

Company number 5615669

# E.ON UK Energy Services Limited

Directors' Report and Financial Statements

for the Year Ended 31 December 2011

SATURDAY



\*A1HHSVSG\*

A39

15/09/2012

#55

COMPANIES HOUSE

**E.ON UK Energy Services Limited**  
**Directors' Report for the Year Ended 31 December 2011**

The directors present their report and the audited financial statements for the year ended 31 December 2011

**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

D A Leiper

M P Woodhead

M Hoehler (resigned 23 February 2011)

C Goulton (resigned 20 May 2011)

M L Thomas (appointed 24 May 2011 and resigned 30 September 2011)

B J Tear (appointed 30 September 2011 and resigned 12 June 2012)

The following director was appointed after the year end

R Matthies (appointed 2 July 2012)

**Principal activity**

Prior to 1 May 2011, the Company's principal activity was the provision of energy services to E ON Energy Solutions Limited, a fellow E ON UK plc group company, and external customers. This largely involved the provision of metering services and sustainable energy or related services.

On 25 February 2011, the Company's mobile masts business was sold to Cell Site Connection Services Limited for a consideration and profit on disposal of £21.35 million.

On 1 April 2011, the Company's business and trading assets of the metering business were sold to and liabilities were assumed by E ON Energy Solutions Limited for a consideration of £69.7 million and a profit on disposal of £10.1 million.

On 1 May 2011, the Company's business and trading assets of the sustainable energy business were transferred to and the liabilities were assumed by E ON Energy Solutions Limited for £nil consideration and a profit on disposal of £4.5 million. The Company ceased trading from this date having transferred all risks and responsibility for existing contracts to E ON Energy Solutions Limited. The Company will act as an agent for E ON Energy Solutions Limited for no fee until the contracts are completed.

**Business review**

**Fair review of the business**

Both the level of business during the year and the financial position of the Company at the year end were as expected. On 1 May 2011, the Company ceased trading. The directors are considering the future of the Company.

**E.ON UK Energy Services Limited**  
**Directors' Report for the Year Ended 31 December 2011**  
**(continued)**

**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 prior to 1 May 2011 were considered to relate to the market mechanism for the fitting of SMART meters in all UK homes by no later than 2020, Government incentives and the external market for energy efficiency measures together with the status of the UK economy

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the E ON UK plc consolidated group ('group') and are not managed separately. Accordingly, the principal risks and uncertainties of E ON UK plc, which include those of the Company, are discussed 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 E ON Energy Solution 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 profit for the financial year is £33,239,000 (2010: loss of £39,322,000), after an exceptional profit on disposal of the business of £35,979,000. No interim dividends (2010: £nil) were paid during the year. The directors do not recommend the payment of a final dividend (2010: £nil).

**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 zero days (2010: 9 days) of purchases due to a transfer of the Company's metering and sustainable energy businesses to E ON Energy Solutions Limited.

**Political donations**

No political donations were made during the year (2010: £nil).

**E.ON UK Energy Services Limited**  
**Directors' Report for the Year Ended 31 December 2011**  
**(continued)**

**Charitable donations**

No charitable donations were made during the year (2010 £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.

**Going concern**

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

**Disclosure of information to the auditors**

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

**Statement of directors' responsibilities**

The directors are responsible for preparing the 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 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

- select suitable accounting policies and apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**E.ON UK Energy Services Limited**  
**Directors' Report for the Year Ended 31 December 2011**  
**(continued)**

Approved by the Board on 11 September 2012 and signed on its behalf by

A handwritten signature in black ink, appearing to read 'R Matthies', written in a cursive style.

**R Matthies**  
Director

E ON UK Energy Services Limited  
Company No 5615669  
Westwood Way  
Westwood Business Park  
Coventry  
CV4 8LG

## **Independent Auditors' Report to the Members of E.ON UK Energy Services Limited**

We have audited the financial statements of E.ON UK Energy Services Limited for the year ended 31 December 2011, which comprise the Profit and Loss Account, 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 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.

