

Registration number: 06052966

Innogy Business Services UK Limited

Annual Report and Financial Statements
for the Year Ended 31st December 2019



Innogy Business Services UK Limited

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Innogy Business Services UK Limited

Strategic Report for the year ended 31 December 2019

The directors present their Strategic Report of Innogy Business Services UK Limited (the 'Company') for the year ended 31 December 2019.

Review of the business

The Company provides IT and internal services to other companies within the innogy SE group in the UK. Recent years have seen a reduction in revenue due to IT service improvements and efficiencies focusing on delivering savings to support cost reduction activities within the npower Retail Group, resulting in a year on year reduction in turnover of £28m in 2019 (2018: reduction £17m). Despite this significant improvements in service quality were delivered with all KPIs above or within 0.2% of the target.

In March 2018, RWE, which owned 76.8% of innogy SE, and fellow German utility, E.ON, agreed to a complex asset swap transaction. The main elements of this transaction are that E.ON acquire innogy SE's Grid & Infrastructure and Retail businesses and in return, RWE take on both E.ON and innogy SE's renewables businesses. RWE will also receive a 16.67% stake in E.ON.

The asset swap transaction between RWE AG and E.ON concluded on 18th September 2019. The transaction has resulted in the Retail businesses of innogy SE, which include the Company, transferring to E.ON from RWE AG.

On 29th November 2019 it was announced that customers of npower Retail Group's Home and npower Business segments would transfer to E.ON UK systems commencing Q2 2020 with completion scheduled for mid-2021. The migration of customers to E.ON UK will also see the closing of the operational segments for Home and npower Business with related office closures and the loss of around 4,500 employees across npower and the Company.

The UK left the European Union on 31st January 2020. The effects of 'Brexit' on the Company have been considered but at the date of signing are not believed to have a significant impact, mainly as Innogy Business Services UK Limited operates predominantly within the UK.

Loss before taxation in 2019 was £14.0 million compared to a profit before taxation in 2018 of £10.2 million, results from a decision announced publicly in November 2019, to restructure the business. In the 2019 results, provisions have been included for redundancy costs, onerous lease provisions and costs associated with the early termination of long-term contracts.

Operationally the Company has been focussed on IT service improvements, delivering efficiencies, as well as on the preparation for customer migration due to the E.ON take over. The company has progressed the termination of services delivered to non-retail customers with a sale of assets and third party contract split.

Whilst the Company remains part of the innogy SE group of companies it is funded by its parent on an ongoing basis through a cash management agreement providing access to multi-million pound funding on a daily basis as required to meet its daily working capital requirements. Future decisions by E.ON SE could lead the Company ceasing to trade, however the Company continues to enjoy financial support and is therefore viable in the long term whilst that support exists.

The global spread of the coronavirus and the measures taken to control it substantially limited economic activity over the course of the first half of 2020 across the globe and, in turn, the United Kingdom. As an internal service provider to companies in the innogy SE group the impact of the pandemic has been limited. The Company implemented crisis management plans which allowed the Company to maintain key functions whilst operating within the restrictions put in place by the Government.

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

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

Innogy Business Services UK Limited

Strategic Report for the year ended 31 December 2019 (continued)

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

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

The Company is a wholly owned subsidiary of innogy SE, a company listed on the Frankfurt stock exchange and strongly committed to responsible corporate governance in line with the recommendations of the German Corporate Governance Code, detailed in the Corporate Governance Report for innogy, available through investor relations section of the innogy website and referenced on page 7 of the innogy 2019 annual report.

The directors of the Company are also required to adhere to the sustainability approach set out on page 95 of the innogy SE 2019 annual report. While their actions shape the success of the Company, they also have an impact on our people and the environment. As directors of a wholly owned subsidiary of innogy SE they are committed to the innogy Code of Conduct, which applies to innogy SE as well as directly and indirectly affiliated companies in and outside of Germany. The corporate governance declaration details our conduct to customers, shareholders, the public and our employees, and is also available from within the investor relations section of the innogy SE website, linked above. Strategic Report for the year ended 31 December 2019

The merger of innogy SE into E.ON Verwaltungs SE became legally effective on 2 June 2020. innogy SE therefore ceased to exist on that date. In addition, E.ON Verwaltungs SE changed its company name into innogy SE as of June 2, 2020. E.ON SE is listed on the Frankfurt Stock Exchange and, like Innogy SE, is bound by the German Corporate Governance Code.

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 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. Going forward, the directors consider the factors detailed under section 172(1) of the Act but are directed by the strategy set by the board of management of E.ON SE.

To the extent necessary for an understanding of the development, performance and position of the entity, the Company's directors believe that the requirements of section 172(1) are discussed within the E.ON SE Annual Report 2019 on pages 6 to 85, 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 the Directors' Report.

The directors' overarching duty is to promote the success of the Company for the benefit of its shareholders, with consideration of stakeholders' interests, as set out in section 172 of the Act. The directors consider their requirements under section 172 of the act as integral to their leadership and review of the business, and as such no separate statement has been prepared.

Position of the business

The Company's loss for the financial year ended 31 December 2019 was £22.0 million (2018: profit £2.8 million). The net liabilities of the Company at 31 December 2019 were £19.9 million (2018: net assets £2.1 million).

Key performance indicators ("KPIs")

The directors of the Company manage its operations on a functional basis, with KPIs specific to each function of the business. A high level summary of performance for the UK is compiled and used to manage the overall performance and position of the UK business. Specific KPIs used to manage the overall performance are set out below:

Innogy Business Services UK Limited

Strategic Report for the year ended 31 December 2019 (continued)

Key performance indicators ("KPIs") (continued)

	2019	2018
Earnings (£m)		
EBIT excluding non-rechargeable staff restructuring costs and loss on disposal of fixed assets.	5.4	10.1
Capital expenditure (£m)		
Additions to intangible and tangible fixed assets in the year	1.2	4.2
Headcount		
Employee headcount: Average headcount in the year	382	460
Contractors: Year-end headcount	50	84

The earnings in 2019 have decreased by £4.7 million from 2018. The earnings in 2018 were higher than usual, in 2017 the earnings value was £3.7m which is more in line with 2019 and with what would normally be expected for a group service company. The 2018 figure was in part higher than usual due to the release of a provision for litigation of claims in the year.

Capital expenditure relates to the purchase of IT hardware such as laptops and desktops, network equipment and also software licences. This equipment is used across the innogy group in the UK to refresh the existing estate and for the implementation of business solutions. Capital expenditure was £3.0 million lower in 2019 than 2018 with investments in software licenses being made to support project work and significant projects completing during 2019 that were not replaced.

Average headcount in 2019 has reduced from the prior year largely due to specific Centre of Expertise (CoE) support employees transferring to other group companies. Contractor numbers have reduced due to lower project demand following completion of some project work streams.

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 Company has a formal, regular risk assessment process to identify, monitor and mitigate as far as possible any risk that should arise. These are formally reviewed and assessed by the board on a regular basis and actions taken as appropriate.

