

RAAB KARCHER ELECTRONIC SYSTEMS PLC
REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2004

Registered No: 3087431



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COMPANIES HOUSE 28/07/05

RAAB KARCHER ELECTRONIC SYSTEMS PLC

Report of the directors for the year ended 31 December 2004

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2004.

Principal activities

The Company's principal activity during the year and at the year end was to act as a financing company within the E.ON AG Group.

Review of business and future developments

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

On 11 May 2004, the Company's two subsidiaries, Thame Power Limited and Pragma Limited were struck off. Immediately prior to this, amounts owed to those subsidiaries by the Company were written back, resulting in exceptional income during the year.

Results and dividends

The Company's profit for the financial year is £607,926 (2003: £322,234 loss). An interim dividend of £1,635,000 (2003: £nil) was paid on 17 December 2004. The directors do not recommend the payment of a final dividend (2003: £nil).

Directors and their interests

The directors who held office during the year and subsequent to the year end are given below :

Mr C J Salame *
Mr G J Wood
Ms D Gandley **

* resigned 22 March 2004

** appointed 22 March 2004

During the year, no director had an interest in the shares of the Company. At 31 December 2003 and 31 December 2004, no director had any other interest requiring disclosure.

RAAB KARCHER ELECTRONIC SYSTEMS PLC

Report of the directors for the year ended 31 December 2004 (continued)

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:

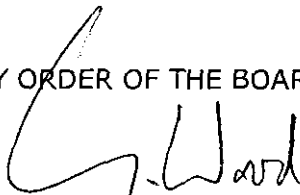
- a) *select suitable accounting policies and then apply them consistently;*
- b) *make judgements and estimates that are reasonable and prudent;*
- c) *state whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements; 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.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the next Annual General Meeting.

BY ORDER OF THE BOARD



Graham Wood
Raab Karcher Electronic Systems plc
Westwood Way
Westwood Business Park
Coventry
CV4 8LG

21 July 2005

RAAB KARCHER ELECTRONIC SYSTEMS PLC

Independent auditors' report to the members of Raab Karcher Electronic Systems plc

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 in to 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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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 of the state of the Company's affairs at 31 December 2004 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

21 July 2005

RAAB KARCHER ELECTRONIC SYSTEMS PLC

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	Year ended 31 December 2004 £	Year ended 31 December 2003 £
Net operating (expense) / income	2	(4)	6,997
Amounts written back to / (written off) investments	3	450,346	(450,342)
Operating profit/(loss)		450,342	(443,345)
Interest receivable and similar income	4	225,118	172,800
Profit / (Loss) on ordinary activities before taxation		675,460	(270,545)
Tax on profit / (loss) on ordinary activities	5	(67,534)	(51,689)
Profit / (Loss) on ordinary activities after taxation		607,926	(322,234)
Dividends		(1,635,000)	-
Retained loss for the financial year	11	(1,027,074)	(322,234)

There are no material differences between the profit/(loss) on ordinary activities before taxation and the loss for either of the years stated above and their historical cost equivalents.

The Company has no recognised gains and losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented.

All the above amounts relate to continuing operations.

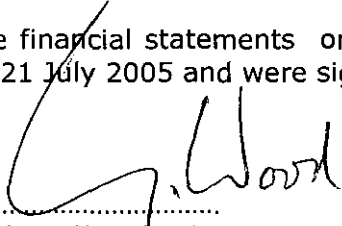
The accounting policies and the notes on pages 6 to 11 form part of these financial statements.

RAAB KARCHER ELECTRONIC SYSTEMS PLC

BALANCE SHEET
AS AT 31 DECEMBER 2004

	Note	At 31 December 2004 £	At 31 December 2003 £
Fixed assets			
Investments	6	-	-
Current assets			
Debtors: amounts falling due within one year	7	3,311,262	4,750,475
Cash at bank and in hand		33,772	4,444
		3,345,034	4,754,919
Creditors: amounts falling due within one year	8	(289,028)	(671,839)
Net current assets		3,056,006	4,083,080
Capital and reserves			
Called-up share capital	9	2,592,723	2,592,723
Profit and loss account	10	463,283	1,490,357
Equity shareholders' funds	11	3,056,006	4,083,080

The financial statements on pages 4 to 11 were approved by the Board of Directors on 21 July 2005 and were signed on its behalf by:


.....
Graham Wood, Director

21 July 2005

The accounting policies and the notes on pages 6 to 11 form part of these financial statements.

RAAB KARCHER ELECTRONIC SYSTEMS PLC

Notes to the financial statements **for the year ended 31 December 2004**

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 Company is exempt from the requirement to produce consolidated financial statements as it is included in the consolidated financial statements of E.ON AG, a company registered in Germany. The principal accounting policies are set out below.

(a) Fixed asset investments

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

(b) 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.

(c) 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).

(d) 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.

RAAB KARCHER ELECTRONIC SYSTEMS PLC

Notes to the financial statements
for the year ended 31 December 2004 (continued)

2 Net operating (expense) / income

	Year ended 31 December 2004 £	Year ended 31 December 2003 £
Administrative (expenses) / income	<u>(4)</u>	<u>6,997</u>

The directors received no emoluments from the Company during the year (2003: £nil).

