

**E.ON UK COGENERATION LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**for the year ended 31 December 2010**

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**Registered No: 2730697**

## **E.ON UK COGENERATION LIMITED**

### **Report of the directors for the year ended 31 December 2010**

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2010.

#### **Principal activities**

The Company's principal activities during the year and at the year end were the sale of energy and related services including the operation of combined heat and power ('CHP') plant.

#### **Business review**

##### Fair review of the Company's 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 which is reflected in the profit before tax during the year of £94,000. The Company continues to review its contractual obligations and there are no plans at present to initiate any new CHP development projects

During the year a review of the appropriateness of the carrying value of the cogeneration plant was undertaken. The cash flows used in this review were discounted at the E.ON UK plc group's cost of capital for CHP operations. An impairment reversal of £317,000 (2009 £451,000 charge) has been recorded in these financial statements as a consequence of this review. This has been partially offset by an onerous contract provision charge of £184,000 (2009 £nil).

##### 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 UK plc 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 directors of E.ON UK plc 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 Generation division of E.ON UK plc, 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

#### **Results and dividends**

The Company's loss for the financial year is £89,000 (2009: profit of £198,000). The directors do not recommend the payment of a dividend (2009 £nil).

## **E.ON UK COGENERATION LIMITED**

### **Report of the directors for the year ended 31 December 2010 (continued)**

#### **Directors**

The directors who held office during the year and subsequent to the year end are given below

Mr D J Morgans  
Mr J T Lightfoot

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

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

- a) settle the terms of payment with the supplier when agreeing the terms of each transaction;
- b) ensure that those suppliers are made aware of the terms of payment by inclusion of other relevant terms in the contracts; and
- c) 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. Trade creditors at the year end represented 2 days (2009: 0 days) of purchases

#### **Contributions to political and charitable purposes**

Donations to charitable organisations during the financial year by the Company amounted to £nil (2009: £nil) No political donations were made (2009: £nil).

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

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare 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:

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and accounting estimates that are reasonable and prudent;
- c) state whether applicable UK Accounting Standards have been followed, subject to any material departures 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.

## **E.ON UK COGENERATION LIMITED**

### **Report of the directors for the year ended 31 December 2010 (continued)**

#### **Statement of directors' responsibilities (continued)**

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.

#### **Directors' indemnities**

The Company maintains liability insurance for its directors and officers. This is a qualifying indemnity provision for the purposes of the Companies Act 2006.

#### **Going concern**

Notwithstanding the fact that the Company has been loss making and has net current liabilities, the directors have prepared the financial statements on the going concern basis. The directors have received confirmation from E.ON UK plc, the principal UK trading subsidiary of the E.ON Group, of its intention to financially support the Company such that the Company can meet its obligations as they fall due for a period of at least twelve months from the date of the directors' approval of these financial statements.

#### **Disclosure of information to auditors**

So far as each of the directors are aware, there is no relevant audit information of which the Company's auditors are unaware and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

ON BEHALF OF THE BOARD



**D J Morgans**

Director  
E.ON UK Cogeneration Limited  
Registered No 2730697  
Westwood Way  
Westwood Business Park  
Coventry  
CV4 8LG

7 July 2011

## **Independent auditor's report to the member of E.ON UK Cogeneration Limited**

We have audited the financial statements of E.ON UK Cogeneration Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Note of Historical Cost Profits, the Balance Sheet and the related notes. 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).

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities, 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). 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 member 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.

