CITIGEN (LONDON) LIMITED

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2007

Registered Number: 2427823

CITIGEN (LONDON) LIMITED

Report of the directors for the year ended 31 December 2007

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2007.

Principal activities

The Company's principal activity during the year and at the year end was the operation of a Combined Heat and Power (CHP) installation in London for the generation of electricity and supply of heating, hot water, chilling and ventilation services to commercial, industrial and domestic customers

Business review

Fair review of the Company's business

The level of operating activity during the year was satisfactory and the directors believe this will continue However, owing to economic conditions and operational issues during the year, the financial performance of the Company was not satisfactory

During the year a review of the appropriateness of the carrying value of the CHP plant was undertaken. The cash flows used in this review were discounted at the E.ON UK plc group's cost of capital for CHP operations As a consequence, an impairment of £1,102,000 (2006 £1,011,000) has been recorded in these accounts.

Notwithstanding the fact that the Company has been loss making, has net current liabilities and net liabilities, the directors have prepared the accounts on the going concern basis The directors have received confirmation from E.ON UK plc, the principal UK trading subsidiary of the E.ON Group, 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 the directors' approval of these accounts or until such time as the Company ceases to be an indirect subsidiary of E.ON UK plc.

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 commodity prices, credit risk and asset performance The management of risks is undertaken at E.ON UK plc 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.

Key performance indicators ('KPIs')

The directors of E ON UK plc manage 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 Energy Wholesale division of E.ON UK plc, which includes the Company, is discussed within the financial review section of the group's annual report which does not form part of this report.

Results and dividends

The Company's loss for the financial year is £2,398,000 (2006: loss of £1,774,000) The directors do not recommend the payment of a dividend (2006 £nil).

Directors and their interests

The directors who held office during the year and subsequent to the year end are given below:

Mr R Taylor	(appointed 4 July 2007)
Mr D J Morgans	(appointed 1 January 2008)
Mr C R Scoins	(appointed 1 January 2008)
Mr K Plowman	(resigned 1 January 2008)
Mr P Bridgewater	(appointed 4 July 2007 and resigned 1 January 2008)
Mr G J Bartlett	(resigned 4 July 2007)
Dr A D Cocker	(resigned 4 July 2007)

During the year, no director had an interest in the shares of the Company. At 31 December 2006 and 31 December 2007, no director had any interest requiring disclosure.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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 those financial statements, the directors are required to

a) select suitable accounting policies and then apply them consistently,

b) make judgements and estimates that are reasonable and prudent;

c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

d) prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The directors are responsible for keeping proper accounting records that 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 1985 They 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.

Auditors and disclosure of information to auditors

So far as the directors are 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 directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

On 18 January 1999, the Company passed an elective resolution dispensing with the requirement to appoint auditors annually Therefore, PricewaterhouseCoopers LLP will continue in office.

BY ORDER OF THE BOARD

D J Morgans
Director
Citigen (London) Limited
Westwood Way
Westwood Business Park
Coventry
CV4 8LG

29 September 2008

CITIGEN (LONDON) LIMITED

Independent auditor's report to the members of Citigen (London) Limited

We have audited the financial statements of Citigen (London) Limited for the year ended 31 December 2007 which comprise of the Profit and Loss Account, the Balance Sheet and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, 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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within it Our responsibilities do not extend to any other information

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion
In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
30 September 2008

CITIGEN (LONDON) LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	**Year ended 31 December 2007 £'000**	Year ended 31 December 2006 £'000
Turnover	2	**2,272**	2,687
Cost of sales		**(4,731)**	(4,539)
Gross loss		**(2,459)**	(1,852)
Exceptional items:			
Impairment of fixed assets	3	**(1,102)**	(1,011)
Operating loss	4	**(3,561)**	(2,863)
Interest payable and similar charges	6	**(118)**	(98)
Loss on ordinary activities before taxation		**(3,679)**	(2,961)
Tax on loss on ordinary activities	7	**1,281**	1,187
Loss for the financial year	15	**(2,398)**	(1,774)

There are no material differences between the loss on ordinary activities before taxation and the loss for either of the years stated above and their historical cost equivalents

The Company has no recognised gains and losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented.