For the year ended 31 December 2003 and 31 December 2004, auditors' remuneration was borne by E.ON UK Holding Company Limited (formerly E.ON UK Limited), a fellow group undertaking, and not recharged.

There were no employees during the year (2003: nil).

3 Amounts written off investments

During 2003, the Company reviewed the carrying value of the investments in its two subsidiaries, Thame Power Limited and Pragma Limited. This resulted in an exceptional charge of £450,342. During the current year, these two subsidiaries were struck off and amounts owed to those companies were written back (see note 8). There is no tax impact arising from these transactions.

4 Interest receivable and similar income

	Year ended 31 December 2004 £	Year ended 31 December 2003 £
Interest from group undertakings	223,924	172,800
Other interest receivable	<u>1,194</u>	<u>-</u>
Total interest receivable and similar income	<u>225,118</u>	<u>172,800</u>

Other interest receivable represents interest in respect of refunds of corporation tax.

RAAB KARCHER ELECTRONIC SYSTEMS PLC

Notes to the financial statements for the year ended 31 December 2004 (continued)

5 Tax on profit/(loss) on ordinary activities

	Year ended 31 December 2004 £	Year ended 31 December 2003 £
Current tax:		
UK corporation tax on profits / (losses) for the year	67,534	53,939
Adjustments to tax charge in respect of previous periods	-	(2,250)
Tax on profit/(loss) on ordinary activities	67,534	51,689

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 2004 £	Year ended 31 December 2003 £
Profit/(Loss) on ordinary activities before tax	675,460	(270,545)
Tax on profit/(loss) on ordinary activities before tax at 30% (2003:30%)	202,638	(81,163)
<i>Effects of:</i>		
Income which is non-taxable	(135,104)	-
Adjustments to tax charge in respect of previous periods	-	(2,250)
Expenses not qualifying for tax relief	-	135,102
Current tax charge for the year	67,534	51,689

The corporation tax payable for the year has been reduced by £67,534 (2003: £53,939) because of group relief received from a fellow group undertaking for which payment will be made. A potential deferred tax asset in respect of capital losses of £712,783 (2003: £712,783) has not been recognised due to insufficient evidence that the asset will be recoverable.

RAAB KARCHER ELECTRONIC SYSTEMS PLC

Notes to the financial statements for the year ended 31 December 2004 (continued)

6 Fixed asset investments

	Shares in subsidiaries £
Cost:	
At 31 December 2003	458,890
Disposals	(458,890)
At 31 December 2004	-
Provision for impairment:	
At 31 December 2003	458,890
Disposals	(458,890)
At 31 December 2004	-
Net book value at 31 December 2004 and 31 December 2003	-

On 11 May 2004, the Company's two subsidiaries, Pragma Limited and Thame Power Limited, were struck off.

7 Debtors: amounts falling due within one year

	At 31 December 2004 £	At 31 December 2003 £
Amounts owed by group undertakings	3,311,262	4,722,338
Corporation tax	-	28,137
	3,311,262	4,750,475

Amounts owed by group undertakings include a loan for £3,304,758 (2003: £4,688,019) which is unsecured, bears interest at LIBOR plus 25 basis points and forms part of a £10 million loan facility granted to E.ON UK plc (formerly Powergen UK plc), a fellow group undertaking. This loan was repaid on 17 March 2005, on which date the facility was terminated and a new £5 million loan facility was granted to another fellow group undertaking.

RAAB KARCHER ELECTRONIC SYSTEMS PLC

Notes to the financial statements for the year ended 31 December 2004 (continued)

8 Creditors: amounts falling due within one year

	At 31 December 2004 £	At 31 December 2003 £
Amounts owed to group undertakings	289,028	671,839

Amounts owed to group undertakings are unsecured, interest free and repayable on demand. At 31 December 2003, amounts owed to group undertakings included £450,346 in respect of the Company's subsidiaries, Pragma Limited and Thame Power Limited. These subsidiaries were struck off during the current year (see note 6), and amounts owed to those companies were written back (see note 3).

9 Share capital

	At 31 December 2004 £	At 31 December 2003 £
Authorised		
5,000,000 ordinary shares of £1 each	5,000,000	5,000,000
Allotted, called-up and fully paid		
2,592,723 ordinary shares of £1 each	2,592,723	2,592,723

10 Reserves

	Profit and loss Reserve £
At 31 December 2003	1,490,357
Loss for the financial year	(1,027,074)
At 31 December 2004	463,283

RAAB KARCHER ELECTRONIC SYSTEMS PLC

Notes to the financial statements
for the year ended 31 December 2004 (continued)

11 Reconciliation of movements in shareholders' funds

	31 December 2004 £	31 December 2003 £
Loss for the financial year	(1,027,074)	(322,234)
Opening shareholders' funds	4,083,080	4,405,314
Closing shareholders' funds	<u>3,056,006</u>	<u>4,083,080</u>

12 Ultimate parent undertaking and controlling party

The immediate parent undertaking is Powergen Holdings Sarl. 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. 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