

Company number: 2684288

# E.ON UK CHP Limited

Strategic Report, Directors' Report and Financial Statements

for the Year Ended 31 December 2014

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**E.ON UK CHP Limited**  
**Strategic Report for the Year Ended 31 December 2014**

The directors present their strategic report of the Company for the year ended 31 December 2014.

**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 taxation of £8,585,000 includes financial adjustments of £7,436,000 (as described below), there is an underlying trading loss of £1,149,000 for the year.

During the year the Company closed its Stoke Combined Heat and Power ("CHP") site to make the business more efficient and agile in the current economic environment. The closure of the Stoke CHP site has resulted in a fixed asset impairment of £5,542,000, an onerous contract provision for the remaining contract of £1,507,000 and restructuring costs of £387,000.

At 31 December 2014, a review of the appropriateness of the carrying value of the Company's plant portfolio was undertaken, resulting in an impairment charge of £345,000 (2013: impairment charge of £50,000 plus impairment reversal of £2,370,000) being recognised in the financial statements.

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 2014, the Company had net assets of £66,314,000 (2013: 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.

**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.

**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. The directors do not believe there are any further relevant KPIs that are not already disclosed within the financial statements.

Approved by the Board of Directors on 9 September 2015 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

**E.ON UK CHP Limited**  
**Directors' Report for the Year Ended 31 December 2014**

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2014.

**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

D A Leiper

R J Pennells

**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.

**Results and dividends**

The Company's loss for the financial year is £11,259,000 (2013: loss of £19,851,000). No interim dividends were paid during the year (2013: £nil). The directors do not recommend the payment of a final dividend (2013: £nil).

**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.

**Political donations**

No political donations were made during the year (2013: £nil).

**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 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 these financial statements.

**E.ON UK CHP Limited**  
**Directors' Report for the Year Ended 31 December 2014**  
**(continued)**

**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, the 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.

Approved by the Board of Directors on 9 September 2015 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, E.ON UK CHP Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 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.

#### **What we have audited**

E.ON UK CHP Limited's financial statements comprise:

- the balance sheet as at 31 December 2014;
- 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.

#### **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.

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

**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 3, 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 International Standards on Auditing (UK and Ireland) ("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.

**What an audit of financial statements involves**

We conducted our audit in accordance with 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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 become aware of any material misstatement or inconsistencies we consider the implications for our report.



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

Date: 9 September 2015

**E.ON UK CHP Limited**  
**Profit and Loss Account for the Year Ended 31 December 2014**

	Note	2014 £ 000	2013 £ 000
<b>Turnover</b>	<b>2</b>		
Continuing operations		47,526	50,257
Discontinued operations		-	75,160
		<u>47,526</u>	<u>125,417</u>
Cost of sales	<b>3</b>	<u>(37,386)</u>	<u>(114,261)</u>
Gross profit		10,140	11,156
Administrative expenses	<b>3</b>	(21,633)	(23,780)
Impairment of fixed assets	<b>4</b>	(5,887)	(50)
Reversal of impairment of fixed assets		-	2,370
Onerous contract provision	<b>3</b>	(1,507)	5,350
Other operating income	<b>3</b>	10,245	9,306
<b>Operating (loss)/profit</b>	<b>4</b>		
Continuing operations		(8,642)	(1,187)
Discontinued operations		-	5,539
		<u>(8,642)</u>	<u>4,352</u>
Profit on disposal of fixed assets - discontinued operations	<b>5</b>	-	18,045
Interest receivable and similar income	<b>7</b>	130	15
Amounts written off investments		-	(29,000)
Interest payable and similar charges	<b>8</b>	<u>(73)</u>	<u>(8,885)</u>
<b>Loss on ordinary activities before taxation</b>		<u>(8,585)</u>	<u>(15,473)</u>
Tax on loss on ordinary activities	<b>9</b>	<u>(2,674)</u>	<u>(4,378)</u>
<b>Loss for the financial year</b>	<b>19</b>	<u><u>(11,259)</u></u>	<u><u>(19,851)</u></u>

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.

