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**CITIGEN (LONDON) LIMITED**

**REPORT AND ACCOUNTS**

**for the year ended 31 December 2002**



**Registered No: 2427823**

# CITIGEN (LONDON) LIMITED

## Report of the directors for the year ended 31 December 2002

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2002.

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

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

On 21 October 2002, the whole of the issued share capital was acquired by Powergen CHP Limited. This was as part of a transaction whereby Powergen Limited (formerly Powergen plc) and its subsidiaries (together the Powergen Group) acquired the UK electricity and gas retail business and various generation assets of the TXU Europe Group plc. During the year a review of the appropriateness of the carrying value of the CHP installation of Company's plant was undertaken. An impairment provision of £9,038,559 has consequently been recorded in these accounts.

### **Results and dividends**

The Company's loss for the financial year is £9,500,198 (2001: loss of £862,331). 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
P Ashton	-	31 January 2002
B N Dickie	15 October 2002	21 October 2002
P C Marsh	-	21 October 2002
M J McNally	15 October 2002	21 October 2002
M S W Stanley	15 October 2002	21 October 2002
P J Tottman	-	17 October 2002
R A Wooldridge	15 October 2002	21 October 2002
G J Bartlett	21 October 2002	-
P Golby	21 October 2002	-
Powergen Directors Limited	21 October 2002	-
F S Stark	21 October 2002	-

During the year no director had any interest requiring disclosure.

### **Introduction of the Euro**

Powergen Limited and its subsidiaries (together the "Powergen Group") recognises 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 2002 (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 21 October 2002 Deloitte & Touche resigned as Auditors of the Company. PricewaterhouseCoopers (LLP) have been appointed to fill the casual vacancy thus arising and will remain in office until the next Annual General Meeting.

BY ORDER OF THE BOARD



Fiona Stark  
Director  
Citigen (London) Limited  
Wherstead Park  
Wherstead  
Ipswich  
Suffolk  
IP9 2AQ

24 July 2003

## 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, 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.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

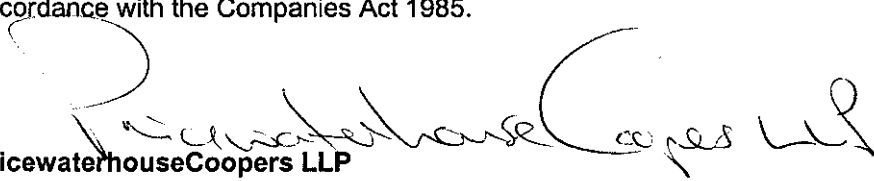
#### **Basis of audit opinion**

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 2002 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

24 July 2003

# CITIGEN (LONDON) LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

	Note	Year ended 31 December 2002 £	Year ended 31 December 2001 £
<b>Turnover</b>	2	<b>2,030,932</b>	2,346,964
Cost of sales		<u>(1,298,405)</u>	<u>(1,897,691)</u>
<b>Gross profit</b>		<b>732,527</b>	449,273
Net operating expenses	3	<b>(3,122,072)</b>	(1,313,253)
Exceptional item: Asset impairment – fixed assets	4	<b>(9,038,559)</b>	-
<b>Operating loss</b>	5	<b>(11,428,104)</b>	(863,980)
Net interest receivable	7	<b>2,206</b>	1,649
<b>Loss on ordinary activities before taxation</b>		<b>(11,425,898)</b>	(862,331)
Tax on loss on ordinary activities	8	<b>1,925,700</b>	-
<b>Retained loss for the financial year</b>	16	<b>(9,500,198)</b>	(862,331)

There is no material difference between the loss on ordinary activities before taxation and the retained 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.

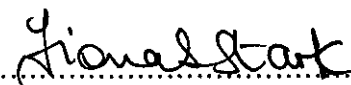
The accounting policies and the notes on pages 6 to 14 form part of these financial statements.

**CITIGEN (LONDON) LIMITED**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2002**

	Note	At 31 December 2002 £	At 31 December 2001 £
<b>Fixed assets</b>			
Tangible assets	9	-	9,305,629
<b>Current assets</b>			
Stock	10	45,020	28,093
Debtors: amounts falling due within one year	11	2,450,742	1,077,723
Cash at bank and in hand		1,820	229
		<u>2,497,582</u>	<u>1,106,045</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(7,778,091)</u>	<u>(6,114,822)</u>
<b>Net current liabilities</b>		<u>(5,280,509)</u>	<u>(5,008,777)</u>
<b>Total assets less current liabilities</b>		<u>(5,280,509)</u>	<u>4,296,852</u>
<b>Creditors: amounts falling due after more than one year</b>	13	<u>(1,367,475)</u>	<u>(1,444,638)</u>
		<u>(6,647,984)</u>	<u>2,852,214</u>
<b>Capital and reserves</b>			
Called-up share capital	15	26,184,000	26,184,000
Capital reserve	16	23,050,000	23,050,000
Profit and loss account	16	(55,881,984)	(46,381,786)
<b>Equity shareholders' funds</b>	17	<u>(6,647,984)</u>	<u>2,852,214</u>

The financial statements on pages 4 to 14 were approved by the Board on 24 July 2003 and were signed on its behalf by:

 Director  
Fiona Stark

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 2002

### **1 Accounting policies**

These financial statements are prepared under the historical cost convention, the accounting policies set out below and in accordance with applicable United Kingdom Accounting Standards all of which have been consistently applied.