All the above amounts relate to continuing operations

The accounting policies and the notes on pages 7 to 15 form part of these financial statements

CITIGEN (LONDON) LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	At 31 December 2007 £'000	At 31 December 2006 £'000
Fixed assets			
Tangible assets	8	**-**	-
Current assets			
Stock		**214**	140
Debtors amounts falling due within one year	9	**2,722**	10,212
		2,936	10,352
Creditors: amounts falling due within one year	10	**(14,581)**	(19,708)
Net current liabilities		**(11,645)**	(9,356)
Total assets less current liabilities		**(11,645)**	(9,356)
Creditors: amounts falling due after more than one year	11	**(788)**	(865)
Provisions	12	**(2,624)**	(2,438)
Net liabilities		**(15,057)**	(12,659)
Capital and reserves			
Called-up share capital	14	**26,184**	26,184
Share premium account	15	**23,050**	23,050
Profit and loss reserve	15	**(64,291)**	(61,893)
Equity shareholders' deficit	16	**(15,057)**	(12,659)

The financial statements on pages 5 to 15 were approved by the Board of Directors on 29 September 2008 and were signed on its behalf by

D J Morgans
Director

29 September 2008

The accounting policies and the notes on pages 7 to 15 form part of these financial statements

CITIGEN (LONDON) LIMITED

1 Accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 1985 and applicable United Kingdom Accounting Standards, all of which have been consistently applied The principal accounting policies are set out below

(a) Tangible fixed assets

Tangible fixed assets are stated at their purchase or production cost less accumulated depreciation Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line basis over their useful economic lives. The estimated useful economic lives used for the principal categories of fixed assets are as follows:

Plant and machinery	Up to twenty five years
Fixtures, fittings, tools and equipment	Up to four years

(b) Impairment

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 pre-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

Impairments are recognised in the profit and loss statement and, where material, are disclosed separately

(c) Overhaul of generation plant

Overhaul costs are capitalised as part of generating assets and depreciated on a straight-line basis over their useful economic life, typically the period until the next major overhaul That period is usually between two and three years

(d) Fuel stocks and stores

Fuel stocks and stores are stated at the lower of cost and net realisable value Where necessary, provision is made for obsolete, slow moving or defective stocks In general, stocks are recognised in the profit and loss account on a weighted average cost basis. The Companies Act 1985 requires stocks to be categorised between raw materials, work in progress and finished goods Fuel stocks and stores are raw materials under this definition

(e) Decommissioning

A fixed asset and related provision is recognised in respect of the estimated total discounted cost of decommissioning generating assets The resulting fixed asset is depreciated on a straight-line basis, and the discount on the provision is unwound, over the useful life of the associated power station. On an annual basis, the discount rate is adjusted to reflect current market conditions.

1 Accounting policies (continued)

(f) Taxation

The tax charge for the year is based on the profits or losses on ordinary activities for the year and takes into account full provision for deferred tax in respect of timing differences on a discounted basis, using the approach set out in Financial Reporting Standard 19 'Deferred tax' Such timing differences arise primarily from the differing treatment for taxation and accounting purposes of provisions and depreciation of fixed assets Deferred tax liabilities are recognised in respect of all timing differences that have originated but not reversed at the balance sheet date Deferred tax assets are recognised when it is more likely than not that they will be recovered.

(g) 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 on a straight-line basis over the period of the lease.

(h) Revenue

Revenue comprises revenue from the sale of power, heated and chilled water, and other services provided under the contract and is recognized on an accruals basis of contractual agreements with the customers; it reflects the value of the volume supplied to the customers between the date of their last meter reading and the year end.

