

E.ON UK COGENERATION LIMITED
REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2006

Registered No: 2730697

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E.ON UK COGENERATION 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

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

Business Review

Fair review of the Company's business

Both the level of business and financial position of the Company at the year end were satisfactory. There are no current plans to initiate any new CHP development projects.

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. As a result, no impairment charge (2005: £13,131,000) was determined to be necessary in 2006.

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 these 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 Energy Wholesale division of E.ON UK plc, which includes the Company, is discussed within the financial review section of the group's annual report which does not form part of this report.

Results and dividends

The Company's loss for the financial year is £146,000 (2005: profit of £2,454,000). The directors do not recommend the payment of a dividend (2005: £nil).

E.ON UK COGENERATION LIMITED

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

Directors and their interests

The directors who held office during the year are given below

K Plowman	
P Bridgewater	(appointed 4 July 2007)
R Taylor	(appointed 4 July 2007)
G J Bartlett	(resigned 4 July 2007)
A D Cocker	(resigned 4 July 2007)

During the year, no director had an interest in the shares of the Company. At 31 December 2005 and 31 December 2006, no director had any interest requiring disclosure.

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 32 days (2005 27 days).

Post balance sheet events

The Government announced measures in the Budget on 21 March 2007, to reduce the corporation tax headline rate (28% from 30%) and the rates at which capital allowances are due on expenditure in respect of plant and machinery (20% from 25%), industrial buildings (0% from 4% over the next four years) and long life assets (10% from 6%). These measures are effective from 1 April 2008. The impact on the current tax credit for the year is £nil. The impact on the deferred tax balance at the year end is to reduce the provision by £66,398.

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

E.ON UK COGENERATION LIMITED

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

Statement of directors' responsibilities (continued)

- 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.

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.

Auditors

On 9 September 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



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

8 August 2007

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 2006 which comprise the Profit and Loss Account, the note of Historical Cost Profits and Losses, the Statement of Total Recognised Gains and 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

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

13 August 2007

E.ON UK COGENERATION LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2006

		Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
	Note		
Turnover	2	32,633	35,809
Cost of sales		(33,221)	(32,873)
Gross (loss)/profit		(588)	2,936
Net operating expenses	3	-	-
Operating (loss)/profit before exceptional items		(588)	2,936
Exceptional items			
Impairment of fixed assets	4	-	(8,908)
Net benefit from contract termination	4	-	9,816
Operating (loss)/profit	5	(588)	3,844
Interest receivable and similar income	7	294	947
Interest payable and similar charges	8	(112)	(107)
(Loss)/profit on ordinary activities before taxation		(406)	4,684
Tax on (loss)/profit on ordinary activities	9	260	(2,230)
Retained (loss)/profit on ordinary activities after taxation	20	(146)	2,454

All the above amounts relate to continuing operations

The accounting policies and the notes on pages 8 to 17 form part of these financial statements

E.ON UK COGENERATION LIMITED

NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2006

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
Reported (loss)/profit on ordinary activities before taxation	(406)	4,684
Difference between historical cost depreciation charge for the year calculated on the revalued amount	58	311
Historic cost (loss)/profit on ordinary activities before taxation	(348)	4,995
Historic cost (loss)/profit for the year retained after taxation	(88)	2,765

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
(Loss)/Profit on ordinary activities after taxation		(146)	2,454
Impairment of previously revalued assets	4	-	(4,223)
Total recognised losses since last annual report		(146)	(1,769)

The accounting policies and the notes on pages 8 to 17 form part of these financial statements

E.ON UK COGENERATION LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2006

		At 31 December 2006 £'000	At 31 December 2005 £'000
	Note		
Fixed assets			
Tangible assets	10	28,597	29,138
Current assets			
Stock	11	672	622
Debtors' amounts falling due after more than one year	12	14,502	16,778
Debtors' amounts falling due within one year	13	39,360	45,904
Deferred tax asset	17	91	596
		54,625	63,900
Creditors: amounts falling due within one year	14	(3,831)	(14,896)
Net current assets		50,794	49,004
Total assets less current liabilities		79,391	78,142
Creditors: amounts falling due after more than one year	15	(67,998)	(67,998)
Provisions	16	(3,525)	(2,130)
Net Assets		7,868	8,014
Capital and reserves			
Called-up share capital	18	-	-
Profit and loss account	19	7,663	7,751
Revaluation reserve	19	205	263
Equity shareholders' funds	20	7,868	8,014

The financial statements on pages 5 to 17 were approved by the Board of Directors on 8 August 2007 and were signed on its behalf by



Keith Plowman
Director

8 August 2007

The accounting policies and the notes on pages 8 to 17 form part of these financial statements

E.ON UK COGENERATION LIMITED

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

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) 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 (CCGT) plant	Up to 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.

