

Company number: 2684288

E.ON UK CHP Limited

Strategic Report, Directors' Report and Financial Statements

for the Year Ended 31 December 2013



E.ON UK CHP Limited

Strategic Report for the Year Ended 31 December 2013

The directors present their strategic report of the Company for the year ended 31 December 2013.

Fair review of the business

Difficult trading conditions have continued to hinder the results of the Company during the year and these economic factors, when combined with operational issues, have resulted in performance below expected levels. Although the loss before tax of £15,473,000 includes financial adjustments of £8,635,000 (as described below), there is an underlying trading loss of £6,838,000 for the year.

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 combined heat and power ('CHP') operations. This review resulted in a credit of £2,320,000 for the year (2012: £5,383,000) which can be split into: an impairment charge of £50,000 (2012: £1,801,000), and an impairment reversal of £2,370,000 (2012: £7,184,000).

On 2 September 2013, the Company disposed of its Winnington CHP plant to a third party resulting in a profit on disposal of £18,045,000. This includes a release of the onerous contract provision of £51,383,000. The Company now performs operation and maintenance services at the site.

During the year, the Company agreed to subscribe for 29,000,000 ordinary shares of £1 each in its subsidiary, Citigen (London) Limited, in consideration for the release of the debt of £29,000,000 owed by Citigen (London) Limited to the Company. The resulting investment was fully impaired immediately after the subscription.

Also, during the year the Company:

- i) issued 379,000,000 ordinary shares of £1 each to E.ON UK plc, in consideration for the release of the debt of £379,000,000 owed by the Company to E.ON UK plc;
- ii) reclassified the issued 57,000,000 preference shares of £1 each fully paid into 57,000,000 ordinary shares of £1 each fully paid; and
- iii) undertook a reduction of its issued share capital from £486,000,000 divided into 486,000,000 ordinary shares of £1 each, to £2 divided into 2 ordinary shares of £1 each.

The Company continues to review its contractual obligations and there are no plans at present to initiate any new CHP development projects.

At 31 December 2013, the Company had net assets of £77,573,000. Further information regarding the financial position of the Company at the year end is provided in the Directors' Report.

Subsequently, on 1 May 2014, the Company closed its Stoke CHP site to make the business more efficient and agile in the current economic environment.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks.

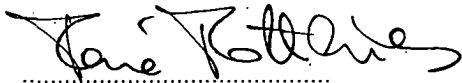
The key business risks and uncertainties affecting the Company are considered to relate to commodity prices, credit risks and asset performance. The management of risks is undertaken at E.ON SE consolidated ('group') level. Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided within the financial review section of the group's annual report which does not form part of this report.

E.ON UK CHP Limited
Strategic Report for the Year Ended 31 December 2013
(continued)

Key performance indicators ('KPIs')

The Board of Management of E.ON SE manage the group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using KPIs for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the Regional Unit UK division of E.ON SE, which includes the Company, is discussed within the financial review section of the group's annual report which does not form part of this report.

Approved by the Board of Directors on 23 September 2014 and signed on its behalf by:



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R Matthies
Director

E.ON UK CHP Limited
Company No: 2684288
Westwood Way
Westwood Business Park
Coventry
CV4 8LG

E.ON UK CHP Limited

Directors' Report for the Year Ended 31 December 2013

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2013.

Directors of the Company

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

R Matthies (appointed 7 January 2013)

D A Leiper (appointed 7 January 2013)

R J Pennells (appointed 7 January 2013)

D J Morgans (resigned 7 January 2013)

J T Lightfoot (resigned 7 January 2013)

Principal activity

The Company's principal activity during the year and at the year end was the sale of energy and related services, primarily from the operation of CHP plant.

Financial instruments

Objectives and policies

The Company, in common with other E.ON SE subsidiaries, must comply with the E.ON SE's group finance guidelines that set out the principles and framework for managing group-wide finances. The Company also utilises the E.ON UK plc operational treasury team which services the treasury requirements of the business. Further information on the E.ON SE group's policies and procedures is available in the financial statements of the E.ON SE group.

