

Registration number: 07537806

E.ON UK Infrastructure Services Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2022

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E.ON UK Infrastructure Services Limited

Strategic Report for the Year Ended 31 December 2022

The directors present their Strategic Report for the year ended 31 December 2022 for E.ON UK Infrastructure Services Limited ("the Company").

Fair review of the business

The Company made a loss for the financial year of £3,026,000 compared to a profit in 2021 of £20,422,000, primarily due to non-recurring income received from other E.ON Group companies in respect of certain contractual arrangements in the prior year. In addition, unplanned outages on the Biomass plant, higher price of power due to market prices and a general increase in consumable prices has led to the increased costs in the year.

The primary activity of the Company during the year was the operation of the biomass renewable energy power station at Blackburn Meadows.

At 31 December 2022, the Company had net assets of £84,893,000 (2021: net assets of £87,919,000). Further information regarding the financial position of the Company at the year end is provided in the directors' report.

On 5 May 2021, the Company signed an agreement to acquire several district heating schemes and associated assets and liabilities from other group companies. The transfer of the schemes is expected to commence during 2024 at which point the activities of the Company are expected to increase.

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.

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 has now left the European Union ('EU') and the transitional period ended on 31 December 2020. The European Union (Future Relationship) Act 2020 was passed on 30 December 2020, implementing the EU-UK Trade and Cooperation Agreement, which itself was approved by the European Parliament and the Council of the EU on 1 May 2021. Changes to economic forecast assumptions resulting from Brexit such as power prices, foreign exchange, inflation, interest rates and economic growth have been factored into the Company's business plans and forecasts. The members of the cross functional working group continue to monitor any impact of Brexit on the activities of the Company as part of their roles.

E.ON UK Infrastructure Services Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

COVID-19

The COVID-19 pandemic, which has persisted for more than two years, continues to expose the Company to risks, although the risks are considered to be manageable due to the Company's previously prepared pandemic and crisis plans, which it implemented accordingly, and the UK's successful vaccination programmes. Despite the COVID-19 pandemic, the Company has been able to continue operating effectively and the directors believe that the Company will continue to do so for the foreseeable future.

Statement made under Section 172(1) of the Companies Act 2006 ('Act')

The directors acknowledge and understand their duties under the Act and in particular their duty 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:

- (a) the likely consequences of any decision in the long term;
- (b) the interests of the Company's employees;
- (c) the need to foster the Company's business relationships with suppliers, customers and others;
- (d) the impact of the Company's operations on the community and the environment;
- (e) the desirability of the Company maintaining a reputation for high standards of business conduct; and
- (f) the need to act fairly between members of the Company.

The directors regard a well-governed business as essential for the successful delivery of its principal activity. 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 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 2022 on pages 14 to 188, 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.

E.ON UK Infrastructure Services Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Approved by the board on 15 September 2023 and signed on its behalf by:



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S H Vaghela
Director

E.ON UK Infrastructure Services Limited
Registration No: 07537806
Westwood Way
Westwood Business Park
Coventry
England
CV4 8LG

E.ON UK Infrastructure Services Limited

Directors' Report for the Year Ended 31 December 2022

The directors present their Directors' Report and the audited financial statements of the Company for the year ended 31 December 2022.

Directors' of the Company

The directors who held office during the year and up to the date of signing these financial statements were as follows:

M G Wake

S H Vaghela

C J Lovatt

Principal activity

The principal activity of the Company is the operation of the biomass renewable energy power station at Blackburn Meadows.

Results and dividends

The Company's loss for the financial year is £3,026,000 (2021: profit of £20,422,000). No interim dividends were paid during the year (2021: £nil). The directors do not recommend the payment of a final dividend (2021: £nil).

