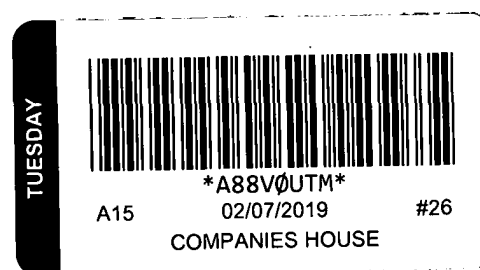


**E.ON CONNECTING ENERGIES LIMITED**  
**STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**for the Year Ended 31 December 2018**



**Registered No: 07592412**

**E.ON CONNECTING ENERGIES LIMITED**  
**STRATEGIC REPORT**  
**for the Year Ended 31 December 2018**

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

**Fair review of the business**

During the year, the Company continued to develop opportunities in selected markets within its business units, selected technologies and energy solutions sectors. This resulted in further contracts being awarded in the year with a combined total contract value approaching £21 million, along with the commissioning of three previously won sites. Strong future opportunities are being developed with memorandum of understanding entered into or preferred bidder status achieved by the year end on a further five projects.

The UK flexibility business has developed in the year and remains an integral component of the Company's energy solutions offering across a wide range of industrial sectors, whilst facing significant change in the marketplace and from the applicable regulatory frameworks.

The sales pipeline has been strengthened across all business units during the year, which the Company expects to convert into contracts during 2019 and beyond.

At 31 December 2018, the Company had net liabilities of £23,074,000 (2017: net liabilities of £15,605,000). The financial position of the Company at the year end was as expected. Further information regarding the financial position of the Company at the year end is provided in the Directors' Report.

The level of business activity is expected to increase during 2019, in line with the Company's strategy.

**Principal risks and uncertainties**

The management of the business and the execution of the Company's strategy are subject to a number of risks.

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.

*Brexit*

On 23 June 2016, Britain voted to leave the European Union. Article 50 was triggered on 29 March 2017, which started the exit process from the European Union. If no agreement is reached as part of this process, all existing treaties will cease to apply. The Company forms part of the E.ON UK plc cross functional working group, which meets regularly to consider the impact of Brexit legislative changes on existing and new contracts, as well as other potential implications of Brexit, and to monitor further Brexit developments and their potential impact on the Company's business. Until such time as the final agreement and/or the transitional arrangements are agreed, the actual impact of Brexit on the Company's business remain uncertain.

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

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

Approved by the Board of Directors on 25 June 2019 and signed on its behalf by:



**M C Brown**  
Director

E.ON Connecting Energies Limited  
Company No: 07592412  
Westwood Way  
Westwood Business Park  
Coventry  
CV4 8LG

**E.ON CONNECTING ENERGIES LIMITED**  
**DIRECTORS' REPORT**  
**for the Year Ended 31 December 2018**

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

**Directors of the Company**

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

M C Brown  
G E Howells

**Principal activity**

The Company's principal activity during the year and at the year end was to provide energy efficiency and renewable energy technology solutions to its customers in the UK.

**Results and dividends**

The Company's loss for the financial year is £7,469,000 (2017: loss of £3,924,000). No interim dividends were paid during the year (2017: £nil). The directors do not recommend the payment of a final dividend (2017: £nil).

The level of business activity is expected to increase during 2019, in line with the Company's strategy.

**Financial risk management**

***Objectives and policies***

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

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

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

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

***Foreign exchange risk management***

The Company operates within the framework of 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 UK plc treasury team.

***Interest rate risk management***

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

***Credit risk management***

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

***Liquidity planning, trends and risks***

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

**Political donations**

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

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

**Future developments**

The Company's future developments are discussed 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.

**Going concern**

Notwithstanding the fact that the Company is loss making and has net current liabilities and net liabilities, the directors have prepared these financial statements on the going concern basis. The directors have received confirmation from E.ON Business Solutions GmbH, the Company's immediate parent undertaking, of its intention to financially support the Company such that the Company can meet its obligations as they fall due for a period of at least twelve months from the date of approval of these financial statements.

**Disclosure of information to auditors**

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

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

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

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

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

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

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.

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

Approved by the Board of Directors on 25 June 2019 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'M C Brown', written over a horizontal line.

