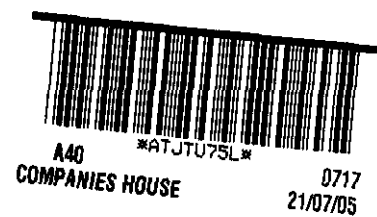


E.ON UK CHP LIMITED
(formerly Powergen CHP Limited)

REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2004



Registered No: 02684288

E.ON UK CHP LIMITED
(formerly Powergen CHP Limited)

Report of the directors for the year ended 31 December 2004

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2004.

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 including the construction and 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. There are 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 Powergen Limited Group's cost of capital for CHP operations. An impairment of £5,666,000 has consequently been recorded within these accounts. The impairment arose as a result of changes in expected future commodity prices.

On 5 July 2004 the Company changed its name from Powergen CHP Limited to E.ON UK CHP limited.

Results and dividends

The Company's loss for the financial year is £5,786,000 (2003: profit of £7,291,000). The directors do not recommend the payment of a dividend (2003: £nil).

Directors and their interests

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

G J Bartlett
M R Draper (resigned 31 March 2004)
K Plowman
A D Cocker (appointed 31 March 2004)

During the year, no director had an interest in the shares of the Company. At 31 December 2003 and 31 December 2004, 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. The average number of days taken to pay the Company's trade suppliers calculated in accordance with the requirement in the Companies Act is 39 days (2003: 12 days).

E.ON UK CHP LIMITED
(formerly Powergen CHP Limited)

Report of the directors for the year ended 31 December 2004 (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 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
07 July 2005

E.ON UK CHP LIMITED
(formerly Powergen CHP Limited)

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

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards are set out in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

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.

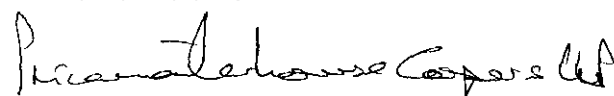
Basis of audit opinion

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 2004 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

07 July 2005

E.ON UK CHP LIMITED
(formerly Powergen CHP Limited)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	Year ended 31 December 2004 £'000	Year ended 31 December 2003 £'000
Turnover	2	134,618	114,118
Cost of sales		(123,223)	(98,851)
Gross profit		11,395	15,267
Net operating expenses	3	(4,353)	(3,519)
Operating profit before exceptional items		7,042	11,748
Exceptional items:			
Asset (impairment)/write back – fixed assets	4	(5,666)	11,138
Operating profit	5	1,376	22,886
Interest payable and similar charges	8	(10,364)	(9,860)
(Loss)/profit on ordinary activities before taxation		(8,988)	13,026
Tax on (loss)/profit on ordinary activities	9	3,202	(5,735)
(Loss)/retained profit on ordinary activities after taxation	17	(5,786)	7,291

There is no difference between the (loss)/profit on ordinary activities before taxation and the (loss)/retained profit for either of the years stated above and their historical cost equivalents.

All the above amounts relate to continuing operations.

There were no recognised gains or losses other than those stated in the accounts above and therefore no separate Statement of Total Recognised Gains and Losses has been presented.


The accounting policies and the notes on pages 6 to 19 form part of these financial statements.

E.ON UK CHP LIMITED
(formerly Powergen CHP Limited)

BALANCE SHEET
AS AT 31 DECEMBER 2004

	Note	At 31 December 2004 £'000	At 31 December 2003 £'000
Fixed assets			
Tangible assets	10	150,465	167,619
Investments	11	74,358	74,504
		224,823	242,123
Current assets			
Stock	12	5,131	4,743
Debtors: amounts falling due within one year	13	14,893	15,568
Cash at bank and in hand		61,723	54,503
		81,747	74,814
Creditors: amounts falling due within one year	14	(294,187)	(297,652)
Net current liabilities		(212,440)	(222,838)
Total assets less current liabilities		12,383	19,285
Deferred tax	15	(8,419)	(9,535)
		3,964	9,750
Capital and reserves			
Called-up share capital	16	107,000	107,000
Profit and loss account	17	(103,036)	(97,250)
		3,964	9,750
Equity shareholders' deficit	18	(53,036)	(47,250)
Non-equity shareholders' funds	18	57,000	57,000
		3,964	9,750

The financial statements on pages 4 to 19 were approved by the Board of Directors on 07 July 2005 and were signed on its behalf by:


.....Director
K Plowman

The accounting policies and the notes on pages 6 to 19 form part of these financial statements.

