

**E.ON UK CHP LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**for the year ended 31 December 2005**

**Registered No: 2684288**



**Report of the directors for the year ended 31 December 2005**

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2005.

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

The Company's principal activity during the year and at the year end continued to be the sale of energy and related services, primarily the operation of combined heat and power (CHP) plants. Both the level of business and financial position of the Company at the year end were satisfactory. The Company has no current plans to initiate any new CHP development projects.

During the year a review of the Company's plant portfolio and fixed asset investments was undertaken. The cash flows used in this review were discounted at the E.ON UK plc Group's cost of capital for CHP operations. An impairment of £47,276,000 has consequently been recorded within these accounts. The impairment arose as a result of changes in expected future commodity prices.

**Results and dividends**

The Company's loss for the financial year is £43,264,000 (2004: £5,786,000). The directors do not recommend the payment of a dividend (2004: £nil).

**Directors and their interests**

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

Mr G J Bartlett  
Mr K Plowman  
Dr A D Cocker

During the year, no director had an interest in the shares of the Company. At 31 December 2004 and 31 December 2005, no director had any interest requiring disclosure.

**Policy and practice on payment of creditors**

Where appropriate in relation to specific contracts, the Company's practice is to:

- settle the terms of payment with the supplier when agreeing the terms of each transaction;
- ensure that those suppliers are made aware of the terms of payment by inclusion of other relevant terms in the contracts; and
- pay in accordance with its contractual and other legal obligations.

For all other cases the Company supports the Better Payments Practice Code and has in place well developed arrangements with a view to ensuring that this is observed. Trade creditors at year end represented 38 days (2004: 39 days) of purchases.

## **E.ON UK CHP LIMITED**

### **Report of the directors for the year ended 31 December 2005 (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. The directors confirm that they have fulfilled their responsibilities.

#### **Auditors**

On 29 January 1993, the Company passed an elective resolution dispensing with the requirement to appoint auditors annually. Therefore PricewaterhouseCoopers LLP will continue in office.

BY ORDER OF THE BOARD



K Plowman  
Director  
E.ON UK CHP Limited  
Westwood Way  
Westwood Business Park  
Coventry  
CV4 8LG

20 October 2006

**Independent auditors' report to the Shareholders of E.ON UK CHP Limited**

We have audited the financial statements of E.ON UK CHP Limited for the year ended 31 December 2005 which comprise Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

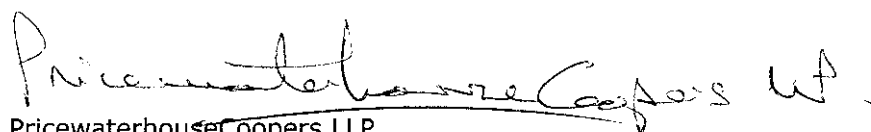
**Basis of audit opinion**

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

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

**Opinion**

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 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  
London

20 October 2006

**E.ON UK CHP LIMITED**

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**

	Note	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
<b>Turnover</b>	2	<b>147,246</b>	134,618
Cost of sales		<b>(147,063)</b>	(123,223)
<b>Gross profit</b>		<b>183</b>	11,395
Operating expenses	3	<b>(3,901)</b>	(4,353)
<b>Operating (Loss)/profit before exceptional items</b>		<b>(3,718)</b>	7,042
Exceptional items:			
Impairment of fixed assets	4	<b>(47,276)</b>	(5,666)
<b>Operating (Loss)/profit</b>	5	<b>(50,994)</b>	1,376
Interest payable and similar charges	7	<b>(11,283)</b>	(10,364)
<b>Loss on ordinary activities before taxation</b>		<b>(62,277)</b>	(8,988)
Tax on loss on ordinary activities	8	<b>19,013</b>	3,202
<b>Loss on ordinary activities after taxation</b>	17	<b>(43,264)</b>	(5,786)

There are no material differences 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 or 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.

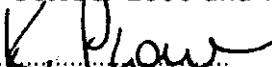
The accounting policies and the notes on pages 6 to 17 form part of these financial statements.

