

CITIGEN (LONDON) LIMITED
STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the Year Ended 31 December 2017

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Registered No: 02427823

CITIGEN (LONDON) LIMITED
STRATEGIC REPORT
for the Year Ended 31 December 2017

The directors present their strategic report of the Company for the year ended 31 December 2017.

Fair review of the business

The level of operating activity during the year was as anticipated and performance improved compared to the prior year. Following a comprehensive refurbishment of the Company's combined heat and power ("CHP") plant in London, the Company has been and continues to pursue new commercial opportunities.

On 28 November 2017, the Company issued 23,300,000 additional £1 ordinary shares to its parent company E.ON UK CHP Limited.

At 31 December 2017, a review of the appropriateness of the carrying value of the Company's CHP plant and associated connections was undertaken. No impairment was recognised as a result of this review (2016: £26,539,000 charge).

At 31 December 2017, the Company had net assets of £1,746,000 (2016: net liabilities of £22,809,000). Further information regarding the financial position of the Company at the year end is provided in the Directors' Report.

Principal risks and uncertainties

The key business risks and uncertainties affecting the Company are considered to relate to asset performance, credit risks and inflation. The management of risks is undertaken at the E.ON SE consolidated ('group') level. Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided within the financial review section of the group's annual report which does not form part of this report.

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of E.ON SE, which include those of the Customer Solutions UK division of E.ON SE, which includes the Company, are discussed within the financial review section of the group's annual report which does not form part of this report.

Key performance indicators ('KPIs')

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

Approved by the Board of Directors on 24 July 2018 and signed on its behalf by:



B Wagner
Director

Citigen (London) Limited
Company No: 02427823
Westwood Way
Westwood Business Park
Coventry
CV4 8LG

CITIGEN (LONDON) LIMITED
DIRECTORS' REPORT
for the Year Ended 31 December 2017

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2017.

Directors of the Company

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

B Wagner (appointed 8 December 2017)
M G Wake (appointed 8 December 2017)
M R Day (appointed 4 May 2018)
J P Bungey (resigned 8 December 2017)
J T Lightfoot (resigned 8 December 2017)
J A Ireton (resigned 23 March 2018)

Principal activity

The Company's principal activity during the year and at the year end was the operation of a CHP plant in London for the generation of electricity and the supply of heating, and hot and chilled water to commercial, industrial and domestic customers. Following a comprehensive refurbishment of the CHP plant, the Company has been and continues to pursue new commercial opportunities.

Future developments

The Company's future developments are discussed in the Strategic Report.

Results and dividends

The Company's profit for the financial year is £1,255,000 (2016: loss of £23,342,000). No interim dividends were paid during the year (2016: £nil). The directors do not recommend the payment of a final dividend (2016: £nil).

Financial risk management

Objectives and policies

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

E.ON SE's central financing strategy

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

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

Foreign exchange risk management

The Company operates within the framework of E.ON SE's guidelines for foreign exchange risk management. The Company's policy is to hedge all contractually committed operational exposures, as soon as the commitment arises. The Company will also partly hedge less certain cash flows when appropriate. The Company determines the hedging of translation exposures (the value of foreign currency liabilities and assets in the balance sheet) on a case by case basis in consultation with the E.ON UK plc treasury team.

Interest rate risk management

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

Credit risk management

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

CITIGEN (LONDON) LIMITED
DIRECTORS' REPORT
for the Year Ended 31 December 2017 (continued)

Liquidity planning, trends and risks

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

Political donations

No political donations were made during the year (2016: £nil).

Directors' indemnities

The Company maintains liability insurance for its directors and officers. This is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. This insurance cover was in force during the year and is still in force at the date of approving these financial statements.

Going concern

Notwithstanding the fact that the Company has net current liabilities, the directors believe that funding will continue to be provided by other group companies and hence the Company can meet its obligations as they fall due for a period of at least twelve months from the date of the approval of these financial statements.

Disclosure of information to auditors

So far as each of the directors 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 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.

