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**POWERGEN COGENERATION LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**for the year ended 31 December 2003**

**Registered No: 02730697**



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## **POWERGEN COGENERATION LIMITED**

### **Report of the directors for the year ended 31 December 2003**

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2003.

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

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

The portfolio consists of five CHP plants and one Combined Cycle Gas Turbine (CCGT) plant.

During the year a review of the Company's plant portfolio was undertaken. The cash flows used in this impairment review were discounted at the Powergen Limited Group's cost of capital for CHP operations. A net impairment write back of £7,435,000 has consequently been recorded within the profit and loss account. An impairment provision of £5,794,000 on previously revalued assets has been charged against the revaluation reserve. The net impairment write back and provision arose as a result of changes in expected future commodity prices.

#### **Results and dividends**

The Company's profit for the financial year is £10,902,000 (2002: £6,168,000). The directors do not recommend the payment of a dividend.

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

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

G J Bartlett  
M R Draper (resigned 31 March 2004)  
K Plowman

A D Cocker was appointed as a director on 31 March 2004.

During the year, no director had an interest in the shares of the Company. At 31 December 2002 and 31 December 2003, no director had any interest requiring disclosure.

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

Powergen Limited and its subsidiaries (together the "Powergen Group") recognise the wide implications of the Euro for businesses, including impacts on commercial arrangements and financial systems. In the UK, the Powergen Group's preparations recognise the uncertain position regarding possible UK entry to the single currency, and the situation is monitored closely.

## POWERGEN COGENERATION LIMITED

### Report of the directors for the year ended 31 December 2003 (continued)

#### **Policy and practice on payment of creditors**

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

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

For all other cases the Company supports the Better Payments Practice Code and has in place well developed arrangements with a view to ensuring that this is observed. The average number of days taken to pay the Company's trade suppliers calculated in accordance with the requirement in the Companies Act is 13 days (2002: 10 days).

#### **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing those financial statements, the directors are required to:

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and estimates that are reasonable and prudent;
- c) state whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements; and
- d) prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Auditors**

On 9 December 1999 the Company passed an elective resolution dispensing with the requirement to appoint auditors annually. Therefore PricewaterhouseCoopers LLP will continue in office.

BY ORDER OF THE BOARD

K Plowman

Director

Powergen Cogeneration Limited

Westwood Way

Westwood Business Park

Coventry

CV4 8LG

11 June 2004



**POWERGEN COGENERATION LIMITED**

**Independent auditors' report to the members of  
Powergen Cogeneration Limited**

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

**Respective responsibilities of directors and auditors**

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

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

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

**Basis of audit opinion**

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

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

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors  
Birmingham

11 June 2004

**POWERGEN COGENERATION LIMITED**

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

	Note	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
<b>Turnover</b>	2	<b>37,718</b>	30,401
Cost of sales		<b>(30,061)</b>	(23,286)
<b>Gross profit</b>		<b>7,657</b>	7,115
Net operating expenses	3	<b>(19)</b>	(21)
<b>Operating profit before exceptional items</b>		<b>7,638</b>	7,094
Exceptional item: Net impairment write back on fixed assets	4	<b>7,435</b>	-
<b>Operating profit</b>	5	<b>15,073</b>	7,094
Loss on disposal of tangible fixed assets	4	<b>(355)</b>	-
<b>Profit on ordinary activities before taxation</b>		<b>14,718</b>	7,094
Tax on profit on ordinary activities	8	<b>(3,816)</b>	(926)
<b>Retained profit for the financial year</b>	16	<b>10,902</b>	6,168

All the above amounts relate to continuing operations.

**POWERGEN COGENERATION LIMITED**

**NOTE OF HISTORICAL COST PROFIT AND LOSSES**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

	<b>Year ended 31 December 2003 £'000</b>	<b>Year ended 31 December 2002 £'000</b>
Reported profit on ordinary activities before taxation	<b>14,718</b>	7,094
Difference between historical cost depreciation charge for the year calculated on the revalued amount	<b>847</b>	1,087
<b>Historic cost profit on ordinary activities before taxation</b>	<b>15,565</b>	8,181
Historic cost profit for the year retained after taxation	<b>11,749</b>	7,255

The accounting policies and the notes on pages 8 to 20 form part of these financial statements.