**E.ON UK CHP LIMITED**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2005**

	Note	At 31 December 2005 £'000	At 31 December 2004 £'000
<b>Fixed assets</b>			
Tangible assets	9	<b>94,589</b>	150,465
Investments	10	<b>74,358</b>	74,358
		<b>168,947</b>	224,823
<b>Current assets</b>			
Stock	11	<b>5,866</b>	5,131
Debtors: amounts falling due within one year	12	<b>20,666</b>	14,893
Cash at bank and in hand		-	61,723
		<b>26,532</b>	81,747
<b>Creditors: amounts falling due within one year</b>	13	<b>(289,124)</b>	(294,187)
<b>Net current liabilities</b>		<b>(262,592)</b>	(212,440)
<b>Total assets less current liabilities</b>		<b>(93,645)</b>	12,383
<b>Provisions</b>	14	<b>(2,655)</b>	-
<b>Deferred tax</b>	15	-	(8,419)
<b>Net (Liabilities)/Assets</b>		<b>(96,300)</b>	3,964
<b>Capital and reserves</b>			
Called-up share capital	16	<b>50,000</b>	107,000
Profit and loss reserve	17	<b>(146,300)</b>	(103,036)
		<b>(96,300)</b>	3,964
<b>Equity shareholders' deficit</b>	18	<b>(96,300)</b>	(53,036)
<b>Non-equity shareholders' funds</b>	18	-	57,000
<b>Total shareholders' (deficit)/funds</b>		<b>(96,300)</b>	3,964

The financial statements on pages 4 to 17 were approved by the Board of Directors on 20 October 2006 and were signed on its behalf by:

  
K Plowman, Director

20 October 2006

The accounting policies and the notes on pages 6 to 17 form part of these financial statements.

## **E.ON UK CHP LIMITED**

### **Notes to the financial statements** **for the year ended 31 December 2005**

#### **1 Accounting policies**

These financial statements are prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 1985 and applicable United Kingdom accounting standards, all of which have been consistently applied. The Company is exempt from the requirement to produce consolidated financial statements as it is included in the consolidated financial statements of E.ON AG, a company registered in Germany. The principal accounting policies are set out below.

##### **(a) Changes in accounting policy**

The Company has adopted FRS 17, 'Retirement Benefits' and FRS 25, 'Financial Instruments: disclosure and presentation' in these financial statements. The adoption of FRS 17 had no impact on the Company's reported results and the adoption of FRS 25 resulted in a change of presentation whereby redeemable preference shares were reclassified from Shareholders' funds to creditors: amounts due within one year.

As detailed in note 1(e), with effect from 1 January 2005, the Company has also commenced accounting for site decommissioning costs. The impact on the Company's reported results is provided in that note.

##### **(b) Fixed asset investments**

Fixed asset investments are stated at original cost plus subsequent loans advanced or amounts invested. Provision is made for any impairment in the value of investments.

##### **(c) Tangible fixed assets**

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

<i>Asset</i>	<i>Years</i>
Operating plant and buildings	10-20
Overhaul costs	2-3
Other short term assets	3-5

Freehold land and assets in the course of construction are not depreciated.

##### **(d) Overhaul of generation plant**

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

**Notes to the financial statements**  
**for the year ended 31 December 2005 (continued)**

**1 Accounting policies (continued)**

**(e) Decommissioning Costs**

With effect from 1 January 2005, following a detail review of CHP contracts, especially those where a decommissioning obligation is not explicit, the Company determined it appropriate to account for the anticipated decommissioning costs across various plant sites. A fixed asset and related provision is recognised in respect of the estimated total discounted cost of decommissioning generating asset. The resulting fixed asset is depreciated on a straight-line basis, and the discount on the provision is unwound, over the useful life of the associated power station. The net impact of the creation of the fixed asset and provision at 1 January 2005 was £516,000 with a further increase in current year loss before tax of £783,000 due to depreciation and the unwinding of the discount. Had the decommissioning policy been in effect during the year ended 31 December 2004 then the loss before tax for that year would have been higher by £260,000.

**(f) Fuel stocks and stores**

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

**(g) Operating leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

**(h) Pension costs**

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

**(i) 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.



**Notes to the financial statements**  
**for the year ended 31 December 2005 (continued)**

**1 Accounting policies (continued)****(j) Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated into sterling at exchange rates ruling at the end of the financial year. Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling on the date payment takes place unless related or matching forward foreign exchange contracts have been entered into when the rate specified in that contract is used. Any resultant foreign exchange differences are taken to the profit and loss account in the period in which they arise.

**(k) 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).

**(l) Related party transactions**

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

**(m) Going concern**

Notwithstanding the fact that the Company has been loss making and has net liabilities, the directors have prepared the accounts on the going concern basis. The directors have received confirmation from E.ON UK plc, the Company's immediate parent undertaking, 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 contracted sales of energy (electricity and steam) generated from CHP plant on an accruals basis. The Company's turnover, all of which arises in the course of the Company's principal activity, arises in the United Kingdom.