#### **(a) Tangible fixed assets**

Tangible fixed assets are stated at their purchase or production cost less provision for depreciation and any provision for impairment. The provision for 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) 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.

#### **(c) Pension costs**

The Company contributes to a funded group pension scheme operated by 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 contributions to the group pension scheme in the accounting period in which they fall due. The contributions are determined on a Group-wide basis. Accounting for amortisation of surpluses, other than the impact on contributions payable, is dealt with in the accounts of Powergen UK plc.

Some employees contribute to defined contribution schemes. Contributions payable to the pension schemes are accounted for in the period in which they fall due.

#### **(d) 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 to the extent that their recoverability is probable through future profits of the same trade.

# **CITIGEN (LONDON) LIMITED**

## **Notes to the financial statements** **for the year ended 31 December 2002 (continued)**

### **1 Accounting policies (continued)**

#### **(d) Taxation (continued)**

Previously the provision for deferred tax was accounted for on the partial provisioning basis required by Statement of Standard Accounting Practice 15 "Accounting for Deferred Tax" (SSAP15). The effect of the change in accounting policy on the results and net assets on the current and previous financial year is disclosed in note 14.

#### **(e) 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).

#### **(f) Related party transactions**

The Company is exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the E.ON Group or investees of the E.ON Group.

#### **(g) Going concern**

Notwithstanding the fact that the Company is 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 Powergen UK plc, a fellow group undertaking and principal UK trading subsidiary of E.ON AG, 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.

### **2 Turnover**

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



# CITIGEN (LONDON) LIMITED

## Notes to the financial statements for the year ended 31 December 2002 (continued)

### 3 Net operating expenses

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Administrative expenses	530,198	554,592
Distribution costs	1,010,410	295,052
Other expenses	1,581,464	463,609
	<u>3,122,072</u>	<u>1,313,253</u>

### 4 Exceptional item

In the year ended 31 December 2002, a 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 Powergen Group's cost of capital for CHP operations. An impairment provision of £9,038,559 has consequently been recorded in these accounts. No tax credit arises in respect of this item.

### 5 Operating loss

Operating loss is stated after charging:

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Depreciation of tangible fixed assets	455,690	446,032
Impairment provision (see note 4)	<u>9,038,559</u>	<u>-</u>

Auditors' remuneration is borne by Powergen UK plc.

# CITIGEN (LONDON) LIMITED

## Notes to the financial statements for the year ended 31 December 2002 (continued)

### 6 Employee information

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

	Year ended 31 December 2002	Year ended 31 December 2001
Directors	3	3
Administration staff	4	4
Operations staff	16	16
	<u>23</u>	<u>23</u>

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

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Wages and salaries	783,642	732,711
Social security costs	73,711	67,149
Other pension costs	56,825	43,005
	<u>914,178</u>	<u>842,865</u>

During the year no remuneration was paid by the Company to the Directors (2001:nil).

### 7 Net interest receivable and similar items

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Interest receivable on deposits	<u>2,206</u>	<u>1,649</u>

# CITIGEN (LONDON) LIMITED

## Notes to the financial statements for the year ended 31 December 2002 (continued)

### 8 Tax on loss on ordinary activities

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
<b>Current tax:</b>		
UK corporation tax on losses for the year	<u>1,925,700</u>	<u>-</u>

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 2002 £	Year ended 31 December 2001 £
Loss on ordinary activities before tax	<u>(11,425,898)</u>	<u>(862,331)</u>
Tax on loss on ordinary activities before tax at 30% (2001 : 30%)	3,427,769	258,699
<i>Effects of:</i>		
Unutilised losses carried forward	(371,036)	(151,016)
Non taxable income	-	9,033
Expenses not deductible for tax purposes	(128,843)	(10,388)
Depreciation in excess of capital allowances	<u>(1,002,190)</u>	<u>(106,328)</u>
<b>Current tax credit for the year</b>	<u>1,925,700</u>	<u>-</u>

The corporation tax credit relates to group relief surrendered to a fellow group undertaking for which a payment of £1,925,700 will be received.