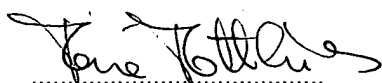
The Company has no recognised gains or losses for the year, other than the results above and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 8 to 23 form an integral part of these financial statements.

**E.ON UK CHP Limited**  
**(Company number: 2684288)**  
**Balance Sheet as at 31 December 2014**

	Note	2014 £ 000	2013 £ 000
<b>Fixed assets</b>			
Intangible assets	10	115	1,122
Tangible assets	11	21,771	28,957
Investments	12	6,360	6,360
		<u>28,246</u>	<u>36,439</u>
<b>Current assets</b>			
Stocks	13	2,019	3,122
Debtors: amounts falling due after more than one year	14	-	3,058
Debtors: amounts falling due within one year	15	107,610	90,232
		<u>109,629</u>	<u>96,412</u>
<b>Creditors: amounts falling due within one year</b>	16	<u>(48,787)</u>	<u>(27,971)</u>
<b>Net current assets</b>		<u>60,842</u>	<u>68,441</u>
<b>Total assets less current liabilities</b>		<b>89,088</b>	<b>104,880</b>
<b>Provisions for liabilities</b>	17	<u>(22,774)</u>	<u>(27,307)</u>
<b>Net assets</b>		<u>66,314</u>	<u>77,573</u>
<b>Capital and reserves</b>			
Called up share capital	18	-	-
Profit and loss account	19	66,314	77,573
<b>Total shareholders' funds</b>	20	<u>66,314</u>	<u>77,573</u>

The financial statements on pages 6 to 23 were approved by the Board of Directors on 9 September 2015 and signed on its behalf by:



**R Matthies**  
Director

E.ON UK CHP Limited

The notes on pages 8 to 23 form an integral part of these financial statements.

## **E.ON UK CHP Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2014**

#### **1 Accounting policies**

##### **Basis of preparation**

These financial statements are prepared on the going concern basis, under the historical cost convention, 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 group.

The sale of the Winnington site in the prior year was treated 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.

##### **Other Income**

Other income predominantly relates to the provision of operations and maintenance services for industrial customers. Income is recognised when earned on the basis of a contractual agreement with the customer. Other income 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.

##### **Accrued income**

Income recognised in advance of receipt is debited to an accrued income account and is recognised in the profit and loss account in the period to which it relates.

**E.ON UK CHP Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2014**  
**(continued)**

**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.

**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:

<b>Asset class</b>	<b>Depreciation method and rate</b>
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 pre-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.

## **E.ON UK CHP Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2014**

**(continued)**

#### **Decommissioning costs**

The fair value of a liability arising from the decommissioning of an asset is recognised in the period in which the asset is commissioned and when 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.

#### **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.

#### **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 and presented 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.

**E.ON UK CHP Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2014**  
**(continued)**

**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.

**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 substantially 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.

**E.ON UK CHP Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2014**  
*(continued)*

**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.

**3 Cost of sales and operating expenses**

**Cost of sales**

Continuing operations	(37,386)	(38,920)
Discontinued operations	-	(75,341)
	<u>(37,386)</u>	<u>(114,261)</u>

**Administrative expenses**

Continuing operations	(21,633)	(23,669)
Discontinued operations	-	(111)
	<u>(21,633)</u>	<u>(23,780)</u>

**Onerous contract provision**

Continuing operations	(1,507)	-
Discontinued operations	-	5,350
	<u>(1,507)</u>	<u>5,350</u>

**Other operating income**

Continuing operations	10,245	8,825
Discontinued operations	-	481
	<u>10,245</u>	<u>9,306</u>

**E.ON UK CHP Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2014**  
**(continued)**

**4 Operating (loss)/profit**

Operating (loss)/profit is stated after charging/(crediting):

	2014 £ 000	2013 £ 000
Hire of plant and machinery	-	2
Hire of motor vehicles	138	111
Foreign currency gains	(328)	(28)
Depreciation of owned assets (note 11)	3,615	5,151
Reversal of impairment of tangible fixed assets (note 11)	-	(2,370)
Impairment of tangible fixed assets (note 11)	5,887	50
Onerous contract provision (note 17)	<u>1,507</u>	<u>(5,350)</u>

At 31 December 2014, 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 £345,000 (2013: £50,000) has been recorded in these financial statements. A tax credit of £69,000 (2013: £10,000) arose in respect of this item.