Price risk, credit risk, liquidity risk and cash flow risk

The management of risks is undertaken at the E.ON SE group level. Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided within the financial review section of the group's annual report which does not form part of this report.

Results and dividends

The Company's loss for the financial year is £19,851,000 (2012: loss of £3,455,000). No interim dividends were paid during the year (2012: £nil). The directors do not recommend the payment of a final dividend (2012: £nil).

Political donations

No political donations were made during the year (2012: £nil).

Post balance sheet events

On 1 May 2014, the Company closed its Stoke CHP site to make the business more efficient and agile in the current economic environment. The site closure resulted in an impairment charge of £5,225,000 to reduce the carrying value of the assets to £nil. Additionally, costs of £282,000 are expected to be incurred in relation to redundancies. Both of these have been treated as non-adjusting post balance sheet events and will be recognised during 2014 when incurred.

E.ON UK CHP Limited
Directors' Report for the Year Ended 31 December 2013
(continued)

Directors' indemnities

The Company maintains liability insurance for its directors and officers. This is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. This insurance cover was in full force during the year and is still in force at the date of approving the Directors' Report.

Going concern

Notwithstanding the fact that the Company has been loss making, the directors have prepared the financial statements on the going concern basis. The directors believe that funding will continue to be provided by other group companies and hence the Company can meet its obligations as they fall due for a period of at least twelve months from the date of the auditors' approval of the financial statements.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the Financial Statements in accordance with applicable law and regulations.

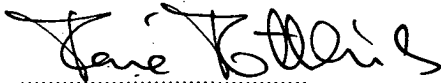
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

E.ON UK CHP Limited
Directors' Report for the Year Ended 31 December 2013
(continued)

Approved by the Board of Directors on 23 September 2014 and signed on its behalf by:



R Matthies
Director

E.ON UK CHP Limited
Company No: 2684288
Westwood Way
Westwood Business Park
Coventry
CV4 8LG

Independent Auditors' Report to the Members of E.ON UK CHP Limited

Report on the financial statements

Our Opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by E.ON UK CHP Limited, comprise:

- the balance sheet as at 31 December 2013;
- the profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Strategic Report, Directors' Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we became aware of any material misstatements or inconsistencies we consider the implications for our report.

**Independent Auditors' Report to the Members of
E.ON UK CHP Limited
(continued)**

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.



Matthew Walker (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Birmingham

Date: 24 September 2014

E.ON UK CHP Limited
Profit and Loss Account for the Year Ended 31 December 2013

	Note	2013 £ 000	2012 £ 000
Turnover	2		
Continuing operations		50,257	64,035
Discontinued operations		<u>75,160</u>	<u>71,956</u>
		125,417	135,991
Cost of sales	3	<u>(114,261)</u>	<u>(125,761)</u>
Gross profit		11,156	10,230
Administrative expenses	3	(23,780)	(16,746)
Impairment of fixed assets		(50)	(1,801)
Reversal of impairment of fixed assets		2,370	7,184
Onerous contract provision	3	5,350	8,494
Other operating income	3	9,306	4,035
Operating profit	4		
Continuing operations		(1,187)	16,057
Discontinued operations		<u>5,539</u>	<u>(4,661)</u>
		4,352	11,396
Profit on disposal of fixed assets - discontinued operations	5	18,045	-
Interest receivable and similar income	7	15	15
Amounts written off investments	12	(29,000)	-
Interest payable and similar charges	8	<u>(8,885)</u>	<u>(14,544)</u>
Loss on ordinary activities before taxation		(15,473)	(3,133)
Tax on loss on ordinary activities	9	<u>(4,378)</u>	<u>(322)</u>
Loss for the financial year	19	<u>(19,851)</u>	<u>(3,455)</u>

The notes on pages 11 to 27 form an integral part of these financial statements.

E.ON UK CHP Limited
Profit and Loss Account for the Year Ended 31 December 2013
(continued)

Discontinued operations relate to the Winnington CHP site that was sold on 2 September 2013. All other activities are considered to be continuing operations.

There are no material differences between the loss on ordinary activities before taxation and the loss for either of the years stated above and their historical cost equivalents.