**M C Brown**  
Director

E.ON Connecting Energies Limited  
Company No: 07592412  
Westwood Way  
Westwood Business Park  
Coventry  
CV4 8LG

# **Independent Auditors' Report to the Members of E.ON CONNECTING ENERGIES LIMITED**

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

### **Opinion**

In our opinion, E.ON Connecting Energies Limited's financial statements:

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

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

### **Basis for opinion**

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

### **Independence**

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

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

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

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

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

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

### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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

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

As explained more fully in the Statement of directors' responsibilities in respect of these financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

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

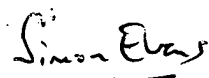
### **Other required reporting**

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

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

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

We have no exceptions to report arising from this responsibility.



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

Date 25 June 2019

**E.ON CONNECTING ENERGIES LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**for the Year Ended 31 December 2018**

	<i>Note</i>	<b>2018</b> <b>£000</b>	2017 £000
Turnover	2	<b>6,238</b>	6,344
Cost of sales		<b>(2,436)</b>	(3,165)
<b>Gross profit</b>		<b>3,802</b>	3,179
<i>Administrative expenses excluding impairments</i>		<b>(12,069)</b>	(7,612)
<i>Net Impairment losses on tangible and financial assets</i>		<b>(867)</b>	(262)
Administrative expenses		<b>(12,936)</b>	(7,874)
Other operating income		<b>126</b>	94
<b>Operating loss</b>	3	<b>(9,008)</b>	(4,601)
Interest receivable and similar income	7	<b>221</b>	116
Interest payable and similar expenses	8	<b>(464)</b>	(327)
Income from shares in group undertakings		<b>170</b>	-
<b>Loss before taxation</b>		<b>(9,081)</b>	(4,812)
Tax on loss	9	<b>1,612</b>	888
<b>Loss for the financial year</b>		<b><u>(7,469)</u></b>	<b><u>(3,924)</u></b>

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

The notes on pages 10 to 25 form part of these financial statements.



**E.ON CONNECTING ENERGIES LIMITED**  
**BALANCE SHEET**  
as at 31 December 2018

	<i>Note</i>	2018 £000	2017 £000
<b>Fixed assets</b>			
Tangible assets	10	43,060	27,022
Investments	11	5,005	5,005
		<b>48,065</b>	<b>32,027</b>
<b>Current assets</b>			
Stocks	12	267	-
Debtors: amounts falling due after more than one year	13	2,565	1,577
Debtors: amounts falling due within one year	14	4,976	4,496
		<b>7,808</b>	<b>6,073</b>
<b>Creditors: amounts falling due within one year</b>	15	<b>(78,250)</b>	<b>(52,607)</b>
<b>Net current liabilities</b>		<b>(70,442)</b>	<b>(46,534)</b>
<b>Total assets less current liabilities</b>		<b>(22,377)</b>	<b>(14,507)</b>
<b>Provisions for liabilities</b>	17	<b>(697)</b>	<b>(1,098)</b>
<b>Net liabilities</b>		<b>(23,074)</b>	<b>(15,605)</b>
<b>Capital and reserves</b>			
Called up share capital	18	-	-
Profit and loss account		<b>(23,074)</b>	<b>(15,605)</b>
<b>Total deficit</b>		<b>(23,074)</b>	<b>(15,605)</b>

The financial statements on pages 7 to 25 were approved by the Board of Directors on 25 June 2019 and signed on its behalf by:



**M C Brown**  
Director  
E.ON Connecting Energies Limited  
Company No: 07592412

The notes on pages 10 to 25 form part of these financial statements.

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

	Called up share capital £000	Profit and loss account £000	Total deficit £000
At 1 January 2017	-	(11,681)	(11,681)
Loss for the financial year	-	(3,924)	(3,924)
At 31 December 2017	-	(15,605)	(15,605)
Loss for the financial year	-	(7,469)	(7,469)
<b>At 31 December 2018</b>	<b>-</b>	<b>(23,074)</b>	<b>(23,074)</b>

The notes on pages 10 to 25 form part of these financial statements.

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

## **1. Accounting policies**

### **General information**

The Company's principal activity during the year and at the year end was to provide energy efficiency and renewable energy technology solutions to its customers in the UK.