### **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. In addition, we read all the financial and non-financial information in the Directors' Report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on the 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 2011 and of its profit 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**

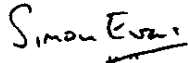
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

**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



Simon Evans (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors

Birmingham

Date 13 September 2012

**E.ON UK Energy Services Limited**  
**Profit and Loss Account for the Year Ended 31 December 2011**

	Note	2011 £ 000	2010 £ 000
<b>Turnover</b>	2	<b>42,587</b>	178,190
Cost of sales		<u>(28,459)</u>	<u>(103,921)</u>
Gross profit		<b>14,128</b>	74,269
Distribution costs		<b>(887)</b>	(2,155)
Administrative expenses		<b>(16,590)</b>	(64,574)
Impairment of fixed assets		-	(24,335)
Onerous contract provision		-	(4,420)
Other operating income		<u>16</u>	<u>30</u>
<b>Operating loss</b>	3	<b>(3,333)</b>	(21,185)
Profit on sale of businesses	5	<b>35,979</b>	-
Interest receivable and similar income	8	<b>139</b>	203
Amounts written off investments		-	(22,264)
Interest payable and similar charges	9	<u>(830)</u>	<u>(2,924)</u>
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>31,955</b>	(46,170)
Tax on profit/(loss) on ordinary activities	10	<u>1,284</u>	<u>6,848</u>
<b>Profit/(loss) for the financial year</b>	19	<u><b>33,239</b></u>	<u>(39,322)</u>

All of the above amounts relate to discontinued operations

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

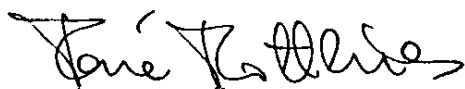
The Company has no recognised gains or losses for the year, other than the results above and therefore no separate statement of total recognised gains and losses has been presented

The notes on pages 9 to 24 form an integral part of these financial statements

**E.ON UK Energy Services Limited**  
**(Company number: 5615669)**  
**Balance Sheet as at 31 December 2011**

	Note	2011 £ 000	2010 £ 000
<b>Fixed assets</b>			
Intangible assets	11	-	5,681
Tangible assets	12	-	108,439
Investments	13	-	-
		<u>-</u>	<u>114,120</u>
<b>Current assets</b>			
Stocks	14	-	17,512
Debtors	15	13,440	76,728
Cash at bank and in hand		-	812
		<u>13,440</u>	<u>95,052</u>
<b>Creditors amounts falling due within one year</b>	16	<u>(92,293)</u>	<u>(318,144)</u>
<b>Net current liabilities</b>		<u>(78,853)</u>	<u>(223,092)</u>
<b>Total assets less current liabilities</b>		<u>(78,853)</u>	<u>(108,972)</u>
<b>Provisions for liabilities</b>	17	-	(3,120)
<b>Net liabilities</b>		<u>(78,853)</u>	<u>(112,092)</u>
<b>Capital and reserves</b>			
Called up share capital	18	1,000	1,000
Profit and loss account	19	<u>(79,853)</u>	<u>(113,092)</u>
<b>Total shareholders' deficit</b>	20	<u>(78,853)</u>	<u>(112,092)</u>

Approved by the Board on 11 September 2012 and signed on its behalf by



**R Matthies**  
Director

E ON UK Energy Services Limited

The notes on pages 9 to 24 form an integral part of these financial statements

**E.ON UK Energy Services Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2011**

**1 Accounting policies**

**Basis of preparation**

These financial statements have been prepared 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.

**Exemption from preparing group accounts**

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. 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 net current liabilities and net liabilities, the directors have prepared the financial statements on the going concern basis. The directors have received confirmation from E.ON UK plc, the Company's immediate parent undertaking, of its intention to financially support the Company such that the Company can meet its obligations as they fall due for a period of at least twelve months from the date of the directors' approval of these financial statements.

**Turnover**

Turnover, which excludes value added tax, represents the value of the sales from providing metering and home installation services to E.ON Energy Solutions Limited and external customers.

**Intangible fixed assets**

Intangible fixed assets are stated at their acquisition cost less accumulated amortisation.

