

**CITIGEN (LONDON) LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**



**REGISTERED NUMBER : 2427823**

## **CITIGEN (LONDON) LIMITED**

### **Report of the directors for the year ended 31 December 2003**

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2003.

#### **Principal activities, review of business and future developments**

The Company's principal activity during the year and at the year end was the operation of a Combined Heat and Power installation in London for the generation of electricity and supply of heating, hot water, chilling and ventilation services to commercial, industrial and domestic customers. Both the level of business during the year and the financial position of the Company at the year end were satisfactory and the directors believe the present level of activity will be sustained in the current year.

During the year a review of the appropriateness of the carrying value of the CHP plant was undertaken, as a consequence an impairment provision of £479,666 has been recorded in these accounts.

#### **Results and dividends**

The Company's loss for the financial year is £452,373 (2002: loss of £9,500,198). The directors do not recommend the payment of a dividend.

#### **Directors and their interests**

The directors who held office during the year are given below:

Name of director	Appointed	Resigned
E.ON UK Directors Limited (formerly Powergen Directors Limited)	-	7 April 2003
P Golby	-	7 April 2003
F S Stark	-	7 April 2003
M R Draper	7 April 2003	31 March 2004
K Plowman	7 April 2003	-
G J Bartlett	-	-
A D Cocker	31 March 2004	-

During the year, no director had an interest in the shares of the Company. At 31 December 2002 and 31 December 2003, no director had any interest requiring disclosure.

#### **Introduction of the Euro**

Powergen Limited and its subsidiaries (together the "Powergen Group") recognise the wide implications of the Euro for businesses, including impacts on commercial arrangements and financial systems. In the UK, the Powergen Group's preparations recognise the uncertain position regarding possible UK entry to the single currency, and the situation is monitored closely.

## **CITIGEN (LONDON) LIMITED**

### **Report of the directors for the year ended 31 December 2003 (continued)**

#### **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 year. 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 departure 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.

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**

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

K Plowman  
Citigen (London) Limited  
Westwood Way  
Westwood Business Park  
Coventry  
CV4 8LG

28 January 2005

## **CITIGEN (LONDON) LIMITED**

### **Independent auditors' report to the members of Citigen (London) Limited**

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 in to 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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

#### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards 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 judgements 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 of the state of the Company's affairs at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors  
Birmingham

28 January 2005

**CITIGEN (LONDON) LIMITED**

**Profit and Loss account for the year ended 31 December 2003**

		<b>Year ended 31 December 2003</b>	Year ended 31 December 2002 As restated (Note 2)
	Note	£	£
<b>Turnover</b>	3	<b>1,223,285</b>	2,030,932
Cost of sales		<b>(2,995,516)</b>	(4,420,477)
<b>Gross loss</b>		<b>(1,772,231)</b>	(2,389,545)
Net operating expenses	2	-	-
Exceptional items	4	<b>(657,842)</b>	(9,038,559)
<b>Operating loss</b>	5	<b>(2,430,073)</b>	(11,428,104)
Net interest receivable	7	<b>1,828</b>	2,206
<b>Loss on ordinary activities before taxation</b>		<b>(2,428,245)</b>	(11,425,898)
Tax on loss on ordinary activities	8	<b>1,975,872</b>	1,925,700
<b>Loss for the financial year</b>	16	<b>(452,373)</b>	(9,500,198)

There is no difference 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 6 to 14 form part of these financial statements.

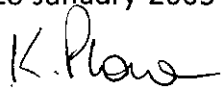
The results for the year ended 31 December 2002 have been restated to reflect the incorrect classification of operating expenses (see note 2).

**CITIGEN (LONDON) LIMITED**

**Balance Sheet as at 31 December 2003**

	Note	At 31 December 2003 £	At 31 December 2002 £
<b>Fixed assets</b>			
Tangible assets	9	-	-
<b>Current assets</b>			
Stock	10	125,831	45,020
Debtors: amounts falling due within one year	11	4,606,335	2,450,742
Cash at bank and in hand		-	1,820
		<b>4,732,166</b>	<b>2,497,582</b>
<b>Creditors: amounts falling due within one year</b>	12	<b>(10,662,119)</b>	<b>(7,778,091)</b>
<b>Net current liabilities</b>		<b>(5,929,953)</b>	<b>(5,280,509)</b>
<b>Total assets less current liabilities</b>		<b>(5,929,953)</b>	<b>(5,280,509)</b>
<b>Creditors: amounts falling due after more than one year</b>	13	<b>(1,170,404)</b>	<b>(1,367,475)</b>
		<b>(7,100,357)</b>	<b>(6,647,984)</b>
<b>Capital and reserves</b>			
Called-up share capital	15	26,184,000	26,184,000
Share premium account	16	23,050,000	23,050,000
Profit and loss account	16	(56,334,357)	(55,881,894)
<b>Equity shareholders' deficit</b>	17	<b>(7,100,357)</b>	<b>(6,647,984)</b>

The financial statements on pages 4 to 14 were approved by the Board of Directors on 28 January 2005 and were signed on its behalf by:

  
.....Director  
K Plowman

The accounting policies and the notes on pages 6 to 14 form part of these financial statements.