An impairment of £5,542,000 has also been recorded in these financial statements. This was due to the closure of the gas turbine plant at the Stoke CHP site. A tax credit of £1,108,000 arose in respect of this item. The discount rate used to calculate the impairment charge is a post-tax rate of 6.6% (2013: 6.6%).

Operating profit includes restructuring costs of £387,000 (2013: £343,000) relating primarily to the closure of the Stoke CHP site which resulted in costs of £157,000 relating to the write off of the value of stores and £230,000 relating to severance expenses.

Auditors' remuneration of £15,000 (2013: £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 (2013: £nil).

**5 Exceptional items**

	2014 £ 000	2013 £ 000
Profit on sale of fixed assets	<u>-</u>	<u>(18,045)</u>

In 2013, the Company disposed of its Winnington CHP plant to a third party, resulting in a profit on disposal of £18,045,000. This included a release of the onerous contract provision of £51,383,000 and deferred consideration of £5,575,000, of which £1,858,000 was settled in 2014 with the remainder due in 2015 and 2016.

**E.ON UK CHP Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2014**  
*(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, £333,000 (2013: £404,000) of central salary costs associated with CHP activities in the UK have been recharged to the Company and £511,000 (2013: £802,000) have been recharged by the Company to other companies within the E.ON UK plc group.

	2014 No.	2013 No.
Administration and support	21	23
Other departments	70	75
	<u>91</u>	<u>98</u>

The aggregate payroll costs were as follows:

	2014 £ 000	2013 £ 000
Wages and salaries	4,542	4,513
Social security costs	476	479
Other pension costs	1,472	1,301
	<u>6,490</u>	<u>6,293</u>

**7 Interest receivable and similar income**

	2014 £ 000	2013 £ 000
Interest receivable from group undertakings	<u>130</u>	<u>15</u>

**8 Interest payable and similar charges**

	2014 £ 000	2013 £ 000
Interest payable to group undertakings	1	4,795
Interest - provision unwind	72	4,090
	<u>73</u>	<u>8,885</u>

**E.ON UK CHP Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2014**  
*(continued)*

**9 Tax on loss on ordinary activities**

	2014 £ 000	2013 £ 000
<b>Current tax</b>		
UK corporation tax on losses for the year	(389)	(8,819)
Adjustments in respect of previous periods	5	(648)
Total current tax credit	<u>(384)</u>	<u>(9,467)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(1,300)	11,670
Adjustment in respect of previous years	4	(39)
Changes in tax laws and rates	-	2,222
Unwinding of deferred tax discount	13	(8)
Deferred tax asset not recognised on fixed asset and other timing differences	<u>4,341</u>	<u>-</u>
Total deferred tax charge	<u>3,058</u>	<u>13,845</u>
Tax on loss on ordinary activities	<u><u>2,674</u></u>	<u><u>4,378</u></u>

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 21.5% (2013: 23.25%) can be explained as follows:

	2014 £ 000	2013 £ 000
Loss on ordinary activities before taxation	<u>(8,585)</u>	<u>(15,473)</u>
Corporation tax at effective rate	(1,846)	(3,597)
<b>Effects of:</b>		
Depreciation in excess of capital allowances	1,057	(856)
Other timing differences	339	(12,709)
Other expenses not deductible for tax purposes	61	1,601
Impairment of share investments not deductible for tax purposes	-	6,742
Adjustment in respect of prior periods	<u>5</u>	<u>(648)</u>
Current tax credit for the year	<u><u>(384)</u></u>	<u><u>(9,467)</u></u>

## **E.ON UK CHP Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2014**

**(continued)**

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

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. As the changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements.

