

E.ON UK COGENERATION LIMITED

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2005

Registered No: 2730697



E.ON UK COGENERATION LIMITED

Report of the directors for the year ended 31 December 2005

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2005.

Principal activities, review of business and future developments

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

On 1 March 2005 certain contracts, under which RWE Innogy plc (RWE) purchase power from the Company, were amended. The amendments included the termination of a tolling contract for the Thornhill CHP plant and resulted in an agreement with RWE to pay a termination fee in instalments to 2013, the contract end date. The discounted present value of these instalments has been recognised in 2005 and totalled £15,974,000 at 1 March 2005. In addition, as a result of the contract amendments, the Thornhill site fixed assets have been impaired by £6,158,000 during 2005 to reflect the directors' assessment of the plant's expected future use. This has resulted in a net benefit of £9,816,000 to the profit and loss account.

On 27 April 2005 the client at the Castleford site, C6 Solutions Limited, went into administrative receivership. The Company is currently undertaking work to achieve Combined Cycle Gas Turbine only operation. This event does not have a significant impact on the viability of future operations of the Company.

During the year a review of the carrying value of the Company's plant portfolio was undertaken. The cash flows used in this impairment review were discounted at the E.ON UK plc Group's cost of capital for CHP operations. An impairment of £13,131,000 (2004: £16,640,000) has consequently been recorded within these accounts. An impairment provision of £4,223,000 (2004: £2,081,000) on previously revalued assets has been charged against the revaluation reserve resulting in a net cost of £8,908,000 (2004: £14,559,000) being charged to the profit and loss account. The net impairment and provision arose as a result of changes in expected future commodity prices.

Results and dividends

The Company's profit for the financial year is £2,454,000 (2004: loss of £5,772,000). The directors do not recommend the payment of a dividend (2004: £nil).

Directors and their interests

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

Mr G J Bartlett
Mr K Plowman
Dr A D Cocker

During the year, no director had an interest in the shares of the Company. At 31 December 2004 and 31 December 2005, no director had any interest requiring disclosure.

Report of the directors for the year ended 31 December 2005 (continued)

Policy and practice on payment of creditors

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

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

For all other cases the Company supports the Better Payments Practice Code and has in place well developed arrangements with a view to ensuring that this is observed. Trade creditors at year end represented 27 days (2004: 27 days).

Statement of directors' responsibilities

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

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

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

E.ON UK COGENERATION LIMITED

Report of the directors for the year ended 31 December 2005 (continued)

Auditors

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

BY ORDER OF THE BOARD



K Plowman
Director
E.ON UK Cogeneration Limited
Westwood Way
Westwood Business Park
Coventry
CV4 8LG

20 October 2006

E.ON UK COGENERATION LIMITED

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

We have audited the financial statements of E.ON UK Cogeneration Limited for the year ended 31 December 2005 which comprise Profit and Loss Account, the Statement of Total Recognised Gains & Losses, 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

As described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and 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 2005 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

20 October 2006

E.ON UK COGENERATION LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Turnover	2	35,809	34,921
Cost of sales		(32,873)	(30,635)
Gross profit		2,936	4,286
Net operating expenses	3	-	-
Operating profit before exceptional items		2,936	4,286
Exceptional items:			
Impairment of fixed assets	4	(8,908)	(14,559)
Net benefit from contract termination	4	9,816	-
Operating profit/(loss)	5	3,844	(10,273)
Exceptional profit on disposal of tangible fixed assets	4	-	4,712
Interest receivable and similar income	7	947	-
Interest payable and similar charges	8	(107)	-
Profit/(Loss) on ordinary activities before taxation		4,684	(5,561)
Tax on profit/(loss) on ordinary activities	9	(2,230)	(211)
Retained profit/(loss) on ordinary activities after taxation	20	2,454	(5,772)

All the above amounts relate to continuing operations.

The accounting policies and the notes on pages 9 to 20 form part of these financial statements.

