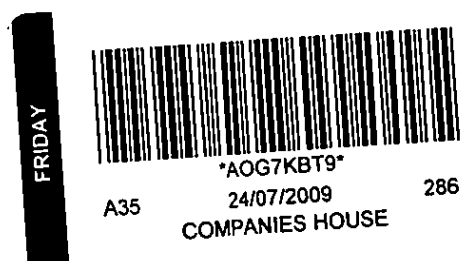


**ERGON FINANCE LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**for the year ended 31 December 2008**



**Registered No: 3539257**

## **ERGON FINANCE 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 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 £9,453,000 (2007: £8,127,000). The directors do not recommend the payment of a dividend (2007: £nil).

#### **Directors**

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

E.ON UK Directors Limited  
Mr B J Tear

## **ERGON FINANCE LIMITED**

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

#### **Statement of directors' responsibilities**

The directors are responsible for preparing financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare 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.

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 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 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.

**ERGON FINANCE LIMITED**

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

**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



Brian Tear  
Director  
Ergon Finance Limited  
Westwood Way  
Westwood Business Park  
Coventry  
CV4 8LG

20 July 2009

## **Independent auditor's report to the members of Ergon Finance Limited**

We have audited the financial statements of Ergon Finance Limited for the year ended 31 December 2008 which comprise of 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 or material inconsistencies within it.

### **Basis of audit opinion**

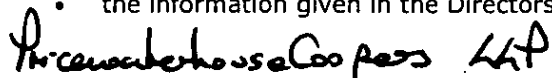
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 July 2009

**ERGON FINANCE LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 2008**

		Year ended 31 December 2008	Year ended 31 December 2007
	Note	£'000	£'000
Interest receivable and similar income	3	<b>13,261</b>	11,645
Interest payable and similar charges	4	<b>(40)</b>	(35)
<b>Profit on ordinary activities before taxation</b>		<b>13,221</b>	11,610
Tax on profit on ordinary activities	5	<b>(3,768)</b>	(3,483)
<b>Retained profit for the financial year</b>	9	<b>9,453</b>	8,127

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 7 to 10 form part of these financial statements.

**ERGON FINANCE LIMITED**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2008**

	Note	At 31 December 2008 £'000	At 31 December 2007 £'000
<b>Current assets</b>			
Debtors: amounts falling due within one year	6	258,658	249,165
<b>Creditors: amounts falling due within one year</b>	7	(722)	(682)
<b>Net assets</b>		<u>257,936</u>	<u>248,483</u>
<b>Capital and reserves</b>			
Called-up share capital	8	200,000	200,000
Profit and loss reserve	9	57,936	48,483
<b>Total shareholders' funds</b>	10	<u>257,936</u>	<u>248,483</u>

The financial statements on pages 5 to 10 were approved by the Board of Directors on 20 July 2009 and were signed on its behalf by:



.....  
Brian Tear  
Director

20 July 2009

The accounting policies and the notes on pages 7 to 10 form part of these financial statements.

# ERGON FINANCE 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, 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'. 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.

#### **(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 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 (2007: £nil).

Auditors' remuneration of £3,000 (2007: £3,000) was borne by the immediate parent undertaking E.ON UK plc and not recharged.

There were no employees during the year (2007: nil).

### **3 Interest receivable and similar income**

	<b>Year ended 31 December 2008 £'000</b>	<b>Year ended 31 December 2007 £'000</b>
Interest receivable from group undertakings	<b>13,261</b>	11,645



**ERGON FINANCE LIMITED**

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

**4 Interest payable and similar charges**

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Interest payable to group undertakings	<u>40</u>	<u>35</u>

**5 Tax on profit on ordinary activities**

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
<b>Current tax:</b>		
UK corporation tax on profits for the year	<u>3,768</u>	<u>3,483</u>

There is no difference between the tax on profit on ordinary activities for the year and the tax assessed on the profit on ordinary activities for the year assessed at the effective rate of corporation tax in the UK (28.5%). The effective rate applies due to the change in the standard rate of corporation tax in the UK on 1 April 2008 from 30% to 28%.

The corporation tax payable for the year has been reduced by £3,768,000 (2007: £3,483,000) because of group relief received from a fellow group undertaking for which a payment will be made.

No deferred tax provision is required as no timing differences have arisen.

**6 Debtors: amounts falling due within one year**

	At 31 December 2008 £'000	At 31 December 2007 £'000
Amounts owed by group undertaking	<u>258,658</u>	<u>249,165</u>

Amounts owed by group undertakings include a loan of £212,621,000 (2007: £199,583,000), which is unsecured, incurs interest based on LIBOR plus 25 basis points and is repayable on 25 September 2009.

The remaining balance is unsecured, interest free and repayable on demand.

# **ERGON FINANCE LIMITED**

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

### **7 Creditors: amounts falling due within one year**

	<b>At 31 December 2008 £'000</b>	<b>At 31 December 2007 £'000</b>
Amounts owed to group undertakings	<b>688</b>	648
Other creditors	<b>34</b>	34
	<b>722</b>	682

Amounts owed to group undertakings include a loan of £686,000 (2007: £646,000) which is unsecured, incurs interest based on LIBOR plus 50 basis points and is repayable on 16 December 2009.

The remaining balance is unsecured, interest free and repayable on demand.

### **8 Called up share capital**

	<b>At 31 December 2008 £'000</b>	<b>At 31 December 2007 £'000</b>
<b>Authorised</b>		
455,001,000 'A' ordinary shares of £1 each	<b>455,001</b>	455,001
45,000,000 'B' ordinary shares of £1 each	<b>45,000</b>	45,000
	<b>500,001</b>	500,001
<b>Allotted, called-up and fully paid</b>		
155,000,002 'A' ordinary shares of £1 each	<b>155,000</b>	155,000
45,000,000 'B' ordinary shares of £1 each	<b>45,000</b>	45,000
	<b>200,000</b>	200,000

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

### **9 Reserves**

	<b>Profit and loss reserve £'000</b>
At 1 January 2008	48,483
Retained profit for the financial year	9,453
<b>At 31 December 2008</b>	<b>57,936</b>

# ERGON FINANCE LIMITED

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

### 10 Reconciliation of movements in shareholders' funds

	<b>31 December 2008 £'000</b>	<b>31 December 2007 £'000</b>
Profit for the financial year	<b>9,453</b>	8,127
Net addition to shareholders' funds	<b>9,453</b>	8,127
Opening shareholders' funds	<b>248,483</b>	240,356
Closing shareholders' funds	<b>257,936</b>	248,483

### 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:

E.ON AG  
E.ON-Platz 1  
D-40479  
Düsseldorf  
Germany