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

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

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

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

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

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

IFRS 15 Revenue from Contracts with Customers (which replaces IAS 18 Revenue) and IFRS 9 Financial Instruments (which replaces IAS 39 Financial Instruments) are new accounting standards effective for the year ended 31 December 2018. The impact of these standards has been disclosed within note 21. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2018 and which have had a material impact on the Company.

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

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

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

**Going concern**

Notwithstanding the fact that the Company is loss making and has net current liabilities and net liabilities, the directors have prepared these financial statements on the going concern basis. The directors have received confirmation from E.ON Connecting Energies GmbH, the Company's immediate parent undertaking, of its intention to financially support the Company such that the Company can meet its obligations as they fall due for a period of at least twelve months from the date of approval of these financial statements.

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

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

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

Finance leases

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

Impairment of financial assets

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

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

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

Trade receivables

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

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

Finance lease receivables and amounts owed by group undertakings

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

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

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

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

**Taxation**

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

**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.

**Contract based provisions**

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 value of money and, where appropriate, the risk specific to the liability.

**Turnover**

All turnover generated by the Company during the year arose from its principal activities. The turnover is recognised when performance obligations have been satisfied and when the services or goods have transferred to the customer and the customer has control of these. For the Company, this is at the point when services are completed, when assets are operational, or at milestone valuations which have been agreed with the customer. Turnover from the rendering of services is recognised over time by reference to the stage of completion of the transaction once all factors can be measured reliably. Turnover excludes value added tax.

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

**Accrued income**

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

**Current and deferred income tax**

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

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

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

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

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

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

#### **Finance leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

Assets leased under finance leases where the Company is the lessor are derecognised at the date that asset is operational. A finance lease receivable is recognised within debtors at the present value of minimum lease payments. Minimum lease payments are calculated based on the initial capital cost of the asset, spread across the lease term, and discounted at the group's cost of capital. Lease payments are variable dependent upon the volume of energy used. Minimum lease payment receipts are apportioned between finance income and reduction of the lease receivable so as to achieve a constant rate of return on the lease receivable. Receipts in excess of the minimum lease payments are recognised as contingent-based rents within turnover.

#### **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.

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. Lease income on operating leases is recognised over the term of the lease on a straight-line basis.

#### **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.

#### **Foreign currency**

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

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

#### **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 micro-generation assets.

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Major assets in the course of construction are included in tangible assets on the basis of expenditure incurred at the balance sheet date. In the case of assets constructed by the Company, directly related overheads and commissioning costs are included in cost. Where borrowings are used to finance the construction of a major capital project with a long period of development, interest payable is capitalised as part of the cost of the asset and written off over the economic useful life of the asset. Where specific borrowings are used, the amount capitalised is based on actual interest payable. Where general borrowings are used, the amount capitalised is based on the weighted average cost of capital of the group, not exceeding the actual expenditure incurred during the relevant period of construction.

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

<b>Asset class</b>	<b>Depreciation method and rate</b>
Plant and machinery	Straight line basis over 10 to 25 years

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

#### **Investment in associated undertakings**

Investments in associated undertakings are held at cost less accumulated impairment losses.

#### **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.

#### **Financial instruments**

Amortised cost assets (including trade receivables and amounts owed by group undertakings) are primarily financial assets with fixed or determinable 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.

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

Inter-company receivable balances are provided for in line with the impairment policy set out on page 11.

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## Offsetting

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

## Provisions

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

The amount recognised in the balance sheet as a provision is the best estimate of the expenditure required to settle a present obligation at the balance sheet date. A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced to those affected by it. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risk specific to the liability.

Future operating costs are not provided for.

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

## 2. Turnover

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

## 3. Operating loss

Operating loss is stated after charging/(crediting):

	2018 £000	2017 £000
Operating lease	131	79
Depreciation of owned assets (note 10)	1,140	1,157
Foreign currency (gains)/losses	(32)	18
Loss on disposal of tangible assets	10	230
Net impairment losses on tangible and financial assets	867	262
Onerous contract provision (note 17)	(120)	(225)
Auditors' remuneration	29	29

The impairment of trade receivables and tangible assets recognised as an expense during the year was £867,000 and £nil respectively (2017: £nil, and £262,000).

No inventories were recognised as an expense during the year (2017: £nil).