Statement of directors' responsibilities in respect of these financial statements

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

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

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

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

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

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**CITIGEN (LONDON) LIMITED
DIRECTORS' REPORT
for the Year Ended 31 December 2017 (continued)**

Approved by the Board of Directors on 24 July 2018 and signed on its behalf by:



B Wagner
Director

Citigen (London) Limited
Company No: 02427823
Westwood Way
Westwood Business Park
Coventry
CV4 8LG

**Independent Auditors' Report to the Members of
CITIGEN (LONDON) LIMITED
for the Year Ended 31 December 2017**

Report on the audit of the financial statements

Opinion

In our opinion, Citigen (London) Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic report, Directors' report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; the profit and loss account, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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.

Reporting on other information

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

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

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

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

**Independent Auditors' Report to the Members of
CITIGEN (LONDON) LIMITED
for the Year Ended 31 December 2017 (continued)**

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 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 set out on page 3, 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.

Use of this report

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

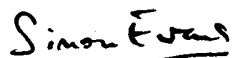
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



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

Date 24 July 2018

CITIGEN (LONDON) LIMITED
PROFIT AND LOSS ACCOUNT
for the Year Ended 31 December 2017

	<i>Note</i>	2017 £000	2016 £000
Turnover	2	5,789	3,203
Cost of sales		(2,313)	(1,508)
Gross profit		3,476	1,695
Administrative expenses		(1,652)	(2,400)
Impairment of tangible assets	3	-	(26,539)
Operating profit/(loss)	3	1,824	(27,244)
Interest receivable and similar income	6	5	-
Interest payable and similar expenses	7	(396)	(405)
Profit/(loss) before taxation		1,433	(27,649)
Tax on profit/(loss)	8	(178)	4,307
Profit/(loss) for the financial year		<u>1,255</u>	<u>(23,342)</u>

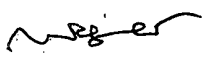
As the Company has no other comprehensive income for the year, a separate statement of comprehensive income has not been presented.

The notes on pages 10 to 19 form part of these financial statements.

CITIGEN (LONDON) LIMITED
BALANCE SHEET
as at 31 December 2017

	Note	2017 £000	2016 £000
Fixed assets			
Tangible assets	9	9,776	5,919
Current assets			
Debtors: amounts falling due within one year	10	16,189	20,814
Creditors: amounts falling due within one year	11	(22,104)	(47,572)
Net current liabilities		(5,915)	(26,758)
Total assets less current liabilities		3,861	(20,839)
Provisions for liabilities	12	(2,115)	(1,970)
Net assets/(liabilities)		1,746	(22,809)
Capital and reserves			
Called up share capital	13	23,300	-
Profit and loss account		(21,554)	(22,809)
Total shareholders' funds/(deficit)		1,746	(22,809)

The financial statements on pages 7 to 19 were approved by the Board of Directors on 24 July 2018 and signed on its behalf by:


B Wagner
Director
Citigen (London) Limited
Company No: 02427823

The notes on pages 10 to 19 form part of these financial statements.

CITIGEN (LONDON) LIMITED
STATEMENT OF CHANGES IN EQUITY
for the Year Ended 31 December 2017

	Called up share capital £000	Profit and sharehold- ers' loss account funds/(deficit) £000	Total £000
At 1 January 2016	-	533	533
Loss for the financial year	-	(23,342)	(23,342)
At 31 December 2016	-	(22,809)	(22,809)
Profit for the financial year	-	1,255	1,255
New share capital subscribed	23,300	-	23,300
At 31 December 2017	23,300	(21,554)	1,746

The notes on pages 10 to 19 form part of these financial statements.

CITIGEN (LONDON) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2017

1. Accounting policies

General information

The Company operates a CHP plant in London for the generation of electricity and the supply of heating, and hot and chilled water to commercial, industrial and domestic customers.

