

**POWERGEN CHP LIMITED**  
**REPORT AND ACCOUNTS**  
for the year ended 31 December 2002



**Registered No: 02684288**

## **POWERGEN CHP 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 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 but those under construction will be completed. As a result, a voluntary severance scheme was offered to and accepted by 39 employees.

During the year a review of the Company's plant portfolio was undertaken. The cash flows used in this impairment review were discounted at Powergen Limited (formerly Powergen plc) Group's cost of capital for CHP Operations. An impairment provision of £71,415,000 has consequently been recorded in 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 £55,371,000 (2001: loss of £45,974,000). The directors do not recommend the payment of a dividend on ordinary shares. Appropriations of £5,290,000 on cumulative preference shares have been made during the year (2001 £5,290,000).

#### **Directors and their interests**

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

G J Bartlett  
M R Draper (appointed on 05 March 2002)  
K Plowman (appointed on 05 March 2002)  
N P Baldwin (resigned 01 July 2002)  
T E Chappell (resigned on 14 January 2002)  
P Golby (resigned on 01 July 2002)  
D J Jackson (resigned on 01 July 2002)  
R J Kennett (resigned on 05 March 2002).

During the year, no director had an interest in the shares of the Company.

## POWERGEN CHP LIMITED

### Report of the directors for the year ended 31 December 2002 (continued)

At 31 December 2001 the following directors had interests in the ordinary shares of Powergen plc, the Company's ultimate parent undertaking until 1 July 2002. On 1 July 2002 Powergen plc was acquired by E.ON UK plc, a wholly owned subsidiary of E.ON AG, by means of a Scheme of Arrangement.

	Beneficial holdings in ordinary shares		Options over ordinary shares	
	At 31 December 2001 or on appointment	At 31 December 2002	At 31 December 2001 or on appointment	At 31 December 2002
G J Bartlett	152	-	114,783	-
M R Draper	7,761	-	54,909	-
K Plowman	287	-	3,283	-

At 31 December 2002 no director had any interest requiring disclosure.

#### **Introduction of the Euro**

Powergen Limited and its subsidiaries (together the "Powergen Group") recognise 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.

#### **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 16 days (2001: 19 days).

## POWERGEN CHP 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

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 14 March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the next annual general meeting.

BY ORDER OF THE BOARD



K Plowman  
Director  
Powergen CHP Limited  
53 New Broad Street  
London  
EC2M 1SL

14 March 2003

# POWERGEN CHP LIMITED

## Independent auditors' report to the members of Powergen CHP Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses 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

14 March 2003

**POWERGEN CHP LIMITED**

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

	Note	Year ended 31 December 2002 £'000	Year ended 31 December 2001 £'000
Turnover	2	112,062	112,819
Cost of sales		(89,180)	(88,527)
<b>Gross profit</b>		<b>22,882</b>	<b>24,292</b>
Net operating expenses	3	(5,543)	(4,814)
<b>Operating profit before exceptional items</b>		<b>17,339</b>	<b>19,478</b>
Exceptional items:			
Asset impairment – fixed assets	4	(71,415)	(37,700)
Asset impairment – investments	4	-	(22,464)
Closure of development activities	4	(8,421)	-
<b>Operating loss</b>	5	<b>(62,497)</b>	<b>(40,686)</b>
Net interest payable	8	(11,698)	(12,711)
Profit on disposal of investment	4	-	2,099
<b>Loss on ordinary activities before taxation</b>		<b>(74,195)</b>	<b>(51,298)</b>
Tax on loss on ordinary activities	9	18,824	5,324
<b>Loss on ordinary activities after taxation</b>		<b>(55,371)</b>	<b>(45,974)</b>
Dividends	10	(5,290)	(5,290)
<b>Loss for the financial year</b>	18	<b>(60,661)</b>	<b>(51,264)</b>

There is no 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.

All the above amounts relate to continuing operations.

The accounting policies and the notes on pages 8 to 24 form part of these financial statements.

**POWERGEN CHP LIMITED**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 31 DECEMBER 2002**

	Year ended 31 December 2002 £'000	Year ended 31 December 2001 £'000
Loss on ordinary activities after taxation	(55,371)	(45,974)
Cumulative dividends not yet declared (note 10)	5,290	5,290
Prior year adjustment	-	(19,898)
Total recognised gains and losses	<u>(50,081)</u>	<u>(60,582)</u>

The prior year adjustment relates to the adoption of Financial Reporting Standard 19 'Deferred tax' (FRS 19) during the year ended 31 December 2001.


The accounting policies and the notes on pages 8 to 24 form part of these financial statements.