**3 Operating expenses**

	<b>Year ended 31 December 2005 £'000</b>	Year ended 31 December 2004 £'000
Administrative expenses	<b>3,901</b>	4,353

The directors consider that it is appropriate to include all of the costs incurred at the Company's operational sites within "Cost of Sales". The Company incurs administrative costs on behalf of both E.ON UK Cogeneration Limited and Citigen (London) Limited in the form of common management costs, for which no recharge is made.

## **E.ON UK CHP LIMITED**

### **Notes to the financial statements** **for the year ended 31 December 2005 (continued)**

#### **4 Exceptional items : Impairment of fixed assets**

##### *Year ended 31 December 2005*

In the year ended 31 December 2005, a review of the Company's plant portfolio was undertaken. The cash flows used in this impairment review were discounted at the E.ON UK plc Group's cost of capital for CHP operations. An impairment of £47,276,000 has been recorded in these accounts. The impairment arose as a result of changes in expected future commodity prices. A tax credit of £12,051,000 arose as a result of this item.

##### *Year ended 31 December 2004*

In the year ended 31 December 2004, a review of the Company's plant portfolio was undertaken. The cash flows used in this impairment review were discounted at the E.ON UK plc Group's cost of capital for CHP operations. An impairment of £5,520,000 has been recorded in these accounts. The impairment arose as a result of changes in expected future commodity prices. A tax credit of £1,286,000 arose as a result of this item.

In the year ended 31 December 2004, a review of the fixed asset investment in Citigen (London) Limited was undertaken which identified the requirement to impair to £nil the £146,000 share interest held based on the profitability of that company and its net liability position at 31 December 2004.

#### **5 Operating (loss)/profit**

Operating (loss)/profit is stated after charging:

	<b>Year ended 31 December 2005 £'000</b>	<b>Year ended 31 December 2004 £'000</b>
Adoption of decommissioning accounting	<b>516</b>	-
Depreciation of tangible fixed assets (all owned by the Company):		
Excluding exceptional charge	<b>15,740</b>	15,846
Asset impairment	<b>47,276</b>	5,520
Operating lease charges:		
Plant and machinery	<b>1,563</b>	1,495
Other	-	-
Auditors' remuneration:		
Audit services	<b>25</b>	22

For each of the years ended 31 December 2004 and 31 December 2005, auditors' remuneration includes that for both the Company and its subsidiary undertaking, E.ON UK Cogeneration Limited (EUKCL). The auditors' remuneration relating to EUKCL was not recharged.

**E.ON UK CHP LIMITED**

**Notes to the financial statements**  
**for the year ended 31 December 2005 (continued)**

**6 Employee information**

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

<b>By activity</b>	<b>Year ended 31 December 2005</b>	Year ended 31 December 2004
Operations	<b>107</b>	105
Construction	<b>5</b>	5
Administration	<b>21</b>	39
	<b>133</b>	149

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

	<b>Year ended 31 December 2005 £'000</b>	Year ended 31 December 2004 £'000
<i>Wages and salaries</i>	<b>5,396</b>	5,835
Social security costs	<b>459</b>	550
Other pension costs	<b>832</b>	1,077
	<b>6,687</b>	7,462

The directors received no emoluments from the Company during the year (2004: £nil).

**7 Interest payable and similar charges**

	<b>Year ended 31 December 2005 £'000</b>	Year ended 31 December 2004 £'000
Interest payable to group undertakings	<b>11,152</b>	10,364
Interest on Provisions (see note 14)	<b>131</b>	-
<b>Total interest payable and similar charges</b>	<b>11,283</b>	10,364

**E.ON UK CHP LIMITED**

**Notes to the financial statements**  
**for the year ended 31 December 2005 (continued)**

**8 Tax on loss on ordinary activities**

	<b>Year ended 31 December 2005 £'000</b>	<b>Year ended 31 December 2004 £'000</b>
<b>Current tax:</b>		
UK corporation tax credit on losses for the year	<b>(4,778)</b>	(2,433)
(Over)/Under provision in prior year	<b>(2,217)</b>	347
Total current tax	<b>(6,995)</b>	(2,086)
<b>Deferred tax:</b>		
Origination of timing differences	<b>(13,895)</b>	(160)
Unwinding of discount	<b>2,316</b>	106
Over provision in prior year	<b>(439)</b>	(1,062)
Total deferred tax (see note 15)	<b>(12,018)</b>	(1,116)
<b>Tax on loss on ordinary activities</b>	<b>(19,013)</b>	(3,202)

The current tax credit of £4,778,000 for the year ended 31 December 2005 is in respect of losses that will be surrendered to group undertakings for which payment will be received.