The corporation tax receivable has been reduced by £384,000 because of group relief surrendered to a fellow group undertaking for which a payment will be received (2013: receipt of £9,467,000). Accordingly no tax losses are available for carry forward.

#### **10 Intangible assets**

	<b>Other intangibles £ 000</b>
<b>Cost</b>	
At 1 January 2014	1,122
Disposals	(1,007)
At 31 December 2014	115
<b>Accumulated amortisation</b>	
At 1 January 2014	-
At 31 December 2014	-
<b>Net book value</b>	
At 31 December 2014	115
At 31 December 2013	1,122

Other intangibles relate to LECs.

**E.ON UK CHP Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2014**  
*(continued)*

**11 Tangible assets**

	<b>Plant and machinery £ 000</b>
<b>Cost</b>	
At 1 January 2014	114,266
Additions	2,316
At 31 December 2014	<u>116,582</u>
<b>Accumulated depreciation</b>	
At 1 January 2014	85,309
Charge for the year	3,615
Impairment	5,887
At 31 December 2014	<u>94,811</u>
<b>Net book value</b>	
At 31 December 2014	<u>21,771</u>
At 31 December 2013	<u>28,957</u>

Additions include £185,000 (2013: disposals of £219,000) resulting from a change in accounting estimate for the decommissioning provision. The closing net book value includes £550,000 (2013: £618,000) relating to the assets associated with the cost of decommissioning the sites.

**E.ON UK CHP Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2014**  
**(continued)**

**12 Investments**

	2014 £ 000	2013 £ 000
Shares in group undertakings and participating interests	<u>6,360</u>	<u>6,360</u>
<b>Shares in group undertakings and participating interests</b>		
		<b>Subsidiary undertakings £ 000</b>
<b>Cost</b>		
At 1 January 2014		<u>35,506</u>
At 31 December 2014		<u>35,506</u>
<b>Provision for impairment</b>		
At 1 January 2014		<u>29,146</u>
At 31 December 2014		<u>29,146</u>
<b>Net book value</b>		
At 31 December 2014		<u>6,360</u>
At 31 December 2013		<u>6,360</u>

**Details of undertakings**

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

<b>Undertaking</b>	<b>Holding</b>	<b>Proportion of voting rights and shares held</b>	<b>Principal activity</b>
<b>Subsidiary undertakings</b>			
E.ON UK Cogeneration Limited	Ordinary shares	100%	Sale of energy services involving the 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 2014**  
*(continued)*

**13 Stocks**

	2014 £ 000	2013 £ 000
Fuel stocks	122	122
Stores	1,897	3,000
	<u>2,019</u>	<u>3,122</u>

**14 Debtors: amounts falling due after more than one year**

	2014 £ 000	2013 £ 000
Deferred tax	<u>-</u>	<u>3,058</u>

**Deferred tax**

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

	£ 000
Deferred tax asset at 1 January 2014	3,058
Deferred tax charge to the profit and loss account	<u>(3,058)</u>
At 31 December 2014	<u>-</u>

**Analysis of deferred tax**

The deferred tax asset comprises:

	2014 £ 000	2013 £ 000
Difference between accumulated depreciation and amortisation and capital allowances	1,536	593
Other timing differences	2,905	2,552
Undiscounted deferred tax asset	<u>4,441</u>	<u>3,145</u>
Discount	(100)	(87)
Deferred tax asset not recognised on fixed asset and other timing differences	<u>(4,341)</u>	<u>-</u>
Discounted deferred tax asset	<u>-</u>	<u>3,058</u>

**E.ON UK CHP Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2014**  
**(continued)**

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

A potential deferred tax asset in respect of capital allowances and other timing differences has not been recognised due to the uncertainty over suitable future profits against which the deferred tax asset can be recovered. The estimated value of this unrecognised deferred tax asset measured on a discounted basis at a standard rate of corporation tax of 20% is £4,341,000 (2013: £nil).

