

POWERGEN UK INVESTMENTS
STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the Year Ended 31 December 2015

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Registered No: 04116668

**POWERGEN UK INVESTMENTS
STRATEGIC REPORT
for the Year Ended 31 December 2015**

The directors present their strategic report of the Company for the year ended 31 December 2015.

Fair review of the business

Both the level of business during the year and the financial position of the Company at the year end were as expected. At 31 December 2015, the Company had net assets of £83,846,000 (2014: net assets of £83,818,000). Further information regarding the financial position of the Company at the year end is provided in the Directors' Report.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are considered to relate to the recoverability of its inter-company balances. The risk of inter-company debts not being recoverable is deemed by the directors to be low.

Key performance indicators ('KPIs')

Given the nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the Company.

Approved by the Board of Directors on 12 September 2016 and signed on its behalf by:



D C A Baumber
Director

Powergen UK Investments
Company No: 04116668
Westwood Way
Westwood Business Park
Coventry
CV4 8LG

**POWERGEN UK INVESTMENTS
DIRECTORS' REPORT
for the Year Ended 31 December 2015**

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2015.

Directors of the Company

The directors who held office during the year and up to the date of signing the financial statements are given below:

D Gandle
D C A Baumber (appointed 15 August 2016)
G S Aujla (appointed 24 August 2016)
R Matthies (resigned 31 May 2016)
M D Clarke (resigned 15 August 2016)

Principal activity

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

Results and dividends

The Company's profit for the financial year is £28,000 (2014: profit of £937,000). No interim dividends were paid during the year (2014: £nil). The directors do not recommend the payment of a final dividend (2014: £nil).

The financial position of the Company at the year end was as expected. The directors believe that the present level of activity will be sustained in the current year.

Financial risk management

Objectives and policies

The Company, in common with other E.ON SE subsidiaries, must comply with the E.ON SE's group finance guidelines that set out the principles and framework for managing group-wide finances. The Company also utilises the E.ON UK plc operational treasury team which services the treasury requirements of the business. Further information on the E.ON SE group's policies and procedures is available in the financial statements of the E.ON SE group.

Price risk, credit risk, liquidity risk and cash flow risk

The management of risks is undertaken at the E.ON SE group level. Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided within the financial review section of the group's annual report which does not form part of this report.

Political donations

No political donations were made during the year (2014: £nil).

Directors' indemnities

The Company maintains liability insurance for its directors and officers. This is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. This insurance cover was in force during the year and is still in force at the date of approving the financial statements.

Disclosure of information to auditors

So far as each of the directors is 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.

**POWERGEN UK INVESTMENTS
DIRECTORS' REPORT
for the Year Ended 31 December 2015 (continued)**

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 "Reduced Disclosure Framework" ('FRS 101').

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

Approved by the Board of Directors on 12 September 2016 and signed on its behalf by:



D C A Baumber
Director

Powergen UK Investments
Company No: 04116668
Westwood Way
Westwood Business Park
Coventry
CV4 8LG

Independent Auditors' Report to the Members of POWERGEN UK INVESTMENTS

Report on the financial statements

Our opinion

In our opinion, Powergen UK Investments's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Strategic Report, Directors' Report and Financial Statements (the "Annual Report"), comprise:

- the balance sheet as at 31 December 2015;
- the profit and loss account for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

**Independent Auditors' Report to the Members of
POWERGEN UK INVESTMENTS (continued)**

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK & Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Simon Evans

Simon Evans (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

Date 12 September 2016

POWERGEN UK INVESTMENTS
PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2015

	<i>Note</i>	2015 £000	2014 £000
Operating result	2	-	-
Result on ordinary activities before taxation		-	-
Tax on result on ordinary activities	5	28	937
Profit for the financial year		28	937

The Company has no other comprehensive income for the year, other than the results above and therefore no separate statement of comprehensive income has been presented.

The notes on pages 9 to 12 form part of these financial statements.