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

	<b>Year ended 31 December 2005 £'000</b>	<b>Year ended 31 December 2004 £'000</b>
Loss on ordinary activities before tax	<b>(62,277)</b>	(8,988)
Tax on loss on ordinary activities before tax at 30% (2004:30%)	<b>(18,683)</b>	(2,696)
<i>Effects of:</i>		
Depreciation in excess of capital expenditure	<b>13,098</b>	160
Other timing differences	<b>797</b>	
Expenses not deductible for tax purposes	<b>10</b>	103
Adjustments in respect of prior periods	<b>(2,217)</b>	347
<b>Current tax credit for the year</b>	<b>(6,995)</b>	(2,086)

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

**E.ON UK CHP LIMITED**

**Notes to the financial statements**  
**for the year ended 31 December 2005 (continued)**

**9 Tangible fixed assets**

	<b>Operating plant and buildings £'000</b>	<b>Other short term assets £'000</b>	<b>Total  £'000</b>
<b>Cost:</b>			
At 31 December 2004	352,861	868	353,729
Additions	5,132	-	5,132
Adoption of decommissioning accounting	2,289	-	2,289
<b>At 31 December 2005</b>	<b>360,282</b>	<b>868</b>	<b>361,150</b>
<b>Depreciation:</b>			
At 31 December 2004	202,510	754	203,264
Adoption of decommissioning accounting	281	-	281
Charge for the year	15,634	106	15,740
Impairment (see note 4)	47,276	-	47,276
<b>At 31 December 2005</b>	<b>265,701</b>	<b>860</b>	<b>266,561</b>
<b>Net book value:</b>			
<b>At 31 December 2005</b>	<b>94,581</b>	<b>8</b>	<b>94,589</b>
At 31 December 2004	150,351	114	150,465

**E.ON UK CHP LIMITED**

**Notes to the financial statements**  
**for the year ended 31 December 2005 (continued)**

**10 Fixed asset investments**

	<b>Shares in group undertakings £'000</b>	<b>Loans to group undertakings £'000</b>	<b>Total  £'000</b>
<b>Cost:</b>			
At 31 December 2004 and at <b>31 December 2005</b>	<b>6,501</b>	<b>68,003</b>	<b>74,504</b>
<b>Provisions:</b>			
At 31 December 2004 and at <b>31 December 2005</b>	<b>(146)</b>	<b>-</b>	<b>(146)</b>
<b>Net cost:</b>			
At 31 December 2004 and at <b>31 December 2005</b>	<b>6,355</b>	<b>68,003</b>	<b>74,358</b>

Fixed asset investments comprise the following as at 31 December 2005:

Name	Country of incorporation	Shares held	Voting rights held	Nature of business
E.ON UK Cogeneration Limited	England & Wales	Ordinary Shares 100%	100%	Sale of energy services involving the construction and operations of CHP plants.
Citigen (London) Limited	England & Wales	Ordinary Shares 100%	100%	Sale of energy services involving the supply of heating, hot water and ventilation services.

**11 Stock**

	<b>At 31 December 2005 £'000</b>	<b>At 31 December 2004 £'000</b>
Raw material and consumables:		
Fuel stocks	<b>1,948</b>	736
Stores	<b>3,918</b>	4,395
	<b>5,866</b>	5,131

**E.ON UK CHP LIMITED****Notes to the financial statements**  
**for the year ended 31 December 2005 (continued)****12 Debtors: amounts falling due within one year**

	At 31 December 2005 £'000	At 31 December 2004 £'000
Trade debtors	16,761	14,631
Other debtors	89	-
Prepayments and accrued income	217	262
Deferred tax asset (see note 15)	3,599	-
	<u>20,666</u>	<u>14,893</u>

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

	At 31 December 2005 £'000	At 31 December 2004 £'000
Trade creditors	1,237	914
Amounts owed to group undertakings	225,424	276,145
Other taxation and social security	1,585	1,413
Accruals and deferred income	3,878	15,715
Redeemable preference shares	57,000	-
	<u>289,124</u>	<u>294,187</u>

Amounts owed to group undertakings are unsecured, bear interest at base rate plus 1% and are repayable on demand.

The 57,000,000 redeemable preference shares have a nominal value of £57,000,000. The holders of these shares have an option to redeem them on demand at any time for the original consideration. The shares carry a coupon which is variable and represents the 20 year interest swap rate plus a margin of 3%. As a result of the adoption of FRS 25 such redeemable shares have been classified as debt due to the holder's right to redeem. Prior to the adoption of FRS 25 these shares would have been classified as share capital.