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

Basis of preparation of financial statements

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

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

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

Going concern

Notwithstanding the fact that the Company has net current liabilities, the directors believe that funding will continue to be provided by other group companies and hence the Company can meet its obligations as they fall due for a period of at least twelve months from the date of the approval of these financial statements.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Areas of significant judgement in application of accounting policies and critical accounting estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

CITIGEN (LONDON) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2017 (continued)

Decommissioning costs

Significant judgements and estimates are made about the costs of decommissioning the Company's CHP plant at the end of its useful life. The estimated costs of decommissioning and subsequent site restoration are reviewed periodically and a provision is made for the estimated decommissioning cost at the balance sheet date. The payment dates of total expected future decommissioning costs are uncertain and dependent on the life of the CHP plant.

Emissions trading scheme

The Company has adopted an accounting policy which recognises a shortfall in emissions rights within provisions. Expenses incurred for the consumption of emission rights are reported in cost of sales. Forward contracts for sales and purchases of allowances are measured at fair value.

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. Significant judgement is required in determining value in use as this represents the present value of expected future cash flows, discounted using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cashflows have not been adjusted. Where such an asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the income generating unit.

Corporation tax

Significant judgement is required in determining the Company's provision for corporation taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Turnover

Turnover represents amounts chargeable, net of value added tax, in respect of goods and services provided to customers. Turnover comprises revenue, from the sale of power, heated and chilled water, and other services to industrial and commercial and domestic customers and is recognised when earned on the basis of contractual agreements with customers, along with other income streams directly related to the operation of the CHP plant. It reflects the value of the volume supplied, including an estimated value of the volume supplied to customers between the date of their last meter reading and the year end.

Tangible assets

Tangible assets are stated at original cost less accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Plant and machinery relate primarily to microgeneration assets.

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

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

Asset class	Depreciation method and rate
Plant and machinery	Straight line basis up to 25 years

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

CITIGEN (LONDON) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2017 (continued)

Overhaul of generation plant

Major periodic overhaul costs on generation plant are capitalised as part of generating assets and depreciated on a straight-line basis over their useful economic life, typically the period until the next major overhaul.

Decommissioning costs

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

Foreign currency

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

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

Financial instruments

Loans and receivables (including trade receivables) are primarily financial assets with fixed or determinable payments that are not traded in an active market. Loans and receivables are reported on the balance sheet under "Debtors". Initial measurement takes place at fair value plus transaction costs. They are subsequently measured at amortised cost, using the effective interest method. Valuation allowances are provided for identifiable individual risks. If the loss of a certain part of the receivables is probable, valuation allowances are provided to cover the expected loss.

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

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the Company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the profit and loss account.

Inter-company balances

Inter-company payable and receivable trading balances within the E.ON SE group are consolidated at each period end into a single balance with each group company. These transactions are net settled. As a result the directors consider it appropriate to present inter-company balances within these financial statements on a net basis. Formal loan balances are settled and presented gross.

Offsetting

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

CITIGEN (LONDON) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2017 (continued)

Provisions

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

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

Future operating costs are not provided for.

Current and deferred income tax

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

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

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

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

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

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account evenly over the term of the lease.

Pensions

Pension costs represent amounts recharged by the intermediate parent company, E.ON UK plc, for the cost of contributions to defined benefit and defined contribution schemes. Further details of these schemes are available in E.ON UK plc's financial statements.

2. Turnover

Turnover represents amounts chargeable, net of value added tax, in respect of the sale of goods and services to customers. Turnover comprises revenue from the sale of power, heated and chilled water, and other services to industrial, commercial and domestic customers and is recognised when earned on the basis of contractual agreements with customers, along with other income streams directly related to the operation of the plant. The Company's turnover, all of which arises in the course of the Company's principal activity, arises in the UK.

CITIGEN (LONDON) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2017 (continued)

3. Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

	2017 £000	2016 £000
Operating lease	219	295
Depreciation of tangible assets (note 9)	183	965
Foreign currency gains/(losses)	1	(32)
Impairment of tangible assets (note 9)	-	26,539
	<u>219</u>	<u>26,539</u>

At 31 December 2017, a review of the appropriateness of the carrying value of the Company's CHP plant and associated connections was completed. No impairment was recognised as a result of this review (2016: £26,539,000). The cash flows used in this impairment review were based on approved budgets and discounted at the E.ON UK plc group's cost of capital appropriate for the Company.