The key business risks and uncertainties affecting the Company include the cost challenges across the innogy SE Group. Risks and uncertainties, in the context of the innogy SE Group as a whole, are provided on pages 79 to 88 of the innogy SE Group 2019 Annual Report.

Approved by the Board on 26 November 2020 and signed on its behalf by:



Christopher Pilgrim
Director

Innogy Business Services UK Limited

Directors' Report for the year ended 31 December 2019

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

Principal activities

The principal activities of the Company are the provision of information technology (IT) and other centralised services exclusively to innogy SE Group companies (the 'group') in the UK.

Future developments

The view of the directors is that the Company will continue to provide IT and other centralised services to the retail business, consistent with the principal activity of the business. This work will reduce in the future as npower Retail Group migrates its customer base to E.ON UK.

The work initiated to cease service provision to non-retail group companies was completed during 2019.

Financial risk management

The Company's operations expose it to a variety of financial risks that include credit risk, liquidity risk and foreign exchange risk.

Credit risk

The Company trades exclusively with group companies, and therefore credit checks are not deemed necessary. The Company operates within a group treasury function of innogy SE Group with cash balances held centrally where possible. innogy SE Group operate a credit risk controlling department which determines the credit standing of counterparties. For banks, innogy SE Group use external ratings as an early warning indicator, which have been developed in light of the financial market crisis.

Liquidity risk

The Company forms part of the group treasury arrangements which actively manage a mixture of finance to ensure that the Company has sufficient liquid resources to manage its current and future operational requirements.

Foreign exchange risk

The Company exists to service UK based group companies and generally sterling revenues match the sterling cost base. However, foreign exchange risk could arise when services are sourced from overseas. In 2019 and 2018, foreign exchange gains and losses were incurred on such transactions but had no material impact on the financial result. Translation risk is mitigated by settling foreign exchange invoices on a timely basis reducing the risk of currency fluctuations.

Where appropriate, any remaining risk is managed by group treasury arrangements.

Dividends

The directors do not recommend the payment of a dividend (2018: £nil).

Directors

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

Mr C J Pilgrim
Mr D Klein (resigned 1st April 2020)
Ms A Noszczyk (appointed 1st July 2019, resigned 1st May 2020)

The following directors were appointed after the year end:

Mr J Wilkinson (appointed 1st April 2020)
Mr K Wright (appointed 1st April 2020)

Innogy Business Services UK Limited

Directors' Report for the year ended 31 December 2019 (continued)

Directors' indemnity

The directors have the benefit of the indemnity provision contained in the Company's Articles of Association. This provision was in force throughout the last financial year and is currently in force. This provision is a qualifying third party indemnity provision under section 234 of the Companies Act 2006. The Company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

Stakeholder engagement statement

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

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

The Company is a wholly owned subsidiary of innogy SE, a company listed on the Frankfurt stock exchange and strongly committed to responsible corporate governance in line with the recommendations of the German Corporate Governance Code, detailed in the Corporate Governance Report for innogy, available through investor relations section of the innogy website and referenced on page 7 of the innogy 2019 annual report.

The directors of the Company are also required to adhere to the sustainability approach set out on page 95 of the innogy SE 2019 annual report. While their actions shape the success of the Company, they also have an impact on our people and the environment. As directors of a wholly owned subsidiary of innogy SE they are committed to the innogy Code of Conduct, which applies to innogy SE as well as directly and indirectly affiliated companies in and outside of Germany. The corporate governance declaration details our conduct to customers, shareholders, the public and our employees, and is also available from within the investor relations section of the innogy SE website, linked above.

Conduct towards customers

We offer our customers a wide range of products and services. It is very important for us to deal with customers fairly and to offer them suitable and efficient solutions.

Conduct towards shareholders

As a wholly owned subsidiary of innogy SE the Company aims to follow the requirements of the innogy and therefore the innogy shareholders' capital is the prerequisite and foundation of our business activities. We therefore want to preserve this capital and achieve returns on it in line with market conditions.

Conduct towards business partners

We advocate free competition and transparent markets and are against unfair competition and restrictions of competition. This means that we comply with requirements regarding tax levies, subsidy grants and procedures for awarding public contracts. Through our activities, we would like to set an example and work towards propagating the set of principles in our Code of Conduct. We therefore expect companies that enter into a business relationship with companies in the innogy SE Group to accept the principles in our Code of Conduct as the basis for the partnership. This happens by including the principles that are part of our innogy Code of Conduct in the contractual relationship. Should competing policies come into conflict with each other or the application of the principles of conduct not be possible during the course of the business relationship, we strive to agree on a common set of standards that is at least equal to the level of the UN Global Compact. If it becomes publicly known that a business partner has violated these responsibilities, we will re-examine our business relationship with that partner and take any appropriate measures that we deem necessary.

When choosing consultants and agents, we focus especially on their qualifications and integrity. In all business relationships, we observe the applicable national and international sanction and embargo directives as well as any other applicable foreign trade law restrictions. We also take all necessary and appropriate measures to prevent money laundering.

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Directors' Report for the year ended 31 December 2019 (continued)

Stakeholder engagement statement (continued)

Conduct towards the public

innogy publishes company information in accordance with German and international capital markets provisions in order to enable proper trading in company securities.

At the same time, non-public information that could reasonably be expected to significantly affect the price of company securities must remain confidential until it is officially released and must not be used as the basis for decisions about buying or selling securities. All communications from innogy are full, fair, accurate, timely and understandable. We respect the professional independence of journalists and the media.

Only authorised persons are allowed to disclose information concerning innogy or its subsidiaries to the public, the media or to other third parties.

Compliance management system

In order to minimise the risks of breaching the Code of Conduct, innogy has provided a compliance management system. This serves to identify potential structural risks of corruption in the company. The measures necessary for removing or minimising the risks will be carried out, communicated regularly, monitored and continuously improved. This way, we wish to establish a compliance culture that meets the highest standards across the entire Group.

Future conduct

The merger of innogy SE into E.ON Verwaltungs SE became legally effective on 2 June 2020. innogy SE therefore ceased to exist on that date. In addition, E.ON Verwaltungs SE changed its company name into innogy SE as of June 2, 2020.

E.ON SE is listed on the Frankfurt Stock Exchange and, like Innogy SE, is bound by the German Corporate Governance Code. The two main operating divisions of the E.ON SE group are Energy Networks and Customer Solutions.

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 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. Going forward, the directors consider the factors detailed under section 172(1) of the Act but are directed by the strategy set by the board of management of E.ON SE.

To the extent necessary for an understanding of the development, performance and position of the entity, the Company's directors believe that the requirements of section 172(1) are discussed within the E.ON SE Annual Report 2019 on pages 6 to 85, 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 the Directors' Report.

Research and development

The Company's activities do not lend themselves to research and development.

Employee engagement statement

The energy, innovation and creativity of our staff add value to our businesses. The Company is committed to the development of all staff in order to leverage our intellectual capital. Among many development and training initiatives, all staff are encouraged to maintain personal development plans.

