

E.ON UK COGENERATION LIMITED
REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2008

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Registered No: 2730697

E.ON UK COGENERATION LIMITED

Report of the directors for the year ended 31 December 2008

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2008.

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

Difficult trading conditions have continued to hinder the results of the Company.

However, as a result of releasing a historical provision which is no longer required, the Company has made a profit at the year end. If it were not for this release then the Company would have made a loss.

There are no current plans to initiate any new CHP development projects.

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 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 £784,000 (2007: loss of £1,006,000). The directors do not recommend the payment of a dividend (2007: £nil).

E.ON UK COGENERATION LIMITED

Report of the directors for the year ended 31 December 2008 (continued)

Directors

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

Mr D J Morgans	(appointed 1 January 2008)
Mr C R Scoins	(appointed 1 January 2008)
Mr K Plowman	(resigned 1 January 2008)
Mr P Bridgewater	(resigned 1 January 2008)
Mr R Taylor	(resigned 1 October 2008)

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. At the end of the year there were no trade creditors. At 31 December 2007 there were no trade creditors.

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). The financial statements are required by law to 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 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 departures disclosed and explained in the financial statements.
- d) Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

E.ON UK COGENERATION LIMITED

Report of the directors for the year ended 31 December 2008 (continued)

Statement of directors' responsibilities (continued)

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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.

Auditors and 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.

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



D J Morgans
Director
E.ON UK Cogeneration Limited
Westwood Way
Westwood Business Park
Coventry
CV4 8LG

20 October 2009

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

We have audited the financial statements of E.ON UK Cogeneration Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Note of Historical Cost Profits/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 2008 and of its profit 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
Chartered Accountants and Registered Auditors
London

22 October 2009

E.ON UK COGENERATION LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Turnover	2	45,075	35,878
Cost of sales	3	(44,904)	(38,301)
Impairment of fixed assets	4	(368)	-
Operating loss	5	(197)	(2,423)
Interest receivable and similar income	7	608	718
Interest payable and similar charges	8	(167)	(163)
Profit/(loss) on ordinary activities before taxation		244	(1,868)
Tax on profit/(loss) on ordinary activities	9	540	862
Profit/(loss) for the financial year	19	784	(1,006)

The Company has no recognised gains and losses other than the profit/(loss) 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 8 to 19 form part of these financial statements.

E.ON UK COGENERATION LIMITED

NOTE OF HISTORICAL COST PROFITS AND LOSSES **FOR THE YEAR ENDED 31 DECEMBER 2008**

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Profit/(loss) on ordinary activities before taxation	244	(1,868)
Difference between historical cost depreciation charge for the year calculated on the revalued amount	58	58
Historic cost profit/(loss) on ordinary activities before taxation	302	(1,810)
Historic cost profit/(loss) for the year retained after taxation	1,089	(948)


The accounting policies and the notes on pages 8 to 19 form part of these financial statements.

E.ON UK COGENERATION LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2008

	Note	At 31 December 2008 £'000	At 31 December 2007 £'000
Fixed assets			
Tangible assets	10	<u>24,403</u>	<u>26,257</u>
Current assets			
Stock	11	1,753	1,034
Debtors: amounts falling due after more than one year	12	9,735	12,129
Debtors: amounts falling due within one year	13	53,094	46,355
		<u>64,582</u>	<u>59,518</u>
Creditors: amounts falling due within one year	14	<u>(9,227)</u>	<u>(7,099)</u>
Net current assets		<u>55,355</u>	<u>52,419</u>
Total assets less current liabilities		79,758	78,676
Creditors: amounts falling due after more than one year	15	(67,998)	(67,998)
Provisions	16	(4,114)	(3,757)
Deferred tax	17	-	(59)
Net assets		<u>7,646</u>	<u>6,862</u>
Capital and reserves			
Called-up share capital	18	-	-
Profit and loss reserve	19	7,557	6,715
Revaluation reserve	19	89	147
Total shareholder's funds	20	<u>7,646</u>	<u>6,862</u>

The financial statements on pages 5 to 19 were approved by the Board of Directors on 20 October 2009 and were signed on its behalf by:



D J Morgans
Director

20 October 2009

The accounting policies and the notes on pages 8 to 19 form part of these financial statements.

E.ON UK COGENERATION LIMITED

Notes to the financial statements **for the year ended 31 December 2008**

1 Accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain tangible fixed assets and 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 of the Company following its acquisition 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.ON UK COGENERATION LIMITED

Notes to the financial statements **for the year ended 31 December 2008 (continued)**

1 Accounting policies (continued)

(e) 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.

