

COTTAM DEVELOPMENT CENTRE LIMITED
REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2005

Registered No: 3273552



COTTAM DEVELOPMENT CENTRE 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 and future developments

The principal activity of the Company up until 27 April 2004 was the operation of a combined cycle gas turbine power generation facility. At this date the Company ceased to trade following the transfer of the Company's assets and liabilities to E.ON UK plc, the parent undertaking.

Results and dividends

The Company's profit for the financial year is £1,517,000 (2004: £17,698,000). The directors do not recommend the payment of a dividend (2004: nil).

Directors and their interests

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

Dr A D Cocker
Mr K Plowman

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.

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.

COTTAM DEVELOPMENT CENTRE LIMITED

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

Auditors

Deloitte & Touche LLP resigned and PricewaterhouseCoopers LLP were appointed auditors of the Company on 4 April 2005. On 6 February 2004, 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
Cottam Development Centre Limited
Director
Westwood Way
Westwood Business Park
Coventry
CV4 8LG

23 October 2006

COTTAM DEVELOPMENT CENTRE LIMITED

Independent auditor's report to the shareholder of Cottam Development Centre Limited

We have audited the financial statements of Cottam Development Centre Limited for the year ended 31 December 2005 which comprise Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

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.

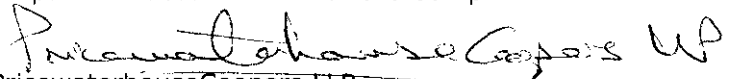
Basis of audit opinion

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

23 October 2006

COTTAM DEVELOPMENT CENTRE 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	-	9,831
Cost of sales		-	(526)
Gross profit		-	9,305
Net operating expenses	3	-	(4,246)
Operating profit before exceptional items		-	5,059
Exceptional profit (on termination of operation)	4	-	11,675
Operating Profit		-	16,734
Interest receivable and similar income	5	2,167	1,396
Interest payable and similar charges	6	-	(10,985)
Profit on ordinary activities before taxation		2,167	7,145
Tax on profit on ordinary activities	7	(650)	10,553
Retained profit for the financial year	12	1,517	17,698

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

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

All the above amounts relate to discontinuing operations.

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

COTTAM DEVELOPMENT CENTRE LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2005

	Note	At 31 December 2005 £'000	At 31 December 2004 £'000
Current assets			
Debtors: amounts falling due after more than one year	8	41,786	39,689
Debtors: amounts falling due within one year	9	2,144	2,426
		43,930	42,115
Creditors: amounts falling due within one year	10	(298)	-
Net Assets		43,632	42,115
Capital and reserves			
Called-up share capital	11	19,978	19,978
Profit and loss reserve	12	23,654	22,137
Equity shareholders' funds	13	43,632	42,115

The financial statements on pages 4 to 11 were approved by the Board of Directors on 23 October 2006 and were signed on its behalf by:



.....
K Plowman, Director

23 October 2006

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

COTTAM DEVELOPMENT CENTRE 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.

(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).

(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, 'Related Party Disclosures' 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.

2 Turnover

The Company has not traded during the year. Turnover for 2004 relates to discontinuing activities and principally derives from the sale of power generation capacity to E.ON UK plc.

COTTAM DEVELOPMENT CENTRE LIMITED

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

3 Net operating expenses

The Company has not traded during the year ending 31 December 2005. Operating costs for 2004 relate to discontinuing activities.

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Operating Expenses	-	4,194
Administrative expenses	-	52
	<hr/>	<hr/>
	-	4,246

Administration Costs

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

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

Auditors' remuneration is borne by the parent undertaking E.ON UK plc and not recharged.

There were no employees during the year (2004: nil).

4 Exceptional Items

During 2004, in anticipation of the sale of the trade and assets to E.ON UK plc the deferred tax and decommissioning provisions were released to the profit and loss account. The remaining assets and liabilities, with the exception of corporation tax, were sold to E.ON UK plc.

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Profit on sale of trade and assets	-	10,810
Release of decommissioning provision	-	865
	<hr/>	<hr/>
	-	11,675

The release of the deferred tax provision of £8,973 was included within the tax credit for the year ending 31 December 2004 (see note 7).

COTTAM DEVELOPMENT CENTRE LIMITED

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

5 Interest receivable and similar income

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Interest receivable from group undertakings	2,167	1,368
Other interest receivable	-	28
Interest receivable and similar income	2,167	1,396

6 Interest payable and similar charges

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Interest payable to group undertakings	-	10,985

7 Tax on profit 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	650	(1,944)
Adjustment in respect of previous periods	-	234
Total current tax	650	(1,710)
Deferred tax:		
Origination and reversal of timing differences	-	592
Unwinding of discount	-	2
Adjustment in respect of previous periods		(464)
Exceptional release on disposal of assets	-	(8,973)
Total deferred tax	-	(8,843)
Tax charge/(credit) on profit on ordinary activities	650	(10,553)

COTTAM DEVELOPMENT CENTRE LIMITED

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

7 Tax on profit on ordinary activities (continued)

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 on ordinary activities before tax	2,167	7,145
Tax on profit on ordinary activities before tax at 30% (2004:30%)	650	2,144
<i>Effects of:</i>		
Exceptional profit on termination of operation	-	(3,503)
Capital allowances in excess of depreciation	-	(593)
Expenses not deductible for tax purposes	-	8
Adjustment in respect of previous years	-	234
Current tax charge/(credit) for the year	650	(1,710)

The corporation tax payable for the year has been reduced by £650,000 because of group relief received from a fellow group undertaking for which a payment of £650,000 will be made. Accordingly no tax losses are available for carry forward.

8 Debtors: amounts falling due after more than one year

	At 31 December 2005 £'000	At 31 December 2004 £'000
Loan to group undertakings	41,786	39,689

The loan to group undertakings is unsecured, bears interest relative to LIBOR and is repayable on 27 April 2009.

COTTAM DEVELOPMENT CENTRE LIMITED

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

9 Debtors: amounts falling due within one year

	At	At
	31 December	31 December
	2005	2004
	£'000	£'000
Amounts owed by group undertakings	2,144	2,426

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

10 Creditors: amounts falling due within one year

	At	At
	31 December	31 December
	2005	2004
	£'000	£'000
Amounts owed to group undertakings	298	-

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

11 Share capital

	At	At
	31 December	31 December
	2005	2004
	£'000	£'000
Authorised		
30,000,000 ordinary shares £1 each	30,000	30,000
Allotted, called-up and fully paid		
19,978,000 ordinary shares of £1 each	19,978	19,978

COTTAM DEVELOPMENT CENTRE LIMITED

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

12 Reserves

	Profit and loss reserve £'000
At 31 December 2004	22,137
Retained profit for the financial year	1,517
At 31 December 2005	23,654

13 Reconciliation of movements in shareholders' funds

	31 December 2005 £'000	31 December 2004 £'000
Profit for the financial year	1,517	17,698
Net addition to shareholders' funds	1,517	17,698
Opening shareholders' funds	42,115	24,417
Closing shareholders' funds	43,632	42,115

14 Ultimate parent undertaking and controlling party

The immediate parent undertaking is E.ON UK plc. The ultimate parent undertaking and controlling party is E.ON AG, a company incorporated in Germany, which is the parent company of the largest group to consolidate these financial statements. The smallest group to consolidate these financial statements is that of which E.ON UK plc, the principal UK trading 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:

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E.ON-Platz 1
D-40479
Düsseldorf
Germany