E.ON IT UK LIMITED

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS

for the Year Ended 31 December 2018

Registered No: 05617434

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

Fair review of the business

As part of the E.ON SE groupwide Phoenix project, E.ON SE made a strategic decision to decentralise IT activities with effect from 1 January 2018. On that date, E.ON Digital Technology GmbH ('EDT') (formerly E.ON Business Services GmbH) sold the Company to a fellow group undertaking, E.ON UK plc. Following the sale, the Company continued to provide IT services under an exclusive General Service Agreement ('GSA') with E.ON UK plc.

During June 2018, the Company announced a restructuring programme that resulted in certain employees of the Company transferring to an unconnected third party IT outsourcing provider during November 2018, with a proportion of the remaining employees being redeployed or voluntarily leaving the business. Following the transfer of certain employees to the new IT outsourcing provider, the directors agreed to hive-up the remaining activities of the Company, including certain assets and liabilities, to E.ON UK plc on 1 January 2019.

During 2018, the volume of business undertaken was increased, driven by the requirements for IT services and projects across the E.ON SE group and the utilisation of assets and resources held by the Company. Although the Company supported a number of E.ON entities internationally throughout 2018, substantively the business supported Customer Solutions UK ('CS UK') and EDT. The Company became the centre for IT support in the UK and all costs incurred by EDT on behalf of the UK were invoiced to the Company and then recharged to E.ON UK plc. This had the effect of increasing turnover and administration expenses during 2018.

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 £9,183,000 (2017: net assets of £7,094,000). Restructuring costs of £26,682,000 recognised in the profit and loss account during the year primarily relate to redeployment and severance costs paid to employees (2017: £nil).

Following the hive-up of the remaining activities of the Company to E.ON UK plc on 1 January 2019, the directors are currently considering the future of the Company.

Further information regarding the financial position of the Company at the year end is provided in the Directors' Report.

Principal risks and uncertainties

During 2018, the management of the business was subject to a number of risks. These risks were substantially mitigated by the GSA whereby E.ON UK plc agreed to assume certain financial risks.

The key business risks faced by the Company during 2018 arose due to the fact that the Company was dependent on only one customer, E.ON SE and its subsidiaries. As a result, the principal risks and uncertainties of the Company are closely related to those faced by the wider E.ON SE group.

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. During 2018, a representative of the Company attended the E.ON UK plc led cross functional working group, which met regularly to consider the impact of Brexit legislative changes on existing contracts, as well as other potential implications of Brexit, and to monitor further Brexit developments and their potential impact on the Company's business. Following the hive-up of activities to E.ON UK plc on 1 January 2019, the impact of Brexit on the Company's business ceased to be a risk.

Key performance indicators ('KPIs')

Throughout 2018, the Company tracked its performance against a number of metrics using an IT Scorecard within the following four quadrants:

- How are we keeping our staff safe?
- How well are we Delivering IT Services for CS UK?
- How well are we Managing IT financial risks for CS UK?
- How well are we supporting the service to E.ON customers?

The IT Scorecard was updated regularly throughout 2018 and the quadrant "How well are we Delivering IT Services for CS UK" was reported to representatives of CS UK, along with details about focus areas and actions in place to make improvements where appropriate. During 2018, focus was placed on improving the quality and responsiveness of services provided to CS UK by third party providers to the Company.

Approved by the Board of Directors on 15 July 2019 and signed on its behalf by:

M D Lewis
Director

E.ON IT UK Limited
Company No: 05617434
Westwood Way,
Westwood Business Park
Coventry
CV4 8LG

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 were in office during the year and up to the date of signing these financial statements were:

C K W Hanewinkel
M D Lewis (appointed 1 January 2018)
D Gandley (appointed 12 December 2018)
M I Santiago Blanco (resigned 12 December 2018)

Principal activity

The Company's principal activity during the year and at the year end was to provide shared IT services to the E.ON UK plc group and EDT. The Company provided a range of IT infrastructure and application services.

Results and dividends

The Company's profit for the financial year is £2,089,000 (2017: profit of £2,492,000). No interim dividends were paid during the year (2017: £17,393,000). The directors do not recommend the payment of a final dividend (2017: £nil).