**Goodwill**

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

**Amortisation**

Amortisation is calculated so as to write off the cost of intangible fixed assets on a straight line basis over their useful economic life as follows:

**Asset class**

Goodwill

Customer lists and contract based

**Amortisation method and rate**

Straight-line basis over the term of the contract which will expire in 2028.

Straight-line basis over the term of the contract which will expire in 2028.

**E.ON UK Energy Services Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2011**  
**(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.

**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>
Fixture and fittings	Straight-line basis over 3 - 5 years
Meter equipment (including installation)	Straight-line basis over 7 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.

**Fixed asset investments**

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

**Stock and work in progress**

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 2006 requires stocks to be categorised between raw materials, work in progress and finished goods. Stores are considered to be raw materials under this definition.

**E.ON UK Energy Services Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2011**  
**(continued)**

**Long term contracts**

Long term contracts are measured at cost net of amounts transferred to cost of sales after deducting foreseeable losses and payments on account not matched with turnover. These contracts are included in stock as work in progress along with all other energy connections contract costs. The amount by which payments on account exceed turnover is shown under creditors as deferred income. The amount by which recorded turnover is in excess of payments on account is included in debtors as amounts recoverable on contracts. The amount by which accruals for foreseeable losses exceeds costs incurred, after transfers to cost of sales, is deducted from the value of work in progress in the balance sheet and recognised as a cost in the profit and loss account.

**Cash and short-term deposits**

Short-term deposits include cash at bank and in hand.

**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 Group are consolidated at each month end into a single balance with each group company. These transactions are net settled. As a result the directors consider it appropriate to present inter-company balances within these financial statements on a net basis. Formal loan balances are settled gross.

**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.

Future operating costs are not provided for.

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced to those affected by it.

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 contract exceed the economic benefits expected to be received under it.

**E.ON UK Energy Services Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2011**  
**(continued)**

**Taxation**

The tax credit for the year is based on the profits or 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 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, 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. Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

**Pension costs**

Pension costs represent amounts recharged by the immediate parent company, E.ON UK plc, for the cost of contributions to defined benefit and defined contribution schemes. Further details of these schemes are available in E.ON UK plc's consolidated financial statements.

**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 AG Group or investees of the E.ON AG Group.

**2 Turnover**

Turnover, which excludes value added tax, represents the value of the sales from providing metering and home installation services to E.ON Energy Solutions Limited and external customers. An analysis of turnover by geographical location is given below.

	2011 £ 000	2010 £ 000
Sales - UK	42,587	178,183
Sales - Europe	-	7
	<u>42,587</u>	<u>178,190</u>

**E.ON UK Energy Services Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2011**  
*(continued)*

**3 Operating loss**

Operating loss is stated after charging/(crediting)

	2011 £ 000	2010 £ 000
Operating leases - other assets	454	2,974
Depreciation of owned assets	5,831	22,467
Amortisation	114	313
Impairment of tangible fixed assets	-	24,335
Onerous contract provision	-	4,420
Profit on disposal of investments	-	(30)
Auditors' remuneration	30	114

The Company's fixed asset investments were reviewed for impairment during the prior year due to a strategic review of the trading activities of E ON UK Property Services Limited, of which CHN Group Ltd is the immediate parent, a subsidiary of the Company

**4 Auditors' remuneration**

	2011 £ 000	2010 £ 000
Audit of the financial statements	30	114

**E.ON UK Energy Services Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2011**  
**(continued)**

**5 Exceptional items related to discontinued operations**

	2011 £ 000	2010 £ 000
Profit on sale of businesses	<u>(35,979)</u>	<u>-</u>

On 25 February 2011, the Company's mobile masts business was sold to Cell Site Connection Services Limited for a consideration of £21,350,000. The net assets disposed of were £nil resulting in a profit on disposal of £21,350,000.

On 1 April 2011, the Company's business and trading assets of the metering business were sold to and liabilities were assumed by E.ON Energy Solutions Limited. The consideration received was £69,741,000 and this gave rise to a profit on disposal of assets of £10,086,000.