**E.ON UK CHP LIMITED**

**Notes to the financial statements**  
**for the year ended 31 December 2005 (continued)**

**14 Provisions**

	<b>Decommissioning provision £'000</b>
At 31 December 2004	-
Adoption:	
Capitalised in fixed assets (note 9)	<b>2,008</b>
Amount charged to Profit & Loss Account (note 5)	<b>516</b>
<b>Provision recognised on adoption</b>	<b>2,524</b>
Interest unwind	<b>131</b>
<b>At 31 December 2005</b>	<b>2,655</b>

**15 Deferred tax**

The deferred tax provision comprises:

	<b>At 31 December 2005 £'000</b>	<b>At 31 December 2004 £'000</b>
Undiscounted (asset)/provision for deferred tax (accelerated capital allowances)	<b>(2,915)</b>	10,774
Other timing differences	<b>(797)</b>	-
Discount	<b>113</b>	(2,355)
<b>Discounted (asset)/provision for deferred tax</b>	<b>(3,599)</b>	8,419

The opening and closing deferred tax positions can be reconciled as follows:

	<b>£'000</b>
Deferred tax provision at 31 December 2004	8,419
Deferred tax credit to profit and loss account (see note 8)	(12,018)
<b>Deferred tax asset at 31 December 2005 (note 12)</b>	<b>(3,599)</b>

In calculating the deferred taxation provision, the Company has taken into account any group relief available from fellow group undertakings and any charges made for that relief.



**E.ON UK CHP LIMITED**

**Notes to the financial statements**  
**for the year ended 31 December 2005 (continued)**

**16 Share capital**

	<b>At 31 December 2005 £'000</b>	<b>At 31 December 2004 £'000</b>
<b>Authorised</b>		
50,000,000 ordinary shares of £1 each	<b>50,000</b>	50,000
57,000,000 preference shares of £1 each	-	57,000
	<b>50,000</b>	107,000
<b>Allotted, called-up and fully paid</b>		
50,000,000 ordinary shares of £1 each	<b>50,000</b>	50,000
57,000,000 preference shares of £1 each	-	57,000
	<b>50,000</b>	107,000

Following the adoption of FRS 25, the preference shares have been reclassified into creditors: amounts due within one year (note 13). The shares are still in issue.

**17 Reserves**

	<b>Profit and loss Reserve £'000</b>
At 31 December 2004	(103,036)
Retained loss for the financial year	(43,264)
<b>At 31 December 2005</b>	<b>(146,300)</b>

**18 Reconciliation of movements in shareholders' (deficit)/funds**

	<b>At 31 December 2005 £'000</b>	<b>At 31 December 2004 £'000</b>
<b>Equity shareholders' funds</b>		
Loss for the financial year	<b>(43,264)</b>	(5,786)
Opening equity shareholders' deficit	<b>(53,036)</b>	(47,250)
Closing equity shareholders' deficit	<b>(96,300)</b>	(53,036)
Non-equity shareholders funds	<b>57,000</b>	57,000
Total shareholders' (deficit)/funds	<b>(39,300)</b>	3,964

## **E.ON UK CHP LIMITED**

### **Notes to the financial statements** **for the year ended 31 December 2005 (continued)**

#### **19 Pension commitments**

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

The fund is valued every three years by a professionally qualified, independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the appropriateness of the rates. The latest published actuarial assessment of the scheme was at 31 March 2004. Particulars of this valuation are contained in the accounts of E.ON UK plc.

Accounting for amortisation of surpluses, other than the impact on regular costs and contributions payable, is dealt with in the accounts of E.ON UK plc. The contributions paid by the Company are accounted as if the scheme were a defined contribution scheme, as the Company is unable to identify its share of the underlying assets and liabilities in the scheme. The cost of contributions to the group scheme amount to £832,000 (2004: £1,077,000), being 15% of pensionable salary, and are based on pension costs across the group as a whole.

An amount of £72,000 (2004: £100,000) is included being the outstanding contributions to the E.ON UK plc scheme.

#### **20 Financial commitments**

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

	<b>At 31 December 2005 £'000</b>	<b>At 31 December 2004 £'000</b>
Expiring within one year	-	196
Expiring within two to five years	<b>1,559</b>	1,110
Expiring after five years	<b>162</b>	456
	<b>1,721</b>	1,762

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

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

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