

# **POWERGEN AUSTRALIA INVESTMENTS LIMITED**

## **REPORT AND ACCOUNTS**

**for the year ended 31 December 2006**



**Registered No: 2586965**

## **POWERGEN AUSTRALIA INVESTMENTS LIMITED**

---

### **Report of the directors for the year ended 31 December 2006**

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2006

#### **Principal activities**

During the period, the Company has acted as an intermediate holding company within the E ON UK Group. The Company is expected to continue to do so in the immediate future.

#### **Business Review**

##### **Fair review of the Company's business**

Both the level of business during the year and the financial position of the Company at the year-end were satisfactory and the directors believe that the present level of activity will be sustained in the current year.

##### **Principal risks and uncertainties**

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 in 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 Central division of E ON UK plc, which includes the Company, is discussed in 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 Australian Dollars (AUD) 28,869 (2005: a profit of AUD 14,285). The directors do not recommend payment of a dividend (2005: Nil).

## **POWERGEN AUSTRALIA INVESTMENTS LIMITED**

---

### **Report of the directors for the year ended 31 December 2006 (continued)**

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

The directors who held office during the period are given below

- David O Beynon
- Jack A H Groesbeek
- Eric P Isaac

During the period, no director had an interest in the shares of the Company

At 31 December 2006 and 31 December 2005 no director had any other interest requiring disclosure

#### **Directors' statement of responsibility**

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

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departure 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors confirm that they have fulfilled their responsibilities.

#### **Auditors and disclosure of information to auditors**

So far as 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.

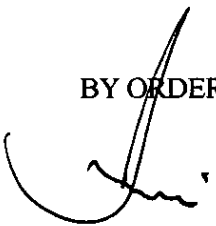
## **POWERGEN AUSTRALIA INVESTMENTS LIMITED**

### **Report of the directors for the year ended 31 December 2006 (continued)**

#### **Auditors**

On 13 March 1992, the Company passed an elective resolution dispensing with the requirement to appoint auditors annually. Therefore PricewaterhouseCoopers LLP will continue in office.

BY ORDER OF THE BOARD



E P Isaac  
Director  
99 Grand'rue  
L-1661 Luxembourg

29 June, 2007

## **POWERGEN AUSTRALIA INVESTMENTS LIMITED**

---

### **Independent auditors' report to the shareholders of Powergen Australia Investments Limited**

We have audited the financial statements of the Powergen Australia Investments Limited for the year ended 31 December 2006, which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

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

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

#### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

*PricewaterhouseCoopers LLP*  
PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London

*9 July* 2007

---

**POWERGEN AUSTRALIA INVESTMENTS LIMITED**

---

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

	Note	Year ended 31 December 2006 AUD	Year ended 31 December 2005 AUD
Administrative expenses		(45,872)	(55,992)
<b>Operating loss</b>	2	(45,872)	(55,992)
Reversal of write-off	7	-	70,000
Foreign Exchange gains		16,870	0
Interest receivable and similar income		133	277
<b>(Loss)/Profit on ordinary activities before taxation</b>		(28,869)	14,285
Tax on (loss)/profit on ordinary activities	5	-	-
<b>Retained (loss)/profit for the year</b>	12 & 13	(28,869)	14,285

There is no difference between the (loss)/profit on ordinary activities before taxation and the retained (loss)/profit for either of the periods stated above and their historical cost equivalents

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 the above amounts relate to continuing operations

The accounting policies and the notes on pages 7 to 12 form part of these financial statements

**POWERGEN AUSTRALIA INVESTMENTS LIMITED**

**BALANCE SHEET AS AT 31 DECEMBER 2006**

	Note	At 31 December 2006 AUD	At 31 December 2005 AUD
<b>Fixed assets</b>			
Investments	7	102,041	185,722
<b>Current assets</b>			
Debtors amounts falling due after one year	8	205,235	179,669
Debtors amounts falling due within one year	9	15,342	0
Cash at bank and in hand		24,799	29,024
<b>Creditors: amounts falling due within one year</b>	10	(29,381)	(47,510)
<b>Net current assets</b>		215,995	161,183
<b>Total assets less current liabilities</b>		318,036	346,905
<b>Capital and reserves</b>			
Called-up share capital	11	530,000	530,000
Share premium account	12	270,000	270,000
Profit and loss account	12	(481,964)	(453,095)
<b>Equity shareholders' funds</b>	13	318,036	346,905