**POWERGEN COGENERATION LIMITED**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

	Note	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Profit on ordinary activities after taxation		<b>10,902</b>	6,168
Impairment of previously revalued assets	4,16	<b>(5,794)</b>	-
Total recognised gains and losses	17	<b>5,108</b>	6,168


The accounting policies and the notes on pages 8 to 20 form part of these financial statements.

**POWERGEN COGENERATION LIMITED**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2003**

	Note	At 31 December 2003 £'000	At 31 December 2002 £'000
<b>Fixed assets</b>			
Tangible assets	9	<b>72,571</b>	77,710
<b>Current assets</b>			
Stock	10	<b>792</b>	819
Debtors: amounts falling due within one year	11	<b>7,752</b>	11,967
Cash at bank and in hand		<b>21,468</b>	11,466
		<b>30,012</b>	24,252
<b>Creditors: amounts falling due within one year</b>	12	<b>(10,083)</b>	(16,469)
<b>Net current assets</b>		<b>19,929</b>	7,783
<b>Total assets less current liabilities</b>		<b>92,500</b>	85,493
<b>Creditors: amounts falling due after more than one year</b>	13	<b>(67,998)</b>	(67,998)
<b>Deferred tax</b>	14	<b>(6,866)</b>	(4,967)
		<b>17,636</b>	12,528
<b>Capital and reserves</b>			
Called-up share capital	15	-	-
Profit and loss account	16	<b>10,174</b>	(1,575)
Revaluation reserve	16	<b>7,462</b>	14,103
<b>Equity shareholders' funds</b>	17	<b>17,636</b>	12,528

The financial statements on pages 4 to 20 were approved by the Board of Directors on 11 June 2004 and were signed on its behalf by:

  
.....Director  
K Plowman

11 June 2004

The accounting policies and the notes on pages 8 to 20 form part of these financial statements.

# POWERGEN COGENERATION LIMITED

## Notes to the financial statements for the year ended 31 December 2003

### **1 Accounting policies**

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

#### **(a) Tangible fixed assets**

Tangible fixed assets are stated at their purchase or production cost less accumulated depreciation. Certain generating plant was revalued following the assessment of the fair value of the fixed assets in the acquisition of the Company by Powergen CHP Limited on 31 December 1998. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line basis over their useful economic lives. The estimated useful economic lives used for the principal categories of fixed assets are as follows:

<i>Asset</i>	<i>Years</i>
Peaking plant	10-15
Other generating plant	15-20
Overhaul costs	2-3
Other short term assets	3-5

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

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

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

#### **(c) Operating leases**

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

# POWERGEN COGENERATION LIMITED

## Notes to the financial statements for the year ended 31 December 2003 (continued)

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

#### **(d) Fuel stocks and stores**

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

#### **(e) Pension costs**

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

#### **(f) Taxation**

The tax charge for the year is based on the profits or losses on ordinary activities for the year and takes into account full provision for deferred tax in respect of timing differences on a discounted basis, using the approach set out in Financial Reporting Standard 19 'Deferred tax' (FRS 19). Such timing differences arise primarily from the differing treatment for taxation and accounting purposes of provisions and depreciation of fixed assets. Deferred tax liabilities are recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered.

#### **(g) Foreign currencies**

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

#### **(h) Cash flow statement**

The Company is a wholly-owned subsidiary undertaking of E.ON AG, the ultimate parent undertaking of the E.ON Group, and is included in the publicly available consolidated financial statements of E.ON AG. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996).