## **CITIGEN (LONDON) LIMITED**

### **Notes to the financial statements for the year ended 31 December 2003**

#### **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

Impairment losses are recognised in the period in which they are identified.

##### **(b) 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.

##### **(c) Operating leases**

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

##### **(d) Fuel stocks**

Fuel stocks 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 are raw materials under this definition.

##### **(e) Pension costs**

The Company contributes to a funded group pension scheme operated by E.ON UK plc (formerly Powergen UK plc), the assets of which are invested in a separate trustee-administered fund. The Company is unable to identify its share of the underlying assets and liabilities of the group pension scheme. The Company has accounted for its contribution to the group pension scheme as if the scheme was a defined contribution scheme and accounts for contributions payable to the group pension scheme in the accounting period in which they fall due.

## **CITIGEN (LONDON) LIMITED**

### **Notes to the financial statements** **for the year ended 31 December 2003 (continued)**

#### **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' (FRS 19). 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) Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated into sterling at exchange rates ruling at the end of the financial year. Transactions denominated in foreign currencies are translated into 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 that contract is used. Any resultant foreign exchange differences are taken to the profit and loss account in the period in which they arise.

##### **(h) 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).

##### **(i) 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.

##### **(j) 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.



**CITIGEN (LONDON) LIMITED**

**Notes to the financial statements**  
**for the year ended 31 December 2003 (continued)**

**2 Prior year restatement - Operating expenses**

The directors now consider that it is more appropriate to include all of the costs of the company within "Cost of sales". Since the acquisition of the company by E.ON UK in October 2002 and subsequent restructuring, operating expenses have been reduced or are now borne by other companies within the E.ON UK group. The costs of the company now all relate directly to plant operating activities only. The restatement had no overall effect on the profit and loss account other than the movement of £3,122,072 from operating expenses to cost of sales.

**3 Turnover**

Turnover, which excludes Value Added Tax, represents the value of goods sold and services provided, during the year. The Company's entire turnover, which arises in the course of the Company's principal activity, arises in the United Kingdom.

**4 Exceptional items**

In the year ended 31 December 2003, a restructuring of the Company's operations was undertaken. As a consequence, £178,176 severance was paid to six employees.

At 31 December 2003, an FRS 11 review of the appropriateness of the carrying value of the CHP installation was undertaken. The cash flows used in this impairment review were discounted at the E.ON UK plc cost of capital for CHP operations. As a result an impairment provision of £479,666 (2002: £9,038,559) was recorded in the accounts. No tax credit arose in respect of this item.

	<b>Year ended 31 December 2003 £</b>	<b>Year ended 31 December 2002 £</b>
Restructuring	<b>178,176</b>	-
Impairment provision	<b>479,666</b>	9,038,559
	<b><u>657,842</u></b>	<b><u>9,038,559</u></b>

**5 Operating loss**

Operating loss is stated after charging:

	<b>Year ended 31 December 2003 £</b>	<b>Year ended 31 December 2002 £</b>
Depreciation of tangible fixed assets:	-	455,690
Operating lease charges:		
Other	<b>124,639</b>	-
Impairment provision (see note 4)	<b><u>479,666</u></b>	<b><u>9,038,559</u></b>

**CITIGEN (LONDON) LIMITED**

**Notes to the financial statements**  
**for the year ended 31 December 2003 (continued)**

Auditors' remuneration is borne by E.ON UK plc (formerly Powergen UK plc) and not recharged.

**6 Employee information**

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

<b>By activity</b>	<b>Year ended 31 December 2003</b>	<b>Year ended 31 December 2002</b>
Directors	-	3
Administration staff	1	4
Operations staff	17	16
	<b>18</b>	<b>23</b>

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

	<b>Year ended 31 December 2003 £</b>	<b>Year ended 31 December 2002 £</b>
Wages and salaries	612,323	783,642
Social security costs	65,122	73,711
Other pension costs	54,352	56,825
	<b>731,797</b>	<b>914,178</b>

During the year no remuneration was paid by the Company to the Directors (2002:£nil) for their services.

**7 Interest receivable and similar income**

	<b>Year ended 31 December 2003 £</b>	<b>Year ended 31 December 2002 £</b>
Interest receivable on bank deposits	1,828	2,206

**CITIGEN (LONDON) LIMITED**

**Notes to the financial statements**  
**for the year ended 31 December 2003 (continued)**

**8 Tax on loss on ordinary activities**

	<b>Year ended 31 December 2003 £</b>	<b>Year ended 31 December 2002 £</b>
<b>Current tax:</b>		
UK corporation tax credit on losses for the year	<b>1,967,787</b>	1,925,700
Over provision in prior period	<b>8,085</b>	-
UK corporation tax credit on losses for the year	<b>1,975,872</b>	1,925,700

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:

	<b>Year ended 31 December 2003 £</b>	<b>Year ended 31 December 2002 £</b>
Loss on ordinary activities before tax	<b>(2,428,245)</b>	(11,425,898)
Tax on loss on ordinary activities before tax at 30% (2002:30%)	<b>728,473</b>	3,427,769
<i>Effects of:</i>		
Unutilised losses carried forward	-	(371,036)
Over provision in prior period	<b>8,085</b>	-
Capital allowances in excess of depreciation	<b>1,220,061</b>	-
Expenses not deductible for tax purposes	-	(128,843)
Income not taxable	<b>19,253</b>	-
Depreciation in excess of capital allowances	-	(1,002,190)
<b>Current tax credit for the year</b>	<b>1,975,872</b>	1,925,700

The corporation tax credit relates to group relief surrendered to a fellow group undertaking for which a payment will be received.