The financial statements on pages 5 to 12 were approved by the board of directors on 1 June, 2007, and were signed on its behalf by



Director  
E P Isaac

24 June 2007

The accounting policies and the notes on pages 7 to 12 form part of these financial statements

## **POWERGEN AUSTRALIA INVESTMENTS LIMITED**

---

### **Notes to the financial statements for the year ended 31 December 2006**

#### **1 Accounting policies**

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

##### **(a) Fixed asset investments**

Fixed asset investments are stated at original cost plus subsequent loans advanced or amounts invested. Provision is made for any impairment in the value of investments.

##### **(b) Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated into Australian Dollar at exchange rates ruling at the end of the financial period. Transactions denominated in foreign currencies are translated into Australian Dollar 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. The AUD/EUR exchange rate applied on 31 December 2006 was 0.5962.

##### **(c) Taxation**

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

##### **(d) Cash flow statement**

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

##### **(e) Related party transactions**

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



## **POWERGEN AUSTRALIA INVESTMENTS LIMITED**

### **Notes to the financial statements for the year ended 31 December 2006 (continued)**

#### **2 Operating loss**

Administrative expenses consist of payroll, social security, office rental, professional fees, travel and legal expenses. Auditors' remuneration for 2006 and 2005 was borne by the Company's immediate parent undertaking, E ON UK plc and not recharged.

#### **3 Directors' emoluments**

	<b>Year ended 31 December 2006 AUD</b>	<b>Year ended 31 December 2005 AUD</b>
Aggregate emoluments	<b>17,981</b>	<b>17,696</b>

There are no retirement benefits accruing to directors under a defined benefit scheme or defined contribution scheme at either 31 December 2006 or 31 December 2005. FRS 17 "Retirement benefits" is therefore not applicable to the Company.

#### **4 Employee information**

The average monthly number of persons (including executive directors) employed by the Company during the period was one (2005: one). The salaries and related costs of employees, including directors, were:

	<b>Year ended 31 December 2006 AUD</b>	<b>Year ended 31 December 2005 AUD</b>
Wages and salaries	<b>17,981</b>	<b>17,696</b>
Social security costs	<b>1,998</b>	<b>2,059</b>
	<b>19,979</b>	<b>19,755</b>

#### **5 Tax on (loss)/profit on ordinary activities**

The Company is resident and taxable in Luxembourg.

There was no taxation charge in the period.

The difference between the tax on the (loss)/profit on ordinary activities for the period and the tax assessed on the (loss)/profit on ordinary activities for the period assessed at the standard rate of corporation tax in Luxembourg (30.38%) can be explained as follows:

# POWERGEN AUSTRALIA INVESTMENTS LIMITED

## Notes to the financial statements for the year ended 31 December 2006 (continued)

### 5 Tax on (loss)/profit on ordinary activities (continued)

	Year ended 31 December 2006	Year ended 31 December 2005
	AUD	AUD
(Loss)/Profit on ordinary activity before tax	(28,839)	14,285
Tax (credit)/debit on loss on ordinary activities before tax at 30 38%	(8,770)	4,340
Effects of		
Utilisation of brought forward tax losses	-	(4,340)
Losses for which no tax relief has been recognised	8,770	-
<b>Current tax credit for the period</b>	<b>-</b>	<b>-</b>

### 6 Deferred taxation

A potential deferred tax asset in respect of losses has not been recognised. The estimated value of this unrecognised deferred tax asset at a standard rate of taxation of 30 38% is AUD 125,154 (2005 AUD 116,384).

### 7 Investments

	AUD Cost	AUD Provisions	AUD Net value
At 1 January 2006	210,722	(25,000)	185,722
Reimbursement of investment in partnership	(83,681)	-	(83,681)
<b>31 December 2006</b>	<b>127,041</b>	<b>(25,000)</b>	<b>102,041</b>

Fixed assets investments comprise the following:

500 ordinary shares in the capital of INSTCO PTY Limited, a company incorporated in Australia. The holding represents 100% of the shares issued.