E.ON UK CHP LIMITED
(formerly Powergen CHP Limited)

Notes to the financial statements
for the year ended 31 December 2004

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) 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.

(b) 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.

(c) 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.

(d) Operating leases

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

(e) 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.

E.ON UK CHP LIMITED
(formerly Powergen CHP Limited)

Notes to the financial statements
for the year ended 31 December 2004 (continued)

1 Accounting policies (continued)

(f) 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.

(g) 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.

(h) 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.

(i) 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).

(j) 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.

(k) Going concern

Notwithstanding the fact that the Company has net current 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.

E.ON UK CHP LIMITED
(formerly Powergen CHP Limited)

Notes to the financial statements
for the year ended 31 December 2004 (continued)

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 Net operating expenses

	Year ended 31 December 2004 £'000	Year ended 31 December 2003 £'000
Administrative expenses	4,353	3,519

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.

4 Exceptional items : Asset (impairment)/write back – fixed assets

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 Powergen Limited Group's cost of capital for CHP operations. An impairment of £5,520,000 has consequently 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 the company and its net liability position at 31 December 2004.

Year ended 31 December 2003

In the year ended 31 December 2003, a review of the Company's plant portfolio was undertaken. The cash flows used in this impairment review were discounted at the Powergen Limited Group's cost of capital for CHP Operations. An impairment write back of £11,138,000 has consequently been recorded in these accounts. The impairment write back arose as a result of changes in expected future commodity prices. A tax charge of £2,478,000 arose as a result of this item.

E.ON UK CHP LIMITED
(formerly Powergen CHP Limited)

Notes to the financial statements
for the year ended 31 December 2004 (continued)

5 Operating profit

Operating profit is stated after charging:

	Year ended 31 December 2004 £'000	Year ended 31 December 2003 As Restated £'000
Depreciation of tangible fixed assets (all owned by the Company):		
Excluding exceptional operating charge	15,846	13,826
Asset impairment/(write back) – fixed assets	5,520	(11,138)
Operating lease charges:		
Plant and machinery	1,495	1,372
Other	-	-
Auditors' remuneration:		
Audit services	22	13

Following a further review of the disclosure of operating lease charges during 2004 the disclosure of the operating lease charge for year ended 31 December 2003 has been restated. This does not have an impact on the prior year result, the Profit and Loss account reserve, or the (equity or non-equity) shareholders funds.

For the year ended 31 December 2004, auditors' remuneration for audit services includes that for the Company and E.ON UK Cogeneration Limited (formerly Powergen Cogeneration Limited). The auditors' remuneration relating to E.ON UK Cogeneration Limited was not recharged.

For the year ended 31 December 2003, auditors' remuneration for audit services relating to Powergen Cogeneration Limited was recharged from the Company to Powergen Cogeneration Limited.

E.ON UK CHP LIMITED
(formerly Powergen CHP Limited)

Notes to the financial statements
for the year ended 31 December 2004 (continued)

6 Directors' emoluments

	Year ended 31 December 2004 £'000	Year ended 31 December 2003 £'000
Aggregate emoluments	-	124
Aggregate amounts (excluding shares) receivable under long-term incentive schemes	-	-
Compensation for loss of office	-	-
Sums paid to third parties for directors' services	-	-
	<hr/> - <hr/>	<hr/> 124 <hr/>

Retirement benefits are accruing to no (2003: one) director under a defined benefit scheme. During the year no director exercised options over shares they were rewarded for services to the E.ON Group (2003: nil).