The Company has no recognised gains or losses for the year, other than the results above and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 11 to 27 form an integral part of these financial statements.

E.ON UK CHP Limited
(Company number: 2684288)
Balance Sheet as at 31 December 2013

	Note	2013 £ 000	2012 £ 000
Fixed assets			
Intangible assets	10	1,122	-
Tangible assets	11	28,957	31,784
Investments	12	6,360	6,360
		<u>36,439</u>	<u>38,144</u>
Current assets			
Stocks	13	3,122	3,819
Debtors: amounts falling due after more than one year	14	3,058	16,903
Debtors: amounts falling due within one year	15	90,232	123,784
		<u>96,412</u>	<u>144,506</u>
Creditors: amounts falling due within one year	16	<u>(27,971)</u>	<u>(453,573)</u>
Net current assets/(liabilities)		<u>68,441</u>	<u>(309,067)</u>
Total assets less current liabilities		104,880	(270,923)
Provisions for liabilities	17	<u>(27,307)</u>	<u>(67,653)</u>
Net assets/(liabilities)		<u>77,573</u>	<u>(338,576)</u>
Capital and reserves			
Called up share capital	18	-	50,000
Profit and loss account	19	77,573	(388,576)
Total shareholders' funds/(deficit)	20	<u>77,573</u>	<u>(338,576)</u>

The financial statements on pages 8 to 27 were approved by the Board of Directors on 23 September 2014 and signed on its behalf by:



R Matthies
Director

E.ON UK CHP Limited

The notes on pages 11 to 27 form an integral part of these financial statements.

E.ON UK CHP Limited

Notes to the Financial Statements for the Year Ended 31 December 2013

1 Accounting policies

Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

The Company is exempt from preparing a cash flow statement as 90% or more of the voting rights are held within the E.ON SE group.

The sale of the Winnington site has been treated as a discontinued operation. Accordingly, the prior year figures have been restated for comparative purposes, to show Winnington as a discontinued operation.

Exemption from preparing group financial statements

The Company is a wholly-owned subsidiary undertaking of E.ON SE, the ultimate parent undertaking, and is included in the publicly available consolidated financial statements of E.ON SE. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of Section 400 of the Companies Act 2006.

Going concern

Notwithstanding the fact that the Company has been loss making, the directors have prepared the financial statements on the going concern basis. The directors believe that funding will continue to be provided by other group companies and hence the Company can meet its obligations as they fall due for a period of at least twelve months from the date of the auditors' approval of the financial statements.

Turnover

Turnover predominantly comprises revenue from the sale of electricity and steam to industrial customers, along with other income streams directly related to the operation of the plant portfolio. Turnover is recognised when earned on the basis of a contractual agreement with the customer. It reflects the value of the volume supplied. Turnover excludes value added tax.

Intangibles

Other intangibles relate to Levy Exemption Certificates (LECs), which are purchased from other group companies, capitalised at their acquisition cost and classified as an asset on the balance sheet. The consumption of LECs is recognised when they are sold on to other group companies.

Tangible fixed assets

Tangible fixed assets are stated at original cost less accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Plant and machinery relate primarily to generating assets.

E.ON UK CHP Limited

Notes to the Financial Statements for the Year Ended 31 December 2013

(continued)

Depreciation

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Depreciation method and rate
Plant and machinery	Straight line basis over 2-40 years

Estimated useful lives are reviewed periodically.

Impairment

Impairments of assets are calculated as the difference between the carrying value of the asset and its recoverable amount, if lower. Recoverable amount is defined as the higher of fair value less costs to sell and estimated value in use at the date the impairment review is undertaken. Value in use represents the present value of expected future cash flows, discounted using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Where such an asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the income generating unit.

Impairments are recognised in the profit and loss account and, where material, are disclosed separately.

If the reasons for previously recognised impairment losses no longer exist, such impairment losses are reversed and recognised in the profit and loss account. Such reversal shall not cause the carrying amount to exceed the amount that would have resulted had no impairment taken place in previous years.

Overhaul of generation plant

Major periodic overhaul costs on generation plant 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.