Going concern

The directors have considered the Company's principal risks and uncertainties and concluded that the Company will have sufficient funds available under its current resources and committed facilities to continue to meet its liabilities as they fall due for at least 12 months from the date these financial statements are approved. These financial statements have been prepared on the going concern basis, which the directors believe to be appropriate for the following reasons:

- The Company is a part of the E.ON UK group, a significant component of the E.ON SE group, one of Europe's largest energy groups. The Company performs key business activities including the running of its biomass power station
- The Company is a member of the UK cash pooling facility managed by E.ON SE, whereby the cash balance of the Company is swept into an inter-company bank account on a daily basis. To the extent that working capital requirements arise, these are met through access to the cash pooling facility. As at the date of approval of these financial statements, the Company had a net payable balance to that facility.
- The Company's parent, E.ON UK plc, has significant receivables from its immediate parent company E.ON UK Holding Company Limited ("HoldCo"). HoldCo has prepared a base case financial forecast covering the E.ON UK group companies ("the UK Group"), including the Company for at least 12 months from the date these financial statements are approved. These forecasts indicate that the UK Group will have sufficient funds available under its current resources and committed facilities to continue to meet its liabilities as they fall due.
- HoldCo has also prepared a range of potential scenarios. This includes certain severe but plausible downside scenarios under which the UK Group needs additional support from the ultimate holding company, E.ON SE to meet its working capital requirements. The directors consider that in these circumstances, E.ON SE would have the ability and intention to provide funds such that the UK Group will continue to meet its liabilities as they fall due. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors of the Company are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for the foreseeable future, being a period of at least 12 months from the date of approval of these financial statements and therefore have prepared these financial statements on the going concern basis.

E.ON UK Infrastructure Services Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

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 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 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 financing policy is to centralise external financing at the E.ON SE level and to reduce external debt in subsidiaries wherever possible. E.ON SE then funds its subsidiaries with inter-company finance. This finance may be in the form of equity or debt, as appropriate.

The E.ON UK plc 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 UK business. This team works in close liaison with other E.ON SE companies operating within the UK, when considering hedging requirements related to their activities. A group-wide cash forecasting and currency exposure reporting process exists which ensures regular reporting into UK treasury of future positions, both short and medium term. Information is submitted to E.ON SE for incorporation into the E.ON SE group's forecasting processes on a weekly and quarterly basis.

The Company does not enter into speculative treasury arrangements. Accordingly, all transactions in financial instruments are matched to underlying business requirement, such as committed purchases or forecast funding requirements. Treasury activities are reviewed by internal audit on a regular basis.

E.ON UK Infrastructure Services Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

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

Foreign exchange risk management

The Company operates within the framework of the E.ON SE group'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 SE Treasury department.

Interest rate risk management

The Company operates within the E.ON SE group's framework for 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

The Company is subject to the E.ON SE group's finance policy which sets a credit limit for every financial institution with which the Company does a significant amount of business. The creditworthiness of the institutions with which the Company does significant business is established by the ratings they receive from external rating agencies including Moody's and Standard & Poor's. 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 and cash flow risks

The Company has sufficient committed borrowing facilities to meet planned liquidity needs with headroom, through facilities provided by E.ON UK plc. The Company also has a bank overdraft facility to support daily liquidity management. The level of operating cash is affected by the performance of the business, market prices and margins amongst other things.

Political donations

No political donations were made during the year (2021: £nil).

Stakeholder engagement

For information regarding how the directors have engaged with stakeholders, such as suppliers, customers and others during the financial year, please see the Statement made under Section 172(1) of the Companies Act 2006 in the Strategic report, which is incorporated into this Directors' report by reference and forms an integral part of this report.

Future developments

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

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.

E.ON UK Infrastructure Services Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. Each director confirms that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the board on 15 September 2023 and signed on its behalf by:



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S H Vaghela
Director

E.ON UK Infrastructure Services Limited
Registration No: 07537806
Westwood Way
Westwood Business Park
Coventry
England
CV4 8LG

E.ON UK Infrastructure Services Limited

Statement of Directors' Responsibilities in respect of the Annual Report

The directors are responsible for preparing the Annual Report and these financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, they have elected to prepare these financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in these financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Approved by the board on 15 September 2023 and signed on its behalf by:



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S H Vaghela
Director

E.ON UK Infrastructure Services Limited

Independent Auditors' Report to the Members of E.ON UK Infrastructure Services Limited

Opinion

We have audited the financial statements of E.ON UK Infrastructure Services Limited ("the Company") for the year ended 31 December 2022 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom (UK) accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to other entities of public interest. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

E.ON UK Infrastructure Services Limited

Independent Auditors' Report to the Members of E.ON UK Infrastructure Services Limited (continued)