On 1 May 2011, the Company's business and trading assets of the sustainable energy business were sold to and the liabilities were assumed by E.ON Energy Solutions Limited. The consideration was satisfied by way of the assumption by the buyer of net liabilities of £4,543,000 and this gave rise to a profit on disposal of £4,543,000. As a result of these disposals, the Company ceased trading from this date and the profit on disposal has been treated as a discontinued operation in the profit and loss account.

On 1 May 2011, the loans and other balances of the Company amounting to £145,321,000 were assumed by E.ON Energy Solutions Limited. The consideration for the transfer was £145,321,000, giving no profit or loss on disposal.

**6 Employee information**

The monthly average number of persons (including directors) employed by the intermediate parent undertaking, E.ON UK plc and associated companies in respect of the Company during the year, analysed by category was as follows:

	2011 No.	2010 No. (Restated)
Administration and support	251	402
Sales, marketing and distribution	18	17
Other departments	<u>653</u>	<u>900</u>
	<u>922</u>	<u>1,319</u>

The employee numbers for 2010 have been restated based on the function rather than activities.

**E.ON UK Energy Services Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2011**  
**(continued)**

The aggregate payroll costs recharged to the Company by E ON UK plc and associated companies were as follows

	2011 £ 000	2010 £ 000
Wages and salaries	8,196	37,947
Social security costs	685	3,007
Other pension costs	1,279	5,517
	<u>10,160</u>	<u>46,471</u>

**7 Directors' remuneration**

The directors' remuneration for the year was as follows

	2011 £	2010 £
Remuneration	242,993	644,450
Compensation for loss of office	<u>137,061</u>	<u>-</u>

During the year the number of directors who were receiving benefits and share incentives was as follows

	2011 No.	2010 No.
Received or were entitled to receive shares under long term incentive schemes	2	2
Accruing benefits under defined benefit pension scheme	<u>2</u>	<u>2</u>

During the year no (2010: 2) directors exercised Performance Rights over shares in the ultimate parent company, E ON AG, that they were awarded for services to the E ON UK Group

In respect of the highest paid director

	2011 £	2010 £
Remuneration	218,872	291,482
Defined benefit accrued pension entitlement at the end of the year	<u>-</u>	<u>67,150</u>

**8 Interest receivable and similar income**

	2011 £ 000	2010 £ 000
Interest receivable from group undertakings	<u>139</u>	<u>203</u>

**E.ON UK Energy Services Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2011**  
*(continued)*

**9 Interest payable and similar charges**

	2011 £ 000	2010 £ 000
Interest payable to group undertakings	<u>830</u>	<u>2,924</u>

**10 Tax on profit/(loss) on ordinary activities**

	2011 £ 000	2010 £ 000
<b>Current tax</b>		
Corporation tax credit	(1,530)	(6,673)
Adjustments in respect of prior periods	(58)	72
UK corporation tax	<u>(1,588)</u>	<u>(6,601)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	349	11
Deferred tax adjustment relating to previous periods	(9)	(122)
Effect of changes in tax rates	150	61
Unwinding of discount	(186)	(197)
Total deferred tax	<u>304</u>	<u>(247)</u>
Total tax on profit/(loss) on ordinary activities	<u>(1,284)</u>	<u>(6,848)</u>

**Factors affecting current tax credit for the year**

The difference between the tax on the profit/(loss) on ordinary activities for the year and the tax assessed on the profit/(loss) on ordinary activities for the year assessed at the effective rate of corporation tax in the UK at 26.5% (2010: 28%) can be explained as follows

	2011 £ 000	2010 £ 000
Profit/(loss) on ordinary activities before taxation	<u>31,955</u>	<u>(46,170)</u>
Corporation tax at effective rate	8,784	(12,928)
Capital allowances in excess of depreciation	(13)	512
Other timing differences	(372)	(523)
Income not taxable	(9,929)	-
Expenses not deductible for tax purposes	-	6,266
Adjustment in respect of previous periods	(58)	72
Total current tax	<u>(1,588)</u>	<u>(6,601)</u>

