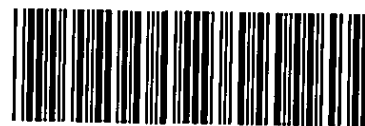


CITIGEN (LONDON) LIMITED
REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2010

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Registered No: 2427823

CITIGEN (LONDON) 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 activity during the year and at the year end was the operation of a Combined Heat and Power ('CHP') installation in London for the generation of electricity and supply of heating, hot water, chilling and ventilation services to commercial, industrial and domestic customers.

Business review

Fair review of the Company's business

The level of operating activity during the year was as anticipated and the directors believe this will continue. However, owing to economic conditions and operational issues during the year, the financial performance of the Company was below expected levels

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 profit for the financial year is £346,000 (2009: loss of £2,273,000). The directors do not recommend the payment of a dividend (2009: £nil).

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

Mr C R Scoins

(appointed 17 May 2010)

(resigned 17 May 2010)

CITIGEN (LONDON) LIMITED

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

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.

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 made a loss before tax, 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 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 or until such time as the Company ceases to be an indirect subsidiary of E.ON UK plc.

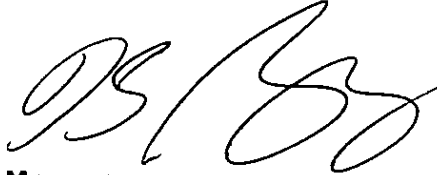
CITIGEN (LONDON) LIMITED

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

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

A handwritten signature in black ink, appearing to read 'D J Morgans', written over a horizontal line.

D J Morgans

Director
Citigen (London) Limited
Registered No: 2427823
Westwood Way
Westwood Business Park
Coventry
CV4 8LG

7 July 2011

Independent auditor's report to the member of Citigen (London) Limited

We have audited the financial statements of Citigen (London) Limited for the year ended 31 December 2010 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 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 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.

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

CITIGEN (LONDON) 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
Turnover	2	3,388	3,128
Cost of sales		(5,815)	(5,996)
Gross loss		(2,427)	(2,868)
Impairment of fixed assets	3	(868)	(397)
Release of decommissioning provision	13	2,725	-
Operating loss	4	(570)	(3,265)
Interest payable and similar charges	6	(100)	(103)
Loss on ordinary activities before taxation		(670)	(3,368)
Tax on loss on ordinary activities	7	1,016	1,095
Profit/(loss) for the financial year		346	(2,273)

There are no material differences between the 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 and losses other than the 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.

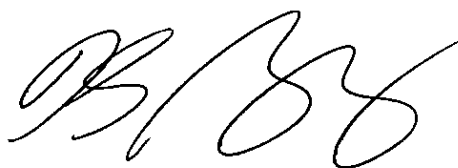
The accounting policies and the notes on pages 7 to 16 form part of these financial statements.

CITIGEN (LONDON) LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2010

	Note	At 31 December 2010 £'000	At 31 December 2009 £'000
Fixed assets			
Tangible assets	8	-	-
Current assets			
Stock	9	426	405
Debtors: amounts falling due within one year	10	1,710	5,218
		2,136	5,623
Creditors: amounts falling due within one year	11	(20,529)	(21,667)
Net current liabilities		(18,393)	(16,044)
Creditors: amounts falling due after more than one year	12	(570)	(640)
Provisions for liabilities	13	(454)	(3,079)
Net liabilities		(19,417)	(19,763)
Capital and reserves			
Called-up share capital	15	26,184	26,184
Share premium account	16	23,050	23,050
Profit and loss reserve	16	(68,651)	(68,997)
Total shareholder's deficit	17	(19,417)	(19,763)

The financial statements on pages 5 to 16 were approved by the Board of Directors on 7 July 2011 and were signed on its behalf by:



D J Morgans
Director
Citigen (London) Limited
Registered No 2427823

7 July 2011

The accounting policies and the notes on pages 7 to 16 form part of these financial statements

CITIGEN (LONDON) 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, 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

Plant and machinery	Up to 25 years
Fixtures and fittings	Up to 4 years

(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.

CITIGEN (LONDON) LIMITED

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

1 Accounting policies (continued)

(f) Taxation

The tax 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.

(g) Turnover

Turnover comprises revenue from the sale of power, heated and chilled water, and other services to industrial and commercial and domestic customers and is recognised when earned on the basis of contractual agreements with customers. It reflects the value of the volume supplied, including an estimated value of the volume supplied to customers between the date of their last meter reading and the year end

(h) 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).

(i) 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

(j) 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.

CITIGEN (LONDON) LIMITED

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

1 Accounting policies (continued)

(k) Going concern

Notwithstanding the fact that the Company made a loss before tax, 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 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 or until such time as the Company ceases to be an indirect subsidiary of E.ON UK plc.

(l) 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 statement and, where material, are disclosed separately

2 Turnover

Turnover, which excludes value added tax, represents the value of power, heated and chilled water, and other services provided under contract during the year 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

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Impairment of fixed assets	868	397

At 31 December 2010, a review of the appropriateness of the carrying value of the CHP installation was undertaken, in accordance with FRS 11 'Impairment of fixed assets and goodwill'. The cash flows used in this impairment review were based on approved budgets and discounted at the E.ON UK plc cost of capital for CHP operations. As a result of the review, an impairment charge of £868,000 (2009: £397,000) was recorded in these financial statements

CITIGEN (LONDON) LIMITED

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

4 Operating loss

Operating loss is stated after charging/(crediting):

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Impairment of tangible fixed assets:		
Owned assets (note 8)	868	397
Operating lease charges:		
Land	131	208
Release of deferred income (note 11)	(70)	(74)

The directors consider it more appropriate to include all costs of the Company within "cost of sales". Administrative expenses, in the form of common management costs, are borne by other companies within the group and are 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 Company had no employees during the year (2009: none). The Company is recharged by E.ON UK plc for the services of 17 operations employees (2009: 17).