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Group’s high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue is simplistic and the performance of this business does not significantly impact on management incentives.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation of the Company-wide fraud risk management controls. We performed procedures including identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

E.ON UK Infrastructure Services Limited

Independent Auditors' Report to the Members of E.ON UK Infrastructure Services Limited (continued)

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law and OFGEM regulations, recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

E.ON UK Infrastructure Services Limited

Independent Auditors' Report to the Members of E.ON UK Infrastructure Services Limited (continued)

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

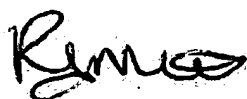
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Rebecca Moulton (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

One, Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Date: 21 September 2023

E.ON UK Infrastructure Services Limited

Profit and Loss Account for the Year Ended 31 December 2022

	Note	2022 £ 000	2021 £ 000
Turnover	3	27,591	35,382
Cost of sales		<u>(12,248)</u>	<u>(11,082)</u>
Gross profit		15,343	24,300
Administrative expenses		(19,279)	(15,465)
Other operating income	4	<u>43</u>	<u>19,670</u>
Operating (loss)/profit	5	(3,893)	28,505
Interest payable and similar expenses	8	<u>(620)</u>	<u>(465)</u>
(Loss)/profit before tax		(4,513)	28,040
Tax on (loss)/profit	9	<u>1,487</u>	<u>(7,618)</u>
(Loss)/profit for the year		<u><u>(3,026)</u></u>	<u><u>20,422</u></u>

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

E.ON UK Infrastructure Services Limited

(Registration number: 07537806)
Balance Sheet as at 31 December 2022

	Note	31 December 2022 £ 000	31 December 2021 £ 000
Fixed assets			
Intangible assets	10	2,458	2,584
Tangible assets	11	116,523	124,171
Right of use assets	12	4,361	4,517
		<u>123,342</u>	<u>131,272</u>
Current assets			
Stocks	13	95	47
Debtors: amounts falling due within one year	14	10,986	17,550
Cash at bank and in hand	15	14,496	-
		<u>25,577</u>	<u>17,597</u>
Creditors: amounts falling due within one year	16	<u>(33,465)</u>	<u>(41,085)</u>
Net current liabilities		<u>(7,888)</u>	<u>(23,488)</u>
Total assets less current liabilities		115,454	107,784
Creditors: amounts falling due after one year	17	(18,910)	(4,542)
Provisions for liabilities	18	<u>(11,651)</u>	<u>(15,323)</u>
Net assets		<u>84,893</u>	<u>87,919</u>
Capital and reserves			
Called up share capital	20	55,000	55,000
Profit and loss account		<u>29,893</u>	<u>32,919</u>
Shareholders' funds		<u>84,893</u>	<u>87,919</u>

The financial statements on pages 13 to 36 were approved by the board of directors on 15 September 2023 and signed on its behalf by:



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S H Vaghela
Director

E.ON UK Infrastructure Services Limited
Registration No: 07537806

E.ON UK Infrastructure Services Limited

Statement of Changes in Equity for the Year Ended 31 December 2022

	Called up share capital £ 000	Profit and loss account £ 000	Shareholders' funds £ 000
At 1 January 2022	55,000	32,919	87,919
Loss for the year	-	(3,026)	(3,026)
Total comprehensive expense	-	(3,026)	(3,026)
At 31 December 2022	<u>55,000</u>	<u>29,893</u>	<u>84,893</u>

	Called up share capital £ 000	Profit and loss account £ 000	Shareholders' funds £ 000
At 1 January 2021	55,000	12,497	67,497
Profit for the year	-	20,422	20,422
Total comprehensive income	-	20,422	20,422
At 31 December 2021	<u>55,000</u>	<u>32,919</u>	<u>87,919</u>

The notes on pages 16 to 36 form an integral part of these financial statements.

E.ON UK Infrastructure Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

1 General information

The Company is a private company limited by shares and is incorporated and domiciled in the UK.

The Company operates a biomass renewable energy power station at Blackburn Meadows.

The address of its registered office is:

Westwood Way
Westwood Business Park
Coventry
England
CV4 8LG

2 Accounting policies

Basis of preparation

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.