It is the Companies policy to consult with employees or their representatives on a regular basis so that the views of employees can be taken into account in making decisions that are likely to affect their interests. The Company also endeavours to achieve a common awareness of all employees in relation to the financial and economic factors that affect the performance of the Company

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Directors' Report for the year ended 31 December 2019 (continued)

Employee engagement statement (continued)

The ongoing changes within the Company mean that effective communication with staff is vital. Corporate publications and other media, including distribution of key development messages and team briefings, are used to promote wide understanding of policies and strategy. We also utilise the latest technology to aid rapid communication with staff through a range of media.

Going Concern

The financial statements have been prepared on a going concern basis which assumes that the Company will continue to trade for at least the next 12 months. The basis of this assumption depends on the support of innogy SE, the Company has and continues to benefit from the support and access to funding from innogy SE. The Directors of Company believe this support will continue to be provided because:

- The Company, as the IT service provider for the npower Retail Group, plays a key role for the future of E.ON UK as Npower's domestic customer base is currently being migrated to E.ON UK and E.ON UK's I&C business is due to be merged onto Npower's systems;
- Innogy SE recognises that the operations of the Company will be subject to an orderly wind-down, or sale of assets and/or shares to E.ON UK plc over a period expected to take 24 months from February 2020, resulting in some or all of such companies ceasing to operate;
- Cash flow forecasts are produced regularly and submitted to the ultimate parent company as part of the annual three year planning process and these forecasts include assumptions on all expected cash flows in and out of the business including the impacts of COVID-19;
- The Company has received a letter of support from innogy SE indicating that it intends to provide such funds as are necessary for the Company to trade for at least the next 12 months and up to completion of the winding-down of operations; and
- The majority of the expected funding requirement required to the completion of the winding-down has already been drawn down at the time of the approval of these accounts.

When considering all these factors, the Directors have a high degree of certainty that the support from innogy SE will continue to be provided.

On 18th September, 2019 E.ON SE (E.ON) acquired RWE AG's (RWE) 76.8% majority stake in innogy SE (innogy1) as part of an extensive asset swap transaction. The main elements of this transaction were that E.ON acquired innogy1's Grid & Infrastructure and Retail businesses and in return, RWE has taken on both E.ON and innogy1's renewables businesses. RWE received a 16.67% stake in E.ON. Subsequently E.ON increased its shareholding in innogy1 to c90%, the remaining c10% minority shareholders retained their interests. innogy1 pursued a merger squeeze out process under German law to acquire this remaining minority holding.

On 2nd June 2020, that merger squeeze out process was completed and E.ON acquired the entire minority shareholding to become 100% owner of innogy1. At the same time, by operation of German law, innogy1 was merged into its immediate parent company E.ON Verwaltungs SE (E.ON V). Under this legal process, E.ON V became the legal successor to innogy1 and the assets and liabilities of innogy1 were assumed by E.ON V. On the same date (2nd June 2020), E.ON V changed its name to innogy SE. The new innogy SE (innogy2), although a separate German legal entity, is now legal successor to the letters of financial support in favour of Npower Group Limited from the old innogy SE (innogy1).

On 29th November 2019, it was announced that customer accounts of the npower Retail Group's Home and npower Business segments would be migrated to E.ON UK plc (E.ON UK) systems commencing Q2 2020 with completion scheduled for mid-2021. Terms for the transfer of the related customers supply contracts were formalised in a Sale and Purchase Agreement (SPA) on 11th February 2020. Under the SPA E.ON UK has become the principal employer of the Retail section of innogy pension scheme with the pension obligation being transferred to E.ON UK on 1st April 2020. Under the SPA, ownership of each customer contract will transfer to E.ON Energy Solutions Limited (EESL) upon migration of the related customer account.

The npower Retail Group's Business Solutions segment is to merge with E.ON's Industrial and Commercial segment. Npower Business Solutions customers will be moved to the Junifer billing platform and the business will then be sold to E.ON UK plc, this is likely to occur in the first half of 2021.

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Directors' Report for the year ended 31 December 2019 (continued)

Going Concern (continued)

The Company is a 100% owned subsidiary of the E.ON group and the innogy2 group. innogy2 group had a market capitalisation of €24.8 billion at the 2019 year end (2018: €22.4 billion) and employs around 35,000 employees. innogy2 group supplies over 14 million customers with electricity and over 4 million with gas across Europe, its key markets being in Germany, the Netherlands and the United Kingdom. In the year 2019, the innogy SE group recorded €35.4 billion (2018: €35.2 billion) in revenue and had a profit after tax of approximately €0.7 billion (2018: loss of €0.3 billion). Being a large group, innogy2 manages its financial resources with a Group Treasury function. This function allocates financial resources across the Group to meet all financial obligations in a timely fashion.

Future decisions by E.ON SE could lead to the Company ceasing to trade. Given the above position, the financial statements of the Company have been prepared on a going concern basis, and this treatment will be reviewed on an annual basis.

Equal opportunities and diversity

The Company is committed to equal opportunity and diversity because of a sense of social responsibility and also because it makes sound business sense to tap into the wide-ranging knowledge and experience of individuals in all sectors of society. Through its commitment to valuing the talents of its employees, the Company aims to ensure that it is able to develop and retain high calibre employees with wide-ranging experience and is therefore able to respond positively and flexibly to change. Decisions to appoint, reward, train, develop and promote are taken based on skills and abilities, or demonstrated potential, merit and the requirements of the job. Employment decisions affecting both job applicants and employees with disabilities will be made following any reasonable adjustments that may be necessary to ensure fair treatment.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Employee share plans

The Company offered an HMRC-approved savings related share option plan for the benefit of employees in the UK. 4% (2018: 4%) of eligible staff participated in the scheme, saving between £5 and £125 per month with the option to purchase shares of the previous parent company RWE AG at a 10% discount at the end of a three year savings period, detailed in note 15.

Policy and practice on payments of creditors

For all trade creditors it is company policy to:

- Agree and confirm the terms of payment at the commencement of business with the suppliers.
- Pay suppliers in accordance with applicable terms, and
- Continually review the payment procedures and liaise with suppliers as a measure of eliminating difficulties and maintaining a good working relationship.

Trade creditors at the end of the year represented 21 days of purchases (2018: 39 days).

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the 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 the 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 the financial statements

Innogy Business Services UK Limited

Directors' Report for the year ended 31 December 2019 (continued)

Statement of directors' responsibilities in respect of the financial statements (continued)

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 the 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have 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.

Approved by the Board on 26 November 2020 and signed on its behalf by:



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Christopher Pilgrim
Director

Innogy Business Services UK Limited

Independent auditors' report to the members of Innogy Business Services UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Innogy Business Services UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its 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 Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2019; Profit and Loss Account and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Innogy Business Services UK Limited

Independent auditors' report to the members of Innogy Business Services UK Limited (continued)

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Innogy Business Services UK Limited

Independent auditors' report to the members of Innogy Business Services UK Limited (continued)

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.