**E.ON UK Energy Services Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2011**  
**(continued)**

A resolution passed by Parliament on 29 March 2011 reduced the main rate of corporation tax from 28% to 26% from 1 April 2011

The Finance Act 2011 was substantively enacted on 5 July 2011 and included legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012. In addition, the Finance Act 2011 included measures to reduce the rate of writing-down allowances on the main pool of plant and machinery expenditure to 18% 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 2012 UK Budget Statement. A resolution passed by Parliament on 26 March 2012 reduced the main rate of corporation tax to 24% from 1 April 2012. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 is included in the Finance Act 2012. A further reduction to the main rate is also proposed to reduce the rate to 22% from 1 April 2014. None of these rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The corporation tax receivable has been reduced by £436,000 because of group relief surrendered to a fellow group undertaking for which a payment will be received (2010 £1,917,000). Accordingly no tax losses are available for carry forward.

**E.ON UK Energy Services Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2011**  
*(continued)*

**11 Intangible assets**

	<b>Goodwill £ 000</b>	<b>Customer lists £ 000</b>	<b>Contract based £ 000</b>	<b>Total £ 000</b>
<b>Cost</b>				
At 1 January 2011	2,258	2,725	1,361	6,344
Additions	-	-	330	330
Disposals	(2,258)	(2,725)	(1,691)	(6,674)
At 31 December 2011	-	-	-	-
<b>Accumulated amortisation</b>				
At 1 January 2011	273	332	58	663
Charge for the year	38	46	30	114
Eliminated on disposals	(311)	(378)	(88)	(777)
At 31 December 2011	-	-	-	-
<b>Net book value</b>				
<b>At 31 December 2011</b>	-	-	-	-
At 31 December 2010	1,985	2,393	1,303	5,681

The customer lists intangible asset relates to the Company's acquisition of the trade and assets of the Staffordshire PFI Service Provider from ABB Limited during 2008

The goodwill intangible asset relates to the Company's acquisition of the trade and assets of ABB Limited's Highways Lighting division during 2008

The contract based intangible asset relates to various setup costs on the Blackpool PFI contract, following award of the contract

**E.ON UK Energy Services Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2011**  
*(continued)*

**12 Tangible assets**

	Fixtures and fittings £ 000	Meter equipment £ 000	Total £ 000
<b>Cost</b>			
At 1 January 2011	20,682	173,400	194,082
Additions	209	7,104	7,313
Disposals	(20,891)	(180,504)	(201,395)
At 31 December 2011	-	-	-
<b>Accumulated depreciation</b>			
At 1 January 2011	12,453	73,190	85,643
Charge for the year	617	5,214	5,831
Eliminated on disposals	(13,070)	(78,404)	(91,474)
At 31 December 2011	-	-	-
<b>Net book value</b>			
<b>At 31 December 2011</b>	-	-	-
At 31 December 2010	8,229	100,210	108,439

An impairment charge of £24,335,000 was made in the prior year in relation to the impairment of meter assets

**E.ON UK Energy Services Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2011**  
*(continued)*

**13 Investments**

**Shares in group undertakings and participating interests**

	<b>Subsidiary undertakings £ 000</b>
<b>Cost</b>	
At 1 January 2011	22,264
At 31 December 2011	22,264
<b>Provision for impairment</b>	
At 1 January 2011	22,264
At 31 December 2011	22,264
<b>Net book value</b>	
<b>At 31 December 2011</b>	-
At 31 December 2010	-

**Details of undertakings**

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

<b>Undertaking</b>	<b>Holding</b>	<b>Proportion of voting rights and shares held</b>	<b>Principal activity as at 31 December 2011</b>
CHN Group Ltd	Ordinary	100%	Non-trading
E ON UK PS Limited	Ordinary	100%	Non-trading
Metering Services Limited	Ordinary	100%	Non-trading

The Company's fixed asset investments were reviewed for impairment during the prior year due to a strategic review of the trading activities of E ON UK Property Services Limited, of which CHN Group Ltd is the immediate parent