(i) Cash flow statement

The Company is a wholly-owned subsidiary undertaking of E.ON AG, the ultimate parent undertaking of the E ON Group, and is included in the publicly available consolidated financial statements of E.ON AG. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996).

(j) Related party transactions

The Company is exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with E.ON AG, its subsidiaries and associates (together "the E ON Group") or investees of the E.ON Group

1 Accounting policies (continued)

(k) Going concern

Notwithstanding the fact that the Company has been loss making, has net current liabilities and net liabilities, the directors have prepared the accounts on the going concern basis The directors have received confirmation from E ON UK plc, the principal UK trading subsidiary of the E.ON Group, 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 the directors' approval of these accounts or until such time as the Company ceases to be an indirect subsidiary of E ON UK plc.

2 Turnover

Turnover, which excludes Value Added Tax, represents the value of power, heated and chilled water, and other services provided under contract during the year on an accruals basis The Company's entire turnover, which arises in the course of the Company's principal activity, arises in the United Kingdom.

3 Exceptional item

	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Impairment of fixed assets	**1,102**	1,011

At 31 December 2007, a review of the appropriateness of the carrying value of the CHP installation was undertaken, in accordance with FRS 11 'impairment of fixed assets and goodwill' The cash flows used in this impairment review were based on approved budgets and discounted at the E ON UK plc cost of capital for CHP operations As a result of the review, an impairment charge of £1,102,000 (2006: £1,011,000) was recorded in the accounts A tax credit of £77,000 (2006 £54,000) arose in respect of this item

4 Operating loss

Operating loss is stated after charging/(crediting):

	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Operating lease charges – land and buildings	**187**	158
Impairment of fixed assets (note 3)	**1,102**	1,011
Release of deferred income (note 11)	**(76)**	(356)

4 Operating loss (continued)

Administrative Costs

The directors consider it more appropriate to include all costs of the Company within "Cost of Sales". Administrative expenses, in the form of common management costs, are borne by other companies within the group.

The directors received no emoluments from the Company during the year (2006 £nil)

Auditors' remuneration is borne by the parent undertaking E ON UK plc and not recharged

5 Employee information

The average monthly number of persons (including executive directors) employed by the Company, or the group in respect of the Company, during the year was:

By activity	**Year ended 31 December 2007**	Year ended 31 December 2006
Operations staff	**12**	15

The salaries and related costs of employees, including directors, were

	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Wages and salaries	**613**	610
Social security costs	**62**	61
Other pension costs	**88**	110
	763	781

During the year the directors were employed by the parent undertaking, EON UK plc, and no costs were recharged (2006· £nil) for their services.

6 Interest payable and similar charges

	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Interest - provision unwind (note 12)	**118**	98

7 Tax on loss on ordinary activities

	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Current tax:		
UK corporation tax credit on losses for the year	**1,281**	1,186
Adjustment in respect of previous periods	**-**	1
Total current tax	**1,281**	1,187

The difference between the tax on the loss on ordinary activities for the year and the tax assessed on the loss on ordinary activities for the year assessed at the standard rate of corporation tax in the UK (30%) can be explained as follows:

	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Loss on ordinary activities before tax	**(3,679)**	(2,961)
Tax credit on loss on ordinary activities before tax at 30% (2006 30%)	**(1,104)**	(888)
Effects of		
Adjustment in respect of previous periods	**-**	(1)
Capital allowances in excess of depreciation	**(224)**	(304)
Income not taxable	**(9)**	(9)
Other timing differences	**56**	15
Current tax credit for the year	**(1,281)**	(1,187)

The corporation tax credit relates to group relief surrendered to a fellow group undertaking for which a full payment will be received. There are no known factors that will affect future tax charges.