### **Scope of the audit of the financial statements**

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.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 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

### **Opinion on other matter prescribed by the Companies Act 2006**

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

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- 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, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Paul Nott (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
East Midlands

13 July 2011

**E.ON UK COGENERATION LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 2010**

		Year ended 31 December 2010	Year ended 31 December 2009
	Note	£'000	£'000
<b>Turnover</b>	2	<b>34,624</b>	43,484
Cost of sales		<b>(34,880)</b>	(42,661)
<b>Gross (loss)/profit</b>		<b>(256)</b>	823
Impairment of fixed assets and contract provisions	3	<b>133</b>	(451)
<b>Operating (loss)/profit</b>	4	<b>(123)</b>	372
Interest receivable and similar income	6	<b>391</b>	500
Interest payable and similar charges	7	<b>(174)</b>	(169)
<b>Profit on ordinary activities before taxation</b>		<b>94</b>	703
Tax on profit on ordinary activities	8	<b>(183)</b>	(505)
<b>(Loss)/profit for the financial year</b>		<b>(89)</b>	198

The Company has no recognised gains and losses other than the (loss)/profit above and therefore no separate statement of total recognised gains and losses has been presented

All of the above amounts relate to continuing operations

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

**E.ON UK COGENERATION LIMITED**

**NOTE OF HISTORICAL COST PROFITS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	<b>Year ended 31 December 2010</b>	Year ended 31 December 2009
	<b>£'000</b>	£'000
Profit on ordinary activities before taxation	<b>94</b>	703
Difference between historical cost depreciation charge for the year calculated on the revalued amount	<b>31</b>	58
<b>Historic cost profit on ordinary activities before taxation</b>	<b>125</b>	761
<b>Historic cost (loss)/profit for the year retained after taxation</b>	<b>(58)</b>	256

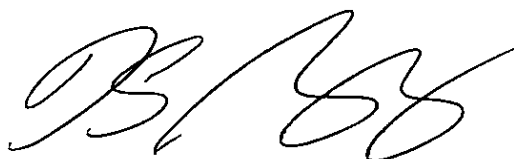
The accounting policies and the notes on pages 8 to 20 form part of these financial statements.

**E.ON UK COGENERATION LIMITED**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2010**

	Note	At 31 December 2010 £'000	At 31 December 2009 £'000
<b>Fixed assets</b>			
Tangible assets	9	<u>28,152</u>	<u>24,007</u>
<b>Current assets</b>			
Stock	10	<u>2,451</u>	<u>2,364</u>
Debtors amounts falling due after more than one year	11	<u>4,818</u>	<u>7,665</u>
Debtors amounts falling due within one year	12	<u>39,203</u>	<u>57,286</u>
		<u>46,472</u>	<u>67,315</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(63,417)</u>	<u>(11,174)</u>
<b>Net current (liabilities)/assets</b>		<u>(16,945)</u>	<u>56,141</u>
<b>Total assets less current liabilities</b>		<u>11,207</u>	<u>80,148</u>
<b>Creditors: amounts falling due after more than one year</b>	14	-	(67,998)
<b>Provisions for liabilities</b>	15	<u>(3,452)</u>	<u>(4,306)</u>
<b>Net assets</b>		<u>7,755</u>	<u>7,844</u>
<b>Capital and reserves</b>			
Called-up share capital	17	-	-
Revaluation reserve	18	-	31
Profit and loss reserve	18	<u>7,755</u>	<u>7,813</u>
<b>Total shareholder's funds</b>	19	<u>7,755</u>	<u>7,844</u>

The financial statements on pages 5 to 20 were approved by the Board of Directors on 7 July 2011 and were signed on its behalf by:



**D J Morgans**  
Director  
E ON UK Cogeneration Limited  
Registered No. 2730697

7 July 2011

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



## **E.ON UK COGENERATION LIMITED**

### **Notes to the financial statements** **for the year ended 31 December 2010**

#### **1 Accounting policies**

These financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain tangible fixed assets and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards, all of which have been consistently applied. 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. 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. 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.

Generating plant	2-40 years
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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) Decommissioning costs**

A fixed asset and related provision is recognised in respect of the estimated total discounted cost of decommissioning generating assets. The resulting fixed asset is depreciated on a straight-line basis, and the discount on the provision is unwound, over the useful life of the associated power station. On an annual basis, the discount rate is adjusted to reflect the current market conditions.

##### **(d) Operating leases**

Leases in which a significant 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.

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

Fuel stocks and stores are stated at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving or defective stocks. 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 raw materials under this definition.