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Measurement convention

These financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

Summary of disclosure exemptions

In these financial statements, the Company has taken advantage of the exemptions available under FRS 101 in respect of the following disclosures:

- The following paragraphs of IAS 1 - 'Presentation of financial statements' (removing the requirement to present):
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 111 (cash flow statement information);
 - 134-136 (capital management disclosures)

E.ON UK Infrastructure Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

- The comparative information requirements of Paragraph 38 of IAS 1 - 'Presentation of financial statements' (comparative information requirements in respect of):
 - paragraph 79(a)(iv) of IAS 1
(reconciliation of number of shares at the beginning and end of the period)
 - paragraph 73(e) of IAS 16, 'Property, plant and equipment'
(reconciliations between the carrying amount at the beginning and end of the period)
 - paragraph 118(e) of IAS 38, 'Intangible assets'
(reconciliations between the carrying amount at the beginning and end of the period)
 - paragraph 134 (d-f) of IAS 36, 'Impairment of assets'
(information about estimates used to measure recoverable amounts)
- The requirements of IAS 7 - 'Statement of cash flows' and related notes.
- The requirements of Paragraphs 30 and 31 of IAS 8 - 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- 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 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' (disaggregation of revenue, significant changes in contract assets and liabilities, details on transaction price allocation, timing of the satisfaction of performance obligations and significant judgements made in the application of IFRS 15).
- The requirements of Paragraph 52 [lessee], the second sentence of Paragraph 89, and Paragraphs 90, 91 and 93 [lessor] of IFRS 16 - 'Leases' (lessee disclosures and lessor disclosures in relation to finance leases and lease income on operating leases).
- The requirements of paragraph 58 of IFRS 16 (maturity analysis), 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.

Changes in accounting policy

None of the following standards, interpretations and amendments effective for the first time from 1 January 2022 have had a material effect on these financial statements:

- Amendments to IAS16, IAS 37 and IFRS 3; and
- Minor amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41.

E.ON UK Infrastructure Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Going concern

The directors have considered the Company's principal risks and uncertainties and concluded that the Company will have sufficient funds available under its current resources and committed facilities to continue to meet its liabilities as they fall due for at least 12 months from the date these financial statements are approved. These financial statements have been prepared on the going concern basis, which the directors believe to be appropriate for the following reasons:

- The Company is a part of the E.ON UK group, a significant component of the E.ON SE group, one of Europe's largest energy groups. The Company performs key business activities including the running of its biomass power station.
- The Company is a member of the UK cash pooling facility managed by E.ON SE, whereby the cash balance of the Company is swept into an inter-company bank account on a daily basis. To the extent that working capital requirements arise, these are met through access to the cash pooling facility. As at the date of approval of these financial statements, the Company had a net payable balance to that facility.
- The Company's parent, E.ON UK plc, has significant receivables from its immediate parent company, HoldCo. HoldCo has prepared a base case financial forecast covering the E.ON UK group companies ("the UK Group"), including the Company for at least 12 months from the date these financial statements are approved. These forecasts indicate that the UK Group will have sufficient funds available under its current resources and committed facilities to continue to meet its liabilities as they fall due.
- HoldCo has also prepared a range of potential scenarios. This includes certain severe but plausible downside scenarios under which the UK Group needs additional support from the ultimate holding company, E.ON SE to meet its working capital requirements. The directors consider that in these circumstances, E.ON SE would have the ability and intention to provide funds such that the UK Group will continue to meet its liabilities as they fall due. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors of the Company are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for the foreseeable future, being a period of at least 12 months from the date of approval of these financial statements and therefore have prepared these financial statements on the going concern basis.

Accounting estimates and judgements

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 and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in these financial statements.

Areas of significant judgement in application of accounting policies that have a significant risk of a material error or omission are as follows:

E.ON UK Infrastructure Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Accounting estimates and judgements (continued)

Emissions trading scheme

The Company has been subject to the European Emissions Trading Scheme since it became operational. The Company has adopted an accounting policy which recognises a shortfall in emission 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

18.

Determination of lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated. The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

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:

Decommissioning costs

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

E.ON UK Infrastructure Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Accounting estimates and judgements (continued)

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 and Renewables Obligation Certificates (ROCs); 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 trade receivables is disclosed in note 14.