(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 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.

(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'. 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, 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 in which the timing differences are expected to reverse, based on tax laws that have been enacted or substantially enacted at the balance sheet date.

E.ON UK COGENERATION LIMITED

Notes to the financial statements **for the year ended 31 December 2008 (continued)**

1 Accounting policies (continued)

(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.

(j) Revenue

Revenue comprises revenue from the sale of electricity and steam to industrial and commercial customers. Revenue excludes Value Added Tax. Revenue is recognised when earned on the basis of a contractual agreement with the customer; it reflects the value of the volume supplied.

(k) 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).

(l) 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.

(m) 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 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 Cost of sales

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.

E.ON UK COGENERATION LIMITED

Notes to the financial statements for the year ended 31 December 2008 (continued)

4 Impairment of fixed assets

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Impairment of fixed assets	<u>(368)</u>	<u>-</u>

For the year ended 31 December 2008, 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 £368,000 (2007: £nil) has been recorded in these accounts. The impairment arose as a result of changes in expected future commodity prices. A tax credit of £103,000 (2007: £nil) arose as a result of this item. The discount rate used to calculate this impairment is 7.47%.

5 Operating loss

Operating loss is stated after charging:

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £000
Impairment of fixed assets	368	-
Depreciation of tangible fixed assets:		
Owned assets	3,565	3,529
Operating lease charges:		
Plant and machinery	<u>1,524</u>	<u>1,404</u>

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 (2007: £nil).

For the years ended 31 December 2008 and 31 December 2007, auditors' remuneration of £12,500 (2007: £12,500) 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 2008 (continued)

6 Employee information

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

By activity	Year ended 31 December 2008	Year ended 31 December 2007
Operations	<u>32</u>	<u>27</u>

The salaries and related costs of employees were:

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Wages and salaries	1,406	1,102
Social security costs	135	102
Other pension costs	236	168
	<u>1,777</u>	<u>1,372</u>

7 Interest receivable and similar income

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Long term receivable – discount unwind (Note 12)	<u>608</u>	<u>718</u>

8 Interest payable and similar charges

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Provision – discount unwind (Note 16)	<u>167</u>	<u>163</u>

E.ON UK COGENERATION LIMITED

Notes to the financial statements for the year ended 31 December 2008 (continued)

9 Tax on profit/(loss) on ordinary activities

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Current tax:		
UK corporation tax on profit/(loss) for the year	39	(962)
Adjustment in respect of previous periods	(32)	(50)
	<u>7</u>	<u>(1,012)</u>
Deferred tax:		
Origination and reversal of timing differences	(592)	419
Changes in tax laws and rates	-	(29)
Unwinding of deferred tax	45	(280)
Under provision in prior year	-	40
Total deferred tax	<u>(547)</u>	<u>150</u>
Tax credit on profit/(loss) on ordinary activities	<u>(540)</u>	<u>(862)</u>

The difference between the tax on the profit/(loss) on ordinary activities for the year and the tax assessed on the profit/(loss) on ordinary activities for the year assessed at the effective rate of corporation tax for the year in the UK (28.5%) can be explained as follows:

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Profit/(loss) on ordinary activities before tax	244	(1,868)
Tax on profit/(loss) on ordinary activities before tax at 28.5% (2007: 30%)	70	(560)
<i>Effects of:</i>		
Capital allowances in excess of depreciation	(130)	(474)
Other timing differences	82	53
Expenses not deductible for tax purposes	17	19
Adjustment in respect of previous periods	(32)	(50)
Current tax charge for the year	<u>7</u>	<u>(1,012)</u>

The standard rate of corporation tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly, the Company's profits are taxed at an effective rate of 28.5% and will be taxed at 28% in the future.

E.ON UK COGENERATION LIMITED

Notes to the financial statements for the year ended 31 December 2008 (continued)

9 Tax on profit/(loss) on ordinary activities

The corporation tax payable for the year has been reduced by £7,000 because of group relief surrendered by a fellow group undertaking for which a payment will be made (2007: £1,012,000 receivable).

10 Tangible fixed assets

	Freehold land and buildings £'000	Other short term assets £'000	Generating plant £'000	Total £'000
Cost:				
At 1 January 2008	13	54	128,600	128,667
Additions	-	-	2,079	2,079
Transfers	-	(54)	54	-
At 31 December 2008	13	-	130,733	130,746
Depreciation:				
At 1 January 2008	-	54	102,356	102,410
Charge for the year	-	-	3,565	3,565
Impairments	-	-	368	368
Transfers	-	(54)	54	-
At 31 December 2008	-	-	106,343	106,343
Net book value:				
At 31 December 2008	13	-	24,390	24,403
At 31 December 2007	13	-	26,244	26,257

Additions to generating plant include £190,000 resulting from a change in accounting estimate for the decommissioning provision (Note 16). The closing net book value includes £2,497,000 (2007: £2,454,000) relating to the assets associated to the cost of decommissioning the sites.

