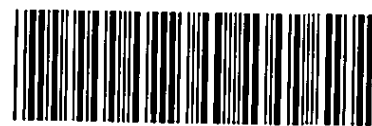


ERGON FINANCE LIMITED
REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2006

TUESDAY



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COMPANIES HOUSE

Registered No: 3539257

ERGON FINANCE 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 was that of a financing company. It was involved in general financing activities on behalf of E.ON UK plc and its subsidiaries and will continue to do so in the future.

Business Review

Fair review of the Company's business

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

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 Central 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 £6,525,000 (2005: £8,457,000). The directors do not recommend the payment of a dividend (2005: £nil).

Directors and their interests

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

E.ON UK Directors Limited	(appointed 21 August 2006)
Mr B J Tear	(appointed 4 July 2007)
Mr G J Wood	(resigned 21 August 2006)
Mr G J Bartlett	(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

ERGON FINANCE 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 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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to 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 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 11 May 1998, 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



Deborah Gandley
On behalf of E ON UK Directors Limited
Director
Ergon Finance Limited
Westwood Way
Westwood Business Park
Coventry
CV4 8LG

25 July 2007

ERGON FINANCE LIMITED

Independent auditors' report to the members of Ergon Finance Limited

We have audited the financial statements of Ergon Finance Limited for the year ended 31 December 2006 which comprise the 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

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

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

25 July 2007

ERGON FINANCE 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		
Interest receivable and similar income	3	9,352	9,479
Interest payable and similar charges	4	(31)	(33)
Profit on ordinary activities before taxation		9,321	9,446
Tax on profit on ordinary activities	5	(2,796)	(989)
Retained profit for the financial year	9	6,525	8,457

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 continuing operations

The accounting policies and the notes on pages 6 to 10 form part of these financial statements.

ERGON FINANCE 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 within one year	6	241,003	234,434
		241,003	234,434
Creditors: amounts falling due within one year	7	(647)	(603)
Net assets		240,356	233,831
Capital and reserves			
Called-up share capital	8	200,000	200,000
Profit and loss reserve	9	40,356	33,831
Equity shareholders' funds	10	240,356	233,831

The financial statements on pages 4 to 10 were approved by the Board of Directors on 19 July 2007 and were signed on its behalf by:



Deborah Gandley
On behalf of E ON UK Directors Limited
Director

25 July 2007

The accounting policies and the notes on pages 6 to 10 form part of these financial statements

ERGON FINANCE 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) 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 Parties' 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 Operating profit

Administration costs

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

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

ERGON FINANCE 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 parent undertaking	9,352	9,479

4 Interest payable and similar charges

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
Interest payable to fellow group undertakings	31	33

5 Tax on profit on ordinary activities

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
Current tax:		
UK corporation tax on profits for the year	2,796	2,834
Over provision in respect of previous periods	-	(1,845)
Tax on profit on ordinary activities	2,796	989

ERGON FINANCE LIMITED

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

5 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 2006 £'000	Year ended 31 December 2005 £'000
Profit on ordinary activities before tax	9,321	9,446
Tax on profit on ordinary activities before tax at 30% (2005 30%)	2,796	2,834
<i>Effect of:</i>		
Over provision in respect of prior periods	-	(1,845)
Current tax charge for the year	2,796	989

The corporation tax payable for the year has been reduced by £2,796,000 (2005 £2,834,000) because of group relief received from the immediate parent undertaking for which payment will be made

6 Debtors: amounts falling due within one year

	At 31 December 2006 £'000	At 31 December 2005 £'000
Loan to immediate parent undertaking	188,619	179,601
Amounts owed by immediate parent undertaking	52,384	54,833
	241,003	234,434

The loan to the immediate parent undertaking is denominated in Sterling, unsecured, incurs interest based on LIBOR and was repayable on 21 September 2006, at which date the loan was extended and is now repayable on 21 March 2007

Amounts owed by the immediate parent undertaking are unsecured, interest free, denominated in Sterling and repayable on demand

ERGON FINANCE LIMITED

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

7 Creditors: amounts falling due within one year

	At 31 December 2006 £'000	At 31 December 2005 £'000
Loan from fellow group undertaking	613	568
Amounts owed to fellow group undertakings	-	1
Other creditors	34	34
	647	603

The loan from the fellow group undertaking is denominated in Sterling, unsecured, incurs interest based on LIBOR and was repayable on 22 December 2006, at which date the loan was extended and is now repayable on 20 December 2007

Amounts owed to fellow group undertakings and the immediate parent undertaking are unsecured, interest free and repayable on demand

8 Share capital

	At 31 December 2006 £'000	At 31 December 2005 £'000
Authorised		
455,001,000 'A' ordinary shares of £1 each	455,001	455,001
45,000,000 'B' ordinary shares of £1 each	45,000	45,000
	500,001	500,001
Allotted, called-up and fully paid		
155,000,002 'A' ordinary shares of £1 each	155,000	155,000
45,000,000 'B' ordinary shares of £1 each	45,000	45,000
	200,000	200,000

The 'A' and 'B' shares carry the same rights but dividends can be paid on either class of share capital in isolation from the other

ERGON FINANCE LIMITED

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

9 Reserves

	Profit and loss reserve £'000
At 1 January 2006	33,831
Retained profit for the financial year	6,525
At 31 December 2006	40,356

10 Reconciliation of movements in shareholders' funds

	31 December 2006 £'000	31 December 2005 £'000
Profit for the financial year	6,525	8,457
Net addition to shareholders' funds	6,525	8,457
Opening shareholders' funds	233,831	225,374
Closing shareholders' funds	240,356	233,831

11 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