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 risk levels on the ten level counterparty risk scale 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 in note 14.

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. The current year value is disclosed within note 9.

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 16 and 17 respectively.

E.ON UK Infrastructure Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Accounting estimates and judgements (continued)

Impairments

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 post-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.

Recycled benefit income

Revenue includes managements' estimate of the recycled benefit to be received in relation to ROCs generated during the year. Income from recycled benefit is variable and dependent on a number of factors including the UK's electricity demand, and the targeted as well as actual level of renewable energy generated in the UK. Managements' estimate of the income takes into account industry wide data as well as historical prices achieved and is reviewed periodically.

Turnover

All turnover generated by the Company during the year arose from its principal activities. Turnover predominantly comprises revenue from the wholesale of electricity, ROCs and heat. The turnover is recognised when performance obligations have been satisfied and when the services or goods have been transferred to the customer and the customer has control of these. For the Company, this is at the point when the volumes are supplied or over time as services are provided. Turnover excludes value added tax.

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

Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Government grants are included within deferred income in the balance sheet and amortised through the profit and loss account within other operating income. The timing of the amortisation of the grant is so as to match the useful economic lives of the tangible assets to which the grants relate.

E.ON UK Infrastructure Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Foreign currency transactions and balances

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 unless otherwise stated.

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.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date 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 and on unused tax losses or tax credits in the Company. 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 reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

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.

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 the biomass renewable energy power station.

E.ON UK Infrastructure Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Depreciation

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

Asset class	Depreciation method and rate
Plant and machinery	Straight-line basis over 30 years
Furniture, fittings and equipment	Straight-line basis over 30 years

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

Intangible assets

Intangible assets include the benefits of land options and developments contracts, and capitalised development costs, which will be amortised over the useful economic life of the schemes to which they relate. Directly attributable costs relating to a development are capitalised from the quarter during which the investment is approved by the appropriate level of investment committee.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Amortisation method and rate
Contract based intangibles	Straight-line basis over 30 years

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 are considered to be raw materials under this definition.

Provisions

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

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

Future operating costs are not provided for.

E.ON UK Infrastructure Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Leases

Definition

A lease is a contract, or a part of a contract, that conveys the right to use an asset or a physically distinct part of an asset ("the underlying asset") for a period of time in exchange for consideration. Further, the contract must convey the right to the Company to control the asset or a physically distinct portion thereof. A contract is deemed to convey the right to control the underlying asset if, throughout the period of use, the Company has the right to:

- Obtain substantially all the economic benefits from the use of the underlying asset, and;
- Direct the use of the underlying asset (e.g. direct how and for what purpose the asset is used)

Where contracts contain a lease coupled with an agreement to purchase or sell other goods or services (i.e., non-lease components), the non-lease components are identified and accounted for separately from the lease component. The consideration in the contract is allocated to the lease and non-lease components on a relative standalone price basis using the principles in IFRS15.

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.

The Company initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

Initial recognition and measurement

The lease liability is measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate.

The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the company's initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs.

E.ON UK Infrastructure Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Subsequent measurement

After the commencement date, the Company measures the lease liability by:

- (a) Increasing the carrying amount to reflect interest on the lease liability;
- (b) Reducing the carrying amount to reflect the lease payments made; and
- (c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest charges are included in finance cost in the income statement, unless the costs are included in the carrying amount of another asset applying other applicable standards. Variable lease payments not included in the measurement of the lease liability, are included in operating expenses in the period in which the event or condition that triggers them arises.

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 related right-of-use asset is accounted for using the Cost model in IAS 16 and depreciated over the shorter of the lease term and the useful economic life of the asset. Adjustments are made to the carrying value of the right of use asset where the lease liability is re-measured in accordance with the above. Right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy in impairment.

Short term and low value leases

The Company has made an accounting policy election, by class of underlying asset, not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e., short-term leases).

The Company has made an accounting policy election on a lease-by-lease basis, not to recognise lease assets on leases for which the underlying asset is of low value.

Short term and low value lease payments are included in operating expenses in the profit and loss account as they are incurred.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved.

E.ON UK Infrastructure Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (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 estimation criteria set out on page 20.

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.

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.

Research and development

Research and development expenditure is written off as incurred where it does not meet the capitalisation criteria.