Mark Kingsbury (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
26 November 2020

Innogy Business Services UK Limited

Profit and Loss Account for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Turnover	4	158,839	186,954
Cost of sales		(104,099)	(122,515)
Gross profit		54,740	64,439
Distribution costs		(464)	(394)
Administrative expenses	5	(67,934)	(54,114)
(Loss) / profit before interest and taxation	5	(13,658)	9,931
Interest receivable and similar income	7	3,920	3,877
Interest payable and similar expenses	7	(4,236)	(3,627)
(Loss) / profit before taxation		(13,974)	10,181
Tax on (loss) / profit	8	(7,987)	(7,400)
(Loss) / profit for the financial year		(21,961)	2,781

The above results were derived from continuing operations.

Innogy Business Services UK Limited

Balance Sheet as at 31 December 2019

		31 December 2019 £'000	31 December 2018 £'000
Fixed assets			
Intangible assets	9	3,226	3,856
Tangible assets	10	1,359	4,041
		<u>4,585</u>	<u>7,897</u>
Current assets			
Debtors less than one year	12	453,141	429,300
Debtors greater than one year	12	14	7,768
Cash at bank and in hand		67,770	30,164
		<u>520,925</u>	<u>467,232</u>
Creditors: amounts falling due within one year	13	(517,932)	(470,723)
Provisions for liabilities	14	<u>(27,297)</u>	<u>(2,189)</u>
Net current liabilities		(24,304)	(5,680)
Total assets less current liabilities		(19,719)	2,217
Creditors: amounts falling due after more than one year	13	(174)	(149)
Net (liabilities) / assets		<u>(19,893)</u>	<u>2,068</u>
Capital and reserves			
Called up share capital	17	170,000	170,000
Profit and loss account		(189,893)	(167,932)
Total shareholders' (deficit) / funds		<u>(19,893)</u>	<u>2,068</u>

The financial statements and related notes on pages 15 to 36 were approved by the Board of Directors on 26 November 2020 and were signed on its behalf by:



.....
Christopher Pilgrim

Director

Innogy Business Services UK Limited registered company number: 06052966

The notes on pages 18 to 36 form an integral part of these financial statements

Innogy Business Services UK Limited

Statement of Changes in Equity for the year ended 31 December 2019

	Called up share capital £'000	Profit and loss account £'000	Total shareholders' (deficit)/funds £'000
At 1 January 2018	170,000	(170,713)	(713)
Profit for the financial year	-	2,781	2,781
Total comprehensive income for the year	-	2,781	2,781
At 31 December 2018	170,000	(167,932)	2,068

	Called up share capital £'000	Profit and loss account £'000	Total shareholders' funds/(deficit) £'000
At 1 January 2019	170,000	(167,932)	2,068
Loss for the financial year	-	(21,961)	(21,961)
Total comprehensive expense for the year	-	(21,961)	(21,961)
At 31 December 2019	170,000	(189,893)	(19,893)

Called up share capital consists of 170,000 shares at a nominal value of £1 per share

Profit and loss account represents the accumulated losses of the Company

The notes on pages 18 to 36 form an integral part of these financial statements

Innogy Business Services UK Limited

Notes to the Financial Statements for the year ended 31 December 2019

1 General information

The Company is a private company limited by share capital incorporated in the England and Wales and domiciled in the United Kingdom.

The address of its registered office is:
Windmill Hill Business Park
Whitehill Way
Swindon
Wiltshire
SN5 6PB
United Kingdom

2 Accounting policies

Summary of significant accounting policies

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.

Basis of preparation

These financial statements were prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 101 (Reduced Disclosure Framework). The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

These financial statements have been prepared under the historical cost convention.

Summary of disclosure exemptions

- IFRS 7 (Financial Instruments: Disclosures)
- Paragraph 38 of IAS 1 (Presentation of Financial Statements) to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1 (Presentation of Financial Statements)
 - (ii) paragraph 73(e) of IAS 16 (Property, Plant and Equipment)
 - (iii) paragraph 118(e) of IAS 38 Intangible Assets)
- The following paragraphs of IAS 1 (Presentation of Financial Statements):
 - (i) 10(d) (statement of cash flows)
 - (ii) 16 (statement of compliance with all IFRS)
 - (iii) 38A (requirement for minimum of two primary statements, including cash flow statements)
 - (iv) 38B-D (additional comparative information)
 - (v) 40A-D (requirements for a third statement of financial position)
 - (vi) 111 (cash flow statement information)
 - (vii) 134-136 (capital management disclosures)
- IAS 7 (Statement of Cash Flows)
- Paragraphs 30 and 31 of IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors)
- Paragraphs 17 and 18A of IAS 24 (Related Party Disclosures)

Innogy Business Services UK Limited

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Summary of disclosure exemptions (continued)

- The requirements in IAS 24 (Related Party Disclosures) to disclose related party transactions entered into between two or more members of a group.

Going concern

The financial statements have been prepared on a going concern basis which assumes that the Company will continue to trade for at least the next 12 months. The basis of this assumption depends on the support of innogy SE, the Company has and continues to benefit from the support and access to funding from innogy SE. The Directors of Company believe this support will continue to be provided because:

- The Company, as the IT service provider for the npower Retail Group, plays a key role for the future of E.ON UK as Npower's domestic customer base is currently being migrated to E.ON UK and E.ON UK's I&C business is due to be merged onto Npower's systems;
- Innogy SE recognises that the operations of the Company will be subject to an orderly wind-down, or sale of assets and/or shares to E.ON UK plc over a period expected to take 24 months from February 2020, resulting in some or all of such companies ceasing to operate;
- Cash flow forecasts are produced regularly and submitted to the ultimate parent company as part of the annual three year planning process and these forecasts include assumptions on all expected cash flows in and out of the business including the impacts of COVID-19;
- The Company has received a letter of support from innogy SE indicating that it intends to provide such funds as are necessary for the Company to trade for at least the next 12 months and up to completion of the winding-down of operations; and
- The majority of the expected funding requirement required to the completion of the winding-down has already been drawn down at the time of the approval of these accounts.

When considering all these factors, the Directors have a high degree of certainty that the support from innogy SE will continue to be provided.

On 18th September, 2019 E.ON SE (E.ON) acquired RWE AG's (RWE) 76.8% majority stake in innogy SE (innogy1) as part of an extensive asset swap transaction. The main elements of this transaction were that E.ON acquired innogy1's Grid & Infrastructure and Retail businesses and in return, RWE has taken on both E.ON and innogy1's renewables businesses. RWE received a 16.67% stake in E.ON. Subsequently E.ON increased its shareholding in innogy1 to c90%, the remaining c10% minority shareholders retained their interests. innogy1 pursued a merger squeeze out process under German law to acquire this remaining minority holding.

On 2nd June 2020, that merger squeeze out process was completed and E.ON acquired the entire minority shareholding to become 100% owner of innogy1. At the same time, by operation of German law, innogy1 was merged into its immediate parent company E.ON Verwaltungs SE (E.ON V). Under this legal process, E.ON V became the legal successor to innogy1 and the assets and liabilities of innogy1 were assumed by E.ON V. On the same date (2nd June 2020), E.ON V changed its name to innogy SE. The new innogy SE (innogy2), although a separate German legal entity, is now legal successor to the letters of financial support in favour of Npower Group Limited from the old innogy SE (innogy1).