Decommissioning costs

The fair value of a liability arising from the decommissioning of an asset is recognised in the period in which it is incurred and a reasonable estimate of the fair value can be made. When the provision is recorded, the Company capitalises the costs of the provision by increasing the carrying amount of the tangible fixed assets. In subsequent periods, the provision is accreted to its present value and the carrying amount of the asset is depreciated over its useful life. Changes to estimates arise, particularly when there are deviations from original cost estimates or changes to the payment schedule or the level of relevant obligation. The provision must be adjusted in the case of both negative and positive changes to estimates. Such an adjustment is usually effected through a corresponding adjustment to tangible fixed assets and is not recognised directly in the profit and loss account.

Fixed asset investments

Fixed asset investments are stated at historical cost less provision for any diminution in value.

E.ON UK CHP Limited

Notes to the Financial Statements for the Year Ended 31 December 2013

(continued)

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks. Net realisable value is based on selling price less anticipated costs to completion and selling costs. In general, stocks are recognised in the profit and loss account on a weighted average cost basis. The Companies Act 2006 requires stocks to be categorised between raw materials, work in progress and finished goods. Fuel stocks and stores are considered to be raw materials under this definition.

Foreign currency

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction, unless related or matching forward foreign exchange contracts have been entered into, when the rate specified in that contract is used. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rates at the balance sheet date. All exchange differences are included in the profit and loss account.

Inter-company balances

Inter-company payable and receivable trading balances within the E.ON SE group are consolidated at each period end into a single balance with each group company. These transactions are net settled. As a result the directors consider it appropriate to present inter-company balances within these financial statements on a net basis. Formal loan balances are settled gross.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet, when the Company has a legally enforceable right to set off the recognised amounts and it intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

Provisions

Provisions are recognised in the balance sheet when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Future operating costs are not provided for.

E.ON UK CHP Limited
Notes to the Financial Statements for the Year Ended 31 December 2013
(continued)

Taxation

The tax charge for the year is based on the losses on ordinary activities for the year.

This takes into account full provision for deferred tax in respect of timing differences on a discounted basis, using the approach set out in FRS 19 'Deferred tax'. Timing differences arise primarily from the differing treatment for taxation and accounting purposes of provisions and depreciation of fixed assets. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, or where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods which the timing differences are expected to reverse, based on tax laws that have been enacted or substantively enacted by the balance sheet date.

Operating leases

Leases in which a substantial 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.

Pension costs

The Company contributes to a defined contribution pension scheme, and also a defined benefit group pension scheme operated by E.ON UK plc, the assets of which are invested in a separate trustee-administered fund. Further details of these schemes are available in E.ON UK plc's financial statements.

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.

Related party transactions

The Company is exempt under the terms of Financial Reporting Standard 8 'Related Party Disclosures' from disclosing related party transactions with entities that are part of the E.ON SE group or investees of the E.ON SE group.

2 Turnover

The Company's turnover, all of which arises in the course of the Company's principal activity, arises in the UK.

E.ON UK CHP Limited
Notes to the Financial Statements for the Year Ended 31 December 2013
(continued)

3 Cost of sales and operating expenses

	2013 £ 000	2012 £ 000
Cost of sales		
Continuing operations	(38,920)	(53,881)
Discontinued operations	(75,341)	(71,880)
	<u>(114,261)</u>	<u>(125,761)</u>
Administrative expenses		
Continuing operations	(23,669)	(16,746)
Discontinued operations	(111)	-
	<u>(23,780)</u>	<u>(16,746)</u>
Onerous contract provision		
Continuing operations	-	11,430
Discontinued operations	5,350	(2,936)
	<u>5,350</u>	<u>8,494</u>
Other operating income		
Continuing operations	8,825	4,035
Discontinued operations	481	-
	<u>9,306</u>	<u>4,035</u>

The impairment charge of £1,801,000 during 2012 relates solely to discontinued operations. The impairment charge of £50,000 during 2013 relates solely to continuing operations.