E.ON UK COGENERATION LIMITED

NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2005

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Reported profit/(loss) on ordinary activities before taxation	4,684	(5,561)
Difference between historical cost depreciation charge for the year calculated on the revalued amount	311	365
Disposal of revalued fixed asset	-	219
Historic cost profit/(loss) on ordinary activities before taxation	4,995	(4,977)
Historic cost profit/(loss) for the year retained after taxation	2,765	(4,766)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Profit/(Loss) on ordinary activities after taxation		2,454	(5,772)
Impairment of previously revalued assets (note 4)		(4,223)	(2,081)
Total recognised losses since last annual report		(1,769)	(7,853)

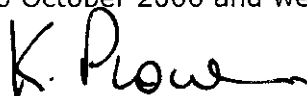
The accounting policies and the notes on pages 9 to 20 form part of these financial statements.

E.ON UK COGENERATION LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2005

	Note	At 31 December 2005 £'000	At 31 December 2004 £'000
Fixed assets			
Tangible assets	10	<u>29,138</u>	<u>45,500</u>
Current assets			
Stock	11	622	1,563
Debtors: amounts falling due after more than one year	12	16,778	6,118
Debtors: amounts falling due within one year	13	46,500	11,080
Cash at bank and in hand	14	-	26,129
		<u>63,900</u>	<u>44,890</u>
Creditors: amounts falling due within one year	15	<u>(14,896)</u>	<u>(9,764)</u>
Net current assets		<u>49,004</u>	<u>35,126</u>
Total assets less current liabilities		78,142	80,626
Creditors: amounts falling due after more than one year	16	(67,998)	(67,998)
Provisions	17	(2,130)	-
Deferred tax	18	-	(2,845)
Net Assets		<u>8,014</u>	<u>9,783</u>
Capital and reserves			
Called-up share capital	19	-	-
Profit and loss account	20	7,751	4,986
Revaluation reserve	20	263	4,797
Shareholders' funds	21	<u>8,014</u>	<u>9,783</u>

The financial statements on pages 5 to 20 were approved by the Board of Directors on 20 October 2006 and were signed on its behalf by:



K Plowman, Director

20 October 2006

The accounting policies and the notes on pages 9 to 20 form part of these financial statements.

E.ON UK COGENERATION LIMITED

Notes to the financial statements **for the year ended 31 December 2005**

1 Accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 1985 and applicable United Kingdom Accounting Standards, all of which have been consistently applied. The principal accounting policies are set out below.

(a) Changes in accounting policy

The Company has adopted FRS 17, 'Retirement Benefits' and FRS 25, 'Financial Instruments: disclosure and presentation' in these financial statements. The adoption of these standards had no impact on the Company's reported results.

As detailed in note 1(e), with effect from 1 January 2005, the Company has also commenced accounting for site decommissioning costs. The impact on the Company's reported results is provided in that note.

(b) Tangible fixed assets

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

<i>Asset</i>	<i>Years</i>
Combined Cycle Gas Turbine plant	40
Other generating plant	15-20
Overhaul costs	2-3
Other short term assets	3-5

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

(c) 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.

(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.ON UK COGENERATION LIMITED

Notes to the financial statements **for the year ended 31 December 2005 (continued)**

1 Accounting policies (continued)

(e) Decommissioning

With effect from 1 January 2005, following a detail review of CHP contracts, especially those where a decommissioning obligation is not explicit, the Company determined it appropriate to account for the anticipated decommissioning costs across various plant sites. A fixed asset and related provision is recognised in respect of the estimated total discounted cost of decommissioning generating asset. 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. The net impact of the creation of the fixed asset and provision at 1 January 2005 was £628,923 with a further reduction in current year profit before tax of £811,614 due to depreciation and the unwinding of the discount. Had the decommissioning policy been in effect during the year ended 31 December 2004 then the profit before tax for that year would have been lower by £177,365.