A 99.99% direct and indirect holding in Yallourn Investments, a limited partnership incorporated in Australia.

## POWERGEN AUSTRALIA INVESTMENTS LIMITED

### Notes to the financial statements for the year ended 31 December 2006 (continued)

#### 7 Investments (continued)

At 31 December 2001 recoverability of part of the investments balance was considered to be doubtful. In accordance with Company policy an amount of AUD 95,000 has been written off investments, which is made up of AUD 70,000 for Yallourn LLP and AUD 25,000 for INSTCO. At 31 December 2005 a review of the accounts of Yallourn LLP, after the liquidation of the portfolio held by the partnership and adjustments to the value of the investments held by the partnership it was considered that the AUD 70,000 write-off was no longer justified and it was decided to reverse this write-off.

On 21 December 2004 the partners decided that the partnership should return a maximum amount of 27,000 EUR to its partners. A first instalment corresponding to AUD 14,044 was reimbursed in the course of 2005. On 25 October 2006 the partners formally ratified their decision taken in August 2006 that the partnership should return a further amount of 100,000 EUR to its partners. The second instalment reimbursed to the Company of AUD 83,681 was reimbursed on 18 August 2006.

The Company holds no assets and liabilities requiring further disclosure in accordance with FRS 25 "Financial Instruments: Disclosure and Presentation".

#### 8 Debtors: amounts falling due after one year

	At 31 December 2006 AUD	At 31 December 2005 AUD
Amounts due from fellow group undertakings	<u>205,235</u>	<u>179,669</u>

Amounts due from fellow group undertakings are unsecured, repayable on demand, denominated in AUD and Euro and are free from any interest charge.

#### 9 Debtors: amounts falling due within one year

	At 31 December 2006 AUD	At 31 December 2005 AUD
Amounts due from fellow group undertakings	<u>15,342</u>	<u>-</u>

Amounts due from fellow group undertakings are unsecured, repayable on demand, denominated in AUD and Euro and are free from any interest charge.

# POWERGEN AUSTRALIA INVESTMENTS LIMITED

## Notes to the financial statements for the year ended 31 December 2006 (continued)

### 10 Creditors: amounts falling due within one year

	At 31 December 2006 AUD	At 31 December 2005 AUD
Accruals and other creditors	<u>29,381</u>	<u>47,510</u>

Amounts due to fellow group undertakings are unsecured, repayable on demand, denominated in AUD and Euro and are free from any interest charge

### 11 Share capital

	At 31 December 2006 AUD	At 31 December 2005 AUD
<b>Authorised</b>		
5,300 ordinary shares of AUD100 each	<u>530,000</u>	<u>530,000</u>
<b>Allotted, called-up and fully paid</b>		
5,300 ordinary shares of AUD 100 each	<u>530,000</u>	<u>530,000</u>

### 12 Reserves

	Share premium account AUD	Profit and loss account AUD	Total AUD
At 1 January 2006	270,000	(453,095)	(183,095)
Loss for the year	-	(28,869)	(28,869)
<b>At 31 December 2006</b>	<u>270,000</u>	<u>(481,964)</u>	<u>(211,964)</u>

## POWERGEN AUSTRALIA INVESTMENTS LIMITED

### Notes to the financial statements for the year ended 31 December 2006 (continued)

#### 13 Reconciliation of movement in shareholders' funds

	At 31 December 2006 AUD	At 31 December 2005 AUD
Retained (loss)/profit for the year	(28,869)	14,285
Net (reduction)/increase in shareholders' funds	(28,869)	14,285
Opening shareholders' funds	346,905	332,620
Closing shareholders' funds	318,036	346,905

#### 14 Ultimate parent undertaking and controlling party

The immediate parent undertaking is E ON UK plc. 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 company of E ON AG, is the parent undertaking. Copies of E ON AG's Annual Report are available from the offices of E ON AG at the following address:

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

Germany