4. Auditors' remuneration

Auditors' remuneration for the audit of these financial statements of £12,500 (2016: £12,500) was borne by E.ON UK plc, the intermediate parent undertaking, and not recharged.

5. Employee information

The Company had no employees during the year (2016: none).

The average monthly number of persons (including executive directors) recharged by E.ON UK plc to the Company during the year was:

	2017 Number	2016 Number
Production	<u>5</u>	<u>9</u>

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

	2017 £000	2016 £000
Wages and salaries	160	477
Social security costs	19	56
Other pension costs	22	89
	<u>201</u>	<u>622</u>

The directors received no emoluments from the Company during the year (2016: £nil) in respect of their services to the Company, as they are deemed to be provided as part of their services to the E.ON UK plc group.

CITIGEN (LONDON) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2017 (continued)

6. Interest receivable and similar income

	2017 £000	2016 £000
Interest receivable from group undertakings	<u>5</u>	<u>-</u>

7. Interest payable and similar expenses

	2017 £000	2016 £000
Interest payable to group undertakings	358	400
Interest - provision unwind (note 12)	38	5
	<u>396</u>	<u>405</u>

8. Tax on profit/(loss)

	2017 £000	2016 £000
Current tax:		
UK corporation tax credit on profits/(losses) for the year	-	(531)
Adjustment in respect of prior years	(588)	169
Total current tax credit	(588)	(362)
Deferred tax:		
Origination and reversal of timing differences	280	(3,760)
Adjustment in respect of prior years	478	(51)
Impact of change in tax rates	8	(134)
Total deferred tax charge/(credit)	766	(3,945)
Tax charge/(credit) on profit/(loss)	<u>178</u>	<u>(4,307)</u>

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Factors affecting tax charge/(credit) for the year

The tax charge/(credit) for the year is lower (2016: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2017 of 19.25% (2016: 20.00%). The differences are explained below:

	2017 £000	2016 £000
Profit/(loss) before taxation	1,433	(27,649)
Tax charge/(credit) on profit/(loss) before taxation at 19.25% (2016: 20.00%)	276	(5,530)
<i>Effects of:</i>		
Impact of changes in tax rates	(1)	1,104
Expenses not deductible for tax purposes	8	1
Initial recognition exemption impact	5	-
Adjustment in respect of prior years - deferred tax	478	(51)
Adjustment in respect of prior years - current tax	(588)	169
Tax charge/(credit) for the year	178	(4,307)

Reductions to the UK corporation tax rate were included in the Finance Act (No. 2) 2015, which reduced the main rate to 19% from 1 April 2017. A further reduction in the UK corporation tax rate was included in the Finance Act 2016 to reduce the rate to 17% from 1 April 2020. These changes were substantively enacted at the balance sheet date and their impact has been included in these financial statements.

The corporation tax receivable has been reduced by £588,000 because of group relief surrendered to a fellow group undertaking for which a payment will be received (2016: receipt of £362,000). Accordingly no tax losses are available for carry forward.

9. Tangible assets

	Plant and machinery £000
Cost	
At 1 January 2017	33,423
Additions	4,082
Disposals	(42)
At 31 December 2017	37,463
Accumulated depreciation and impairment losses	
At 1 January 2017	27,504
Charge for the year	183
At 31 December 2017	27,687
Net book value	
At 31 December 2017	9,776
At 31 December 2016	5,919

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During the year, changes in accounting estimates for the decommissioning provision resulted in an addition of £87,000 (2016: addition of £1,306,000) being recorded in these financial statements (note 12).

Assets in the course of construction of £5,289,000 (2016: £1,207,000) are included in plant and machinery.

10. Debtors: amounts falling due within one year

	2017 £000	2016 £000
Trade receivables	261	561
Amounts owed by group undertakings	12,368	15,846
Deferred tax	2,682	3,448
Other debtors	18	44
Other taxation and social security	468	165
Prepayments and accrued income	392	750
	<u>16,189</u>	<u>20,814</u>

Trade receivables are stated after provisions for impairment of £731,000 (2016: £nil).