(f) Fuel stocks and stores

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

(g) Pension costs

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

(h) Taxation

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

(i) Foreign currencies

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

E.ON UK COGENERATION LIMITED

Notes to the financial statements **for the year ended 31 December 2005 (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 of the E.ON Group, and is included in the publicly available consolidated financial statements of E.ON AG. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996).

(k) Related party transactions

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

(l) 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.

2 Turnover

Turnover, which excludes Value Added Tax, represents the value of contracted sales of energy (electricity and steam) from Combined Heat & Power (CHP) and Combined Cycle Gas Turbine 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 United Kingdom.

3 Net operating expenses

The directors consider that it is more appropriate to include all the operating costs of the Company within Cost of Sales. Administrative expenses, in the form of common management costs, are borne by other companies within the E.ON UK group and not recharged.

E.ON UK COGENERATION LIMITED

Notes to the financial statements **for the year ended 31 December 2005 (continued)**

4 Exceptional items :

Impairment of fixed assets

Year ended 31 December 2005

In the year ended 31 December 2005, a review of the Company's plant portfolio was undertaken. The cash flows used in this impairment review were discounted at the E.ON UK plc Group's cost of capital for CHP operations. An impairment of £13,131,000 has been recorded in these accounts. Of the impairment £4,223,000 has been charged against the revaluation reserve in accordance with requirements of FRS 11 'Impairment of fixed assets and goodwill' resulting in a net impact on the profit and loss account of £8,908,000. A tax credit of £2,292,000 arose as a result of this item.

Year ended 31 December 2004

In the year ended 31 December 2004, a review of the Company's plant portfolio was undertaken. The cash flows used in this impairment review were discounted at the E.ON UK plc Group's cost of capital for CHP operations. An impairment of £16,640,000 has been recorded in these accounts. Of the impairment £2,081,000 has been charged against the revaluation reserve in accordance with requirements of FRS 11 'Impairment of fixed assets and goodwill' resulting in a net impact on the profit and loss account of £14,559,000. A tax credit of £3,302,000 arose as a result of this item.

Net benefit from contract termination

Year ended 31 December 2005

On 1 March 2005 certain contracts, under which RWE purchase power from the Company, were amended. The amendments included the termination of a tolling contract for the Thornhill CHP plant and resulted in an agreement with RWE to pay a termination fee in instalments to 2013, the contract end date. The discounted present value of these instalments has been recognised in 2005 and totalled £15,974,000 at 1 March 2005. In addition, as a result of the contract amendments, the Thornhill site fixed assets have been impaired by £6,158,000 during 2005 to reflect the directors' assessment of the plant's expected future use. A net profit of £9,816,000 has been recorded in the profit and loss account. A tax charge of £3,208,000 arose from this item.

Profit on disposal of tangible fixed assets

Year ended 31 December 2004

On 19 April 2004 certain agreements under which RWE purchase power from the Company were amended. The amendments included the Company's obligation to run, at the request of RWE, six peaking plant generation facilities. As a result of these amendments, RWE agreed to pay a termination fee in instalments to 2013, the contract end date. The discounted present value of these instalments totalled £9,603,000 at 19 April 2004, of which £8,171,908 was outstanding at 31 December 2004. This termination fee income was offset against peaking plant fixed assets subsequently disposed (with a net book value of £4,891,000) in generating the net profit on disposal of £4,712,000. A tax charge of £1,617,000 arose from this item.

E.ON UK COGENERATION LIMITED

Notes to the financial statements **for the year ended 31 December 2005 (continued)**

5 Operating profit/(loss)

Operating profit is stated after charging:

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 As Restated £'000
Adoption of decommissioning accounting	628	-
Depreciation of tangible fixed assets (all owned by the company):		
Excluding exceptional operating charge	3,877	10,905
Impairments (note 4)	19,289	14,459
Operating lease charges:		
Plant and machinery	965	728

Administration Costs

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

The directors received no emoluments from the Company during the year (2004: £nil).

For the year ended 31 December 2005, auditors' remuneration for audit services relating to the Company were borne by E.ON UK CHP Limited and not recharged.