## 4. Auditors' remuneration

Auditors' remuneration for the audit of these financial statements was £29,000 (2017: £29,000).



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**5. Employee information**

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

	2018 Number	2017 Number
Production	41	33
Administration	1	1
	<u>42</u>	<u>34</u>

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

	2018 £000	2017 £000
Wages and salaries	2,669	2,110
Social security costs	288	223
Other pension costs	550	415
	<u>3,507</u>	<u>2,748</u>
Less: capitalised in fixed assets	(177)	(191)
	<u>3,330</u>	<u>2,557</u>

**6. Directors' remuneration**

The directors' remuneration for the year was as follows:

	2018 £	2017 £
Aggregate emoluments (including benefits in kind)	<u>69,291</u>	<u>66,787</u>

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

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 or any other benefits.

During the year, the Company has not paid, or treated as paid, contributions to a pension scheme in respect of money purchase benefits in respect of the above directors (2017: £nil).

**7. Interest receivable and similar income**

	2018 £000	2017 £000
Other interest receivable	30	-
Interest income from finance leases	191	116
	<u>221</u>	<u>116</u>

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

**8. Interest payable and similar expenses**

	2018 £000	2017 £000
Interest payable to group undertakings	657	327
Less: capitalised interest	(193)	-
	<u>464</u>	<u>327</u>

**9. Tax on loss**

	2018 £000	2017 £000
<b>Current tax:</b>		
UK corporation tax credit on losses for the year	(1,771)	(842)
Adjustment in respect of prior years	-	30
Total current tax credit	(1,771)	(812)
<b>Deferred tax:</b>		
Origination and reversal of timing differences	5	(74)
Adjustment in respect of prior years	163	(2)
Impact of change in tax rates	(9)	-
Total deferred tax charge/(credit)	159	(76)
Tax credit on loss	<u>(1,612)</u>	<u>(888)</u>

**Factors affecting tax credit for the year**

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

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
Loss before taxation	(9,081)	(4,812)
Tax credit on loss before taxation at 19% (2017: 19.25%)	(1,725)	(926)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	138	1
Income not subject to tax in the year	(170)	-
Impact of change in tax rates	(18)	9
Adjustment in respect of prior years - deferred tax	163	(2)
Adjustment in respect of prior years - current tax	-	30
<b>Tax credit for the year</b>	<u>(1,612)</u>	<u>(888)</u>

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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 UK corporation tax rate, to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

The corporation tax receivable has been reduced by £1,771,000 because of group relief surrendered to a fellow group undertaking for which a payment will be received (2017: receivable of £812,000). Accordingly, no tax losses are available for carry forward.

**10. Tangible assets**

	Plant and machinery £000	Assets in the course of construction £000	Total £000
<b>Cost</b>			
At 1 January 2018	22,176	9,632	31,808
Additions	115	18,405	18,520
Disposals	(1,372)	-	(1,372)
Transfers	1,255	(1,255)	-
At 31 December 2018	22,174	26,782	48,956
<b>Accumulated depreciation and impairment</b>			
At 1 January 2018	4,786	-	4,786
Charge for the year	1,140	-	1,140
Disposals	(30)	-	(30)
At 31 December 2018	5,896	-	5,896
<b>Net book value</b>			
<b>At 31 December 2018</b>	<b>16,278</b>	<b>26,782</b>	<b>43,060</b>
At 31 December 2017	17,390	9,632	27,022

Additions during the year include £18,520,000 of capitalised costs relating to customer contracts (2017: £10,959,000), which includes capitalised finance costs of £193,000 (2017: £nil). Upon completion of construction, the assets are either de-recognised and held as a finance lease receivable at the present value of the minimum lease payments, or recognised as depreciable tangible assets.

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

**11. Investments**

	2018 £000	2017 £000
Shares in group undertakings and participating interests	<u>5,005</u>	<u>5,005</u>
<b>Shares in group undertakings and participating interests</b>		
		<b>Associates £000</b>
<b>Cost</b>		
At 1 January 2018		5,005
At 31 December 2018		5,005
<b>Net book value</b>		
At 31 December 2018		<u>5,005</u>
At 31 December 2017		<u>5,005</u>

The directors believe that the carrying value of the investments is supported by their underlying net assets and future anticipated cash flows.