## **E.ON UK COGENERATION LIMITED**

### **Notes to the financial statements** **for the year ended 31 December 2010 (continued)**

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

##### **(f) 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 consolidated 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.

##### **(g) Taxation**

The tax charge/credit 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'. 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 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.

##### **(h) Turnover**

Turnover comprises revenue from the sale of electricity and steam to industrial and commercial customers and 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.

##### **(i) Foreign currencies**

Monetary 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.

## **E.ON UK COGENERATION LIMITED**

### **Notes to the financial statements** **for the year ended 31 December 2010 (continued)**

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

##### **(j) Cash flow statement**

The Company is a wholly-owned subsidiary undertaking of E.ON AG, the ultimate parent undertaking, and is included in the publicly available consolidated financial statements of E.ON AG and its subsidiaries and associates (together, "the E.ON Group"). 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).

##### **(k) Related party transactions**

The Company is exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with the E.ON Group or investees of the E.ON Group.

##### **(l) 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.

##### **(m) Inter-company balances**

Inter-company payable and receivable trading balances within the group are consolidated at each month end into a single balance with the Company. These transactions are net settled through this arrangement with the Company. 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.

##### **(n) Going concern**

Notwithstanding the fact that the Company has been loss making and has net current liabilities, the directors have prepared the financial statements on the going concern basis. The directors have received confirmation from E.ON UK plc, the principal UK trading subsidiary of the E.ON Group, of its intention to financially support the Company such that the Company can meet its obligations as they fall due for a period of at least twelve months from the date of the directors' approval of these financial statements.

##### **(o) 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 COGENERATION LIMITED**

### **Notes to the financial statements** **for the year ended 31 December 2010 (continued)**

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

##### **(p) 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. Impairments are recognised in the profit and loss account and, where material, are disclosed separately.

#### **2 Turnover**

Turnover, which excludes value added tax, represents the value of contracted sales of energy (electricity and steam) from CHP and CCGT plant on an accruals basis. The Company's turnover, all of which arises in the course of the Company's principal activity, arises in the UK.

#### **3 Impairment of fixed asset investments and contract provisions**

	<b>Year ended 31 December 2010 £'000</b>	<b>Year ended 31 December 2009 £'000</b>
Impairment of fixed assets	<b>(317)</b>	451
Onerous contract provisions charged	<b>184</b>	-
Total (credit)/charge for the year	<b>(133)</b>	451

During the year, a review of the Company's plant portfolio was undertaken. The cash flows used in the resulting impairment review were discounted at the E.ON UK plc group's cost of capital for CHP operations. As a result of this review, previous impairments totalling £317,000 have been reversed (2009: £451,000 charged) and onerous contract provisions of £184,000 (2009: £nil) have been recorded (see note 15). A tax credit of £23,000 arose as a result of this review.

The impairment in the prior year arose as a result of changes in the directors' view in respect of expected future commodity prices. A discounted tax credit of £103,000 arose in the prior year as a result of this item.

The discount rate used to calculate this impairment is 6.9% (2009: 7.47%).

# **E.ON UK COGENERATION LIMITED**

## **Notes to the financial statements** **for the year ended 31 December 2010 (continued)**

### **4 Operating (loss)/profit**

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

	<b>Year ended 31 December 2010 £'000</b>	<b>Year ended 31 December 2009 £'000</b>
Depreciation of tangible fixed assets:		
Owned assets	<b>2,088</b>	2,377
Impairment of tangible fixed assets:		
Owned assets (note 3)	<b>(317)</b>	451

All administration costs were borne by the immediate parent undertaking E.ON UK CHP Limited and not recharged.

The directors received no emoluments from the Company during the year (2009: £nil).

Auditors' remuneration of £12,500 (2009: £12,500) was borne by the intermediate parent undertaking E.ON UK plc and not recharged.