8 Tangible fixed assets

	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost:			
At 31 December 2006	61,032	297	61,329
Additions	1,102	-	1,102
At 31 December 2007	**62,134**	**297**	**62,431**
Accumulated depreciation:			
At 31 December 2006	61,032	297	61,329
Impairment (note 3)	1,102	-	1,102
At 31 December 2007	**62,134**	**297**	**62,431**
Net book value:			
At 31 December 2007	-	-	-
At 31 December 2006	-	-	-

Additions include £68,000 resulting from a change in accounting estimate for the decommissioning provision (note 12) The closing net book value includes £nil (2006· £nil) relating to the asset associated to the cost of decommissioning the site.

9 Debtors: amounts falling due within one year

	At 31 December 2007 £'000	At 31 December 2006 £'000
Trade debtors	**23**	105
Amounts owed by group undertakings	**2,468**	9,867
Other taxation and social security	**12**	-
Other debtors	**208**	199
Prepayments and accrued income	**11**	41
	2,722	10,212

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

10 Creditors: amounts falling due within one year

	At 31 December 2007 £'000	At 31 December 2006 £'000
Trade creditors	**82**	323
Amounts owed to group undertakings	**13,864**	18,899
Other taxation and social security	**-**	8
Accruals	**559**	402
Deferred income	**76**	76
	14,581	19,708

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

11 Creditors: amounts falling due after more than one year

Deferred income:	**At 31 December 2007 £'000**	At 31 December 2006 £'000
Between one and two years	**74**	76
Between two and five years	**313**	275
After five years	**401**	514
	788	865

Deferred income relates to connection fees charged to customers which are being released over the life of the plant During the year £nil (2006: £126,000) was released due to contract terminations and £nil (2006: £154,000) released as a result of contract reviews.

12 Provisions

	Decommissioning provision £'000
At 31 December 2006	2,438
Change in accounting estimate	68
Interest Unwind (note 6)	118
At 31 December 2007	**2,624**

The change in accounting estimate is due to the revision of the discount rate applied to expected future cashflows.

13 Deferred tax

A potential deferred tax asset in respect of capital allowances and carried forward losses has not been recognised The estimated value of this unrecognised deferred tax asset, measured on a discounted basis at a standard Corporation Tax rate of 28% is £2,014,000 (2006 at 30%: £2,297,000).

14 Called up share capital

	At 31 December 2007 £'000	At 31 December 2006 £'000
Authorised		
26,300,000 ordinary shares of £1 each	**26,300**	26,300
Allotted, called-up and fully paid		
26,184,000 ordinary shares of £1 each	**26,184**	26,184

15 Reserves

	Share premium account £'000	**Profit and loss account £'000**
At 31 December 2006	23,050	(61,893)
Retained loss for the financial year	-	(2,398)
At 31 December 2007	**23,050**	**(64,291)**

16 Reconciliation of movements in shareholders' deficit

	At 31 December 2007 £'000	At 31 December 2006 £'000
Loss for the financial year	**(2,398)**	(1,774)
Opening shareholders' deficit	**(12,659)**	(10,885)
Closing shareholders' deficit	**(15,057)**	(12,659)

17 Financial commitments

The Company had annual commitments under non-cancellable operating leases in respect of land and buildings expiring as follows:

	At 31 December 2007 £'000	At 31 December 2006 £'000
Expiring within one year	**-**	-
Expiring within two to five years	**-**	-
Expiring after five years	**131**	128
	131	128

18 Ultimate parent undertaking and controlling party

The immediate parent undertaking is E.ON UK CHP Limited The ultimate parent undertaking and controlling party is E.ON AG, a company incorporated in Germany, which is the parent company of the largest group to consolidate these financial statements The smallest group to consolidate these financial statements is that of which E ON UK plc, the principal UK trading subsidiary of E.ON AG, is the parent undertaking. Copies of E.ON AG's accounts are available from the offices of E.ON AG at the following address

E.ON AG
E ON-Platz 1
D-40479
Dusseldorf
Germany