**POWERGEN COGENERATION LIMITED**

**Notes to the financial statements**  
**for the year ended 31 December 2003 (continued)**

**1 Accounting policies (continued)**

**(i) Related party transactions**

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

**2 Turnover**

Turnover, which excludes Value Added Tax, represents the value of sales of energy (electricity and steam). The Company's turnover, all of which arises in the course of the Company's principal activity, arises in the United Kingdom.

**3 Net operating expenses**

	<b>Year ended 31 December 2003 £'000</b>	<b>Year ended 31 December 2002 £'000</b>
Administrative expenses	<b>19</b>	<b>21</b>

**4 Exceptional items**

**Year ended 31 December 2003**

**Net impairment write back on fixed assets**

In the year ended 31 December 2003, a review of the Company's plant portfolio was undertaken. The cash flows used in this impairment review were discounted at the Powergen Limited Group's cost of capital for CHP Operations. A net impairment write back of £1,641,000 has consequently been recorded in these accounts. The impairment write back includes £7,435,000 which has been written back to the profit and loss account. A tax charge of £1,533,000 arose as a result of this item. An impairment provision of £5,794,000 has been charged against the revaluation reserve in accordance with requirements of FRS 11 'Impairment of fixed assets and goodwill'.

**Year ended 31 December 2002**

**Loss on disposal of tangible fixed assets**

On 12 December 2003, a loss of £355,000 was incurred on the disposal of fixed assets, being the peaking plant generation facility at Selby, Yorkshire which was sold to Tate and Lyle Industries Limited. A tax credit of £66,000 arose as a result of this item.

**POWERGEN COGENERATION LIMITED**

**Notes to the financial statements**  
**for the year ended 31 December 2003 (continued)**

**5 Operating profit**

Operating profit is stated after charging:

	<b>Year ended 31 December 2003 £'000</b>	<b>Year ended 31 December 2002 £'000</b>
Depreciation of tangible fixed assets (all owned by the company):		
Excluding exceptional operating charge	<b>7,094</b>	5,989
Net impairment write back	<b>(7,435)</b>	-
Operating lease charges:		
Plant and machinery	<b>269</b>	285
Other	<b>30</b>	60
Auditors' remuneration:		
Audit services	<b>9</b>	-

For the year ended 31 December 2002, auditors' remuneration was borne by Powergen CHP Limited, the immediate parent undertaking and not recharged.

For the year ended 31 December 2003, auditors' remuneration relating to the Company was recharged to the Company by Powergen CHP Limited.

**6 Directors' emoluments**

The directors received no emoluments from the Company during the year (2002: £nil).

**POWERGEN COGENERATION LIMITED**

**Notes to the financial statements**  
**for the year ended 31 December 2003 (continued)**

**7 Employee information**

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

<b>By activity</b>	<b>Year ended 31 December 2003 Number</b>	<b>Year ended 31 December 2002 Number</b>
Operations	<b>30</b>	<b>28</b>

The salaries and related costs of employees were:

	<b>Year ended 31 December 2003 £'000</b>	<b>Year ended 31 December 2002 £'000</b>
Wages and salaries	<b>1,000</b>	<b>748</b>
Social security costs	<b>82</b>	<b>71</b>
Other pension costs	<b>126</b>	<b>90</b>
	<b>1,208</b>	<b>909</b>

**POWERGEN COGENERATION LIMITED**

**Notes to the financial statements**  
**for the year ended 31 December 2003 (continued)**

**8 Tax on profit on ordinary activities**

	<b>Year ended 31 December 2003 £'000</b>	<b>Year ended 31 December 2002 £'000</b>
<b>Current tax:</b>		
UK corporation tax on profits for the year	<b>(1,883)</b>	(1,034)
Under provision in prior year	<b>(34)</b>	(16)
	<b>(1,917)</b>	(1,050)
<b>Deferred tax:</b>		
Origination and reversal of timing differences	<b>(2,788)</b>	(1,423)
Unwinding of discount	<b>856</b>	(17)
Over provision in prior year	<b>33</b>	1,564
Total deferred tax	<b>(1,899)</b>	124
<b>Tax on profit on ordinary activities</b>	<b>(3,816)</b>	(926)

The corporation tax payable for the year has been reduced by £1,883,000 because of group relief received from a fellow group undertaking for which a payment of £1,883,000 will be made.