### **5 Employee information**

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

<b>By activity</b>	<b>Year ended 31 December 2010</b>	<b>Year ended 31 December 2009</b>
Operations	<b>36</b>	34

The salaries and related costs of employees were:

	<b>Year ended 31 December 2010 £'000</b>	<b>Year ended 31 December 2009 £'000</b>
Wages and salaries	<b>1,444</b>	1,564
Social security costs	<b>140</b>	143
Other pension costs	<b>338</b>	303
	<b>1,922</b>	2,010

**E.ON UK COGENERATION LIMITED**

**Notes to the financial statements**  
**for the year ended 31 December 2010 (continued)**

**6 Interest receivable and similar income**

	<b>Year ended 31 December 2010 £'000</b>	<b>Year ended 31 December 2009 £'000</b>
Discount unwind on long term receivable (note 11)	<b>391</b>	<b>500</b>

**7 Interest payable and similar charges**

	<b>Year ended 31 December 2010 £'000</b>	<b>Year ended 31 December 2009 £'000</b>
Discount unwind on decommissioning provision (note 15)	<b>174</b>	<b>169</b>

**8 Tax on profit on ordinary activities**

	<b>Year ended 31 December 2010 £'000</b>	<b>Year ended 31 December 2009 £'000</b>
<b>Current tax:</b>		
UK corporation tax on profits for the year	<b>(225)</b>	296
Adjustment in respect of previous periods	<b>(113)</b>	5
Total current tax (credit)/charge	<b>(338)</b>	301
<b>Deferred tax:</b>		
Origination and reversal of timing differences	<b>497</b>	136
Adjustment in respect of previous periods	<b>(9)</b>	(124)
Changes in tax laws and rates	<b>10</b>	-
Unwinding of deferred tax	<b>23</b>	192
Total deferred tax charge (note 16)	<b>521</b>	204
<b>Tax on profit on ordinary activities</b>	<b>183</b>	505

# **E.ON UK COGENERATION LIMITED**

## **Notes to the financial statements** **for the year ended 31 December 2010 (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 at 28% can be explained as follows:

	<b>Year ended 31 December 2010 £'000</b>	<b>Year ended 31 December 2009 £'000</b>
Profit on ordinary activities before tax	<b>94</b>	703
Tax on profit on ordinary activities before tax at 28% (2009: 28%)	<b>27</b>	196
<i>Effects of:</i>		
Capital allowances in excess of depreciation	<b>(591)</b>	(175)
Expenses not deductible for tax purposes	<b>254</b>	236
Adjustment in respect of previous periods	<b>(113)</b>	5
Other timing differences	<b>85</b>	39
<b>Current tax (credit)/charge for the year</b>	<b>(338)</b>	301

The Finance (No. 2) Act 2010 was substantively enacted on 20 July 2010 and included legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. The deferred tax liability at 31 December 2010 has been re-measured accordingly.

Further reductions to the UK corporation tax rate were announced in the June 2010 Budget. These changes, which are expected to be enacted separately each year, proposed to reduce the rate by 1% per annum to 24% by 1 April 2014. The Budget also included measures to reduce the rate of writing-down allowances on the main pool of plant and machinery expenditure to 18% and on the special rate pool to 8%, both with effect from 1 April 2012.

In addition to the changes in rates of corporation tax disclosed above, a number of further changes to the UK corporation tax system were announced in the March 2011 UK Budget Statement. A resolution passed by Parliament on 29 March 2011 has reduced the main rate of corporation tax to 26% from 1 April 2011. Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 is expected to be included in the Finance Act 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014.

The effect of the changes enacted by Parliament on 29 March 2011 is to reduce the deferred tax liability provided at the balance sheet date by £13,000. This decrease in the deferred tax liability is due to the additional reduction in the corporation tax rate to 26% with effect from 1 April 2011.

# **E.ON UK COGENERATION LIMITED**

## **Notes to the financial statements** **for the year ended 31 December 2010 (continued)**

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

The effect of the changes expected to be enacted in the Finance Act 2011 would be to further reduce the deferred tax liability provided at the balance sheet date by an additional £3,000. This decrease in the deferred tax liability is due to the reduction in the corporation tax rate from 26% to 25% and a reduction in the rate of writing-down allowances on the main pool of plant and machinery expenditure to 18% and on the special rate pool to 8% with effect from 1 April 2012.

