

**Citigen (London) Limited**  
(Company No.2427823)

**Report and Financial Statements**  
30th June 1995



**Fraser Russell**  
Chartered Accountants

# CITIGEN (LONDON) LIMITED

30TH JUNE 1995

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# **CITIGEN (LONDON) LIMITED**

## **REPORT OF THE DIRECTORS**

### **DIRECTORS:**

P.R. Taylor (Chairman)

J.C. Earl

D. Wilkinson

M.S. Clare

### **SECRETARY:**

A.G. Dunleavy

The directors present their report and financial statements for the year ended 30th June 1995.

#### **1. The principal activity**

The principal activity of the company is the planning, construction and operation of CHP installations for the generation of electricity and supply of heating, hot water and ventilation services to commercial, industrial and domestic customers.

#### **2. Review of business**

The company made a loss of £37,570,924 (1994 : £1,040,748) during the year which was transferred against reserves.

The company is currently commissioning the engines and associated plant on gas oil with final commissioning of gas scheduled for completion by March 1997 when the CHP Station will be fully operational.

#### **3. Fixed assets**

Additional costs in respect of combined heat and power installations amounting to £8,002,236 were capitalised during the year. A provision has been made in the year amounting to £36,272,641 reflecting a permanent diminution in value of plant. Details of the permanent diminution are disclosed in note 2 to the financial statements.

#### **4. Charitable contributions**

During the year the company made charitable contributions amounting to £260 (1994 : £nil). No political contributions were made (1994: £ Nil)

#### **5. Future developments**

The directors do not anticipate any significant change in the company's activities in the foreseeable future.

# **CITIGEN (LONDON) LIMITED**

## **REPORT OF THE DIRECTORS (Continued)**

### **6. Events since the end of the period**

The following directors resigned following the year end:-

	<b>Date of resignation</b>
Mr. R.J. Brown	18th August 1995
Mr. R.W. Muchmore	18th August 1995
Mr. B.M. Huggett	18th August 1995
Mr. C.J. MacMillan	19th October 1995
Mr. A. Planchot (France)	8th March 1996
Mr. C. Maillard (France)	8th March 1996
Mr. P.C. Bono (France)	8th March 1996
Mr. P. Tordeux (Alternate) (France)	8th March 1996

The following directors were appointed following the year end

	<b>Date of appointment</b>
Mr. P.R. Taylor	18th August 1995
Mr. J.C. Earl	18th August 1995
Mr. D. Wilkinson	18th August 1995

Mr M.S. Clare was appointed as a director on 27th October 1994.

### **7. Proposed dividends**

The directors do not recommend the payment of a dividend (1994 : Nil).

### **8. Directors' interests**

At no time during the year did any director still holding office on 30th June 1995 have any beneficial interest in the shares of the company or any other company within the group except for interests in the shares of the ultimate parent company, British Gas plc, as stated below:

#### **Beneficial holdings**

	<b>30th June 1994</b>	<b>30th June 1995</b>
B.M. Huggett	9,204	9,688
R.W. Muchmore	6,979	8,738
R.J. Brown	7,101	7,080
C.J. MacMillan	3,481	4,155

**CITIGEN (LONDON) LIMITED**  
**REPORT OF THE DIRECTORS (Continued)**

**8. Directors' interests (continued)**

Options to purchase fully paid ordinary shares were granted under the Savings Related Share Options Scheme and Executive Share Option Scheme as follows:

**Savings related share options scheme**

	30th June 1994	Granted	Exercised	30th June 1995
R.W. Muchmore	3,194	-	1,301	1,893
R.J. Brown	5,955	-	2,168	3,787
C.J. MacMillan	-	2,716	-	2,716

The options were exercised at £1.66 per ordinary share.

**Executive share option scheme**

	30th June 1994	Granted	Exercised	30th June 1995
B.M. Huggett	-	17,008	-	17,008
M.S. Clare	-	49,063	-	49,063
R.W. Muchmore	-	18,132	-	18,132
R.J. Brown	-	23,780	-	23,780
C.J. MacMillan	-	20,279	-	20,279

All options were granted under the terms of the ultimate parent company's Savings Relating Share Option Scheme or Executive Share Option Scheme, details of which are given in that company's Report and Accounts for the year ended 31st December 1995.

**9. Directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

**CITIGEN (LONDON) LIMITED**

**REPORT OF THE DIRECTORS (Continued)**

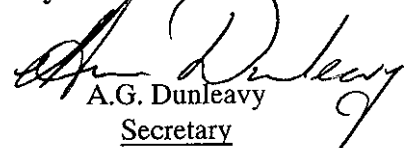
**9. Directors' responsibilities (continued)**

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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.

**10. Auditors**

Messrs. Fraser Russell (formerly Comins and Co) will not be retained as auditors of the company. In accordance with the Companies Act 1985, a resolution proposing the appointment of Messrs. Price Waterhouse as auditors will be put to the Annual General Meeting.