Future developments

The activities of the Company were hived-up to its parent company, E.ON UK plc, with effect from 1 January 2019. The directors are currently considering the future of the Company.

Financial instruments

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 has a central department that is responsible for financing and treasury strategy, policies and procedures throughout the E.ON SE group. Major strategic financing and corporate finance actions are planned and executed by the corporate finance team at E.ON SE. There is also a treasury team which co-ordinates currency and interest risk management as well as cash management for the whole E.ON SE group.

The Company operates its own specific treasury procedures within the overall E.ON SE treasury framework. The E.ON UK plc operational treasury team liaise closely with the Company to ensure that liquidity and risk management needs are met within the requirement of the E.ON SE group's policies and procedures.

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 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

During 2018, the Company primarily traded in Sterling but its principal currency exposure was to the Euro and US Dollar. The Company operates within the framework of E.ON SE's guidelines for foreign exchange risk management. The Company has local policies dealing with operational exposures (typically cash flows arising on maintenance which will impact the cash flow and profit and loss account).

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.

Credit risk management

During 2018, as the Company only provided services to the E.ON UK plc group and other E.ON Global Units which operate within the UK, it had limited credit risk.

Equal opportunities

The Company's historical employment policies were designed to attract, retain and motivate the very best people recognising that this could only be achieved through offering equal opportunities for all, irrespective of sex, race, marital status, age or disability.

Employment practices and procedures were regularly reviewed to ensure that they provided equality of opportunity to all employees within the applicable legislative framework.

Employee involvement

During 2018, principally through regular team briefings and meetings with employees and their representatives, the Company continued to consult and communicate on matters relating to business performance and objectives.

Safety, health and environment ('SHE')

During 2018, the Company continued to recognise that good SHE performance was an essential part of business activities and the Company aimed to achieve the highest standards. All aspects of safe and healthy working practices were promoted by the Company in the interests of employees, customers, suppliers and the wider community.

The Company maintained a SHE plan during the year and the SHE team coordinated the tasks necessary to deliver that plan. Progress was monitored throughout the year with regular reports to the directors.

The SHE KPIs were reported monthly, with reports sent to the Managing Director and his Business Review Group, as well as monthly communication to all employees via the monthly Team Brief. Updates on SHE performance were also provided to the directors at scheduled board meetings.

During 2018, the SHE team focussed on delivering the actions documented and agreed in the 2018 SHE plan, working with colleagues from the CS UK SHE team who supplied SHE services under the E.ON Country Management Model. The supply of SHE services by CS UK fits with the SHE Target Operating Model as set by E.ON SE and which has been implemented across all E.ON Business Services locations.

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.

Post balance sheet events

On 1 January 2019, the activities of the Company were hived up to its parent company, E.ON UK plc.

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 directors 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 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland", 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 102, have been followed, subject to any material departures disclosed and explained in these 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.

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 15 July 2019 and signed on its behalf by:

M D Lewis
Director
E.ON IT UK Limited
Company No: 05617434
Westwood Way,
Westwood Business Park
Coventry
CV4 8LG

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

Report on the audit of the financial statements

Opinion

In our opinion, E.ON IT UK 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 and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 cash flows, 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.

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.

Simon Evans

Simon Evans (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
Date......15 July 2019

E.ON IT UK LIMITED
PROFIT AND LOSS ACCOUNT
for the Year Ended 31 December 2018

	Note	**2018 £000**	2017 £000
Turnover	2	**196,647**	64,370
Administration expenses before exceptional items		***(195,399)***	*(62,113)*
Exceptional costs of reorganisation and restructuring	3	***(26,682)***	-
Administrative expenses		**(222,081)**	(62,113)
Other operating income	3	**28,020**	807
Operating profit	3	**2,586**	3,064
Interest receivable and similar income	5	**17**	35
Interest payable and similar expenses	6	**(13)**	(4)
Profit before taxation		**2,590**	3,095
Tax on profit	9	**(501)**	(603)
Profit for the financial year		**2,089**	2,492

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

Discontinued operations

On 13 December 2018, the directors of the Company made the decision to hive-up its business to its parent company, E.ON UK plc with effect from 1 January 2019. Therefore, all of the above amounts relate to discontinued operations.