**POWERGEN CHP LIMITED**

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

	Note	At 31 December 2002 £'000	At 31 December 2001 £'000
<b>Fixed assets</b>			
Tangible assets	11	164,536	235,274
Investments	12	74,504	74,358
		<u>239,040</u>	<u>309,632</u>
<b>Current assets</b>			
Stock	13	4,277	4,554
Debtors: amounts falling due within one year	14	18,579	15,270
Cash at bank and in hand		38,616	38,112
		<u>61,472</u>	<u>57,936</u>
<b>Creditors: amounts falling due within one year</b>	15	(292,493)	(291,055)
<b>Net current liabilities</b>		<u>(231,021)</u>	<u>(233,119)</u>
<b>Total assets less current liabilities</b>		8,019	76,513
<b>Deferred tax</b>	16	(5,560)	(18,683)
		<u>2,459</u>	<u>57,830</u>
<b>Capital and reserves</b>			
Called-up share capital	17	107,000	107,000
Profit and loss account	18	(104,541)	(49,170)
		<u>2,459</u>	<u>57,830</u>
<b>Equity shareholders' funds</b>	19	(65,121)	(4,460)
<b>Non equity shareholders' funds</b>	19	67,580	62,290
		<u>2,459</u>	<u>57,830</u>

The financial statements on pages 5 to 24 were approved by the Board on 14 March 2003 and were signed on its behalf by:

  
.....Director  
K Plowman

The accounting policies and the notes on pages 8 to 24 form part of these financial statements.



# POWERGEN CHP 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. 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.

#### **(a) Fixed asset investments**

Fixed asset investments are stated at original cost plus subsequent loans advanced. 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 provision for depreciation. 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:

<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.

# POWERGEN CHP LIMITED

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

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

#### **(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.

#### **(f) 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 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.

# POWERGEN CHP LIMITED

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

### 1 Accounting policies (continued)

#### (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 entities that are part of 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 Powergen 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 sale of energy (electricity and steam) from CHP sources. The Company's turnover, all of which is generated in the course of the Company's principal activity, arises in the United Kingdom.

### 3 Net operating expenses

	Year ended 31 December 2002 £'000	Year ended 31 December 2001 £'000
Administrative expenses	<u>5,543</u>	<u>4,814</u>

# POWERGEN CHP LIMITED

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

### **4 Exceptional Items**

#### **2002**

In the year ended 31 December 2002, a review of the Company's plant portfolio 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 £71,415,000 has consequently been recorded in these accounts. The impairment arose as a result of changes in expected future commodity prices. A tax credit of £15,891,000 arose as a result of this item.

On 22 January 2002, the Powergen Group announced that it would not be proceeding with the proposed sale of the Company. Powergen also confirmed that it has no current plans to initiate any new CHP development projects but would complete those under construction. As a result, a cost of £8,421,000 has been provided for, including a voluntary severance scheme for 39 employees and certain abortive development costs. A tax credit of £2,526,000 arose as a result of this item.

#### **2001**

In the year ended 31 December 2001, a provision of £22,464,000 was undertaken against the value of the Company's investments in Group undertakings following a review of the recoverable amount of the underlying Powergen Cogeneration Limited plant portfolio.

In the year ended 31 December 2001, a review of the Company's plant portfolio was made. The cash flows used in this impairment review were discounted at Powergen's cost of capital for CHP Operations. An impairment provision of £37,700,000 was consequently recorded in the accounts.

On 12 November 2001, the Company disposed of its investment in Biogeneration Limited to Powergen UK plc for consideration of £3,100,000. The cost of the investment disposed of totalled £1,001,000 giving rise to an exceptional profit of £2,099,000. No tax charge arose on this disposal.

# POWERGEN CHP LIMITED

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

### 5 Operating loss

Operating loss is stated after charging:

	Year ended 31 December 2002 £'000	Year ended 31 December 2001 £'000
Depreciation of tangible fixed assets		
Excluding exceptional operating charge	16,877	16,640
Impairment provision – fixed assets	71,415	37,700
Impairment provision – investments	-	22,464
Operating lease charges:		
Plant and machinery	880	163
Other	133	323
Auditors' remuneration:		
Audit services	22	20

Auditors' remuneration includes that for the Company and Powergen Cogeneration Limited. The auditors' remuneration relating to Powergen Cogeneration Limited is not charged to that company.