Employee benefits

Defined contribution pension obligation

The Company has no employees but is recharged by E.ON UK plc for the services of certain of its employees. E.ON UK plc contributes to both defined contribution and defined benefit pension schemes maintained by E.ON UK plc on behalf of its employees. The recharges to the Company from E.ON UK plc for services from certain of its employees include the current pension service cost but no recharges are made for any pension deficit repair payments. It is not possible to identify the share of the underlying assets and liabilities of the E.ON UK plc group defined benefit pension scheme that relate to existing and previous employees recharged to the Company and therefore, the Company accounts for its contributions to the scheme on a defined contribution basis. Further details of these schemes are available in E.ON UK plc's financial statements.

Financial instruments

Initial recognition

Amortised cost assets (including trade receivables and amounts owed by group undertakings) are primarily financial assets with fixed or terminable payments that are not traded in an active market and are reported on the balance sheet under "Debtors: amounts falling due within one year". Initial measurement takes place at fair value plus transaction costs. They are subsequently measured at amortised cost, using the effective interest method. Valuation allowances are provided for identifiable individual risks in addition to the expected credit losses calculated when known.

E.ON UK Infrastructure Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Classification and measurement

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

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

3 Turnover

Turnover, which excludes value added tax, represents the sale value of electricity generated during the year by the Blackburn Meadows power station and associated ROCs under contract and heat on an accruals basis.

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

4 Other operating income

Other operating income in the prior year primarily includes income received from other E.ON group companies in respect of certain contractual arrangements.

5 Operating (loss)/profit

Arrived at after charging/(crediting):

	Note	2022 £ 000	2021 £ 000
Amortisation expense	10	126	126
Depreciation on tangible assets	11	7,450	6,750
Depreciation on right of use assets	12	242	238
Impairment of financial assets	14	(4)	42
Foreign exchange losses		<u>15</u>	<u>5</u>

6 Auditors' remuneration

Auditors' remuneration of £15,000 (2021: £21,000) for the audit of these financial statements was borne by E.ON UK plc, the immediate parent undertaking, and recharged.

E.ON UK Infrastructure Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

7 Staff costs

The Company had no employees during the year (2021: none). The monthly average number of persons recharged by E.ON UK plc for the services of employees (including directors) during the year was as follows:

	2022	2021
	No.	No.
Production	<u>29</u>	<u>26</u>

The aggregate payroll costs (including directors' remuneration) were as follows:

	2022	2021
	£ 000	£ 000
Wages and salaries	1,886	1,548
Social security costs	225	187
Pension costs, defined contribution scheme	<u>321</u>	<u>292</u>
	<u>2,432</u>	<u>2,027</u>

The directors received no emoluments from the Company during the year (2021: £nil) in respect of services to the Company, as they are deemed to be provided as part of their services to the E.ON UK plc group.

8 Interest payable and similar expenses

		2022	2021
	Note	£ 000	£ 000
Interest payable to group undertakings		349	224
Interest - provision unwind	18	104	71
Interest expense on leases		<u>167</u>	<u>170</u>
		<u>620</u>	<u>465</u>

E.ON UK Infrastructure Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

9 Tax on (loss)/profit

Tax (credited)/charged in the profit and loss account

	2022 £ 000	2021 £ 000
Current taxation		
UK corporation tax	562	6,616
UK corporation tax adjustment to prior periods	(494)	2
Total current income tax	<u>68</u>	<u>6,618</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	(1,555)	(1,402)
Arising from changes in tax rates and laws	-	2,402
Total deferred taxation	<u>(1,555)</u>	<u>1,000</u>
Tax (credit)/charge in the profit and loss account	<u>(1,487)</u>	<u>7,618</u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2021: higher than the standard rate of corporation tax in the UK) of 19% (2021: 19%).