E.ON UK COGENERATION LIMITED**Notes to the financial statements**
for the year ended 31 December 2005 (continued)**6 Employee information**

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

By activity	Year ended 31 December 2005	Year ended 31 December 2004
Operations	<u>25</u>	<u>28</u>

The salaries and related costs of employees were:

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Wages and salaries	1,018	1,048
Social security costs	84	88
Other pension costs	164	189
	<u>1,266</u>	<u>1,325</u>

7 Interest receivable and similar income

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Discount unwind	<u>947</u>	<u>-</u>

The discount unwind relates to the long term asset included in debtors: amounts falling due after more than one year, as detailed in note 12.

8 Interest payable and similar charges

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Interest on Provisions (see note 17)	<u>107</u>	<u>-</u>

E.ON UK COGENERATION LIMITED

Notes to the financial statements for the year ended 31 December 2005 (continued)

9 Tax on profit/(loss) on ordinary activities

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Current tax:		
UK corporation tax on profits for the year	5,710	3,961
(Over)/Under provision in prior year	(39)	271
	<u>5,671</u>	<u>4,232</u>
Deferred tax:		
Origination and reversal of timing differences	4,151	(5,452)
Unwinding of discount	622	1,580
Under/(Over) provision in prior year	88	(149)
Total deferred tax (see note 18)	<u>(3,441)</u>	<u>(4,021)</u>
Tax on profit/(loss) on ordinary activities	<u>2,230</u>	<u>211</u>

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

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Profit/(Loss) on ordinary activities before tax	4,684	(5,561)
Tax on profit/(loss) on ordinary activities before tax at 30% (2004:30%)	1,406	(1,668)
<i>Effects of:</i>		
Capital allowances in excess of depreciation	3,528	5,468
Other timing differences	623	(16)
Expenses not deductible for tax purposes	153	177
Adjustments in respect of prior periods	(39)	271
Current tax charge for the year	<u>5,671</u>	<u>4,232</u>

The corporation tax payable for the year has been reduced by £5,710,000 because of group relief received from a fellow group undertaking for which payment will be made.

E.ON UK COGENERATION LIMITED

Notes to the financial statements for the year ended 31 December 2005 (continued)

10 Tangible fixed assets

	Freehold land and buildings £'000	Other short term assets £'000	Generating plant £'000	Total £'000
Cost:				
At 31 December 2004	13	83	117,596	117,692
Additions	-	-	5,409	5,409
Adoption of decommissioning accounting	-	-	1,663	1,663
At 31 December 2005	13	83	124,668	124,764
Depreciation:				
At 31 December 2004	-	82	72,110	72,192
Adoption of decommissioning accounting	-	-	268	268
Charge for the year	-	1	3,876	3,877
Impairment (see note 4)	-	-	19,289	19,289
At 31 December 2005	-	83	95,543	95,626
Net book value:				
At 31 December 2005	13	-	29,125	29,138
At 31 December 2004	13	1	45,486	45,500

11 Stock

	At 31 December 2005 £'000	At 31 December 2004 £'000
Raw material and consumables:		
Fuel stocks	80	145
Stores	542	1,418
	622	1,563

E.ON UK COGENERATION LIMITED

Notes to the financial statements
for the year ended 31 December 2005 (continued)

12 Debtors: amounts falling due after more than one year

	At 31 December 2005 £'000	At 31 December 2004 £'000
Other debtors	16,778	6,118

Other debtors consist of revenue recognised in the profit and loss account that will be paid in instalments to 2013 (see note 4). The total discounted present value of the fee due at 31 December 2005 is £21,285,000, of which £4,507,000 is due in less than one year (see note 13).

13 Debtors: amounts falling due within one year

	At 31 December 2005 £'000	At 31 December 2004 £'000
Trade debtors	1,835	2,464
Amounts owed by group undertakings	37,140	-
Other debtors (note 12)	4,507	2,054
Other Taxation	80	-
Prepayments and accrued income	2,342	6,562
Deferred Tax Asset (note 18)	596	-
	46,500	11,080

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

14 Cash at bank and in hand

	At 31 December 2005 £'000	At 31 December 2004 £'000
Cash at bank	-	26,129

The bank account was closed during the year and the funds transferred to E.ON UK plc for inter company consideration.