# POWERGEN CHP LIMITED

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

### 6 Directors' emoluments

	Year ended 31 December 2002 £'000	Year ended 31 December 2001 £'000
Aggregate emoluments	123	234
Compensation for loss of office	719	-
	<u>842</u>	<u>234</u>

Retirement benefits are accruing to four (2001: one) directors under a defined benefit scheme. During the year one (2001: one) directors exercised options over shares they were awarded for services to the E.ON Group.

### Highest paid director

	Year ended 31 December 2002 £'000	Year ended 31 December 2001 £'000
Total amounts of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	100	190
Defined benefit pension scheme:		
Accrued pension at end of period	<u>24</u>	<u>44</u>

Following the acquisition of Powergen plc on 1 July 2002 by E.ON UK plc, a wholly owned subsidiary of E.ON AG, all of the share options held by the above directors were exercised. At 31 December 2002 no director had any remaining Powergen Limited (formerly Powergen plc) share options.

# POWERGEN CHP LIMITED

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

### 7 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
Operations	114	106
Construction	31	44
Administration	41	60
	<u>186</u>	<u>210</u>

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

	Year ended 31 December 2002 £'000	Year ended 31 December 2001 £'000
Wages and salaries	5,321	5,620
Social security costs	722	685
Other pension costs	875	954
	<u>6,918</u>	<u>7,259</u>

**POWERGEN CHP LIMITED**

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

**8 Net interest payable and similar items**

	Year ended 31 December 2002 £'000	Year ended 31 December 2001 £'000
Interest payable to group undertakings	<u>11,698</u>	<u>12,711</u>

**9 Tax on loss on ordinary activities**

	Year ended 31 December 2002 £'000	Year ended 31 December 2001 £'000
<b>Current tax:</b>		
UK corporation tax on losses for the year	5,701	6,023
Under provision in prior year	-	(1,914)
	<u>5,701</u>	<u>4,109</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	16,520	3,244
Unwinding of discount	(5,253)	(960)
Over/(under) provision in prior year	1,856	(1,069)
Total deferred tax	<u>13,123</u>	<u>1,215</u>
<b>Tax credit on loss on ordinary activities</b>	<u>18,824</u>	<u>5,324</u>



# POWERGEN CHP LIMITED

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

### 9 Tax on loss on ordinary activities (continued)

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 £'000	Year ended 31 December 2001 £'000
Loss on ordinary activities before tax	(74,195)	(51,298)
Tax credit on loss on ordinary activities before tax at 30%	22,259	15,389
<i>Effects of:</i>		
Depreciation in excess of capital allowances	(16,520)	(3,244)
Expenses not deductible for tax purposes	(38)	(6,751)
Non taxable income	-	629
Prior year adjustment	-	(1,914)
<b>Current tax credit for the year</b>	<b>5,701</b>	<b>4,109</b>

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

The corporation tax receivable for the year has been reduced by £5,701,000 because of group relief surrendered to a fellow group undertaking for which a payment will be received. Accordingly no tax losses are available for carry forward.

# POWERGEN CHP LIMITED

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

### 10 Dividends

	Year ended 31 December 2002 £'000	Year ended 31 December 2001 £'000
First appropriation on preference shares : 4.602p (2001: 4.602p) per preference share	2,623	2,623
Second appropriation on preference shares : 4.679p (2001: 4.679p) per preference share	2,667	2,667
	<hr/> 5,290 <hr/>	<hr/> 5,290 <hr/>

In accordance with the provisions of Financial Reporting Standard 4 'Capital Instruments' (FRS 4), the Company has appropriated through the profit and loss account dividends of £5,290,000 for the year ended 31 December 2002 (dividends accrued year ended 31 December 2001 £5,290,000). However, as the Company does not have sufficient distributable reserves in order to pay such dividends, these dividends have been credited back to the profit and loss account reserves (note 18).

# POWERGEN CHP LIMITED

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

### 11 Tangible fixed assets

	Operating plant and buildings £'000	Other short term assets £'000	Total  £'000
<b>Cost:</b>			
At 31 December 2001	324,426	1,765	326,191
Additions	17,591	33	17,624
Transfers	(64)	64	-
Disposals	(161)	-	(161)
<b>At 31 December 2002</b>	<b>341,792</b>	<b>1,862</b>	<b>343,654</b>
<b>Depreciation:</b>			
At 31 December 2001	90,385	532	90,917
Charge for the year	16,794	83	16,877
Impairment (note 4)	71,415	-	71,415
Disposals	(91)	-	(91)
<b>At 31 December 2002</b>	<b>178,503</b>	<b>615</b>	<b>179,118</b>
<b>Net book value:</b>			
<b>At 31 December 2002</b>	<b>163,289</b>	<b>1,247</b>	<b>164,536</b>
At 31 December 2001	234,041	1,233	235,274

Operating plant and buildings include assets in the course of construction at a cost of £28,471,000 (31 December 2001 £68,085,000).