**Details of undertakings**

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

<b>Associates</b>	<b>Holding</b>	<b>Proportion of voting rights and shares held</b>	<b>Principal Activity</b>
Intelligent Maintenance Systems Limited ('IMS')	Ordinary £1 shares	25%	Data monitoring solutions

IMS is incorporated in the United Kingdom, has a year end of 31 December and its registered office is 1st Floor, Matrix House, North Fourth Street, Milton Keynes, MK9 1NJ.

The profit for the last audited statutory financial statements for the year ended 31 December 2017 of IMS was £486,000 (December 2016: £70,000 profit restated) and the aggregate amount of capital and reserves at the year end was £5,572,000 (December 2016: £5,086,000 restated).

During 2018, IMS paid a dividend to the Company of £170,000 (2017: £nil).

**12. Stocks**

	2018 £000	2017 £000
Work in progress	<u>267</u>	<u>-</u>

**E.ON CONNECTING ENERGIES LIMITED**  
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for the Year Ended 31 December 2018 (continued)

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

	2018 £000	2017 £000
Finance lease receivables (note 16)	2,565	1,577

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

	2018 £000	2017 £000
Trade receivables	1,629	570
Amounts owed by group undertakings	1,673	931
Finance lease receivables (note 16)	192	124
Other debtors	43	41
Other taxation and social security	136	1,580
Prepayments and accrued income	1,303	1,250
	<u>4,976</u>	<u>4,496</u>

Amounts owed by group undertakings in 2017 included a loan of €184,000 which was subsequently repaid. All other amounts are unsecured, interest free and repayable on demand.

Prepayments and accrued income include £640,000 (2017: £566,000) of accrued income.

Finance lease receivables are stated after loss allowances of £21,000 (2017: £nil).

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

	2018 £000	2017 £000
Trade payables	4,389	2,571
Amounts owed to group undertakings	70,679	47,563
Accruals and deferred income	3,160	2,473
Other creditors	22	-
	<u>78,250</u>	<u>52,607</u>

Included within amounts owed to group undertakings are loans of £66,356,000 (2017: £47,106,000) and €324,000 (2017: £nil), both of which are unsecured, bear interest at a rate of LIBOR plus 52 basis points, roll forward (principal and interest) on a daily basis, is a drawdown from a credit facility of £80,000,000 and expire in December 2019. All other amounts are unsecured, interest free and repayable on demand.

Trade receivables are stated after provision for impairment of £846,000 (2017: £nil)

**E.ON CONNECTING ENERGIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**16. Additional disclosures on financial instruments**

The carrying amounts of cash and cash equivalents, borrowings under short-term credit facilities, trade receivables, other operating assets, trade payables and other operating liabilities are considered reasonable estimates of their fair values because of their short maturity.

Finance lease receivables

The finance leases granted by the Company arise on the provision of renewable energy generation assets. The duration of the leases are between 10 and 15 years and the lessees do not have the option to purchase the assets at the end of the lease. Further information regarding finance lease receivables at 31 December is shown below:

	2018 £000	2017 £000
<b>Debtors: amounts falling due after one year</b>		
Finance leases – gross receivables	3,656	2,317
Unearned finance income	(1,091)	(740)
	<u>2,565</u>	<u>1,577</u>
<b>Debtors: amounts falling due within one year</b>		
Finance leases – gross receivables	414	253
Expected credit losses on finance leases (note 21)	(21)	-
Unearned finance income	(201)	(129)
	<u>192</u>	<u>124</u>

	2018 £000	2017 £000
Gross receivables from finance leases:		
- No later than 1 year	414	253
- Later than 1 year and no later than 5 years	1,605	1,009
- Later than 5 years	2,051	1,308
	<u>4,070</u>	<u>2,570</u>
Expected credit losses on finance leases (note 21)	(21)	-
Unearned finance income	(1,292)	(869)
<b>Net investment in finance leases</b>	<u>2,757</u>	<u>1,701</u>

The net investment in finance leases is analysed as follows:

	2018 £000	2017 £000
Within one year	192	124
Within two and five years	976	599
Over five years	1,589	978
	<u>2,757</u>	<u>1,701</u>

Contingent based rents recognised in the profit and loss account were £458,000 (2017: £545,000).