7 Employee information

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

By activity	Year ended 31 December 2004 Number	Year ended 31 December 2003 Number
Operations	105	110
Construction	5	8
Administration	39	43
	<hr/> 149 <hr/>	<hr/> 161 <hr/>

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

	Year ended 31 December 2004 £'000	Year ended 31 December 2003 £'000
Wages and salaries	5,835	5,978
Social security costs	550	553
Other pension costs	1,077	761
	<hr/> 7,462 <hr/>	<hr/> 7,292 <hr/>

E.ON UK CHP LIMITED
(formerly Powergen CHP Limited)

Notes to the financial statements
for the year ended 31 December 2004 (continued)

8 Interest payable and similar charges

	Year ended 31 December 2004 £'000	Year ended 31 December 2003 £'000
Interest payable to group undertakings	<u>10,364</u>	<u>9,860</u>

9 Tax on (loss)/profit on ordinary activities

	Year ended 31 December 2004 £'000	Year ended 31 December 2003 £'000
Current tax:		
UK corporation tax credit on (losses)/profits for the year	(2,433)	(3,887)
Under provision in prior year	347	5,647
Total current tax	<u>(2,086)</u>	<u>1,760</u>
Deferred tax:		
Origination of timing differences	(160)	7,807
Unwinding of discount	106	(2,030)
Over provision in prior year	(1,062)	(1,802)
Total deferred tax (see note 15)	<u>(1,116)</u>	<u>3,975</u>
Tax on (loss)/profit on ordinary activities	<u>(3,202)</u>	<u>5,735</u>

The current tax credit of £2,433,000 for the year ended 31 December 2004 is in respect of losses that will be surrendered to group undertakings for which payment will be received.

E.ON UK CHP LIMITED
(formerly Powergen CHP Limited)

Notes to the financial statements
for the year ended 31 December 2004 (continued)

9 Tax on (loss)/profit on ordinary activities (continued)

The difference between the tax on the (loss)/profit on ordinary activities for the year and the tax assessed on the (loss)/profit 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 2004 £'000	Year ended 31 December 2003 £'000
(Loss)/profit on ordinary activities before tax	(8,988)	13,026
Tax on (loss)/profit on ordinary activities before tax at 30% (2003:30%)	(2,696)	3,908
<i>Effects of:</i>		
Depreciation in excess of capital expenditure	160	-
Capital allowances in excess of depreciation	-	(7,807)
Expenses not deductible for tax purposes	103	12
Adjustments in respect of prior periods	347	5,647
Current tax (credit)/charge for the year	(2,086)	1,760

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

E.ON UK CHP LIMITED
(formerly Powergen CHP Limited)

Notes to the financial statements
for the year ended 31 December 2004 (continued)

10 Tangible fixed assets

	Operating plant and buildings £'000	Other short term assets £'000	Total £'000
Cost:			
At 31 December 2003	348,750	767	349,517
Additions	4,111	101	4,212
At 31 December 2004	352,861	868	353,729
Depreciation:			
At 31 December 2003	181,154	744	181,898
Charge for the year	15,836	10	15,846
Impairment (note 4)	5,520	-	5,520
At 31 December 2004	202,510	754	203,264
Net book value:			
At 31 December 2004	150,351	114	150,465
At 31 December 2003	167,596	23	167,619

Operating plant and buildings includes assets in the course of construction at a cost of £nil (31 December 2003 : £33,177,000).

Included within operating plant and buildings is leasehold land with net book value of £1,567,000 (31 December 2003 : £1,667,000).

E.ON UK CHP LIMITED
(formerly Powergen CHP Limited)

Notes to the financial statements
for the year ended 31 December 2004 (continued)

11 Fixed asset investments

	Shares in group undertakings £'000	Loans to group undertakings £'000	Total £'000
Cost:			
At 31 December 2003 and at 31 December 2004	6,501	68,003	74,504
Provisions:			
At 31 December 2003	-	-	-
Impairment (note 4)	(146)	-	(146)
At 31 December 2004	(146)	-	(146)
Net cost:			
At 31 December 2004	6,355	68,003	74,358
At 31 December 2003	6,501	68,003	74,504

Fixed asset investments comprise the following as at 31 December 2004:

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 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.