**POWERGEN COGENERATION LIMITED**

**Notes to the financial statements**  
**for the year ended 31 December 2003 (continued)**

**8 Tax on profit on ordinary activities (continued)**

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

	<b>Year ended 31 December 2003 £'000</b>	Year ended 31 December 2002 £'000
Profit on ordinary activities before tax	<b>14,718</b>	7,094
Tax on profit on ordinary activities before tax at 30% (2002:30%)	<b>(4,415)</b>	(2,128)
<i>Effects of:</i>		
Capital allowances in excess of depreciation	<b>2,772</b>	1,407
Other timing differences	<b>16</b>	16
Expenses not deductible for tax purposes	<b>(2)</b>	-
Non-qualifying depreciation	<b>(254)</b>	(329)
Adjustments in respect of prior periods	<b>(34)</b>	(16)
<b>Current tax charge for the year</b>	<b>(1,917)</b>	(1,050)

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

**POWERGEN COGENERATION LIMITED**

**Notes to the financial statements**  
**for the year ended 31 December 2003 (continued)**

**9 Tangible fixed assets**

	<b>Freehold Land and Buildings £'000</b>	<b>Other short term assets £'000</b>	<b>Generating Plant £'000</b>	<b>Total £'000</b>
<b>Cost:</b>				
At 31 December 2002	13	82	135,838	135,933
Additions	-	1	668	669
Revaluation reversal (see note 4)	-	-	(5,794)	(5,794)
Disposals	-	-	(996)	(996)
<b>At 31 December 2003</b>	<b>13</b>	<b>83</b>	<b>129,716</b>	<b>129,812</b>
<b>Depreciation:</b>				
At 31 December 2002	-	56	58,167	58,223
Charge for the year	-	22	7,072	7,094
Net impairment write back (see note 4)	-	-	(7,435)	(7,435)
Disposals	-	-	(641)	(641)
<b>At 31 December 2003</b>	<b>-</b>	<b>78</b>	<b>57,163</b>	<b>57,241</b>
<b>Net book value:</b>				
<b>At 31 December 2003</b>	<b>13</b>	<b>5</b>	<b>72,553</b>	<b>72,571</b>
At 31 December 2002	13	26	77,671	77,710

A revaluation took place in 1999, and resulted from the re-assessment of fair value of fixed assets following the purchase of the Company by Powergen CHP Limited.

	<b>Cost £'000</b>	<b>Valuation £'000</b>
Fixed assets	<b>116,270</b>	129,812
Accumulated depreciation	<b>(51,160)</b>	(57,241)
	<b>65,110</b>	72,571

Generating plant includes no assets in the course of construction at 31 December 2003.

**POWERGEN COGENERATION LIMITED**

**Notes to the financial statements**  
**for the year ended 31 December 2003 (continued)**

**10 Stock**

	<b>At 31 December 2003 £'000</b>	<b>At 31 December 2002 £'000</b>
Fuel stocks	<b>146</b>	218
Stores	<b>646</b>	601
	<b>792</b>	819

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

	<b>At 31 December 2003 £'000</b>	<b>At 31 December 2002 £'000</b>
Trade debtors	<b>3,090</b>	6,667
Prepayments and accrued income	<b>4,662</b>	5,300
	<b>7,752</b>	11,967

Amounts owed by group undertakings are unsecured, free of any interest charge and are repayable on demand.