**E.ON CONNECTING ENERGIES LIMITED**  
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**Operating leases rental receivables - Company as lessor**

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2018 £000	2017 £000
Within one year	302	293
Within two and five years	1,207	1,171
Over five years	1,327	1,441
	<b>2,836</b>	<b>2,905</b>

Contingent based rents recognised in the profit and loss account were £306,000 (2017: £56,000).

The Company leases three properties: a solar PV installation for a term of 20 years with the lease terminating in 2035, another solar PV installation for a term of 25 years with the lease terminating in 2043, and a CHP installation for a term of 10 years terminating in 2026. The agreements do not include an extension option.

**17. Provisions for liabilities**

	Deferred tax £000	Contract based provisions £000	Total £000
At 1 January 2018	538	560	1,098
Debited/(credited) to the profit and loss account	159	(120)	39
Utilised during the year	-	(440)	(440)
<b>At 31 December 2018</b>	<b>697</b>	<b>-</b>	<b>697</b>

Contract based provisions comprise amounts set aside for expected savings shortfall costs on certain energy performance contracts.

**Analysis of deferred tax**

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

	2018 £000	2017 £000
Accelerated capital allowances	697	545
Other timing differences	-	(7)
	<b>697</b>	<b>538</b>
Liability at beginning of year	538	614
Deferred tax charge/(credit) for the year (note 9)	159	(76)
<b>Liability at year end</b>	<b>697</b>	<b>538</b>

**E.ON CONNECTING ENERGIES LIMITED**  
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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 liability at 31 December 2018 has been measured accordingly.

Within the deferred tax charge of £159,000 (2017: credit of £76,000), the amount that relates to the change in the tax rate is a £9,000 credit (2017: £nil).

**18. Called up share capital**

	2018 £000	2017 £000
<b>Allotted, called up and fully paid</b>		
One ordinary share of £1. (2017: One ordinary share of £1)	-	-

**19. Pension schemes**

The Company participates in a funded group pension scheme operated by E.ON UK plc, which is part of an industry wide scheme, the Electricity Supply Pension Scheme. The pension 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 2015.

Due to the complexity of actuarial calculations and the number of different companies contributing to the scheme, the Company is unable to identify its share of the underlying assets and liabilities in the scheme. Consequently, the Company accounts for the scheme as a defined contribution scheme. The cost of contributions to the scheme in the year amounts to £550,000 (2017: £415,000).

The amount outstanding at 31 December 2018 included within other creditors, which relate to pension contributions to the scheme was £45,000 (2017: £40,000). This related to contributions for December 2018 which were paid in January 2019.

Further details of the scheme are available in E.ON UK plc's financial statements. Due to a deficit in the scheme, E.ON UK plc agreed to pay £65 million per annum each year for the next ten years. The January 2018 and 2019 payments have been made in line with the plan. None of this cost is expected to be recharged to the Company.

**20. Commitments**

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

**Capital commitments**

Amounts contracted for but not provided for in these financial statements amounted to £6,000,000 (2017: £17,500,000).



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

**21. Changes in accounting policies**

**(a) Transition to IFRS 15**

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

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

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

**(b) Transition to IFRS 9**

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

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

There is no material impact to the Company's opening retained earnings balance as a result of applying IFRS 9.

**(i) Impairment of financial assets**

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

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

The loss allowance for finance lease receivables as at 31 December 2018 is £21,000 (2017: £nil).

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

	Trade receivables	Finance lease receivables
	2018 £000	2018 £000
Opening loss allowance as at 1 January 2018 - calculated under IFRS 9	-	-
Increase in loss allowance recognised in profit or loss during the year	-	21
Receivables written off during the year as uncollectable	846	-
At 31 December 2018	846	21

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

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

**E.ON CONNECTING ENERGIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**22. Related party transactions**

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

**Uniper Technologies Limited**

This related party provided engineering support & consultancy services and apprentice training to the Company amounting to £3,000 for the period 1 January 2018 to 26 June 2018 (2017: £9,000). No amounts were capitalised during the year (2017: £nil) or were owed by the Company at year end (2017: £nil).

**23. Ultimate holding company**

The immediate parent undertaking is E.ON Business Solutions GmbH (formerly E.ON Connecting Energies GmbH). 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