On 29th November 2019, it was announced that customer accounts of the npower Retail Group's Home and npower Business segments would be migrated to E.ON UK plc (E.ON UK) systems commencing Q2 2020 with completion scheduled for mid-2021. Terms for the transfer of the related customers supply contracts were formalised in a Sale and Purchase Agreement (SPA) on 11th February 2020. Under the SPA E.ON UK has become the principal employer of the Retail section of innogy pension scheme with the pension obligation being transferred to E.ON UK on 1st April 2020. Under the SPA, ownership of each customer contract will transfer to E.ON Energy Solutions Limited (EESL) upon migration of the related customer account.

The npower Retail Group's Business Solutions segment is to merge with E.ON's Industrial and Commercial segment. Npower Business Solutions customers will be moved to the Junifer billing platform and the business will then be sold to E.ON UK plc, this is likely to occur in the first half of 2021.

Innogy Business Services UK Limited

2 Accounting policies (continued)

Going concern (continued)

The Company is a 100% owned subsidiary of the E.ON group and the innogy2 group. innogy2 group had a market capitalisation of €24.8 billion at the 2019 year end (2018: €22.4 billion) and employs around 35,000 employees. innogy2 group supplies over 14 million customers with electricity and over 4 million with gas across Europe, its key markets being in Germany, the Netherlands and the United Kingdom. In the year 2019, the innogy SE group recorded €35.4 billion (2018: €35.2 billion) in revenue and had a profit after tax of approximately €0.7 billion (2018: loss of €0.3 billion). Being a large group, innogy2 manages its financial resources with a Group Treasury function. This function allocates financial resources across the Group to meet all financial obligations in a timely fashion.

Future decisions by E.ON SE could lead to the Company ceasing to trade. Given the above position, the financial statements of the Company have been prepared on a going concern basis, and this treatment will be reviewed on an annual basis.

New standards

There are no other accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 that have had a material impact on the company.

The IASB has adopted further Standards and amendments to Standards, which were not yet mandatory in the European Union (EU) in the year ending 31 December 2019. The most important changes are presented below. EU endorsement is still pending in some cases.

There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 that have had a material impact on the Company.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, and represents amounts receivable for good and services provided to customers. Turnover comprises the value of sales of goods and services, excluding value added tax and other indirect taxes in the normal course of business.

Under IFRS15, where IT and other services are provided at a point in time, the Company recognises turnover by measuring the progress towards complete satisfaction of a performance obligations using the appropriate input method or output method relevant for the contract. The input method is to recognise turnover on the basis of the Company's efforts in satisfaction of a performance obligation. This is based on direct labour hours and cost incurred plus margin. The output method to recognise revenue based on value of the services transferred to date relative to the remaining service promised is the time elapsed under the contract.

Where contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices.

Income from customer advance payments is deferred and recognised when the service is provided.

Pension costs

The Company's contributions to all of its pension schemes, the majority being to the Electricity Supply Pension Scheme's (ESPS) defined benefit scheme, are recognised as if they were to a defined contribution scheme within other operating costs in the profit and loss account. As the Company is unable to identify its share of the underlying assets and liabilities of the ESPS defined benefit scheme on a reasonable and consistent basis and the scheme's participating employers are under common control, it is accounted for as a multi-group scheme under IAS 19 revised (Employee Benefits), whereby the sponsoring entity, npower Limited, financial statements for the scheme as a defined benefit multi-group scheme. The assets of these schemes are held separately from those of the Company in independently administered funds. During 2009, the Company took the decision to close its defined benefit schemes to new entrants. New entrants are now only able to participate in a defined contribution scheme.

Innogy Business Services UK Limited

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Share based payments

The Company operates a cash-settled compensation plan (SPP). Certain employees of the Company are awarded options over performance shares which are linked to the performance of the shares in the intermediate parent undertaking, innogy SE. The fair value of the employee services received in exchange for these grants of options is recognised as a provision and expensed in the Profit and Loss Account. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Company revises its estimates and recognises the impact of the revision to original estimates, if any, in the Profit and Loss Account, with a corresponding adjustment to its provision. Further details on both schemes are contained within note 17.

Foreign exchange

Transactions denominated in foreign currencies arising in the normal course of business are translated into the functional currency pounds sterling at the exchange rate ruling on the date payment takes place unless related or matching forward foreign exchange contracts have been entered into, when the rate specified in the contract is used. Monetary assets and liabilities expressed in foreign currencies are translated into pounds sterling at the rates of exchange ruling at the balance sheet date and any difference arising on the retranslation of those amounts is taken to the profit and loss account where appropriate.

Interest

All interest is charged to the profit and loss account on an accruals basis. Interest on inter-company loans is charged on arms-length market rate terms. Interest on finance lease liability is determined by the group wide incremental borrowing rate.

Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation and any provision for impairment in value. 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. In the case of assets constructed by the Company, cost includes related works and administrative overheads and commissioning costs in accordance with IAS 16 'Property, Plant & Equipment'. Assets in the course of construction are included in tangible fixed assets on the basis of expenditure incurred at the balance sheet date and are not depreciated until brought into use.

Depreciation is calculated to write down the cost of tangible fixed assets to their residual value evenly over their estimated useful economic lives. Estimated useful lives are reviewed periodically, taking into account commercial and technological obsolescence as well as normal wear and tear with provision being made for any impairment in value.

The depreciation charge is based on the following estimates of useful economic lives:

Computer hardware and other equipment	3-5 years
Office equipment and furniture	5 years

Any disposals of tangible fixed assets are reported in the profit and loss account by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses. Any impairment of tangible fixed assets are also recognised in the profit and loss account.

Innogy Business Services UK Limited

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Intangible fixed assets

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised are part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in the subsequent period.

Amortisation is calculated to write down the cost of intangible fixed assets to their residual value evenly over their estimated useful economic lives. Estimated useful lives are reviewed periodically, taking into account commercial and technological obsolescence as well as normal wear and tear with provision being made for any impairment in value.

The amortisation charge is based on the following estimates of useful economic lives:

Software	5 years
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Stock

Operating stock consisting of mostly low value IT and computer equipment spares, are valued at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

The Company operates as the intermediary company in a cash pooling facility for the innogy group companies in the UK with the parent company innogy SE. This cash pooling facility will sweep surplus innogy UK cash to innogy SE or operate in the opposite direction in an innogy UK cash deficit position. The cash pooling position is shown as either an intercompany debtor or creditor.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the debt.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Innogy Business Services UK Limited

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payments is due within one year or less (or in the ordinary operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Called up 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.

Taxation

Current taxation is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

The charge for taxation is based on the profit for the financial year and takes into account deferred tax. In accordance with IAS 12, 'Income Taxes', deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements.

Deferred tax assets are recognised to the extent that they are regarded recoverable and that there will be suitable taxable profits from which the future reversal can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse. Deferred tax is measured on a non-discounted basis.