There are no known factors that will affect future tax charges.

**CITIGEN (LONDON) LIMITED****Notes to the financial statements  
for the year ended 31 December 2003 (continued)****9 Tangible fixed assets**

	<b>Plant and machinery</b>	<b>Fixtures, fittings, tools and equipment</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost:</b>			
At 31 December 2002	57,773,466	295,003	58,068,469
Additions	479,666	-	479,666
<b>At 31 December 2003</b>	<b><u>58,253,132</u></b>	<b><u>295,003</u></b>	<b><u>58,548,135</u></b>
<b>Depreciation:</b>			
At 31 December 2002	57,773,466	295,003	58,068,469
Impairment (see note 4)	479,666	-	479,666
<b>At 31 December 2003</b>	<b><u>58,253,132</u></b>	<b><u>295,003</u></b>	<b><u>58,548,135</u></b>
<b>Net book value:</b>			
<b>At 31 December 2003</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
At 31 December 2002	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

**10 Stocks**

	<b>At 31 December 2003 £</b>	<b>At 31 December 2002 £</b>
Fuel stocks	<b><u>125,831</u></b>	<b><u>45,020</u></b>

**CITIGEN (LONDON) LIMITED**

**Notes to the financial statements**  
**for the year ended 31 December 2003 (continued)**

**11 Debtors: amounts falling due within one year**

	<b>At 31 December 2003 £</b>	<b>At 31 December 2002 £</b>
Trade debtors	<b>385,741</b>	173,907
Amounts owed by group undertakings	<b>3,901,572</b>	1,925,700
Other debtors	<b>227,928</b>	162,671
Prepayments and accrued income	<b>91,094</b>	188,464
	<b><u>4,606,335</u></b>	<u>2,450,742</u>

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

**12 Creditors: amounts falling due within one year**

	<b>At 31 December 2003 £</b>	<b>At 31 December 2002 £</b>
Trade creditors	<b>698,176</b>	487,679
Amounts owed to group undertakings	<b>9,396,396</b>	6,733,513
Accruals and deferred income	<b>567,547</b>	556,899
	<b><u>10,662,119</u></b>	<u>7,778,091</u>

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

**13 Creditors: amounts falling due after more than one year**

	<b>At 31 December 2003 £</b>	<b>At 31 December 2002 £</b>
Deferred income:		
Between one and two years	<b>95,151</b>	77,162
Between two and five years	<b>378,579</b>	231,487
After five years	<b>696,674</b>	1,058,826
	<b><u>1,170,404</u></b>	<u>1,367,475</u>

**CITIGEN (LONDON) LIMITED**

**Notes to the financial statements**  
**for the year ended 31 December 2003 (continued)**

**14 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 30% is £3,647,815 (2002: £4,980,993).

**15 Share capital**

	At 31 December 2003 £	At 31 December 2002 £
<b>Authorised</b>		
26,300,000 ordinary shares of £1 each	<b>26,300,000</b>	26,300,000
<b>Allotted, called-up and fully paid</b>		
26,184,000 ordinary shares of £1 each	<b>26,184,000</b>	26,184,000

**16 Reserves**

	Profit and loss account £	Capital reserve £
At 31 December 2002	(55,881,984)	23,050,000
Loss for the financial year	(452,373)	-
<b>At 31 December 2003</b>	<b>(56,334,357)</b>	<b>23,050,000</b>

**17 Reconciliation of movements in shareholders' deficit**

	31 December 2003 £	31 December 2002 £
Loss for the financial year	(452,373)	(9,500,198)
Opening shareholders' (deficit)/ funds	(6,647,984)	2,852,214
Closing shareholders' deficit	(7,100,357)	(6,647,984)

## **CITIGEN (LONDON) LIMITED**

### **Notes to the financial statements** **for the year ended 31 December 2003 (continued)**

#### **18 Pension commitments**

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

The fund is valued every three years by a professionally qualified, independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the appropriateness of the rates. The latest published actuarial assessment of the scheme was at 31 March 2001. Particulars of this valuation are contained in the accounts of Powergen Limited.

Accounting for amortisation of surpluses, other than the impact on regular costs and contributions payable, is dealt with in the accounts of E.ON UK plc.

The total pension cost to the Company in the year was £54,352 (2002: £56,825).

#### **19 Ultimate parent undertaking and controlling party**

The immediate parent undertaking is E.ON UK CHP Limited (formerly Powergen 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 (formerly Powergen 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  
Düsseldorf  
Germany