**By Order Of The Board**

  
A.G. Dunleavy  
Secretary

Registered Office:

22 St Andrew Street  
London EC4A 3AN

25th April 1996

**REPORT OF THE AUDITORS**  
**TO THE SHAREHOLDERS OF CITIGEN (LONDON) LIMITED**

We have audited the financial statements on pages 6 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

**Respective responsibilities of directors and auditors**

As described on pages 3 and 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**Basis of 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 as at 30th June 1995 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Fraser Russell*

**FRASER RUSSELL**  
Chartered Accountants  
Registered Auditors

4 London Wall Buildings  
Blomfield Street  
London  
EC2M 5NT

26th April 1996

**CITIGEN (LONDON) LIMITED**

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30TH JUNE 1995**

	Note	1995	1994
<b>Turnover</b>	1	1,835,268	2,072,800
Cost of sales		(2,436,919)	(2,328,166)
		<hr/>	<hr/>
<b>Gross loss</b>		(601,651)	(255,366)
Administrative expenses		(691,709)	(782,445)
Exceptional item: Provision for permanent diminution in value of plant	2	(36,272,641)	-
		<hr/>	<hr/>
<b>Operating loss</b>	2	(37,566,001)	(1,037,811)
Interest payable	4	(4,923)	(2,937)
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>		(37,570,924)	(1,040,748)
Tax on loss on ordinary activities	5	-	-
		<hr/>	<hr/>
<b>Loss for the financial year</b>	13	£ (37,570,924)	£ (1,040,748)
		<hr/>	<hr/>

**Continuing operations**

None of the company's activities were acquired or discontinued during the above two financial years.

**Total recognised gains and losses**

The company has no recognised gains or losses other than the loss for the above two financial years.

*The notes on page 8 to 14 form part of these financial statements.*




**CITIGEN (LONDON) LIMITED**

**BALANCE SHEET  
30TH JUNE 1995**

	Note	1995	1994
<b>Fixed assets</b>			
Tangible assets	6	4,058,985	32,340,154
<b>Current assets</b>			
Stock	7	-	8,602
Debtors	8	439,183	1,109,277
Cash at bank and in hand		516	199,298
		<u>439,699</u>	<u>1,317,177</u>
<b>Creditors: amounts falling due within one year</b>	9	<u>(18,718,502)</u>	<u>(16,037,002)</u>
<b>Net current liabilities</b>		<u>(18,278,803)</u>	<u>(14,719,825)</u>
<b>Total assets less current liabilities</b>		<u>(14,219,818)</u>	<u>17,620,329</u>
<b>Creditors: amounts falling due after more than one year</b>	10	<u>(17,164,079)</u>	<u>(11,433,302)</u>
<b>Net (liabilities)/assets</b>		<u>£ (31,383,897)</u>	<u>£ 6,187,027</u>
<b>Capital and reserves</b>			
Called up share capital	12	8,300,000	8,300,000
Profit and loss account	13	(39,683,897)	(2,112,973)
<b>Equity shareholders' funds</b>		<u>£ (31,383,897)</u>	<u>£ 6,187,027</u>

Approved by the Board  
and signed on its behalf  
on 25th April 1996

  
.....  
J. C. EARL - Director

*The notes on pages 8 to 14 form part of these financial statements.*

**CITIGEN (LONDON) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
30TH JUNE 1995**

**1. Accounting policies**

**(i) Basis of preparation**

These financial statements have been prepared under the historical cost convention. No cash flow statement is included in the financial statements on the grounds that the company is entitled to the exemptions given by FRS1.

**(ii) Going concern**

The financial statements have been prepared on a going concern basis. A fellow group company has confirmed its intention to finance the company so as to enable it to meet its liabilities as they fall due and carry on business without a significant curtailment of their operations.

**(iii) Fixed assets**

Construction, design and planning costs are capitalised as tangible fixed assets in respect of projects contracted for or where formal initial approval has been obtained. Plant costs include amounts in respect of net interest paid on funds specifically related to the financing of combined heat and power installations. Depreciation will be provided over the expected useful life of the plant and machinery once it is fully operational.

Provision is made against the carrying value of fixed assets when those assets are considered to have suffered a permanent diminution in value.

Depreciation is charged on other tangible fixed assets at rates calculated to write off the cost less estimated residual value over their expected useful lives on a straight line basis at the following rates:

Fixtures, fittings, tools and office equipment	- over four years.
Computer equipment	- over three years.
Motor vehicles	- over three years.

**(iv) Operating leases**

Obligations under operating leases are charged to the profit and loss account over the period of the lease.

**(v) EEC grants**

Grants received in respect of capital expenditure are treated as deferred credits and classified as deferred income.