E.ON UK CHP Limited
Notes to the Financial Statements for the Year Ended 31 December 2013
(continued)

4. Operating profit

Operating profit is stated after charging/(crediting):

	2013 £ 000	2012 £ 000
Hire of plant and machinery	2	9
Hire of motor vehicles	111	93
Foreign currency gains	(28)	(2)
Depreciation of owned assets (note 11)	5,151	4,417
Reversal of impairment of fixed assets (note 11)	(2,370)	(7,184)
Impairment of tangible fixed assets (note 11)	50	1,801
Onerous contract provision (note 17)	<u>(5,350)</u>	<u>(8,494)</u>

At 31 December 2013, a review of the appropriateness of the carrying value of the Company's plant portfolio was undertaken, in accordance with FRS 11 'Impairment of fixed assets and goodwill'. The cash flows used in this impairment review were based on approved budgets and discounted at the E.ON UK plc group's cost of capital for CHP operations over a period of 8 years. As a result of the review, an impairment charge of £50,000 (2012: £1,801,000) has been recorded in these financial statements. A tax credit of £10,000 (2012: £441,000) arose in respect of this item.

An impairment reversal of £2,370,000 (2012: £7,184,000) has also been recorded in these financial statements. The reversal arose as a result of improvements in expected future cashflows due to higher forecast sales than previously anticipated. A tax charge of £474,000 (2012: £880,000) arose in respect of this item.

The discount rate used to calculate both the impairment reversal and the impairment charge is a post-tax rate of 6.6% (2012: 6.0%).

Operating profit includes restructuring costs of £343,000 (2012: £nil) relating primarily to the E.ON SE group-wide E.ON 2.0 project.

Auditors' remuneration of £15,000 (2012: £15,000) was borne by the immediate parent undertaking, E.ON UK plc, and not recharged.

The directors received no emoluments from the Company during the year (2012: £nil).

5 Exceptional items

	2013 £ 000	2012 £ 000
Profit on sale of fixed assets	<u>18,045</u>	<u>-</u>

On 2 September 2013, the Company disposed of its Winnington CHP plant to a third party, resulting in a profit on disposal of £18,045,000. This includes a release of the onerous contract provision of £51,383,000 and deferred consideration of £5,575,000, which is due to be settled in instalments during 2014, 2015 and 2016.

E.ON UK CHP Limited

Notes to the Financial Statements for the Year Ended 31 December 2013

(continued)

6 Employee information

The average monthly number of persons (excluding directors) employed by the Company or the E.ON UK plc group in respect of the Company during the year is set out below. In addition, £404,000 (2012: £398,000) of central salary costs associated with CHP activities in the UK have been recharged to the Company and £802,000 (2012: £715,000) have been recharged by the Company to other companies within the E.ON UK plc group:

	2013 No.	2012 No.
Administration and support	23	26
Other departments	75	86
	98	112

The associated salaries and related costs were:

	2013 £ 000	2012 £ 000
Wages and salaries	4,513	5,363
Social security costs	479	582
Other pension costs	1,301	1,495
	6,293	7,440

7 Interest receivable and similar income

	2013 £ 000	2012 £ 000
Interest receivable from group undertakings	15	-
Other interest receivable	-	15
	15	15

8 Interest payable and similar charges

	2013 £ 000	2012 £ 000
Interest payable to group undertakings	4,795	7,160
Accretion of discount on provisions	4,090	7,384
	8,885	14,544

E.ON UK CHP Limited
Notes to the Financial Statements for the Year Ended 31 December 2013
(continued)

9 Tax on loss on ordinary activities

	2013 £ 000	2012 £ 000
Current tax		
Corporation tax credit	(8,819)	(5,226)
Adjustments in respect of prior periods	(648)	57
UK corporation tax	(9,467)	(5,169)
Deferred tax		
Origination and reversal of timing differences	11,670	3,725
Deferred tax adjustment relating to prior years	(39)	(130)
Effect of changes in tax rates	2,222	1,802
Unwinding of discount	(8)	94
Total deferred tax	13,845	5,491
Total tax on loss on ordinary activities	4,378	322

Factors affecting current tax credit for the year

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 effective rate of corporation tax in the UK at 23.25% (2012: 24.5%) can be explained as follows:

	2013 £ 000	2012 £ 000
Loss on ordinary activities before taxation	(15,473)	(3,133)
Corporation tax at effective rate	(3,597)	(768)
Depreciation in excess of capital allowances	(856)	(475)
Other timing differences	(12,709)	(3,492)
Other expenses not deductible for tax purposes	1,601	(491)
Impairment of share investments not deductible for tax purposes	6,742	-
Adjustment in respect of prior periods	(648)	57
Total current tax	(9,467)	(5,169)

E.ON UK CHP Limited

Notes to the Financial Statements for the Year Ended 31 December 2013

(continued)

During the year the main rate of UK corporation tax was reduced to 23% effective from 1 April 2013. Legislation was included in the Finance Act 2013 to reduce the corporation tax rate from 23% to 21% effective from 1 April 2014 and from 21% to 20% effective from 1 April 2015.

The corporation tax receivable has been reduced by £9,467,000 because of group relief surrendered to a fellow group undertaking for which a payment will be received (2012: £5,169,000). Accordingly no tax losses are available for carry forward.

10 Intangible assets

	Other intangibles £ 000
Cost	
At 1 January 2013	-
Additions	1,467
Disposals	(345)
At 31 December 2013	<u>1,122</u>
Accumulated amortisation	
At 1 January 2013	-
At 31 December 2013	<u>-</u>
Net book value	
At 31 December 2013	<u><u>1,122</u></u>
At 31 December 2012	<u><u>-</u></u>

Other intangibles relate to LECs.

E.ON UK CHP Limited
Notes to the Financial Statements for the Year Ended 31 December 2013
(continued)

11 Tangible assets

	Plant and machinery £ 000
Cost or valuation	
At 1 January 2013	269,647
Additions	223
Disposals	(155,604)
At 31 December 2013	<u>114,266</u>
Depreciation	
At 1 January 2013	237,863
Charge for the year	5,151
Impairment	50
Impairment reversal	(2,370)
Eliminated on disposals	(155,385)
At 31 December 2013	<u>85,309</u>
Net book value	
At 31 December 2013	<u><u>28,957</u></u>
At 31 December 2012	<u><u>31,784</u></u>

Disposals include £219,000 (2012: additions of £89,000) resulting from a change in accounting estimate for the decommissioning provision. The closing net book value includes £618,000 (2012: £966,000) relating to the assets associated with the cost of decommissioning the sites.

12 Investments

	2013 £ 000	2012 £ 000
Shares in group undertakings and participating interests	<u><u>6,360</u></u>	<u><u>6,360</u></u>

E.ON UK CHP Limited
Notes to the Financial Statements for the Year Ended 31 December 2013
(continued)

Shares in group undertakings and participating interests

	Subsidiary undertakings £ 000
Cost	
At 1 January 2013	6,506
Additions	29,000
At 31 December 2013	<u>35,506</u>
Provision for impairment	
At 1 January 2013	146
Charge for the year	29,000
At 31 December 2013	<u>29,146</u>
Net book value	
At 31 December 2013	<u><u>6,360</u></u>
At 31 December 2012	<u><u>6,360</u></u>

During the year, the Company subscribed for 29,000,000 ordinary shares of £1 each in its subsidiary, Citigen (London) Limited, in consideration for the release of the debt of £29,000,000 owed by Citigen (London) Limited to the Company. The resulting investment was fully impaired immediately after the subscription.

Details of undertakings

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Holding	Proportion of voting rights and shares held	Principal activity
Subsidiary undertakings			
E.ON UK Cogeneration Limited	Ordinary shares	100%	Sale of energy services involving the construction and operation of CHP plants
Citigen (London) Limited	Ordinary shares	100%	Sale of energy services involving the supply of heating, hot water and ventilation

The directors believe the carrying value of the investments is supported by their underlying assets. All of the undertakings disclosed above are incorporated in the United Kingdom.