The differences are reconciled below:

	2022 £ 000	2021 £ 000
(Loss)/profit before tax	<u>(4,513)</u>	<u>28,040</u>
Corporation tax at standard rate	(857)	5,328
(Decrease)/increase in current tax from adjustment for prior periods	(494)	2
Decrease from effect of different UK tax rates on some earnings	(442)	(400)
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	19	22
Impact of initial recognition exemption	287	264
Deferred tax expense relating to changes in tax rates or laws	-	2,402
Total tax (credit)/charge	<u>(1,487)</u>	<u>7,618</u>

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. In the Autumn Statement in November 2022, the government confirmed the increase in corporation tax rate to 25% from April 2023. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

The corporation tax receivable has been reduced by £68,000 because of group relief received from a fellow group undertaking for which a payment will be made (2021: payment of £6,618,000). Accordingly, no current year tax losses are available for carry forward.

E.ON UK Infrastructure Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

9 Tax on (loss)/profit (continued)

Deferred tax

Deferred tax assets and liabilities

	Asset	Liability	Net deferred tax
	£ 000	£ 000	£ 000
2022			
Accelerated tax depreciation	<u>-</u>	<u>7,050</u>	<u>7,050</u>

	Asset	Liability	Net deferred tax
	£ 000	£ 000	£ 000
2021			
Accelerated tax depreciation	<u>-</u>	<u>8,605</u>	<u>8,605</u>

Deferred tax movement during the year:

	At 1 January 2022	Recognised in income	At 31 December 2022
	£ 000	£ 000	£ 000
Accelerated tax depreciation	<u>8,605</u>	<u>(1,555)</u>	<u>7,050</u>

Deferred tax movement during the prior year:

	At 1 January 2021	Recognised in income	At 31 December 2021
	£ 000	£ 000	£ 000
Accelerated tax depreciation	<u>7,605</u>	<u>1,000</u>	<u>8,605</u>

There are no unused tax losses or tax credits.

Within the deferred tax credit of £1,555,000 (2021: charge of £1,000,000), no amount relates to the change in the tax rate (2021: charge of £2,402,000).

E.ON UK Infrastructure Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

10 Intangible assets

	Other intangible assets £ 000
Cost or valuation	
At 1 January 2022	3,674
At 31 December 2022	3,674
Amortisation	
At 1 January 2022	1,090
Amortisation charge	126
At 31 December 2022	1,216
Carrying amount	
At 31 December 2022	2,458
At 31 December 2021	2,584

Other intangibles relate to capitalised development costs in relation to the Company's power station and emissions rights held under national and international emissions rights systems which are surrendered annually and are not amortised.

E.ON UK Infrastructure Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

11 Tangible assets

	Furniture, fittings and equipment £ 000	Plant and machinery £ 000	Total £ 000
Cost			
At 1 January 2022	784	164,688	165,472
Additions	-	3,138	3,138
Disposals	-	(796)	(796)
Re-estimation	-	(2,540)	(2,540)
At 31 December 2022	<u>784</u>	<u>164,490</u>	<u>165,274</u>
Accumulated depreciation			
At 1 January 2022	173	41,128	41,301
Charge for the year	<u>28</u>	<u>7,422</u>	<u>7,450</u>
At 31 December 2022	<u>201</u>	<u>48,550</u>	<u>48,751</u>
Carrying amount			
At 31 December 2022	<u>583</u>	<u>115,940</u>	<u>116,523</u>
At 31 December 2021	<u>611</u>	<u>123,560</u>	<u>124,171</u>

Plant and machinery include the net book value of assets in the course of construction of £2,774,000 (2021: £2,437,000). No depreciation is charged on assets in the course of construction.

During the year, changes in accounting estimates for the decommissioning provision resulted in a reduction of £2,540,000 (2021: reduction of £348,000) being recorded in these financial statements (note 18). The closing net book value includes £1,285,000 (2021: £3,939,000) relating to the assets associated with the cost of decommissioning the sites.

E.ON UK Infrastructure Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

12 Right of use assets

	Land and buildings £ 000
Cost	
At 1 January 2022	5,216
Additions	86
At 31 December 2022	<u>5,302</u>
Accumulated depreciation	
At 1 January 2022	699
Charge for the year	242
At 31 December 2022	<u>941</u>
Carrying amount	
At 31 December 2022	<u>4,361</u>
At 31 December 2021	<u>4,517</u>

13 Stocks

	31 December 2022 £ 000	31 December 2021 £ 000
Fuel stock	<u>95</u>	<u>47</u>

Fuel stocks are stated with no impairment (2021: £nil).

The cost of stock recognised as an expense in the year amounted to £657,000 (2021: £175,000). This is included within administration expenses.