The salaries and related costs of employees, including directors, recharged to the Company by E.ON UK plc were:

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Wages and salaries	825	784
Social security costs	87	81
Other pension costs	158	119
	1,070	984

CITIGEN (LONDON) LIMITED

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

6 Interest payable and similar charges

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Discount unwind on decommissioning provision (note 13)	100	103

7 Tax on loss on ordinary activities

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Current tax:		
UK corporation tax credit on losses for the year	(996)	(1,096)
Adjustment in respect of previous periods	(20)	1
Total current tax credit	(1,016)	(1,095)

The difference between the tax on the loss on ordinary activities for the year and the tax assessed on the loss on ordinary activities for the year assessed at the standard rate of corporation tax in the UK at 28% can be explained as follows:

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Loss on ordinary activities before tax	(670)	(3,368)
Tax on loss on ordinary activities before tax at 28% (2009 28%)	(188)	(943)
<i>Effects of:</i>		
Capital allowances in excess of depreciation	(65)	(188)
Income not taxable	(8)	(8)
Adjustment in respect of previous periods	(20)	1
Other timing differences	(735)	43
Current tax credit for the year	(1,016)	(1,095)

CITIGEN (LONDON) LIMITED

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

7 Tax on loss on ordinary activities (continued)

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.

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, propose to reduce the rate by 1% per annum to 24% by 1 April 2014.

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 corporation tax receivable has been reduced by £1,016,000 because of group relief surrendered to a fellow group undertaking for which a payment will be received (2009. £1,095,000).

8 Tangible fixed assets

	Plant and machinery	Fixtures and fittings	Total
	£'000	£'000	£'000
Cost:			
At 1 January 2010	63,706	297	64,003
Additions	868	-	868
At 31 December 2010	64,574	297	64,871
Accumulated depreciation:			
At 1 January 2010	63,706	297	64,003
Impairment (note 3)	868	-	868
At 31 December 2010	64,574	297	64,871
Net book value:			
At 31 December 2010	-	-	-
At 31 December 2009	-	-	-

CITIGEN (LONDON) LIMITED

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

9 Stocks

	At 31 December 2010 £'000	At 31 December 2009 £'000
Raw material and consumables:		
Fuel stocks	193	175
Stores	233	230
	426	405

10 Debtors: amounts falling due within one year

	At 31 December 2010 £'000	At 31 December 2009 £'000
Trade debtors	131	87
Amounts owed by group undertakings	1,100	4,817
Other debtors	479	314
	1,710	5,218

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

11 Creditors: amounts falling due within one year

	At 31 December 2010 £'000	At 31 December 2009 £'000
Amounts owed to group undertakings	20,033	21,247
Accruals	426	346
Deferred income	70	74
	20,529	21,667

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

CITIGEN (LONDON) LIMITED

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

12 Creditors: amounts falling due after more than one year

	At 31 December 2010 £'000	At 31 December 2009 £'000
Deferred income		
Between one and two years	56	70
Between two and five years	169	169
After five years	345	401
	<u>570</u>	<u>640</u>

Deferred income relates to connection fees charged to customers which are released over the life of the contract and a grant received under the Thermie energy technology programme, also released over the life of the contract.

13 Provisions for liabilities

	Decommissioning provision £'000
At 1 January 2010	3,079
Credited to the profit and loss account	(2,725)
Unwinding of discount	100
At 31 December 2010	<u>454</u>

The decommissioning provision was reviewed during the year and is estimated to be lower than was previously expected. As the related asset has been fully impaired, this resulted in a £2,725,000 credit to the profit and loss account.

14 Deferred tax

A potential deferred tax asset in respect of capital allowances, other timing differences and carried forward losses has not been recognised. The estimated value of this unrecognised deferred tax asset measured on a discounted basis at a standard rate of corporation tax of 27% is £1,401,000 (2009 at 28%: £2,300,000).

CITIGEN (LONDON) LIMITED

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

15 Called-up share capital

	At 31 December 2010 £'000	At 31 December 2009 £'000
Authorised		
26,300,000 ordinary shares of £1 each	<u>26,300</u>	<u>26,300</u>
Allotted, called-up and fully paid		
26,184,000 ordinary shares of £1 each	<u>26,184</u>	<u>26,184</u>

16 Reserves

	Share premium account £'000	Profit and loss reserve £'000
At 1 January 2010	23,050	(68,997)
Profit for the financial year	-	346
At 31 December 2010	<u>23,050</u>	<u>(68,651)</u>

17 Reconciliation of movements in shareholder's deficit

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Profit/(loss) for the financial year	346	(2,273)
Opening shareholder's deficit	<u>(19,763)</u>	<u>(17,490)</u>
Closing shareholder's deficit	<u>(19,417)</u>	<u>(19,763)</u>

18 Financial commitments

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

	At 31 December 2010 £'000	At 31 December 2009 £'000
After five years	<u>135</u>	<u>139</u>

CITIGEN (LONDON) LIMITED

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

19 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:

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