Provisions for liabilities

Provisions are recognised when:

- the Company has a present legal or constructive obligation as a result of past event;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount can be reliably estimated.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

The basis of each provision is described in note 14.

Exceptional items

Exceptional items represent significant items of income and expense which due to their nature or the expected infrequency of the events giving rise to them, are presented separately in the notes to the financial statements, in accordance with IAS 1 'Presentation of Financial Statements', to give a better understanding of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance.

Innogy Business Services UK Limited

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year are addressed below:

Deferred taxation - judgement

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits. Recognition therefore involves judgement regarding the future financial performance of the Company and the wider innogy Group.

4 Turnover

The table below shows the analysis of turnover by class of business which are made exclusively to group companies principally in the United Kingdom. Geographical analysis of turnover is based on the country in which the order is received, all orders are received in the United Kingdom. It would not be materially different if based on the country in which the customer is located.

Turnover by class of business

	2019 £'000	2018 £'000
Provision of IT services	140,459	162,156
Other services	18,380	24,798
Total Turnover	158,839	186,954

IT services turnover is solely in relation to the provision of hardware, professional services and support to members of the innogy SE group. Other services turnover is a combination of all other services provided by the Company for the work carried out by the CoEs and HR SSC.

5 (Loss) / profit before interest and taxation

	2019 £'000	2018 £'000
(Loss) / profit before interest and taxation is stated after (crediting) / charging:		
Depreciation of tangible assets – (note 10)	1,551	1,629
Amortisation of intangible assets – (note 9)	1,441	1,376
Loss on disposal of fixed assets	939	172
Exchange (gain) / loss	(101)	28
Stock recognised as an expense	-	75

Loss on disposal of fixed assets

Loss on disposal of fixed assets relates to the disposal of personal computers and related equipment.

Innogy Business Services UK Limited

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

5 (Loss) / profit before interest and taxation (continued)

Services provided by the Company's auditors

During the financial year the Company obtained the following services from the Company's auditors:

	2019 £'000	2018 £'000
Fees payable for the audit	46	55

There were no fees payable for non-audit services (2018: £nil).

6 Directors' emoluments and employee information

(a) Directors' remuneration

	2019 £'000	2018 £'000
Aggregate emoluments	363	204

No directors (2018: no directors) are accruing retirement benefits under a defined benefit pension scheme. No directors (2018: no directors) received shares under the long term incentive plan and no directors (2018: no directors) exercised share options.

Of the 3 directors (2018: 2 directors) who served during the year 1 was remunerated by another innogy group company (2018: 1 directors). The emoluments of the directors remunerated by the Company are disclosed above and are included in the result of the Company. The Company does not receive any recharges for the other director. It is not practicable to allocate the emoluments of this director for the services provided to the Company.

Highest paid director

	2019 £'000	2018 £'000
Aggregate emoluments	282	204

The highest paid director did not receive shares under the Company's long term incentive plan and did not exercise share options during the year.

Innogy Business Services UK Limited

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

Directors' emoluments and employee information (continued)

(b) Employee information

Salaries and other staff costs were as follows:

	2019 £'000	2018 £'000
Wages and salaries	22,076	24,914
Social security costs	2,593	2,881
Other pension costs (note 16)	2,611	3,067
Severance costs	18,148	914
Cost of employee share schemes (note 15)	-	316
Total staff costs	45,428	32,092

The average monthly number of employees (including executive directors) during the financial year, analysed by activity, was:

	2019 Number	2018 Number
Technology services	129	165
Procurement	51	58
HR services	95	103
Other services	85	112
Administration	22	22
Total average number of employees	382	460

7 Interest

	2019 £'000	2018 £'000
Interest receivable and similar income		
Interest receivable on cash balances	-	7
Loans to group undertakings	3,921	3,870
	3,921	3,877

	2019 £'000	2018 £'000
Interest payable and similar expenses		
Bank loans and overdrafts	-	(14)
Loans from group undertakings	(3,403)	(3,044)
Other borrowings	(833)	(569)
Total interest payable and similar expenses	(4,236)	(3,627)

Innogy Business Services UK Limited

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

8 Tax on (loss) / profit

(a) Tax on (loss) / profit

	2019 £'000	2018 £'000
Current tax:		
Group relief	480	498
Adjustments in respect of prior periods	(37)	3,874
Total current tax charge / (credit)	443	4,372
Deferred tax:		
Origination and reversal of timing differences	7,470	1,076
Adjustments in respect of prior periods	74	1,952
Total deferred tax charge / (credit) (note 11)	7,544	3,028
Total tax charge on (loss)/profit	7,987	7,400

(b) Tax on (loss) / profit

The tax assessed on the profit before taxation is higher (2018: higher) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £'000	2018 £'000
(Loss) / Profit before taxation	(13,973)	10,181
(Loss) / Profit / (loss) before tax multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	(2,655)	1,934
Effects of:		
Non-taxable release of provision	-	(234)
Adjustments in respect of prior periods	37	5,826
Derecognition of deferred tax asset recognised in prior year	7,470	-
Impact of difference between current and deferred tax rates	262	(126)
Expenses not deductible for tax purposes	647	-
Unrecognised deferred tax	2,226	-
Total tax charge for the year	7,987	7,400

No current or deferred tax has been charged / (credited) to other comprehensive income.

(c) Factors that may affect future tax charges:

In December 2019 there was a general election, as part of the Government's manifesto it was announced that the corporation tax rate would not reduce to 17% from April 2020 and that the rate would remain at 19% for the foreseeable future. At the balance sheet date however, the rate reduction to 17% was still substantively enacted and therefore we have continued to recognise deferred tax at that rate.

At the reporting date, Innogy Business Services UK Limited also had gross unrecognised temporary differences of £57,039,856 (2018: nil). No deferred tax asset has been recognised in respect of the full amount as it is not considered probable that there will be future taxable profits available

Innogy Business Services UK Limited

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

9 Intangible assets

	Software £'000	Total £'000
Cost:		
At 1 January 2019	28,122	28,122
Additions	811	811
At 31 December 2019	28,933	28,933
Accumulated amortisation:		
At 1 January 2019	(24,266)	(24,266)
Charge for financial year	(1,441)	(1,441)
At 31 December 2019	(25,707)	(25,707)
Carrying amount:		
31 December 2019	3,226	3,226
31 December 2018	3,856	3,856

Software costs are either capitalised development costs or purchases from third parties.

All intangible assets are subject to an annual impairment review.

Innogy Business Services UK Limited

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

10 Tangible assets

	Computer hardware and other equipment £'000	Assets under construction £'000	Total £'000
Cost:			
At 1 January 2019	22,044	334	22,378
Additions	422	-	422
Disposals	(4,289)	(334)	(4,623)
At 31 December 2019	18,177	-	18,177
Accumulated depreciation:			
At 1 January 2019	(18,337)	-	(18,337)
Charge for financial year	(1,551)	-	(1,551)
Disposals	3,070	-	3,070
At 31 December 2019	(16,818)	-	(16,818)
Carrying amount:			
31 December 2019	1,359	-	1,359
31 December 2018	3,707	334	4,041

Assets under construction principally represent the cost of equipment purchased awaiting deployment.