They will be credited to the profit and loss account by instalments over the expected useful lives of the related assets once operational.

# CITIGEN (LONDON) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) 30TH JUNE 1995

### 1. Accounting policies (continued)

#### (vi) Deferred taxation

Deferred taxation is provided on the liability method on all short term timing differences. Provision is also made for long term timing differences except for those which are not expected to reverse in the foreseeable future.

#### (vii) Stocks

Stocks are stated in accordance with Statement of Standard Accounting Practice No 9 at the lower of cost and net realisable value.

#### (viii) Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations under the hire purchase contract is charged evenly over the period of the contract.

#### (ix) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate ruling at the balance sheet date. Transactions arising during the year are translated at the rate ruling at the date of the transaction. All exchange differences arising during the year are taken to the profit and loss account.

#### (x) Turnover

Turnover represents the invoiced amount of services provided during the year exclusive of value added tax. The turnover is derived from the continuing principal activity of the company and arose wholly within the United Kingdom.

### 2. Operating loss

	1995	1994
This is stated after charging:		
Directors' emoluments	£ Nil	£ Nil
Auditors' remuneration	£ 5,500	£ 5,500
Depreciation	£ 52,627	£ 59,755
Exceptional item - Provision for diminution in value of fixed assets (see below)	£ 36,272,641	£ -
	<hr/>	<hr/>

The directors have reviewed the carrying value of plant costs as at 30th June 1995 and have made provision for a permanent diminution in value in respect of these assets in order to reflect their estimated recoverable amount.

Charges were made by Utilicom Holdings Limited, a shareholder company, in 1994 for services inclusive of those of one director. It is not possible to quantify this amount separately.

**CITIGEN (LONDON) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**30TH JUNE 1995**

**3. Employees**

The average weekly number of employees during the year was made up as follows:

	<b>1995</b>	<b>1994</b>
Directors	8	8
Administrative staff	10	16
	<u>18</u>	<u>24</u>
	<u><u>18</u></u>	<u><u>24</u></u>

Staff costs during the year amounted to:

	<b>1995</b>	<b>1994</b>
Wages and salaries	300,148	378,413
Social security costs	41,047	39,355
Other pension costs	4,941	4,581
	<u>346,136</u>	<u>422,349</u>
	<u><u>£ 346,136</u></u>	<u><u>£ 422,349</u></u>

**4. Interest payable**

On bank overdraft wholly repayable within five years	3,332	2,373
Loans not wholly repayable within five years	2,148,635	1,370,231
	<u>2,151,967</u>	<u>1,372,604</u>
Interest capitalised on Plant costs	(2,148,635)	(1,370,231)
	<u>3,332</u>	<u>2,373</u>
Finance charges - hire purchase contract	1,591	564
	<u>4,923</u>	<u>2,937</u>
	<u><u>£ 4,923</u></u>	<u><u>£ 2,937</u></u>

**5. Taxation**

There is no provision for corporation tax in view of the results for the year. At 30th June 1995 there are expected tax losses of approximately £5,800,000 (1994: £2,580,000) available to set against future profits or surrender to the shareholder. The losses have not yet been agreed by the Inland Revenue.

**CITIGEN (LONDON) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**30TH JUNE 1995**

6. Tangible Fixed Assets	Plant costs	Fixtures fittings and equipment	Motor vehicles	Total
At 1st July 1994	32,270,405	177,266	21,995	32,469,666
Additions	8,002,236	26,465	18,634	8,047,335
Disposals	-	(4,315)	-	(4,315)
At 30th June 1995	<u>£ 40,272,641</u>	<u>£ 199,416</u>	<u>£ 40,629</u>	<u>£ 40,512,686</u>
<b>Depreciation</b>				
At 1st July 1994	-	123,513	5,999	129,512
Charge for the year	-	41,102	11,525	52,627
Eliminated on disposal	-	(1,079)	-	(1,079)
Permanent diminution in value (note 2)	36,272,641	-	-	36,272,641
At 30th June 1995	<u>£ 36,272,641</u>	<u>£ 163,536</u>	<u>£ 17,524</u>	<u>£ 36,453,701</u>
<b>Net book value</b>				
At 30th June 1995	<u>£ 4,000,000</u>	<u>£ 35,880</u>	<u>£ 23,105</u>	<u>£ 4,058,985</u>
At 1st July 1994	<u>£32,270,405</u>	<u>£ 53,753</u>	<u>£ 15,996</u>	<u>£ 32,340,154</u>

Plant costs include £3,257,554 (1994 : £2,498,368) of design and survey costs and interest of £3,658,031 (1994 : £1,509,396) in respect of combined heat and power installations.