11 Stocks

	At 31 December 2008 £'000	At 31 December 2007 £'000
Raw material and consumables:		
Fuel stocks	219	94
Stores	1,534	940
	1,753	1,034

E.ON UK COGENERATION LIMITED

Notes to the financial statements for the year ended 31 December 2008 (continued)

12 Debtors: amounts falling due after more than one year

	At 31 December 2008 £'000	At 31 December 2007 £'000
Other debtors	<u>9,735</u>	<u>12,129</u>

Other debtors consist of revenue recognised in the profit and loss account that will be paid in instalments to 2013. The total discounted present value of the fee due at 31 December 2008 is £9,735,000 (2007: £12,129,000), of which £2,395,000 (2007: £2,373,000) is due in less than one year (Note 13).

13 Debtors: amounts falling due within one year

	At 31 December 2008 £'000	At 31 December 2007 £'000
Trade debtors	1,757	708
Amounts owed by group undertakings	46,209	41,284
Other debtors (Note 12)	2,395	2,373
Other taxation	277	323
Deferred tax asset (Note 17)	488	-
Prepayments and accrued income	1,968	1,667
	<u>53,094</u>	<u>46,355</u>

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 2008 £'000	At 31 December 2007 £'000
Amounts owed to group undertakings	5,262	2,465
Accruals and deferred income	3,965	4,634
	<u>9,227</u>	<u>7,099</u>

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 2008 (continued)

15 Creditors: amounts falling due after more than one year

	At 31 December 2008 £'000	At 31 December 2007 £'000
Amounts owed to group undertakings	<u>67,998</u>	<u>67,998</u>

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

16 Provisions

	Decommissioning provision £'000
At 1 January 2008	3,757
Change in accounting estimate	190
Interest unwind (Note 8)	167
At 31 December 2008	<u>4,114</u>

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

E.ON UK COGENERATION LIMITED

Notes to the financial statements for the year ended 31 December 2008 (continued)

17 Deferred tax

The deferred tax provision comprises:

	At 31 December 2008 £'000	At 31 December 2007 £'000
Accelerated Capital Allowances	(1,032)	(1,543)
Other timing differences	1,212	1,132
Undiscounted provision for deferred tax	180	(411)
Discount	308	352
Discounted provision for deferred tax	488	(59)

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

	£'000
Deferred tax liability at 1 January 2008	(59)
Deferred tax credit to profit and loss account (Note 9)	547
Deferred tax asset at 31 December 2008 (Note 13)	488

For the year ended 31 December 2007, as a result of the change in UK Corporation Tax rates which were effective from 1 April 2008, deferred tax balances were re-measured. Deferred tax relating to timing differences which were expected to reverse prior to 1 April 2008 were measured at 30% and deferred tax relating to timing differences expected to reverse after 1 April 2008 were measured at the tax rate of 28% as these are the rates that will apply on reversal.

For the year ended 31 December 2008, deferred tax balances were measured at the standard rate of corporation tax in the UK of 28%, as this is the rate that applies when these timing differences reverse. During the year, the rate at which capital allowances are given on plant (from 25% to 20%), long-life plant (from 6% to 10%) and industrial buildings (from 4% to 3%, to be reduced to nil by 2011) changed. The impact of this change is to decrease the deferred provision by £638,600.

E.ON UK COGENERATION LIMITED

Notes to the financial statements for the year ended 31 December 2008 (continued)

18 Called up share capital

	At 31 December 2008 £'000	At 31 December 2007 £'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

	Profit and loss reserve £'000	Revaluation reserve £'000
At 1 January 2008	6,715	147
Transfers	58	(58)
Profit for the financial year	784	-
At 31 December 2008	7,557	89

20 Reconciliation of movements in shareholder's funds

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Profit/(loss) for the financial year	784	(1,006)
Opening shareholder's funds	6,862	7,868
Closing shareholder's funds	7,646	6,862

E.ON UK COGENERATION LIMITED

Notes to the financial statements **for the year ended 31 December 2008 (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 2007.

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 £236,000 (2007: £168,000). An amount of £nil (2007: £13,000) 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 2008 £'000	At 31 December 2007 £'000
Within two to five years	879	1,524
	879	1,524

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