11 Deferred taxation

Deferred tax movement during the year recognised at 17% (2018: 17%) are as follows:

Deferred tax	Accelerated capital allowances £'000	Other £'000	Total £'000
At 1 January 2018	10,052	518	10,578
(Charged) / Credited to the Profit and Loss Account	(3,270)	242	(3,028)
At 31 December 2018	6,782	760	7,542
Charged to the Profit and Loss Account	(6,782)	(760)	(7,542)
At 31 December 2019	-	-	-

Innogy Business Services UK Limited

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

12 Debtors

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	444,337	418,016
Other debtors	-	397
Prepayments and accrued income	8,804	10,887
Total amounts falling due within one year	453,141	429,300
Amounts falling due after more than one year:		
Amounts owed by group undertakings	-	149
Deferred taxation (see note 11)	-	7,542
Prepayments and accrued income	14	77
Total amounts falling due after more than one year	14	7,768
Total debtors	453,155	437,068

Cash pooling facility agreements were in place during 2019 and 2018 with UK innogy group companies and the parent company, innogy SE. The Company operates as the intermediary between the UK innogy group and innogy SE. On a daily basis the facility will sweep any surplus cash from the UK innogy group to innogy SE or operate in the opposite direction in an innogy UK deficit position. The facility allows innogy companies to draw down and make repayments in whole or in part at any time. As at 31 December 2019, within this facility, a debtor balance of £442.5 million (2018: £377.3 million) was held with innogy group companies. Interest on debtor balances is charged on the facility at LIBOR average of the respective month plus 0.5%. This facility is due to expire on 30 December 2021.

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

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Notes to the Financial Statements for the year ended 31 December 2019 (continued)

13 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	10,941	17,093
Amounts owed to Group undertakings	492,195	432,184
Other creditors (deferred payment plan)	594	5,676
Taxation and social security	1,889	4,302
Accruals and deferred income	12,313	11,468
Total Creditors	517,932	470,723

There are no amounts included in creditors relating to outstanding contributions to the ESPS pension scheme as at the balance sheet date. Amounts owed to group undertakings include trading balances which are unsecured, interest free and are payable on demand. Amounts owed to group undertakings include £0.5 million (2018: 0.5 million) of group relief payable.

Cash pooling facility agreements were in place during 2018 and 2019 with UK innogy group companies and the parent company, innogy SE. The Company operates as the intermediary between the UK innogy group and innogy SE. On a daily basis the facility will sweep any surplus cash from the UK innogy group to innogy SE or operate in the opposite direction in an innogy UK deficit position. The facility allows innogy companies to draw down and make repayments in whole or in part at any time. As at 31 December 2019, within this facility, a creditor balance of £494.6 million (2018: £429.5 million) was held with innogy group companies. Interest on creditor balances is charged on the facility at LIBOR average of the respective month less 0.1%. This facility is due to expire on 30 December 2021.

An intercompany credit line agreement was entered into during 2015 which provides the Company with a credit facility of £25 million.

Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Other creditors	174	149

Other creditors as at 31st December 2019 relate to the current long term incentive plan, the Strategic Performance Plan (SPP). Other creditors as at 31st December 2018 comprised a deferred payment plan to a single supplier in relation to a specific IT project which started in 2015. All invoices received as part of this project were paid in instalments over a period of 15 months inclusive of a variable rate of interest.

14 Provisions for liabilities

	1 January 2019 £'000	Additional provisions £'000	Provisions used £'000	31 December 2019 £'000
Rationalisation and restructuring	(2,189)	(32,429)	7,321	(27,297)

Innogy Business Services UK Limited

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

15 Share based payments

The Company operates a cash-settled compensation plan (SPP). Certain employees of the Company are awarded options over performance shares which are linked to the performance of the shares in the intermediate parent undertaking, innogy SE. The fair value of the employee services received in exchange for these grants of options is recognised as a provision and expensed in the Profit and Loss Account. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Company revises its estimates and recognises the impact of the revision to original estimates, if any, in the Profit and Loss Account, with a corresponding adjustment to its provision.

Strategic Performance Plan			
	2016 tranche	2017 tranche	2018 tranche
Start of term	1 January 2016	1 January 2017	1 January 2018
Number of conditionally granted performance shares	3,084	14,224	10,163
Performance target	Adjusted net income	Adjusted net income	Adjusted net income
Term	4 years	4 years	4 years
Cap /number of performance shares	150%	150%	150%
Cap /payment amount	200%	200%	200%
Determination of payment	<p>The payment amount is calculated on the basis of the determined number of finally granted performance shares multiplied by the sum of:</p> <p>a) the mathematical average of the closing share prices (including all available decimal places) of the innogy SE share (ISIN DE 000A2AAD02) in Deutsche Börse AG's Xetra trading (or a successor system which subsequently takes the place of the Xetra system) for the last 30 trading days prior to the end of the vesting period rounded to two decimal places according to standard commercial practice; and</p> <p>b) the dividends paid per share for the fiscal years between the determination of the performance shares and the end of the vesting period. Dividends do not bear interest and are not reinvested. If a dividend payment occurs during the 30-day period for calculating the share price, the share prices of the trading days leading up to the payment (CUM share prices) are adjusted by the dividend, as the dividend would otherwise be considered twice.</p> <p>Payment amount = (number of finally granted performance shares) x (mathematical average of the share price + dividends paid)</p>		

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15 Share based payments (continued)

Change in corporate control/ merger	<p>A change in corporate control ("change of control") shall occur if:</p> <p>a) a shareholder gains control in accordance with Section 29 of the German Securities Acquisition and Takeover Act (WpÜG) by holding at least 30 % of the voting rights including third-party voting rights attributable to it in accordance with Section 30 WpÜG or</p> <p>b) a control agreement in accordance with Section 291 of the German Stock Corporation Act (AktG) is concluded by a company that does not belong to the RWE Group with innogy SE as a dependent company; or</p> <p>c) innogy SE is merged with another legal entity that does not belong to the Group in accordance with Section 2 of the German Company Transformation Act (UmwG) unless the value of the other legal entity is less than 50 % of the value of innogy SE based on the agreed conversion rate; in such a case, item a) shall not apply.</p> <p>In the event of a change of control, the performance shares that fully vested and have not yet been paid out shall be paid out early. The payment amount shall be calculated by applying exercise conditions analogously, wherein in deviation here from, the basis of calculation shall be the last 30 stock exchange trading days before the announcement of the change of control in addition to the dividends paid per share in the fiscal years between the vesting of the performance shares and the effective date of the change of control relative to the fully vested performance shares.</p> <p>The payment amount calculated in this manner shall be paid to the plan participant together with his or her next salary payment.</p> <p>All conditionally granted performance shares as of the effective date of the change of control shall lapse without consideration.</p>		
Form of settlement	Cash settlement	Cash settlement	Cash settlement
Payment date	2020	2021	2022

The fair values of the performance shares conditionally granted in the SPP programme as of the grant date are shown in the following table:

Performance shares from SPP	2016 tranche £	2017 tranche £	2018 tranche £
	32.21	28.69	32.90

The fair values of the performance shares at the time of pay-out is influenced by the E.ON/RWE transaction which was announced in March 2018 insofar as the above rules for a change of control affect the valuation. The anticipated payment amount is determined on the basis of the average innogy share price for the last 30 trading days prior to 11 March 2018, plus the dividend paid in fiscal 2018 and the expected payment for fiscal 2019.