E.ON UK CHP Limited
Notes to the Financial Statements for the Year Ended 31 December 2013
(continued)

13 Stocks

	2013 £ 000	2012 £ 000
Fuel stocks	122	482
Stores	<u>3,000</u>	<u>3,337</u>
	<u><u>3,122</u></u>	<u><u>3,819</u></u>

14 Debtors: amounts falling due after more than one year

	2013 £ 000	2012 £ 000
Deferred tax	<u><u>3,058</u></u>	<u><u>16,903</u></u>

Deferred tax

The movement in the deferred tax asset during the year is as follows:

	£ 000
At 1 January 2013	16,903
Deferred tax charged to the profit and loss account	<u>(13,845)</u>
At 31 December 2013	<u><u>3,058</u></u>

Analysis of deferred tax

	2013 £ 000	2012 £ 000
Difference between accumulated depreciation and amortisation and capital allowances	593	1,438
Other timing differences	<u>2,552</u>	<u>15,560</u>
	<u>3,145</u>	<u>16,998</u>
Discount	<u>(87)</u>	<u>(95)</u>
Discounted asset for deferred tax	<u><u>3,058</u></u>	<u><u>16,903</u></u>

The Finance Act 2013 included legislation to reduce the main rate of corporation tax to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015. The deferred tax asset at 31 December 2013 has been re-measured accordingly.

Within the deferred tax charge of £13,845,000, the amount that relates to the change in the tax rate is a £2,222,000 charge.

E.ON UK CHP Limited
Notes to the Financial Statements for the Year Ended 31 December 2013
(continued)

15 Debtors: amounts falling due within one year

	2013 £ 000	2012 £ 000
Trade debtors	11,110	20,756
Amounts owed by group undertakings	78,931	102,538
Other debtors	-	330
Prepayments and accrued income	191	160
	<u>90,232</u>	<u>123,784</u>

Amounts owed by group undertakings include a loan receivable from E.ON UK plc of £13,541,000 (2012: £nil) which is unsecured, bears interest at a rate of LIBOR minus 5 basis points, rolls forward (in principle and interest) on a daily basis, and is drawn from a credit facility of £25,000,000 which expires in December 2014. All other amounts are unsecured, interest free and repayable on demand.

16 Creditors: amounts falling due within one year

	2013 £ 000	2012 £ 000
Trade creditors	453	328
Preference shares	-	57,000
Amounts owed to group undertakings	14,692	387,958
Other taxes and social security	5,904	3,199
Other creditors	55	31
Accruals and deferred income	6,867	5,057
	<u>27,971</u>	<u>453,573</u>

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

E.ON UK CHP Limited
Notes to the Financial Statements for the Year Ended 31 December 2013
(continued)

Details of the preference shares are given below:

	2013 £ 000	2012 £ 000
Authorised		
57,000,000 redeemable preference shares of £1 each	-	57,000
Allotted, called-up and fully paid		
57,000,000 redeemable preference shares of £1 each	-	57,000

As described in note 18, during the year, the Company reclassified the issued 57,000,000 preference shares of £1 each fully paid into 57,000,000 ordinary shares of £1 each fully paid.

17 Provisions for liabilities

	Decommis- sioning provisions £ 000	Contract provisions £ 000	Other provision £ 000	Emission obligations £ 000	Total £ 000
At 1 January 2013	3,925	63,728	-	-	67,653
(Credited)/charged to the profit and loss account	-	(56,733)	18,375	5,233	(33,125)
Utilised during the year	-	(11,031)	(61)	-	(11,092)
Accretion of discount	54	4,036	-	-	4,090
Disposed of in tangible assets	(219)	-	-	-	(219)
	(165)	(63,728)	18,314	5,233	(40,346)
At 31 December 2013	3,760	-	18,314	5,233	27,307

E.ON UK CHP Limited

Notes to the Financial Statements for the Year Ended 31 December 2013

(continued)

Decommissioning provisions comprise amounts set aside for the estimated costs of decommissioning CHP plants and subsequent site restoration costs at UK CHP plants which will be utilised as each CHP plant closes. The amount capitalised in tangible assets relates to a change in the estimated cost of decommissioning the plant and to a change in the discount rate. The provision will be utilised when the sites are closed between 2017 and 2023.