The notes on pages 13 to 25 form part of these financial statements.

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

	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets	10	**1,112**	1,527
Tangible assets	11	**51**	110
		1,163	1,637
Current assets			
Debtors: amounts falling due after more than one year	12	**181**	114
Debtors: amounts falling due within one year	13	**51,254**	18,124
		51,435	18,238
Creditors: amounts falling due within one year	14	**(26,979)**	(12,781)
Net current assets		**24,456**	5,457
Total assets less current liabilities		**25,619**	7,094
Creditors: amounts falling due after one year	15	**(978)**	-
Provisions for liabilities	16	**(15,458)**	-
Net assets		**9,183**	7,094
Capital and reserves			
Called up share capital	17	**4,000**	4,000
Profit and loss account		**5,183**	3,094
Total equity		**9,183**	7,094

The financial statements on pages 9 to 25 were approved by the Board of Directors on 15 July 2019 and signed on its behalf by:

M D Lewis
Director
E.ON IT UK Limited
Company No: 05617434

The notes on pages 13 to 25 form part of these financial statements.

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

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 January 2017	4,000	17,995	21,995
Profit for the financial year	-	2,492	2,492
Dividends paid	-	(17,393)	(17,393)
At 31 December 2017	4,000	3,094	7,094
Profit for the financial year	-	2,089	2,089
At 31 December 2018	**4,000**	**5,183**	**9,183**

The notes on pages 13 to 25 form part of these financial statements.

E.ON IT UK LIMITED
STATEMENT OF CASH FLOWS
for the Year Ended 31 December 2018

	Note	**2018 £000**	2017 £000
Net cash (used in)/from operating activities	19	**(4,335)**	1,332
Net cash generated (used in)/from operating activities		**(4,335)**	1,332
Cash flow from investing activities			
Purchase of intangible assets	10	**(77)**	(629)
Purchase of tangible fixed assets	11	**-**	(26)
Proceeds from disposal of tangible fixed assets		**-**	511
Interest received	5	**17**	35
Net cash used in investing activities		**(60)**	(109)
Cashflow from financing activities			
Internal group financing		**4,408**	16,174
Dividends paid	18	**-**	(17,393)
Interest paid	6	**(13)**	(4)
Net cash generated from/(used in) financing activities		**4,395**	(1,223)
Net increase in cash and cash equivalents		**-**	-
Cash and cash equivalents at the beginning of the year		**-**	-
Cash and cash equivalents at the end of the year		**-**	-
Cash and cash equivalents consist of:			
Cash at bank and in hand		**-**	-

All of the above amounts relate to discontinued activities.

The notes on pages 13 to 25 form part of these financial statements.

1. Accounting policies

General information

The Company's principal activity during the year and at the year end was to provide shared IT services to the E.ON UK plc group, including its CS UK business and to EDT. The Company provided a range of IT infrastructure and application services.

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.

Statement of compliance

These financial statements have been prepared in compliance with the United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Basis of preparation of financial statements

These financial statements have been prepared under the going concern basis, historical cost convention and in accordance with the Companies Act 2006.

The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The Company is not a qualifying entity under FRS 102 and has not taken advantage of any available exemptions.

Going concern

The directors of the Company believe that there are no material uncertainties that may cast significant doubt about the ability of the Company to continue as a going concern for the foreseeable future. The directors of the Company also believe that the Company has adequate resources to continue in operational existence for the foreseeable future. For this purpose, the foreseeable future is a period of at least twelve months from the date of approval of these financial statements.

Judgement in applying accounting policies and key sources of estimation uncertainty

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

The only area of significant judgement in application of accounting policies and critical accounting estimates that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is 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.

Current and deferred income tax

The tax charge for the year comprises current and deferred tax.

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 these 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 by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

Operating leases

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

Pensions

The Company contributes to a defined contribution pension scheme, and also 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.

Intangible assets

Intangible assets are stated at their acquisition cost less accumulated amortisation. Amortisation is calculated so as to write off the cost of intangible assets on a straight line basis over their useful economic life.

The useful economic life is 5 years.