(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) 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.

(d) Decommissioning

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 current market conditions.

(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. 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.

E.ON UK COGENERATION LIMITED

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

1 Accounting policies (continued)

(f) 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 accounts for its contribution to the group pension scheme as if the scheme was a defined contribution scheme and accounts for contributions payable to the group pension scheme in the accounting period in which they fall due.

(g) Taxation

The tax charge 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.

(h) 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.

(i) 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).

(j) Related party transactions

The Company is exempt under the terms of Financial Reporting Standard 8 (FRS 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.

(k) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet, when the Company has a legally enforceable right to set off the recognised amounts and it intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

E.ON UK COGENERATION LIMITED

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

2 Turnover

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

3 Net operating expenses

The directors consider that it is 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.

4 Exceptional items

Impairment of fixed assets

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 group's cost of capital for CHP operations. An impairment of £13,131,000 was recorded in these accounts for the year ended 31 December 2005. Of the impairment £4,223,000 was 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.

Net benefit from contract termination

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 was 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 were 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 was recorded in the profit and loss account. A tax charge of £3,208,000 arose from this item.

5 Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
Adoption of decommissioning accounting	-	628
Depreciation of tangible fixed assets (all owned by the Company):		
Excluding exceptional operating charge	3,284	3,877
Impairments (note 4)	-	15,067
Operating lease charges		
Plant and machinery	905	965

E.ON UK COGENERATION LIMITED

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

5 Operating (loss)/profit (continued)

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 (2005: £nil)

For the year ended 31 December 2006 and 31 December 2005, auditors' remuneration for audit services relating to the Company was borne by E ON UK CHP Limited and not recharged

6 Employee information

The average monthly number of persons (excluding directors) employed by the Company or the group in respect of the Company during the year was

By activity	Year ended 31 December 2006	Year ended 31 December 2005
Operations	31	25

The associated salaries and related costs were

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
Wages and salaries	1,196	1,018
Social security costs	108	84
Other pension costs	183	164
	1,487	1,266

7 Interest receivable and similar income

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
Discount unwind	294	947

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 2006 £'000	Year ended 31 December 2005 £'000
Interest unwind (note 16)	112	107

E.ON UK COGENERATION LIMITED

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

9 Tax on (loss)/profit on ordinary activities

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
Current tax:		
UK corporation tax on (loss)/profit for the year	(684)	5,710
Over provision in prior year	(81)	(39)
	(765)	5,671
Deferred tax:		
Origination and reversal of timing differences	581	4,151
Unwinding of discount	(70)	622
(Over)/Under provision in prior year	(6)	88
Total deferred tax (note 17)	505	(3,441)
Tax on (loss)/profit on ordinary activities	(260)	2,230

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 (30%) can be explained as follows

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
(Loss)/Profit on ordinary activities before tax	(406)	4,684
Tax on (loss)/profit on ordinary activities before tax at 30% (2005: 30%)	(122)	1,406
<i>Effects of</i>		
Capital allowances in excess of depreciation	(511)	3,528
Other timing differences	(70)	623
Expenses not deductible for tax purposes	19	153
Adjustments in respect of prior periods	(81)	(39)
Current tax (credit)/charge for the year	(765)	5,671

The corporation tax receivable for the year has been reduced by £684,000 because of group relief surrendered to a fellow group undertaking for which payment will be received.