Contract provisions relate to onerous lease contract provisions for the Winnington site. A release of £56,733,000 has been recorded in these financial statements as a result of the sale of the Winnington site, to reduce the provision to £nil at 31 December 2013. A tax charge of £11,347,000 arose as a result of this release.

Other provisions relate to costs associated with the disposal of the Winnington CHP site, including £5,575,000 of deferred consideration. The provision is expected to be utilised by 2016.

Emission obligations represent amounts payable to national authorities for emissions made during the year. Emission obligations are settled on an annual basis.

18 Called up share capital

Allotted and fully paid

	2013		2012	
	No.	£ 000	No.	£ 000
Ordinary shares of £1 each	<u>2</u>	<u>-</u>	<u>50,000,000</u>	<u>50,000</u>

During the year the Company: i) issued 379,000,000 ordinary shares of £1 each to E.ON UK plc, in consideration for the release of the debt of £379,000,000 owed by the Company to E.ON UK plc; ii) reclassified the issued 57,000,000 preference shares of £1 each fully paid into 57,000,000 ordinary shares of £1 each fully paid; and iii) undertook a reduction of its issued share capital from £486,000,000 divided into 486,000,000 ordinary shares of £1 each, to £2 divided into 2 ordinary shares of £1 each.

19 Reserves

	Profit and loss account £ 000
At 1 January 2013	(388,576)
Loss for the year	(19,851)
Movement on reduction of capital	<u>486,000</u>
At 31 December 2013	<u>77,573</u>

E.ON UK CHP Limited
Notes to the Financial Statements for the Year Ended 31 December 2013
(continued)

20 Reconciliation of movements in shareholders' funds/(deficit)

	2013 £ 000	2012 £ 000
Loss attributable to the members of the Company	(19,851)	(3,455)
New share capital subscribed	379,000	-
Preference share capital reclassified as ordinary share capital	57,000	-
Net reduction in/(addition to) shareholders' deficit	416,149	(3,455)
Shareholders' deficit at 1 January	(338,576)	(335,121)
Shareholders' funds/(deficit) at 31 December	77,573	(338,576)

During the year the Company: i) issued 379,000,000 ordinary shares of £1 each to E.ON UK plc, in consideration for the release of the debt of £379,000,000 owed by the Company to E.ON UK plc; ii) reclassified the issued 57,000,000 preference shares of £1 each fully paid into 57,000,000 ordinary shares of £1 each fully paid; and iii) undertook a reduction of its issued share capital from £486,000,000 divided into 486,000,000 ordinary shares of £1 each to £2 divided into 2 ordinary shares of £1 each.

21 Pension schemes

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 actuarial valuation of the scheme was at 31 March 2010.

Due to the complexity of actuarial calculations and the number of different companies contributing to the scheme, the Company is unable to identify its share of the underlying assets and liabilities in the scheme. Consequently, the Company accounts for the scheme as a defined contribution scheme. The cost of contributions to the scheme in the year amounts to £1,301,000 (2012: £1,495,000).

Further details of the scheme are available in E.ON UK plc's financial statements. Due to a deficit in the scheme, E.ON UK plc made a special contribution of £50 million in January 2013 and £35 million in January 2014 and expects to make special contributions of £35 million per annum from 2015 until 2016. None of this cost is expected to be recharged to the Company.

E.ON UK CHP Limited

Notes to the Financial Statements for the Year Ended 31 December 2013

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22 Post balance sheet events

On 1 May 2014, the Company closed its Stoke CHP site to make the business more efficient and agile in the current economic environment. The site closure resulted in an impairment charge of £5,225,000 to reduce the carrying value of the assets to £nil. Additionally, costs of £282,000 are expected to be incurred in relation to redundancies. Both of these have been treated as non-adjusting post balance sheet events and will be recognised during 2014 when incurred.

23 Ultimate parent

The Company is controlled by E.ON UK plc. The ultimate controlling party is E.ON SE, which is the parent company of the largest and smallest group to consolidate these financial statements. Copies of E.ON SE's financial statements are available from the offices of E.ON SE at the following address:

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