Assets in the course of construction are included in intangible assets on the basis of expenditure incurred at the balance sheet date. No depreciation is provided on assets in the course of construction.

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.

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

Asset class	**Depreciation method and rate**
Computer equipment	Straight line basis over 3 to 10 years

Estimated useful lives are reviewed annually.

Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

i) Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire or are settled, or substantially all the risks and rewards of the ownership of the asset are transferred to another party or despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow E.ON SE group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

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.

Inter-company balances

Inter-company payable and receivable trading balances within the E.ON SE group are consolidated at each year 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.

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.

Foreign currency

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.

Dividend distribution

Dividend distribution to the Company's shareholder is recognised as a liability in the financial statements in the year in which the dividends are paid.

Related party transactions

The Company is exempt from the requirements of IAS 24 'Related Party Disclosures' to disclose related party transactions with entities that are part of the E.ON SE group or investees of the E.ON SE group.

2. Turnover

Turnover, which excludes value added tax, represents the value of projects and services delivered to E.ON UK plc on behalf of EDT and affiliated companies, during the year. The Company's turnover of £196,647,000 (2017: £64,370,000), all of which arose in the course of the Company's principal activity, arose in the UK.

3. Operating profit

Operating profit is stated after charging/(crediting):

	2018 £000	2017 £000
Operating lease	**41**	243
Foreign currency gains	**(413)**	(46)
Depreciation of tangible assets (note 11)	**59**	59
Amortisation of intangible assets (note 10)	**492**	475
Auditors' remuneration	**-**	57

Administration expenses include exceptional costs of reorganisation and restructuring of £26,682,000 (2017: £nil) relating to the E.ON SE groupwide Phoenix project.

Other operating income of £28,020,000 (2017: £807,000) includes recharges of restructuring related costs to EDT.

4. Auditors' remuneration

Auditors' remuneration for the audit of these financial statements is £30,437 (2017: £57,000). The 2018 cost was borne by the parent company, E.ON UK plc. No costs were incurred for non-audit services or tax services (2017: £nil).

5. Interest receivable and similar income

	2018 £000	2017 £000
Interest receivable from group undertakings	**17**	35

6. Interest payable and similar expenses

	2018 £000	2017 £000
Interest payable to group undertakings	**13**	4

7. Employee information

The average monthly number of persons (including executive directors) employed by the Company during the year was:

	2018 Number	2017 Number
Business IT	**317**	398
Shared IT	**28**	33
Financial Management	**3**	3
Functional Control	**1**	1
Residential Operations support	**-**	7
	349	442

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

	2018 £000	2017 £000
Wages and salaries	**20,221**	22,901
Social security costs	**2,382**	2,710
Other pension costs	**6,930**	8,719
	29,533	34,330
Restructuring costs (note 3)	**26,682**	-
	56,215	34,330

8. Directors' remuneration

The directors' remuneration for the year was as follows:

	2018 £	2017 £
Aggregate emoluments (including benefits in kind and long term incentives)	**305,217**	271,910

The above amounts relate to one director (2017: one) who was remunerated by the Company.

During the year, the number of directors who were receiving benefits and share incentives was as follows:

	2018 Number	2017 Number
Received or were entitled to receive shares under long term incentive schemes	**1**	1
Accruing benefits under a defined contribution pension scheme	**1**	1

During the year, no directors (2017: none) exercised Performance Rights over shares in the ultimate parent company, E.ON SE, that they were awarded for services to the E.ON SE group under long term incentive arrangements and no payments were made (2017: £nil).

During the year the Company did not pay, or treat as paid, contributions to a pension scheme in respect of money purchase benefits in respect of the above directors (2017: £18,528).

In respect of the highest paid director:

	2018 £	2017 £
Aggregate emoluments (including benefits in kind and long term incentives)	**305,217**	271,910

9. Tax on profit

	2018 £000	2017 £000
Current tax:		
UK corporation tax on profits for the year	**3,822**	240
Adjustment in respect of prior years	**168**	167
Total current tax charge	**3,990**	407
Deferred tax:		
Origination and reversal of timing differences	**(3,486)**	196
Adjustment in respect of prior years	**(110)**	65
Impact of change in tax rate	**107**	(65)
Total deferred tax (credit)/charge	**(3,489)**	196
Tax charge on profit	**501**	603

Factors affecting tax charge for the year

The tax charge for the year is higher (2017: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2018 of 19.00% (2017: 19.25%). The differences are explained below:

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.