E.ON UK COGENERATION LIMITED

Notes to the financial statements
for the year ended 31 December 2005 (continued)

15 Creditors: amounts falling due within one year

	At 31 December 2005 £'000	At 31 December 2004 £'000
Trade creditors	440	262
Amounts owed to group undertakings	9,904	3,739
Other taxation and social security	-	423
Accruals and deferred income	4,552	5,340
	14,896	9,764

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

16 Creditors: amounts falling due after more than one year

	At 31 December 2005 £'000	At 31 December 2004 £'000
Amounts owed to group undertakings	67,998	67,998

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

17 Provisions

	£'000
Decommissioning provision:	
At 31 December 2004	-
Adoption:	
Capitalised in fixed assets (note 10)	1,395
Amount charged to Profit & Loss Account (note 5)	628
Provision recognised on adoption	2,023
Interest unwind (note 8)	107
At 31 December 2005	2,130

E.ON UK COGENERATION LIMITED

Notes to the financial statements
for the year ended 31 December 2005 (continued)

18 Deferred tax

The deferred tax provision comprises:

	At 31 December 2005 £'000	At 31 December 2004 £'000
Accelerated Capital Allowances	161	3,572
Other timing differences	(754)	(131)
Undiscounted (asset)/provision for deferred tax	(593)	3,441
Discount	(3)	(596)
Discounted (asset)/provision for deferred tax	(596)	2,845

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

	£'000
Deferred tax provision at 31 December 2004	2,845
Deferred tax credit to profit and loss account (see note 9)	(3,441)
Deferred tax asset at 31 December 2005	(596)

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

19 Share capital

	At 31 December 2005 £'000	At 31 December 2004 £'000
Authorised		
100,000 ordinary shares of £1 each	100	100
Allotted, called-up and fully paid		
2 ordinary shares of £1 each	-	-

E.ON UK COGENERATION LIMITED

Notes to the financial statements for the year ended 31 December 2005 (continued)

20 Reserves

	Revaluation reserve	Profit and loss account	Total
	£'000	£'000	£'000
At 31 December 2004	4,797	4,986	9,783
Transfers	(311)	311	-
Impairment of revalued assets – see note 4	(4,223)	-	(4,223)
Profit for the financial year	-	2,454	2,454
At 31 December 2005	263	7,751	8,014

21 Reconciliation of movements in shareholders' funds

	31 December 2005 £'000	31 December 2004 £'000
Profit for the financial year	2,454	(5,772)
Impairment of revalued fixed assets	(4,223)	(2,081)
Net reduction in shareholders' funds	(1,769)	(7,853)
Opening shareholders' funds	9,783	17,636
Closing shareholders' funds	8,014	9,783

22 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 published actuarial assessment of the schemes was at 31 March 2004. Particulars of this valuation are contained in the accounts of E.ON UK plc.

Accounting for amortisation of surpluses, other than the impact on regular costs and contributions payable, is dealt with in the accounts of E.ON UK plc. The contributions paid by the Company are accounted as if the schemes were defined contribution schemes, as the Company is unable to identify its share of the underlying assets and liabilities in the scheme. The cost of contributions to the group schemes amount to £164,000 (2004: £189,000), being 16% of pensionable salary, and are based on pension costs across the group as a whole.

An amount of £14,000 (2004: £15,000) is included being the outstanding contributions to the E.ON UK plc scheme.

E.ON UK COGENERATION LIMITED

Notes to the financial statements **for the year ended 31 December 2005 (continued)**

23 Financial commitments

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

	At 31 December 2005 £'000	At 31 December 2004 £'000
Expiring within one year	135	247
Expiring within two to five years	676	132
Expiring after five years	-	446
	811	825

24 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
Düsseldorf
Germany