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

	<b>At 31 December 2003 £'000</b>	<b>At 31 December 2002 £'000</b>
Trade creditors	<b>136</b>	137
Amounts owed to group undertakings	<b>659</b>	7,026
Other taxation and social security	<b>273</b>	50
Accruals and deferred income	<b>9,015</b>	9,256
	<b>10,083</b>	16,469

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

**POWERGEN COGENERATION LIMITED**

**Notes to the financial statements**  
**for the year ended 31 December 2003 (continued)**

**13 Creditors: amounts falling due after more than one year**

	<b>At 31 December 2003 £'000</b>	<b>At 31 December 2002 £'000</b>
Amounts owed to group undertakings	<b>67,998</b>	67,998

Amounts owed to group undertakings are unsecured, interest-free loan stock repayable in 2010.

**14 Deferred tax**

The deferred tax provision comprises:

	<b>At 31 December 2003 £'000</b>	<b>At 31 December 2002 £'000</b>
Accelerated Capital Allowances	<b>9,256</b>	6,524
Other timing differences	<b>(148)</b>	(165)
Undiscounted provision for deferred tax	<b>9,108</b>	6,359
Discount	<b>(2,242)</b>	(1,392)
<b>Discounted provision for deferred tax</b>	<b>6,866</b>	4,967

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

	<b>£'000</b>
Deferred tax provision at 31 December 2002	4,967
Deferred tax charge to profit and loss account (see note 8)	1,899
<b>Deferred tax provision at 31 December 2003</b>	<b>6,866</b>

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

**POWERGEN COGENERATION LIMITED**

**Notes to the financial statements**  
**for the year ended 31 December 2003 (continued)**

**15 Share capital**

	<b>At 31 December 2003 £</b>	<b>At 31 December 2002 £</b>
<b>Authorised</b>		
100,000 ordinary shares of £1 each	<b>100,000</b>	100,000
<b>Allotted, called-up and fully paid</b>		
2 ordinary shares of £1 each	<b>2</b>	2

**16 Reserves**

	<b>Revaluation reserve £'000</b>	<b>Profit and loss account £'000</b>	<b>Total £'000</b>
At 31 December 2002	14,103	(1,575)	12,528
Transfers	(847)	847	-
Impairment of revalued assets	(5,794)	-	(5,794)
Retained profit for the financial year	-	10,902	10,902
<b>At 31 December 2003</b>	<b>7,462</b>	<b>10,174</b>	<b>17,636</b>

**17 Reconciliation of movements in shareholders' funds**

	<b>31 December 2003 £'000</b>	<b>31 December 2002 £'000</b>
Profit for the financial year	<b>10,902</b>	6,168
Impairment of revalued fixed assets	<b>(5,794)</b>	-
Net addition to shareholders' funds	<b>5,108</b>	6,168
Opening shareholders' funds	<b>12,528</b>	6,360
Closing shareholders' funds	<b>17,636</b>	12,528

# POWERGEN COGENERATION LIMITED

## Notes to the financial statements for the year ended 31 December 2003 (continued)

### 18 Pension commitments

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

The fund is valued every three years by a professionally qualified, independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the appropriateness of the rates. The latest published actuarial assessment of the scheme was at 31 March 2001. Particulars of this valuation are contained in the accounts of Powergen Limited.

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

The total pension cost to the Company was £126,000 (2002: £90,000).

### 19 Financial commitments

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

	<b>At 31 December 2003 £'000</b>	<b>At 31 December 2002 £'000</b>
Expiring within one year	<b>179</b>	-
Expiring within two to five years	<b>377</b>	622
Expiring after five years	<b>344</b>	39
	<b>900</b>	661

### 20 Post balance sheet event

On 19 April 2004 certain agreements under which RWE Innogy plc purchase power from the Company were amended. The amendments included the Company's obligation to run, at the request of RWE Innogy plc, six peaking plant generation facilities. As a result of these amendments, £9,600,000 of capacity income for the remainder of the contract lives up to and including the year 2013, will be recognised in 2004. In addition, the net book value of the peaking plant fixed assets of £4,900,000 will be fully impaired during 2004. This impairment is a direct consequence of recognising the capacity income and reflects the plant's expected future use.

## **POWERGEN COGENERATION LIMITED**

### **Notes to the financial statements** **for the year ended 31 December 2003 (continued)**

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

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

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