Plant costs at 30th June 1995 includes an amount of £14,772,331 (1994 : £11,646,362) in respect of assets held under finance lease. There is no depreciation for the year in respect of these assets (1994 : Nil). A permanent diminution in value has been provided in the year against total plant costs. Also the net book value of motor vehicles includes an amount of £14,996 (1994 : £19,995) in respect of an asset held under hire purchase contract. Depreciation for the year in respect of this asset amounted to £4,999 (1994 : £4,999).

7. Stock	1995	1994
Raw materials	<u>£ -</u>	<u>£ 8,602</u>
8. Debtors		
Trade debtors	237,611	458,775
Other debtors	201,572	650,502
	<u>£ 439,183</u>	<u>£ 1,109,277</u>

**CITIGEN (LONDON) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**30TH JUNE 1995**

9.	<b>Creditors: amounts falling due within one year</b>	<b>1995</b>	<b>1994</b>
	Bank overdraft	650,716	-
	Trade creditors	894,252	1,804,596
	Amounts owed to group undertaking	14,198,598	12,257,538
	Amounts owed to other shareholders	1,729,088	1,011,603
	Obligations under finance leases and hire purchase contracts (note 11)	3,776	778,897
	Taxation and social security costs	28,964	24,983
	Other creditors	655	1,773
	Accruals and deferred income	1,212,453	157,612
		<hr/>	<hr/>
		£ 18,718,502	£ 16,037,002
		<hr/>	<hr/>
10.	<b>Creditors: amounts falling due after more than one year</b>		
	Obligations under hire purchase contracts (note 11)	16,572,802	10,885,060
	Deferred income	591,277	548,242
		<hr/>	<hr/>
		£ 17,164,079	£ 11,433,302
		<hr/>	<hr/>

Deferred income includes a grant received from the Commission of the European Communities of £571,085 (1994 : £571,085). £22,843 is shown as a creditor falling due within one year (1994 : £22,843).

**CITIGEN (LONDON) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**30TH JUNE 1995**

**11. Obligations under finance leases and hire purchase contracts**

**1995                      1994**

The maturity of these amounts is as follows :-

Amounts payable within one year	3,776	1,318,670
Amounts payable after more than one year	10,553,890	5,277,182
Amounts payable after five years	34,998,972	13,150,715
	<hr/>	<hr/>
	45,556,638	19,746,567
Less: interest deferred to future periods	(28,980,060)	(8,082,610)
	<hr/>	<hr/>
	£ 16,576,578	£ 11,663,957
	<hr/>	<hr/>

Shown as:

Current obligations	3,776	778,897
Non current obligations	16,572,802	10,885,060
	<hr/>	<hr/>
	£ 16,576,578	£ 11,663,957
	<hr/>	<hr/>

Included in the above amounts is £16,560,952 (1994: £11,646,362) which is due to a group company.

**12. Share capital**

**1995                      1994**

**Authorised**

8,300,000 Ordinary shares of £1 each	£ 8,300,000	£ 8,300,000
	<hr/>	<hr/>

**Allotted, called up and fully paid**

8,300,000 Ordinary shares of £1 each	£ 8,300,000	£8,300,000
	<hr/>	<hr/>

**CITIGEN (LONDON) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**30TH JUNE 1995**

**13. Reconciliation of movements in shareholders' funds**

	Share capital	Profit and loss account	Total
At 1st July 1993	5,590,000	(1,072,225)	4,517,775
Loss for the year	-	(1,040,748)	(1,040,748)
New share capital subscribed	2,710,000	-	2,710,000
	<hr/>	<hr/>	<hr/>
At 1st July 1994	8,300,000	(2,112,973)	6,187,027
Loss for the year	-	(37,570,924)	(37,570,924)
	<hr/>	<hr/>	<hr/>
At 30th June 1995	£ 8,300,000	£ (39,683,897)	£ (31,383,897)
	<hr/>	<hr/>	<hr/>

**14. Capital commitments**

The company has agreed to reimburse the Corporation of London in respect of expenses incurred by the Corporation on the CHP scheme up to a maximum of £50,000.

Other commitments are as follows:	1995	1994
Authorised but not contracted for	-	2,805,000
Authorised and contracted for	1,880,518	736,000
	<hr/>	<hr/>
	£ 1,880,518	£ 3,541,000
	<hr/>	<hr/>

The projected total cost of the CHP station to completion is £56.8m, and the directors anticipate that the company will incur further operating losses of £Nil. Financing facilities of £45.3m have been received or arranged as at 30th June 1995. Financing for the balance of £11.5m was arranged subsequent to the balance sheet date.

**15. Ultimate parent company**

The ultimate parent company is British Gas plc, a company registered in England. Copies of the financial statements of the parent company are available from the company's registered office which is: 152 Grosvenor Road, London, SW1V 3JL.

**16. Operating lease**

The annual commitment under a non-cancellable lease for land and buildings is as follows:

	1995	1994
Expiring:		
Over five years	£ 100,000	£ 100,000
	<hr/>	<hr/>