Included within operating plant and buildings is long leasehold land with net book value of £1,767,000 (31 December 2001 £1,967,000).

# POWERGEN CHP LIMITED

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

### 12 Fixed asset investments

	Shares in group undertakings £'000	Loans to group undertakings £'000	Total £'000
At 31 December 2001	6,360	67,998	74,358
Additions	141	5	146
<b>At 31 December 2002</b>	<b>6,501</b>	<b>68,003</b>	<b>74,504</b>

On 21 October 2002, Citigen (London) Limited was acquired as part of the Powergen Group's acquisition of certain assets of TXU Europe. Consideration for the investment in Citigen (London) Limited was £141,000.

Fixed asset investments comprise the following:

Name	Country of incorporation	Shares held	Voting rights held	Nature of business
Powergen 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.

# POWERGEN CHP LIMITED

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

### 13 Stocks

	At 31 December 2002 £'000	At 31 December 2001 £'000
Fuel stocks	601	682
Stores	3,676	3,872
	<u>4,277</u>	<u>4,554</u>

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

	At 31 December 2002 £'000	At 31 December 2001 £'000
Trade debtors	18,344	15,105
Other debtors	20	23
Prepayments and accrued income	215	142
	<u>18,579</u>	<u>15,270</u>

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

	At 31 December 2002 £'000	At 31 December 2001 £'000
Trade creditors	308	731
Amounts owed to group undertakings	273,116	267,148
Other taxation and social security	948	2,485
Accruals and deferred income	18,121	20,691
	<u>292,493</u>	<u>291,055</u>

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

# POWERGEN CHP LIMITED

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

### 16 Deferred Tax

The deferred tax provision comprises:

	At 31 December 2002 £'000	At 31 December 2001 £'000
Accelerated Capital Allowances	6,834	26,041
Undiscounted provision for deferred tax	6,834	26,041
Discount	(1,274)	(7,358)
<b>Discounted provision for deferred tax</b>	<b>5,560</b>	<b>18,683</b>

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

	£'000
Deferred tax provision at 31 December 2001	18,683
Credit to profit and loss account (note 9)	(13,123)
<b>Deferred tax provision at 31 December 2002</b>	<b>5,560</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.

# POWERGEN CHP LIMITED

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

### 17 Share capital

	At 31 December 2002 £'000	At 31 December 2001 £'000
<b>Authorised</b>		
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>
<b>Allotted, called-up and fully paid</b>		
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 cumulative preference shares carry a coupon which is variable and represents the 20 year interest swap rate plus a margin of 3%. Dividends are payable half yearly in arrears on 31 December and 30 June. 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.

### 18 Reserves

	Profit and loss account £'000
At 31 December 2001	(49,170)
Loss for the financial year	(60,661)
Cumulative dividends not yet declared (note 10)	5,290
<b>At 31 December 2002</b>	<u><b>(104,541)</b></u>

# POWERGEN CHP LIMITED

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

### 19 Reconciliation of movements in shareholders' funds

Equity shareholders' funds	31 December 2002 £'000	31 December 2001 £'000
Loss for the financial year	(55,371)	(45,974)
Opening shareholders' funds	(4,460)	46,804
Cumulative dividends not yet declared	(5,290)	(5,290)
Closing shareholders' funds	<u>(65,121)</u>	<u>(4,460)</u>
Non equity shareholders' funds	31 December 2002 £'000	31 December 2001 £'000
Opening shareholders' funds	62,290	57,000
Cumulative dividends not yet declared	5,290	5,290
Closing non equity shareholders' funds	<u>67,580</u>	<u>62,290</u>

### 20 Pension commitments

The Company participates in a funded group pension scheme operated by Powergen 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 2001. Particulars of this valuation are contained in the accounts of Powergen Limited (formerly Powergen plc).

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

The total pension cost to the Company was £875,000 (2001: £954,000).



# POWERGEN CHP LIMITED

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

### 21 Capital and other commitments

At 31 December 2002 the Company had commitments of £2,600,000 (2001: £17,120,000) for capital expenditure not provided in these financial statements.

### 22 Financial commitments

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

	At 31 December 2002 £'000	At 31 December 2001 £'000
Expiring during years two to five	1,545	423
Expiring thereafter	432	1,623
	<u>1,977</u>	<u>2,046</u>

### 23 Ultimate parent undertaking and controlling party

The immediate parent undertaking is Powergen 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 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