	2018 £000	2017 £000
Profit on ordinary activities before taxation	**2,590**	3,095
Tax charge on profit on ordinary activities before taxation at 19.00% (2017: 19.25%)	**492**	596
Effects of:		
Income not subject to tax in the year	**(140)**	(140)
Impact of rate change	**88**	(87)
Expenses not deductible for tax purposes	**3**	2
Adjustment in respect of prior years - deferred tax	**(110)**	65
Adjustment in respect of prior years - corporation tax	**168**	167
Tax charge for the year	**501**	603

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

The corporation tax payable has been reduced by £3,990,000 because of group relief received from a fellow group undertaking for which a payment will be made (2017: payment of £407,000).

10. Intangible assets

	Computer Software £000
Cost	
At 1 January 2018	3,339
Additions	77
At 31 December 2018	3,416
Accumulated amortisation	
At 1 January 2018	1,812
Charge for the year	492
At 31 December 2018	2,304
Net book value	
At 31 December 2018	**1,112**
At 31 December 2017	1,527

Intangible assets relate to computer software and costs associated with developing computer software programmes that are likely to generate economic benefits. All capitalised software costs are amortised on a straight-line basis over their useful economic life, generally 5 years.

Included in additions are assets in the course of construction of £63,000 (2017: £nil) which relates to software licences.

11. Tangible assets

	Computer Equipment £000
Cost or valuation	
At 1 January 2018	187
At 31 December 2018	187
Accumulated depreciation	
At 1 January 2018	77
Charge for the year	59
At 31 December 2018	136
Net book value	
At 31 December 2018	**51**
At 31 December 2017	110

12. Debtors: amounts falling due after more than one year

	2018 £000	2017 £000
Prepayments and accrued income	**181**	114

13. Debtors: amounts falling due within one year

	2018 £000	2017 £000
Trade receivables	**17**	155
Amounts owed by group undertakings	**41,954**	12,577
Deferred tax	**4,830**	1,341
Other debtors	**144**	-
Other taxation and social security	**1,156**	1,196
Prepayments and accrued income	**3,153**	2,855
	51,254	18,124

Within amounts owed by group undertakings is an unsecured loan of £2,568,000 (2017: £7,771,000) which bears interest at LIBOR minus 5 basis points and has a maturity date of 31 December 2019.

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

Deferred tax

The opening and closing deferred tax positions can be reconciled as follows:

	2018 £000	2017 £000
Deferred tax asset at 1 January	1,341	1,537
Deferred tax credit/(charge) to profit and loss account	3,489	(196)
Deferred tax asset at 31 December	**4,830**	**1,341**

Analysis of deferred tax

	2018 £000	2017 £000
Decelerated capital allowances	**964**	1,166
Other timing differences	**3,866**	175
Deferred tax asset	**4,830**	1,341

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

Within the deferred tax credit of £3,489,000 (2017: £196,000 charge), the amount that relates to the change in the tax rate is a £107,000 charge (2017: £65,000 credit).

14. Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade payables	**3,097**	2,389
Amounts owed to group undertakings	**12,419**	4,343
Taxation and social security	**1,206**	813
Other creditors	**4,929**	933
Accruals and deferred income	**5,328**	4,303
	26,979	12,781

Within amounts owed to group undertakings are two loans, one of €103,000 (2017: €906,000) and one of US$14,000 (2017: US$128,000), both of which bear interest at LIBOR plus 52 basis points (2017: 50 basis points) and roll daily for both capital and interest. The two loans, which are both unsecured, have a maturity date of 31 December 2019.

All other amounts owed to group undertakings are unsecured, interest free and payable on demand.

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

	2018 £000	2017 £000
Other creditors	**978**	-

Other creditors includes outstanding payments owed to a supplier in relation to trade under a payment plan payable within the next five years.