The proposed reductions of the main rate of corporation tax by 1% per year to 23% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 25% to 23%, if these applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax liability by an additional £15,000.

The corporation tax receivable has been reduced by £338,000 because of group relief surrendered to a fellow group undertaking for which a payment will be received (2009 £301,000 paid).

### **9 Tangible fixed assets**

	<b>Land and buildings £'000</b>	<b>Generating plant £'000</b>	<b>Total £'000</b>
<b>Cost:</b>			
At 1 January 2010	13	133,165	133,178
Additions	-	7,791	7,791
Disposals	-	(1,875)	(1,875)
<b>At 31 December 2010</b>	<b>13</b>	<b>139,081</b>	<b>139,094</b>
<b>Accumulated depreciation:</b>			
At 1 January 2010	-	109,171	109,171
Charge for the year	-	2,088	2,088
Reversal of impairment (note 3)	-	(317)	(317)
<b>At 31 December 2010</b>	<b>-</b>	<b>110,942</b>	<b>110,942</b>
<b>Net book value:</b>			
<b>At 31 December 2010</b>	<b>13</b>	<b>28,139</b>	<b>28,152</b>
At 31 December 2009	13	23,994	24,007

During the year changes in the accounting estimate for the decommissioning provision (note 15) resulted in additions of £426,000 and disposals of £1,875,000 being recorded in these financial statements. The closing net book value includes £751,000 (2009: £2,340,000) relating to the assets associated to the cost of decommissioning the sites.



**E.ON UK COGENERATION LIMITED**

**Notes to the financial statements**  
**for the year ended 31 December 2010 (continued)**

**10 Stocks**

	<b>At 31 December 2010 £'000</b>	<b>At 31 December 2009 £'000</b>
<b>Raw material and consumables:</b>		
Fuel stocks	<b>63</b>	220
Stores	<b>2,388</b>	2,144
	<b>2,451</b>	2,364

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

	<b>At 31 December 2010 £'000</b>	<b>At 31 December 2009 £'000</b>
Other debtors	<b>4,818</b>	7,665

Other debtors consist of revenue recognised in the profit and loss account that will be paid in instalments to 2013. The total discounted present value of the fee due at 31 December 2010 is £7,298,000 (2009: £9,692,000), of which £2,480,000 (2009: £2,027,000) is due in less than one year (note 12). The remainder, £4,818,000 (2009: £7,665,000) falls due after more than one year.

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

	<b>At 31 December 2010 £'000</b>	<b>At 31 December 2009 £'000</b>
Trade debtors	<b>5,042</b>	605
Amounts owed by group undertakings	<b>31,211</b>	52,123
Deferred tax (see note 16)	-	284
Other taxation and social security	<b>267</b>	251
Other debtors	<b>2,480</b>	2,027
Prepayments and accrued income	<b>203</b>	1,996
	<b>39,203</b>	57,286

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

**E.ON UK COGENERATION LIMITED**

**Notes to the financial statements**  
**for the year ended 31 December 2010 (continued)**

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

	<b>At 31 December 2010 £'000</b>	<b>At 31 December 2009 £'000</b>
Trade creditors	<b>191</b>	-
Amounts owed to group undertakings	<b>58,306</b>	7,601
Other taxation and social security	<b>54</b>	-
Accruals	<b>4,866</b>	3,573
	<b>63,417</b>	11,174

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

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

	<b>At 31 December 2010 £'000</b>	<b>At 31 December 2009 £'000</b>
Amounts owed to group undertakings	-	67,998

Amounts owed to group undertakings in the prior year were unsecured, interest free loan stock.