14 Debtors: amounts falling due within one year

	31 December 2022 £ 000	31 December 2021 £ 000
Amounts owed by group undertakings	9,638	16,176
Prepayments	422	333
Other taxation and social security	915	1,006
Other debtors	11	35
	<u>10,986</u>	<u>17,550</u>

E.ON UK Infrastructure Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

14 Debtors: amounts falling due within one year (continued)

Trade receivables and amounts owed by group undertakings are stated after loss allowances of £nil and £43,000 respectively (2021: £nil and £47,000).

15 Cash at bank and in hand

	31 December 2022 £ 000	31 December 2021 £ 000
Cash at bank	14,496	-

Cash at bank includes a loan from The Secretary of State for the Department for Energy Security and Net Zero of £14,475,000 (2021: £nil) to provide funding towards a new capital investment project.

16 Creditors: amounts falling due within one year

	31 December 2022 £ 000	31 December 2021 £ 000
Trade creditors	2,123	3,406
Accrued expenses	3,048	2,948
Amounts owed to group undertakings	27,747	34,551
Lease liabilities	190	180
Deferred income	357	-
	<u>33,465</u>	<u>41,085</u>

Amounts owed to group undertakings include a loan from E.ON UK plc of £20,530,000 (2021: £20,677,000) which is unsecured, bears interest payable at a rate of SONIA plus 48 basis points (2021: SONIA plus 52 basis points), is a draw down from a credit facility of £150,000,000 which rolls daily for both capital and interest. Amounts owed to group undertakings also include a loan of €311,000 (2021: €42,000) which is unsecured, bears interest at a rate of SONIA plus 48 basis points (2021: SONIA plus 52 basis points) and rolls daily for both capital and interest.

All other amounts are unsecured, interest free and repayable on demand.

17 Creditors: amounts falling due after more than one year

	31 December 2022 £ 000	31 December 2021 £ 000
Loan	14,475	-
Lease liabilities	4,435	4,542
	<u>18,910</u>	<u>4,542</u>

E.ON UK Infrastructure Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

17 Creditors: amounts falling due after more than one year (continued)

The loan is from The Secretary of State for the Department for Energy Security and Net Zero for £14,475,000 (2021: £nil) to provide funding towards a capital investment project which bears interest payable at a rate of 0.01% per annum and is repayable in 2048.

Lease liabilities relate to a land lease which has a term of 20 years.

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

	31 December 2022 £ 000	31 December 2021 £ 000
In more than one year, but no more than two years	1,330	186
In more than two years, but no more than five years	2,333	600
In more than five years	15,247	3,756
	<u>18,910</u>	<u>4,542</u>

18 Provisions for liabilities

	Decommissioning provision £ 000	Emissions obligation £ 000	Restructuring severance provision £ 000	Deferred tax £ 000	Total £ 000
At 1 January 2022	6,077	641	-	8,605	15,323
Increase in existing provisions	-	960	53	(1,555)	(542)
Provisions utilised	-	(641)	(53)	-	(694)
Increase due to passage of time or unwinding of discount	104	-	-	-	104
Decrease due to changes in accounting estimate	(2,540)	-	-	-	(2,540)
At 31 December 2022	<u>3,641</u>	<u>960</u>	<u>-</u>	<u>7,050</u>	<u>11,651</u>

Decommissioning provision comprises amounts set aside for the estimated costs of terminating power station grid connections, decommissioning and subsequent site restoration costs at Blackburn Meadows. The provision will be utilised when the power station is closed, which is estimated to be in 2044. During the year, changes in the accounting estimates resulted in net credit to fixed assets of £2,540,000 (2021: disposal of £348,000) being recorded in these financial statements.

Emissions obligations provisions represent amounts payable to national authorities for emissions made during the year. Emissions obligations will be utilised in 2023.

E.ON UK Infrastructure Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

19 Commitments

Capital commitments

The total amount contracted for but not provided for in these financial statements was £4,458,000 (2021: £535,000).

20 Called up share capital

Allotted, called up and fully paid shares

	31 December 2022		31 December 2021	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	<u>55,000</u>	<u>55,000</u>	<u>55,000</u>	<u>55,000</u>

21 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