**15 Debtors: amounts falling due within one year**

	2014 £ 000	2013 £ 000
Trade debtors	9,313	11,110
Amounts owed by group undertakings	98,240	78,931
Other debtors	6	-
Prepayments and accrued income	51	191
	<u>107,610</u>	<u>90,232</u>

Amounts owed by group undertakings include a loan to E.ON UK plc of £42,693,000 (2013: £13,541,000) 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 £80,000,000 which expires in December 2015. All other amounts are unsecured, interest free and repayable on demand.

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

	2014 £ 000	2013 £ 000
Trade creditors	291	453
Bank loans and overdrafts	590	-
Amounts owed to group undertakings	42,557	14,692
Taxation and social security	1,167	5,904
Other creditors	-	55
Accruals and deferred income	4,182	6,867
	<u>48,787</u>	<u>27,971</u>

Amounts owed to group undertakings include loans from E.ON UK plc of €240,000 (2013: €nil) and US\$149,000 (2013: US\$nil), both of which are unsecured, bear interest at a rate of LIBOR plus 70 basis points and currently roll forward (principal and interest) on a daily basis. All other balances are unsecured, interest free and repayable on demand.

**E.ON UK CHP Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2014**  
*(continued)*

**17 Provisions for liabilities**

	Decommis sioning provisions £ 000	Contract provisions £ 000	Restruct uring £ 000	Other provision £ 000	Emissions obligations £ 000	Total £ 000
At 1 January 2014	3,760	-	-	18,314	5,233	27,307
Charged/ (credited) to the profit and loss account	-	1,507	346	(900)	2,411	3,364
Utilised during the year	-	-	(346)	(2,274)	(5,534)	(8,154)
Accretion of discount	72	-	-	-	-	72
Additions to tangible assets	185	-	-	-	-	185
	<u>257</u>	<u>1,507</u>	<u>-</u>	<u>(3,174)</u>	<u>(3,123)</u>	<u>(4,533)</u>
At 31 December 2014	<u>4,017</u>	<u>1,507</u>	<u>-</u>	<u>15,140</u>	<u>2,110</u>	<u>22,774</u>

Contract provisions relate to onerous lease contract provisions for the Stoke CHP site. A tax credit of £301,000 arose as a result of the creation of this provision. The provision will be utilised by the end of 2016.

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.

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

Other provisions relate primarily to costs associated with the disposal of the Winnington CHP site. The provision is expected to be utilised by 2016.

**E.ON UK CHP Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2014**  
**(continued)**

**18 Called up share capital**

**Allotted and fully paid**

	<b>2014</b>		<b>2013</b>	
	<b>No.</b>	<b>£ 000</b>	<b>No.</b>	<b>£ 000</b>
Ordinary shares of £1 each	<u>2</u>	<u>-</u>	<u>2</u>	<u>-</u>

**19 Reserves**

	<b>Profit and loss account £ 000</b>
At 1 January 2014	77,573
Loss for the financial year	<u>(11,259)</u>
At 31 December 2014	<u>66,314</u>

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

	<b>2014 £ 000</b>	<b>2013 £ 000</b>
Loss attributable to the members of the Company	(11,259)	(19,851)
New share capital subscribed	-	379,000
Other preference share capital movements	-	57,000
Net (reduction)/addition in shareholders' funds/(deficit)	(11,259)	416,149
Shareholders' funds/(deficit) at 1 January	<u>77,573</u>	<u>(338,576)</u>
Shareholders' funds at 31 December	<u>66,314</u>	<u>77,573</u>

During 2013 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.

**E.ON UK CHP Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2014**  
**(continued)**

**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. The actuarial valuation as at 31 March 2013 has not been completed.

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 £1,472,000 (2013: £1,301,000).

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 £35,000,000 in January 2014 and £65,000,000 in January 2015. Under the existing schedule of contributions, a further payment of £35,000,000 is due to be made in January 2016. At the point that the 2013 valuation is completed, a further schedule of contributions will be agreed. None of this cost is expected to be recharged to the Company.

**22 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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Düsseldorf  
Germany