# CITIGEN (LONDON) LIMITED

## Notes to the financial statements for the year ended 31 December 2002 (continued)

### 9 Tangible fixed assets

	Plant and Machinery	Fixtures, Fittings, Tools and Equipment	Total
	£	£	£
<b>Cost:</b>			
At 31 December 2001	57,604,476	275,373	57,879,849
Additions	168,990	19,630	188,620
<b>At 31 December 2002</b>	<b>57,773,466</b>	<b>295,003</b>	<b>58,068,469</b>
<b>Depreciation:</b>			
At 31 December 2001	48,319,546	254,674	48,574,220
Impairment (see note 5)	9,014,532	24,027	9,038,559
Charge for the year	439,388	16,302	455,690
<b>At 31 December 2002</b>	<b>57,773,466</b>	<b>295,003</b>	<b>58,068,469</b>
<b>Net book value:</b>			
<b>At 31 December 2002</b>	<b>-</b>	<b>-</b>	<b>-</b>
At 31 December 2001	9,284,930	20,699	9,305,629

### 10 Stocks

	At 31 December 2002 £	At 31 December 2001 £
Fuel stocks	45,020	28,093

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

	At 31 December 2002 £	At 31 December 2001 £
Trade debtors	173,907	176,406
Amounts owed by group undertakings	1,925,700	663,828
Other debtors	162,671	72,002
Prepayments and accrued income	188,464	165,487
	<b>2,450,742</b>	<b>1,077,723</b>

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

# CITIGEN (LONDON) LIMITED

## Notes to the financial statements for the year ended 31 December 2002 (continued)

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

	At 31 December 2002 £	At 31 December 2001 £
Bank loans and overdrafts	-	42,991
Trade creditors	487,679	167,734
Amounts owed to group undertakings	6,733,513	5,875,133
Accruals and deferred income	556,899	28,964
	<u>7,778,091</u>	<u>6,114,822</u>

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

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

	At 31 December 2002 £	At 31 December 2001 £
Deferred income		
Between one and two years	77,162	77,162
Between two and five years	231,487	231,487
After five years	1,058,826	1,135,989
	<u>1,367,475</u>	<u>1,444,638</u>

### 14 Deferred Tax

The adoption of FRS 19 "Deferred Tax", which was issued on 1 December 2000, has necessitated adjustment to the deferred tax provision made in the prior year. Prior to the adoption of FRS19, provision for deferred tax was made using the partial provisioning basis in accordance with SSAP 15 "Accounting for Deferred Tax". Under the partial provisioning basis, provision for deferred tax was made to the extent that it was probable that a liability would crystallise in the foreseeable future. In accordance with FRS 19 the company's policy is now to provide for deferred tax on a full provision basis.

The adoption of FRS 19 has had no effect on the results or assets for the current or prior years.

A potential deferred tax asset has not been recognised. The estimated value of this unrecognised deferred tax asset, measured on a discounted basis at a standard taxation rate of 30%, is £4,980,993 (2001 : £3,889,078).

# CITIGEN (LONDON) LIMITED

## Notes to the financial statements for the year ended 31 December 2002 (continued)

### 15 Share capital

	At 31 December 2002 £	At 31 December 2001 £
<b>Authorised</b>		
26,300,000 ordinary shares of £1 each	<u>26,300,000</u>	<u>26,300,000</u>
<b>Allotted, called-up and fully paid</b>		
26,184,000 ordinary shares of £1 each	<u>26,184,000</u>	<u>26,184,000</u>

### 16 Reserves

	Profit and loss account £	Capital reserve £
At 31 December 2001	(46,381,786)	23,050,000
Retained loss for the financial year	(9,500,198)	-
<b>At 31 December 2002</b>	<u>(55,881,984)</u>	<u>23,050,000</u>

### 17 Reconciliation of movements in shareholders' funds

	31 December 2002 £	31 December 2001 £
Loss for the financial year	(9,500,198)	(862,331)
Opening shareholders' funds	<u>2,852,214</u>	<u>3,714,545</u>
<b>Closing shareholders' funds</b>	<u>(6,647,984)</u>	<u>2,852,214</u>

## **CITIGEN (LONDON) LIMITED**

### **Notes to the financial statements** **for the year ended 31 December 2002 (continued)**

#### **18 Pension commitments**

The Company participates in the TXU Europe section of a funded group pension scheme which is part of an industry wide scheme, the Electricity Supply Pension Scheme (ESPS). The pension scheme is of the defined benefit type and its assets are held in a separate trustee-administered fund.

Under FRS 17, the Company would be unable to identify its share of the underlying assets and liabilities of the group pension scheme on a reasonable and consistent basis and would be accounting for the scheme under the multi-employer accounting rules of this standard.

On 22 October, Powergen UK plc became the principal employer of the TXU Europe section of the ESPS.

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. This valuation, which was performed by a qualified independent actuary on the projected unit basis, indicated that the surplus in the TXU Europe section of the scheme at that date was £56.3m and that the funding level was 105.5%. Further details of this valuation are contained in the accounts of Powergen Limited (formerly Powergen plc).

Accounting for amortisation of surpluses, other than the impact on contributions payable, is dealt with in the accounts of Powergen UK plc.

The total pension cost to the Company was £56,825 (2001: £43,005).

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

The immediate parent undertaking is 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 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