**15 Provisions for liabilities**

	<b>Deferred tax (note 16) £'000</b>	<b>Decommi- ssioning provision £'000</b>	<b>Onerous contracts £'000</b>	<b>Total £'000</b>
At 1 January 2010	-	4,306	-	4,306
Transfer from debtors (note 12)	(284)	-	-	(284)
Charged to the profit and loss account	521	-	184	705
Change in accounting estimate	-	(1,449)	-	(1,449)
Unwinding of discount	-	174	-	174
<b>At 31 December 2010</b>	<b>237</b>	<b>3,031</b>	<b>184</b>	<b>3,452</b>

# **E.ON UK COGENERATION LIMITED**

## **Notes to the financial statements** **for the year ended 31 December 2010 (continued)**

### **15 Provisions for liabilities (continued)**

#### **Decommissioning provision**

A decommissioning provision is held where the Company has an obligation to decommission a plant at the end of its useful life. The change in accounting estimate relates to a change in the estimated cost of decommissioning the plant and to a change in the discount rate.

#### **Onerous contracts**

At certain plants, the forecast costs of generation are higher than the income that will be received under the related customer supply contract and therefore an onerous contract provision has been recognised in addition to the asset being impaired.

### **16 Deferred tax**

The deferred tax liability comprises:

	<b>At 31 December 2010 £'000</b>	<b>At 31 December 2009 £'000</b>
Accelerated capital allowances	<b>(1,505)</b>	(1,386)
Other timing differences	<b>896</b>	1,251
Undiscounted liability for deferred tax	<b>(609)</b>	(135)
Discount	<b>372</b>	419
<b>Discounted (liability)/asset for deferred tax</b>	<b>(237)</b>	284

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

	<b>£'000</b>
Deferred tax asset at 1 January 2010	284
Deferred tax charge to profit and loss account (see note 8)	(530)
Adjustment in respect of prior years	9
<b>Deferred tax liability at 31 December 2010</b>	<b>(237)</b>

The Finance (No 2) Act 2010 was substantively enacted on 20 July 2010 and included legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. The deferred tax asset at 31 December 2010 has been re-measured accordingly. Within the current year deferred tax charge of £530,000, the amount that relates to the change in tax rate is £10,000.

# E.ON UK COGENERATION LIMITED

## Notes to the financial statements for the year ended 31 December 2010 (continued)

### 17 Called-up share capital

	At 31 December 2010 £'000	At 31 December 2009 £'000
<b>Authorised</b>		
100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<b>Allotted, called-up and fully paid</b>		
2 ordinary shares of £1 each	<u>-</u>	<u>-</u>

### 18 Reserves

	Profit and loss reserve £'000	Revaluation reserve £'000
At 1 January 2010	7,813	31
Loss for the financial year	(89)	-
Transfer	31	(31)
<b>At 31 December 2010</b>	<u><b>7,755</b></u>	<u><b>-</b></u>

### 19 Reconciliation of movements in shareholder's funds

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
(Loss)/profit for the financial year	<u>(89)</u>	198
Net (reduction in)/addition to shareholder's funds	<u>(89)</u>	198
Opening shareholder's funds	<u>7,844</u>	7,646
Closing shareholder's funds	<u><b>7,755</b></u>	<u>7,844</u>

### 20 Pension commitments

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.

## **E.ON UK COGENERATION LIMITED**

### **Notes to the financial statements** **for the year ended 31 December 2010 (continued)**

#### **20 Pension commitments (continued)**

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 £338,000 (2009 £303,000).

Further details of the scheme are available in E.ON UK plc's consolidated financial statements. Due to a deficit in the scheme, E.ON UK plc made a special contribution of £200 million on 31 March 2011 and expects to make special contributions of £120 million in 2012, £50 million in 2013 and £35 million per annum from 2014 until 2016. None of this cost is expected to be recharged to the Company.

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

The immediate parent undertaking is E.ON UK 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 E.ON UK plc, the principal UK trading subsidiary of E.ON AG, is the parent undertaking. Copies of E.ON AG's accounts are available from the offices of E.ON AG at the following address:

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