On 1 April 2011, the trade and assets of E ON UK Property Services Limited, which is owned by CHN Group Ltd and E ON UK PS Limited were transferred to E ON Energy Solutions Limited

**E.ON UK Energy Services Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2011**  
*(continued)*

**14 Stocks**

	2011 £ 000	2010 £ 000
Raw materials and consumables	-	10,739
Work in progress	-	6,773
	<u>-</u>	<u>17,512</u>

**15 Debtors**

	2011 £ 000	2010 £ 000
Trade debtors	-	10,529
Amounts owed by group undertakings	13,440	50,241
Deferred tax	-	1,828
Other taxation and social security	-	2,645
Other debtors	-	857
Prepayments and accrued income	-	10,628
	<u>13,440</u>	<u>76,728</u>

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

Amounts owed by group undertakings at 31 December 2010 included a loan to group undertakings of £32,655,000 which was unsecured, bore interest at a rate of LIBOR plus 50 basis points and was repayable on demand

Debtors at 31 December 2010 included £1,828,000 which was receivable after more than one year

This can be analysed as follows

	2011 £ 000	2010 £ 000
Deferred tax	<u>-</u>	<u>1,828</u>

**E.ON UK Energy Services Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2011**  
*(continued)*

**Deferred tax**

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

	£ 000
At 1 January 2011	1,828
Deferred tax charged to the profit and loss account	(304)
Deferred tax utilised during the year	(1,524)
At 31 December 2011	<u>-</u>

**Analysis of deferred tax**

	2011 £ 000	2010 £ 000
Difference between accumulated depreciation and amortisation and capital allowances	-	1,345
Other timing differences	-	669
	<u>-</u>	<u>2,014</u>
Discount	-	(186)
<b>Discounted asset for deferred tax</b>	<u>-</u>	<u>1,828</u>

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

	2011 £ 000	2010 £ 000
Trade creditors	-	2,538
Amounts owed to group undertakings	92,293	275,166
Corporation tax	-	26
Other creditors	-	975
Accruals and deferred income	-	39,439
	<u>92,293</u>	<u>318,144</u>

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

Amounts owed to group undertakings at 31 December 2010 included a loan of £275,166,000 which was unsecured, bore interest at a rate of LIBOR plus 50 basis points and was repayable on demand

**E.ON UK Energy Services Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2011**  
**(continued)**

**17 Provisions for liabilities**

	Contract provisions £ 000	Restructuri ng £ 000	Total £ 000
At 1 January 2011	278	2,842	3,120
Transfer to group undertaking	(175)	(952)	(1,127)
Utilised during the year	(103)	(1,890)	(1,993)
	(278)	(2,842)	(3,120)
At 31 December 2011	-	-	-

**18 Called up share capital**

**Allotted and fully paid**

	2011		2010	
	No.	£ 000	No.	£ 000
Ordinary shares of £1 each	1,000,000	1,000	1,000,000	1,000

**19 Reserves**

	Profit and loss account £ 000
At 1 January 2011	(113,092)
Profit for the financial year	33,239
At 31 December 2011	(79,853)

**20 Reconciliation of movement in shareholders' funds**

	2011 £ 000	2010 £ 000
Profit/(loss) attributable to the members of the Company	33,239	(39,322)
Net addition/(reduction) to shareholders' funds	33,239	(39,322)
Shareholders' deficit at 1 January	(112,092)	(72,770)
Shareholders' deficit at 31 December	(78,853)	(112,092)

**E.ON UK Energy Services Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2011**  
*(continued)*

**21 Commitments**

**Operating lease commitments**

As at 31 December 2011 the Company had annual commitments under non-cancellable operating leases as follows

Operating leases which expire

	2011 £ 000	2010 £ 000
<b>Other</b>		
Within one year	-	1,889
Within two and five years	-	2,167
	<u>-</u>	<u>4,056</u>

**22 Ultimate parent**

The Company is controlled by E ON UK plc. The ultimate controlling party is E ON AG, which is the parent company of the largest group to consolidate these financial statements. The smallest group to consolidate these financial statements is E ON UK plc, the principal UK trading subsidiary of E ON AG. 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