000	2017 £000
Shares in group undertakings and participating interests	<u>737,278</u>	<u>737,278</u>

Shares in group undertakings and participating interests

	Subsidiary undertakings £000
Cost or valuation	
At 1 January 2018	738,066
At 31 December 2018	738,066
Provision for impairment	
At 1 January 2018	788
At 31 December 2018	788
Net book value	
At 31 December 2018	<u>737,278</u>
At 31 December 2017	<u>737,278</u>

The directors believe that the carrying value of the investments is supported by their underlying net assets.

POWERGEN INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2018 (continued)

Details of undertakings

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

Undertaking	Holding	Proportion of voting rights and shares held	Principal Activity
Direct undertakings			
Ergon Overseas Holdings Limited	Ordinary Shares	100%	Dormant
Powergen Serang Limited	Ordinary Shares	100%	Dormant
Indirect undertakings			
Powergen Holdings B.V.	Ordinary Shares	100% 1% voting rights and	Holding company
Visioncash	Ordinary Shares	100% of A ordinary shares	Dormant

The undertakings disclosed above are incorporated in the United Kingdom and have a registered office address of Westwood Way, Westwood Business Park, Coventry, CV4 8LG, save for Powergen Holdings B.V. which is incorporated in the Netherlands and has a registered office address of Coengebouw-suite 8.04, Kabelweg 37, 1014 BA Amsterdam, The Netherlands.

8. Debtors: amounts falling due within one year

	2018 £000	2017 £000
Amounts owed by group undertakings	68,082	68,189

Amounts owed by group undertakings include a loan of £64,560,000 (2017: £64,381,919) which is unsecured, bears interest at a rate of LIBOR minus 5 basis points and has a maturity date of 31 December 2019.

Amounts owed by group undertakings are stated after loss allowances of £292,000.

The closing loss allowances for amounts owed by group undertakings as at 31 December 2018 have been reconciled to the opening loss allowances within note 11.

All other amounts owed by group undertakings are unsecured, interest free and repayable on demand.

9. Creditors: amounts falling due within one year

	2018 £000	2017 £000
Amounts owed to group undertakings	9,198	9,280

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

POWERGEN INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2018 (continued)

10. Called up share capital

	2018 £000	2017 £000
Allotted, called-up and fully paid		
84,152,511 (2017: 84,152,511) Ordinary shares of £1 each	84,153	84,153

11. Changes in accounting policies

(a) 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		(45,338)
Increase in provisions for amounts owed to group undertakings	(i)	(291)
Adjustment to retained earnings from adoption of IFRS 9 on 1 January 2018		(291)
Opening retained earnings 1 January 2018		(45,629)

(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 £1,000 to £292,000 for amounts owed by group undertakings as at 31 December 2018.

POWERGEN INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2018 (continued)

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

	Amounts owed by group undertakings 2018 £000
31 December 2017 - calculated under IAS 39	-
Amounts restated through opening retained earnings	291
Opening loss allowance as at 1 January 2018 - calculated under IFRS 9	291
Increase in loss allowance recognised in profit or loss during the year	1
At 31 December 2018	292

(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.

12. 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