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

Analysis of deferred tax

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

	2017 £000	2016 £000
Accelerated capital allowances	2,563	3,116
Other timing differences	119	332
	<u>2,682</u>	<u>3,448</u>
Asset/(liability) at beginning of year	3,448	(497)
Deferred tax (charge)/credit for the year (note 8)	(766)	3,945
Asset at year end	<u><u>2,682</u></u>	<u><u>3,448</u></u>

The Finance Act (No. 2) 2015 included legislation to reduce the main rate of corporation tax to 19% with effect from 1 April 2017. The Finance Act 2016 further reduced the main rate to 17% from 1 April 2020. The deferred tax asset at 31 December 2017 has been measured accordingly.

Within the deferred tax charge of £766,000, the amount that relates to the change in the tax rate is an £8,000 charge.

There are unused tax losses of £625,000 on which a deferred tax asset has been recognised, based on expected future taxable profits against which the losses can be utilised. These losses are available to be carried forward indefinitely.

Included in the deferred tax asset of £2,682,000 (2016: £3,448,000) is £2,020,000 (2016: £3,164,000) due after more than one year.

CITIGEN (LONDON) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2017 (continued)

11. Creditors: amounts falling due within one year

	2017 £000	2016 £000
Trade payables	277	1,851
Amounts owed to group undertakings	20,990	44,082
Accruals and deferred income	837	1,639
	22,104	47,572

Amounts owed to group undertakings include a loan of £20,419,000 (2016: £43,761,000) and a loan of €48,000 (2016: €nil) which is unsecured, bears interest at LIBOR plus 55 basis points, rolls daily for both capital and interest and is a draw down from a credit facility of £50,000,000 which expires on 31 December 2018. All other amounts are unsecured, interest free and repayable on demand.

12. Provisions for liabilities

	Emissions obligations £000	Decommissioning provision £000	Total £000
At 1 January 2017	67	1,903	1,970
Debited to the profit and loss account	64	-	64
Utilised during the year	(44)	-	(44)
Accretion of discount	-	38	38
Additions to tangible assets	-	87	87
At 31 December 2017	87	2,028	2,115

Emissions obligations provisions represent amounts payable to national authorities for emissions made during the year. Emission obligations are settled on an annual basis.

Decommissioning provisions comprise amounts set aside for the estimated costs of decommissioning the CHP plant and subsequent site restoration costs. Cashflows associated with decommissioning are expected to occur at the end of the site lease in 2042. During the year, changes in accounting estimates resulted in additions of £87,000 (2016: £1,306,000) being recorded in these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2017 (continued)

13. Called up share capital

	2017 £000	2016 £000
Allotted, called-up and fully paid		
23,300,002 (2016: 2) Ordinary shares of £1 each	<u>23,300</u>	<u>-</u>

On 28 November 2017, the Company issued 23,300,000 additional £1 ordinary shares to its parent company, E.ON UK CHP Limited.

14. Commitments

Operating lease commitments

As at 31 December 2017, the Company had commitments under non-cancellable operating leases as follows:

	2017 £000	2016 £000
Land and buildings		
Within one year	165	165
Within two and five years	662	662
Over five years	730	827
	<u>1,557</u>	<u>1,654</u>

15. Related party transactions

During the year, the Company made the following related party transactions:

Uniper Technologies Limited

A related party by virtue of being a company in the Uniper Group which is 47% owned by E.ON SE, the ultimate controlling party of the Company.

The related party provided engineering services to the Company amounting to £3,000 (2016: £76,000 during the period 13 September 2016 to 31 December 2016) of which no amount was capitalised (2016: £74,000).

The amount owed by the Company at the year end was £14,000 (2016: £nil).

16. Ultimate holding company

The Company is controlled by E.ON UK CHP Limited. The ultimate parent undertaking and controlling party is E.ON SE, a company incorporated in Germany, which is the parent company of the largest and smallest group to consolidate these financial statements. Copies of E.ON SE's financial statements are available from the offices of E.ON SE at the following address:

E.ON SE
Brüsseler Platz 1
45131 Essen
Germany