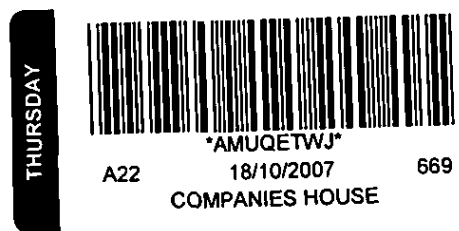


COTTAM DEVELOPMENT CENTRE LIMITED
REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2006



Registered No: 3273552

COTTAM DEVELOPMENT CENTRE 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

Since 27 April 2004, the Company has been dormant with the exception of interest receivable on a loan to E ON UK plc, the parent undertaking

Business Review

Fair review of the Company's business

The Company does not trade and receives interest on inter-company loan assets

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the E.ON UK plc consolidated group ('group') and are not managed separately. Accordingly, the principal risks and uncertainties of E.ON UK plc, which include those of the Company, are discussed 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 profit for the financial year is £1,469,000 (2005: £1,517,000), before dividends. An interim dividend of £24,000,000 (2005: £nil) was paid on 19 December 2006. The directors do not recommend the payment of a final dividend.

Directors and their interests

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

Mr K Plowman	
Mr R Taylor	(appointed 4 July 2007)
Dr 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.

COTTAM DEVELOPMENT CENTRE LIMITED

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



Keith Plowman
Director
Cottam Development Centre Limited
Westwood Way
Westwood Business Park
Coventry
CV4 8LG

9 October 2007

COTTAM DEVELOPMENT CENTRE LIMITED

Independent auditors' report to the Shareholders of Cottam Development Centre Limited

We have audited the financial statements of Cottam Development Centre Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, 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

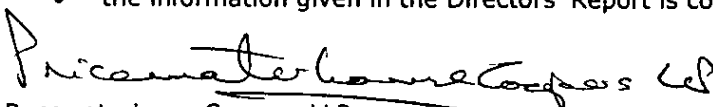
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 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

15 October 2007

COTTAM DEVELOPMENT CENTRE LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
Interest receivable and similar income	3	2,098	2,167
Profit on ordinary activities before taxation		2,098	2,167
Tax on profit on ordinary activities	4	(629)	(650)
Profit on ordinary activities after taxation		1,469	1,517
Dividends	5	(24,000)	-
Retained (loss)/profit for the financial year	10	(22,531)	1,517

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

The Company has no recognised gains or 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 discontinued operations

The accounting policies and the notes on pages 6 to 9 form part of these financial statements.

COTTAM DEVELOPMENT CENTRE LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2006

	Note	At 31 December 2006 £'000	At 31 December 2005 £'000
Current assets			
Debtors amounts falling due after more than one year	6	19,307	41,786
Debtors' amounts falling due within one year	7	2,144	2,144
		21,451	43,930
Creditors: amounts falling due within one year	8	(350)	(298)
Net Assets		21,101	43,632
Capital and reserves			
Called-up share capital	9	19,978	19,978
Profit and loss reserve	10	1,123	23,654
Equity shareholders' funds	11	21,101	43,632

The financial statements on pages 4 to 9 were approved by the Board of Directors on 9 October 2007 and were signed on its behalf by:



Keith Plowman
Director

9 October 2007

The accounting policies and the notes on pages 6 to 9 form part of these financial statements

COTTAM DEVELOPMENT CENTRE 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 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) 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). Deferred tax liabilities are recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

(b) 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).

(c) 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.

(d) 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 Operating expenses

The Company did not trade during the year ended 31 December 2006.

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 (2005: £nil).

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

There were no employees during the year (2005: nil).

COTTAM DEVELOPMENT CENTRE LIMITED

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

3 Interest receivable and similar income

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
Interest receivable from group undertakings	<u>2,098</u>	<u>2,167</u>

4 Tax on profit on ordinary activities

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
Tax on profit on ordinary activities	<u>629</u>	<u>650</u>

There is no 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%)

The corporation tax payable for the year has been reduced by £629,000 because of group relief received from a fellow group undertaking for which a payment of £629,000 will be made. Accordingly no tax losses are available for carry forward.

5 Dividends

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
Interim equity dividend paid of £1.2013 (2005 £nil) per share	<u>24,000</u>	<u>-</u>

6 Debtors: amounts falling due after more than one year

	At 31 December 2006 £'000	At 31 December 2005 £'000
Loan to group undertakings	<u>19,307</u>	<u>41,786</u>

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 2006 (continued)

7 Debtors: amounts falling due within one year

	At 31 December 2006 £'000	At 31 December 2005 £'000
Amounts owed by group undertakings	<u>2,144</u>	<u>2,144</u>

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

8 Creditors: amounts falling due within one year

	At 31 December 2006 £'000	At 31 December 2005 £'000
Amounts owed to group undertakings	<u>350</u>	<u>298</u>

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

9 Share capital

	At 31 December 2006 £'000	At 31 December 2005 £'000
Authorised		
30,000,000 ordinary shares £1 each	<u>30,000</u>	<u>30,000</u>
Allotted, called-up and fully paid		
19,978,000 ordinary shares of £1 each	<u>19,978</u>	<u>19,978</u>

On 20 December 2006, Cottam Development Centre Investments Limited transferred its shareholding of 9,989,000 ordinary shares of £1 each in the capital of the Company to E.ON UK plc for their par value

COTTAM DEVELOPMENT CENTRE LIMITED

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

10 Reserves

	Profit and loss Reserve £'000
At 31 December 2005	23,654
Retained profit for the financial year	1,469
Dividend	(24,000)
At 31 December 2006	<u>1,123</u>

11 Reconciliation of movements in shareholders' funds

	31 December 2006 £'000	31 December 2005 £'000
Profit for the financial year	1,469	1,517
Dividends	(24,000)	-
Retained (loss)/profit for the financial year	<u>(22,531)</u>	<u>1,517</u>
Net (reduction)/addition in shareholders' funds	(22,531)	1,517
Opening shareholders' funds	<u>43,632</u>	<u>42,115</u>
Closing shareholders' funds	<u>21,101</u>	<u>43,632</u>

12 Ultimate parent undertaking and controlling party

Until 20 December 2006, the Company was 50% owned by Cottam Development Centre Investments Limited and E.ON UK plc. On that date, E.ON UK plc purchased the remaining 50% of the Company's issued share capital and became the immediate parent undertaking. 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