16. Provisions for liabilities

	Restructuring/ severance provisions £000
At 1 January 2018	-
Debited to the profit and loss account	26,682
Utilised during the year	(11,224)
At 31 December 2018	**15,458**

Restructuring provisions relate primarily to the restructuring of the Company following the decentralisation of IT activities associated with the Phoenix project. The remainder of the restructuring provision, which is expected to be utilised over the next 5 years, transferred to E.ON UK plc on 1 January 2019 as part of the hive up.

17. Called up share capital

	2018 £000	2017 £000
Allotted, called-up and fully paid		
4,000,000 ordinary shares of £1 each (2017: 4,000,000)	**4,000**	4,000

18. Dividends

	2018 £000	2017 £000
Interim dividend paid: £nil (2017: £4.35) per ordinary share	-	17,393

19. Notes to the statement of cash flows

	2018 £000	2017 £000
Profit for the financial year	**2,089**	2,492
Tax on profit on ordinary activities	**501**	603
Net interest income	**(4)**	(31)
Operating profit	**2,586**	3,064
Amortisation of intangible assets	**492**	475
Depreciation of tangible fixed assets	**59**	59
Provisions less payments	**15,458**	-
Working capital movements		
- Increase in debtors	**(38,106)**	(1,345)
- Increase/(decrease) in payables	**15,176**	(921)
Cashflow (used in)/generated from operating activities	**(4,335)**	1,332

20. Commitments

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

21. Pension schemes

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

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

Due to the complexity of actuarial calculations and the number of different companies contributing to the Scheme, the Company is unable to identify its share of the underlying assets and liabilities in the Scheme. Consequently, the Company accounts for the Scheme as a defined contribution scheme. The cost of contributions, including restructuring, to the Scheme during the year amounts to £6,930,000 (2017: £8,719,000).

The amount outstanding at 31 December 2018 included within other creditors and which relate to pension contributions to the Scheme was £4,899,000 (2017: £928,000). This related to the contributions for December 2018 which were paid in January 2019. The increase is due to contractual pension obligations relating to employees who voluntarily agreed to leave the Company.

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

22. Financial instruments

The Company has the following financial instruments:

	Note	2018 £000	2017 £000
Financial assets that are debt instruments measured at amortised cost			
- Trade receivables	13	**17**	155
- Amounts owed by group undertakings	13	**41,954**	12,577
- Other debtors	13	**144**	-
		42,115	12,732
Financial liabilities measured at amortised cost			
- Trade payables	14	**3,097**	2,389
- Amounts owed to group undertakings	14	**12,419**	4,343
- Other creditors	14	**4,929**	933
- Other creditors greater than 1 year	15	**978**	-
		21,423	7,665

The Company has no forward foreign currency or interest rate derivative financial instruments (2017: none).

23. Post balance sheet events

On 1 January 2019, the activities of the Company were hived up to its parent company, E.ON UK plc. This included certain assets and the assumption of certain liabilities held on the balance sheet, and which will be used by E.ON UK plc to provide shared IT services going forward. The disposal to E.ON UK plc was made for its carrying amount and included the following amounts at the balance sheet date:

	2018 £000
Assets:	
Intangible assets (note 10)	1,112
Tangible assets (note 11)	51
Debtors: amounts falling due after more than one year (note 12)	181
Debtors: amounts falling due within one year (note 13)	
-Amounts owed by group undertakings	25,600
-Other debtors	144
-Prepayments and accrued income	2,558
Total assets held for sale	**29,646**
Liabilities:	
Creditors: amounts falling due within one year (note 14)	
-Taxation and social security	(390)
-Other creditors	(4,929)
-Accruals and deferred income	(4,514)
Provisions for liabilities (note 16)	(15,458)
Carrying amount of disposal	**4,355**

24. Related party transactions

During part of the year, (2017: full year) the Company had related party transactions with companies in the Uniper group, by virtue of it then being 47% owned by E.ON SE, the ultimate controlling party of the Company. On 26 June 2018, E.ON SE sold its remaining shares in the Uniper group and it ceased to be a related party.

Uniper Technologies Limited

In the prior year, the related party provided consultancy services to the Company amounting to £81,000. No amounts were owed by the Company at the year end (2017: £nil).

25. 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:

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45131
Essen
Germany