E.ON UK COGENERATION LIMITED

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

10 Tangible fixed assets

	Freehold land and buildings £'000	Other short term assets £'000	Generating plant £'000	Total £'000
Cost:				
At 31 December 2005	13	83	124,668	124,764
Additions	-	-	2,743	2,743
At 31 December 2006	13	83	127,411	127,507
Depreciation:				
At 31 December 2005	-	83	95,543	95,626
Charge for the year	-	-	3,284	3,284
At 31 December 2006	-	83	98,827	98,910
Net book value:				
At 31 December 2006	13	-	28,584	28,597
At 31 December 2005	13	-	29,125	29,138

Additions include £1,283,000 resulting from a change in accounting estimate for the decommissioning provision (note 16). The closing net book value includes £3,525,000 (2005 £2,130,000) relating to the assets associated to the cost of decommissioning the sites

11 Stock

	At 31 December 2006 £'000	At 31 December 2005 £'000
Raw material and consumables		
Fuel stocks	94	80
Stores	578	542
	672	622

E.ON UK COGENERATION LIMITED

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

12 Debtors: amounts falling due after more than one year

	At 31 December 2006 £'000	At 31 December 2005 £'000
Other debtors	14,502	16,778

Other debtors consist of revenue recognised in the profit and loss account that will be paid in instalments to 2013 (note 4). The total discounted present value of the fee due at 31 December 2006 is £17,070,000 (2005 £21,285,000), of which £2,568,000 (2005 £4,507,000) is due in less than one year (note 13)

13 Debtors: amounts falling due within one year

	At 31 December 2006 £'000	At 31 December 2005 £'000
Trade debtors	1,432	1,835
Amounts owed by group undertakings	33,892	37,140
Other debtors (note 12)	2,568	4,507
Other Taxation	200	80
Prepayments and accrued income	1,268	2,342
	39,360	45,904

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

14 Creditors: amounts falling due within one year

	At 31 December 2006 £'000	At 31 December 2005 £'000
Trade creditors	261	440
Amounts owed to group undertakings	-	9,904
Accruals and deferred income	3,570	4,552
	3,831	14,896

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

E.ON UK COGENERATION LIMITED

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

15 Creditors: amounts falling due after more than one year

	At 31 December 2006 £'000	At 31 December 2005 £'000
Amounts owed to group undertakings	67,998	67,998

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

16 Provisions

	Decommissioning provision £'000
At 31 December 2005	2,130
Change in accounting estimate	1,283
Interest unwind (note 8)	112
At 31 December 2006	3,525

The change in accounting estimate is due to the revision of the discount rate applied to expected future cashflows

17 Deferred tax

The deferred tax provision comprises

	At 31 December 2006 £'000	At 31 December 2005 £'000
Accelerated Capital Allowances	1,138	161
Other timing differences	(1,156)	(754)
Undiscounted asset for deferred tax	(18)	(593)
Discount	(73)	(3)
Discounted provision for deferred tax asset (note 13)	(91)	(596)

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

	£'000
Deferred tax asset at 31 December 2005	(596)
Deferred tax charge to profit and loss account (note 9)	505
Deferred tax asset at 31 December 2006	(91)

E.ON UK COGENERATION LIMITED

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

17 Deferred tax (continued)

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

18 Share capital

	At 31 December 2006 £'000	At 31 December 2005 £'000
Authorised		
100,000 ordinary shares of £1 each	100	100
Allotted, called-up and fully paid		
2 ordinary shares of £1 each	-	-

19 Reserves

	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
At 31 December 2005	263	7,751	8,014
Transfers	(58)	58	-
Loss for the financial year	-	(146)	(146)
At 31 December 2006	205	7,663	7,868

20 Reconciliation of movements in shareholders' funds

	31 December 2006 £'000	31 December 2005 £'000
(Loss)/profit for the financial year	(146)	2,454
Impairment of revalued fixed assets	-	(4,223)
Net reduction in shareholders' funds	(146)	(1,769)
Opening shareholders' funds	8,014	9,783
Closing shareholders' funds	7,868	8,014

E.ON UK COGENERATION LIMITED

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

21 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 scheme was at 31 March 2004.

The Company is unable to identify its share of the underlying assets and liabilities in the scheme. Consequently, the Company accounts for the scheme as a defined contribution scheme. The cost of contributions to the scheme amounts to £183,000 (2005: £164,000). An amount of £15,000 (2005: £14,000) is included within amounts owed to group undertakings being the outstanding contributions to the scheme.

22 Financial commitments

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

	At 31 December 2006 £'000	At 31 December 2005 £'000
Expiring within one year	-	135
Expiring within two to five years	1,137	676
Expiring after five years	-	-
	1,137	811

23 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