12 Stock

	At 31 December 2004 £'000	At 31 December 2003 £'000
Fuel stocks	736	616
Stores	4,395	4,127
	5,131	4,743

E.ON UK CHP LIMITED
(formerly Powergen CHP Limited)

Notes to the financial statements
for the year ended 31 December 2004 (continued)

13 Debtors: amounts falling due within one year

	At 31 December 2004 £'000	At 31 December 2003 £'000
Trade debtors	14,631	15,371
Other debtors	-	19
Prepayments and accrued income	262	178
	<u>14,893</u>	<u>15,568</u>

14 Creditors: amounts falling due within one year

	At 31 December 2004 £'000	At 31 December 2003 £'000
Trade creditors	914	247
Amounts owed to group undertakings	276,145	277,786
Other taxation and social security	1,413	1,374
Accruals and deferred income	15,715	18,245
	<u>294,187</u>	<u>297,652</u>

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

E.ON UK CHP LIMITED
(formerly Powergen CHP Limited)

Notes to the financial statements
for the year ended 31 December 2004 (continued)

15 Deferred tax

The deferred tax provision comprises:

	At 31 December 2004 £'000	At 31 December 2003 £'000
Undiscounted provision for deferred tax (Accelerated Capital Allowances)	10,774	12,364
Discount	(2,355)	(2,829)
Discounted provision for deferred tax	8,419	9,535

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

	£'000
Deferred tax provision at 31 December 2003	9,535
Deferred tax credit to profit and loss account (see note 9)	(1,116)
Deferred tax provision at 31 December 2004	8,419

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
(formerly Powergen CHP Limited)

Notes to the financial statements
for the year ended 31 December 2004 (continued)

16 Share capital

	At 31 December 2004 £'000	At 31 December 2003 £'000
Authorised		
50,000,000 ordinary shares of £1 each	50,000	50,000
57,000,000 preference shares of £1 each	57,000	57,000
	<u>107,000</u>	<u>107,000</u>
Allotted, called-up and fully paid		
50,000,000 ordinary shares of £1 each	50,000	50,000
57,000,000 preference shares of £1 each	57,000	57,000
	<u>107,000</u>	<u>107,000</u>

The non-cumulative preference shares carry a coupon which is variable and represents the 20 year interest swap rate plus a margin of 3%. The shares have no redemption entitlement. On winding up the holders have priority before all the other classes to receive repayment of capital plus any arrears of dividend. The holders have no voting rights unless the dividend is in arrears by six months or more.

17 Reserves

	Profit and loss account £'000
At 31 December 2003	(97,250)
Loss for the financial year	(5,786)
At 31 December 2004	<u>(103,036)</u>

E.ON UK CHP LIMITED
(formerly Powergen CHP Limited)

Notes to the financial statements
for the year ended 31 December 2004 (continued)

18 Reconciliation of movements in shareholders' funds

	31 December 2004	31 December 2003
Equity shareholders' funds	£'000	£'000
(Loss)/profit for the financial year	(5,786)	7,291
Opening equity shareholders' deficit	(47,250)	(54,541)
Closing equity shareholders' deficit	(53,036)	(47,250)
Non-equity shareholders funds	57,000	57,000
Total shareholders' funds	3,964	9,750

19 Pension commitments

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

The funds are 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 assessments of the schemes 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 schemes were defined contribution schemes, as the company is unable to identify its share of the underlying assets and liabilities in the schemes. The cost of the contributions to the group schemes amount to £1,077,000 (2003: £761,000), being 18% of pensionable salary and are based on pension costs across the group as a whole. An actuarial valuation of the pension schemes was undertaken on 31 December 2004 and a deficit of £729.1m was identified. In order to make good this deficit and as part of the subsequent merger of the different schemes, E.ON UK plc agreed with the trustees and the actuary to make a special payment of £420m into the schemes on 1 April 2005 and to make annual payments of £52.9m from 1 April 2008 to 31 March 2018.

20 Capital and other commitments

At 31 December 2004 the Company had no commitments (2003: £nil) for capital expenditure not provided in these financial statements.

E.ON UK CHP LIMITED
(formerly Powergen CHP Limited)

Notes to the financial statements
for the year ended 31 December 2004 (continued)

21 Financial commitments

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

	At 31 December 2004 £'000	At 31 December 2003 £'000
Expiring within one year	196	137
Expiring within two to five years	1,110	1,077
Expiring after five years	456	168
	<u>1762</u>	<u>1,382</u>

22 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