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15 Share based payments (continued)

As of 31 December 2016, 2017 and 2018, the number of performance shares developed as follows:

Performance shares from SPP 2016	2016 tranche £	2017 tranche £	2018 tranche £
Outstanding at 1 January 2016	-	-	-
Granted	3,084	-	-
Change (granted/expired)	-	-	-
Paid out	-	-	-
Outstanding 31 December 2016 / 1 January 2017	3,084	-	-
Payable at 31 December 2016	-	-	-
Granted	-	14,224	-
Change (granted/expired)	-	-	-
Paid out	-	-	-
Outstanding 31 December 2017 / 1 January 2018	3,084	14,224	-
Payable at 31 December 2017	-	-	-
Granted	-	-	10,163
Change (granted/expired)	-	-	-
Paid out	-	-	-
Outstanding 31 December 2018 / 1 January 2019	3,084	14,224	10,163
Payable at 31 December 2018	-	-	-
Granted	-	-	-
Change (granted/expired)	-	-	-
Paid out	(3,084)	(14,224)	(10,163)
Outstanding 31 December 2018 / 1 January 2019	-	-	-

The LTIP 2016-2018 paid out in full in September 2019 for all innogy grants. The EON transaction triggered 'Change of Control' in the plan rules, which resulted in automatic early pay-out for all participants.

During the period under review, expenses for share-based payments totalled £nil (2018: £2m).

As of the balance-sheet date, provisions for cash-settled share-based payments amounted to £nil (2018: £3m).

The 2019 LTIP is a cash scheme with a vesting period of two years. Payment will be in January 2021.

Innogy Business Services UK Limited

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

16 Pension scheme funding

Pension and other schemes

During both 2019 and 2018, the majority of pensions were funded through the defined benefit scheme within the Innogy Group of the industry-wide scheme, the Electricity Supply Pension Scheme (ESPS). It is a defined benefit scheme with assets invested in separate trustee-administered funds. The ESPS is divided into sections. In addition to the defined benefit scheme, there was also a defined contribution scheme within the Innogy Group of the Electricity Supply Pension Scheme; the Defined Contribution Section of the Innogy Group of the ESPS.

Innogy Renewables UK Limited remained the sponsoring entity for the Innogy Group of the ESPS throughout 2019. On 1 January 2018 the Group's name was changed to the Innogy Group of the Electricity Supply Pension Scheme, its previous name was the RWE Npower (No 3) Group of the Electricity Supply Pension Scheme.

The scheme is accounted for as a defined benefit multi-group scheme under IAS 19R (Employee Benefits) by the Company and as a defined contribution scheme. The assets and liabilities were transferred to the Company, as the principal employer, on 1 April 2018, a corresponding entry to equity was made to the balance sheet. Prior to 1 April 2018 the defined benefit pension scheme was accounted for as a defined contribution scheme, in line with IAS 19R (Employee Benefits), as the Company, along with the other employers in the group, were unable to identify its share of the underlying assets and liabilities on a reasonable and consistent basis.

In addition to the defined benefit scheme, there was also a defined contribution scheme within the innogy Group of the Electricity Supply Pension Scheme; the Defined Contribution Section of the innogy Group of the ESPS.

During 2009, the decision was taken to close the defined benefit scheme described above to new entrants. New employees are now only able to participate in a defined contribution scheme.

Defined contribution pension scheme

The defined contribution scheme; the Defined Contribution Section of the Innogy Group of the ESPS, was impacted by the sectionalisation process in exactly the same way as the defined benefit scheme, as described above.

Contributions totalling £740k (2018: £806k) were paid into defined contribution sections of the scheme by the Company.

Defined benefit pension schemes

Description of the scheme

Throughout both 2019 and 2018, the Company, along with other employers in the Group, participated in the defined benefit pension scheme within the Innogy Group of the Electricity Supply Pension Scheme. Prior to 1 January 2018 it was known as the RWE Npower (No 3) Group of the Electricity Supply Pension Scheme. However, because the Group was sectionalised on 31 March 2018, after that time the Company participated in the Retail section, along with other employers in that section, still as part of the overall Group.

The scheme was accounted for as a defined contribution scheme by Innogy Business Services UK Limited for the whole of both 2018 and 2019.

During the year ended 31 December 2019, the Company contributed to the four defined benefit sections of the ESPS at a weighted average rate of 24% (2018: 24%) of members' pensionable earnings. This increase reflects the impact of the new Schedule of Contributions for the Group, which applied with effect from 1 April 2017. Administration expenses for the scheme became payable as a lump sum rather than as a percentage of pensionable salaries in 2015.

The 2019 triennial valuation of the Retail Section of the Innogy Group of ESPS was signed on 11 March 2020. The Company and the Trustees agreed a deficit repair plan whereby a payment of £3.4M was made in March 2020 and will be made in each subsequent March until March 2029. In addition, new employer contributions for each of the four benefit sections were agreed and implemented from 1 April 2020, a further increase in employer contributions was agreed to take effect on 1 April 2022.

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Notes to the Financial Statements for the year ended 31 December 2019 (continued)

16 Pension scheme funding (continued)

Defined benefit pension schemes (continued)

The Company cost of contributions, inclusive of £nil (2018: £nil) contributions towards administrative expenses, during the financial year was £1.9 million (2018: £2.3 million).

Contributions payable to the pension scheme at the end of the year are £nil (2018: £nil).

17 Called up share capital

	2019 £'000	2018 £'000
Allotted and fully paid		
170,000,000 (2018: 170,000,000) ordinary shares of £1 each	170,000	170,000

18 Financial commitments

Contingent Liabilities

The Company is not aware of any contingent liabilities

19 Ultimate parent undertaking and controlling party

The name of the parent undertaking of the smallest group in whose consolidated financial statements the Company's financial statements are consolidated is innogy SE, a company incorporated in Germany. These financial statements are available upon request from innogy SE, Opernplatz 1, D-45128 Essen, Germany.

The ultimate parent company and controlling party is E.ON SE, a company incorporated in Germany, which is the parent undertaking of the largest group to consolidate these financial statements. Copies of E.ON SE consolidated financial statements can be obtained from E.ON SE, Brüsseler Platz 1, 45131 Essen, Germany.

20 Non adjusting events after the financial period

During 2020 the Company has experienced negative impacts of the COVID-19 pandemic. The Company implemented crisis management plans which allowed the Company to maintain key functions whilst operating within the restrictions put in place by the Government. Despite the impact of COVID-19, the directors believe that the Company can meet its obligations as they fall due for a period of at least twelve months from the date of approval of these financial statements.

This has been discussed further within the Basis of preparation section of the Accounting Policies note.