POWERGEN UK INVESTMENTS
BALANCE SHEET
as at 31 December 2015

	<i>Note</i>	2015 £000	2014 £000
Current assets			
Debtors: amounts falling due within one year	6	83,846	83,818
Net assets		<u>83,846</u>	<u>83,818</u>
Capital and reserves			
Called up share capital	7	10	10
Profit and loss account		83,836	83,808
Total shareholders' funds		<u>83,846</u>	<u>83,818</u>

The financial statements on pages 6 to 12 were approved by the Board of Directors on 12 September 2016 and signed on its behalf by:



D C A Baumber
Director
Powergen UK Investments
Company No: 04116668

The notes on pages 9 to 12 form part of these financial statements.

POWERGEN UK INVESTMENTS
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2015

	Called up share capital £000	Profit and loss account £000	Total shareholders' funds £000
At 1 January 2014	10	82,871	82,881
Profit and total comprehensive income for the financial year	-	937	937
At 31 December 2014	10	83,808	83,818
Profit and total comprehensive income for the financial year	-	28	28
At 31 December 2015	10	83,836	83,846

The notes on pages 9 to 12 form part of these financial statements.

POWERGEN UK INVESTMENTS
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015 (continued)

1. Accounting policies

General information

The Company is a financing company within the E.ON SE group.

The Company is an unlimited company having a share capital and is incorporated and domiciled in the UK.

Basis of preparation of financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101'). The financial statements have been prepared under the going concern basis, historical cost convention and in accordance with the Companies Act 2006 as applicable to companies using FRS101. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

The Company has adopted disclosure exemptions in relation to the following:

- The requirements of IAS 1 Presentation of Financial Statements
- The requirements of IAS 7 Statement of Cash Flows
- The requirements of Paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- The requirements of Paragraph 17 of IAS 24 Related Party Disclosures (key management compensation)
- The requirements of IAS 24 Related party disclosures to disclose related party transactions entered into between two or more members of a group
- The requirements of IFRS 7 Financial Instruments: Disclosures
- The requirements of paragraphs 91 to 99 of IFRS 13 Fair value measurement (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)

Inter-company balances

Inter-company payable and receivable trading balances within the E.ON SE group are consolidated at each period end into a single balance with each group company. These transactions are net settled. As a result the directors consider it appropriate to present inter-company balances within these financial statements on a net basis. Formal loan balances are settled and presented gross.

Current and deferred income tax

The tax credit for the year comprises current tax and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax credit is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in respect of the relevant years, in the countries where the Company operates and generates taxable income.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

POWERGEN UK INVESTMENTS
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015 (continued)

2. Operating result

Administration

All administration costs were borne by E.ON UK Holding Company Limited, the immediate parent undertaking and not recharged.

3. Auditors' remuneration

Auditors' remuneration for the audit of these financial statements of £3,000 (2014: £3,000) was borne by the immediate parent undertaking, E.ON UK Holding Company Limited, and not recharged.

4. Employee information

There were no employees during the year (2014: none).

The directors received no emoluments from the Company during the year (2014: £nil) in respect of services to the Company.

5. Tax on result on ordinary activities

	2015 £000	2014 £000
Current tax:		
UK corporation tax credit on result for the year	-	(911)
Adjustment in respect of prior years	(28)	(26)
Total current tax credit	(28)	(937)
Deferred tax:		
Origination and reversal of timing differences	-	848
Adjustment in respect of prior years	-	(848)
Total deferred tax charge	-	-
Tax credit on result on ordinary activities	(28)	(937)

Factors affecting tax credit for the year

The tax income for the year is higher (2014: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2015 of 20.25% (2014: 21.50%). The differences are explained below:

	2015 £000	2014 £000
Result on ordinary activities before taxation	-	-
Tax credit on result on ordinary activities before taxation at 20.25% (2014: 21.50%)	-	-
Effects of:		
Impact of rate change	-	(63)
Adjustment in respect of prior years - deferred tax	-	(848)
Adjustment in respect of prior years - current tax	(28)	(26)
Tax credit for the year	(28)	(937)

POWERGEN UK INVESTMENTS
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015 (continued)

The tax rate for the year is lower than the prior year due to changes in the UK corporation tax rate which decreased from 21% to 20% from 1 April 2015 resulting in a standard rate of corporation tax in the UK of 20.25% for the year ended 31 December 2015.

Reductions to the UK corporation tax rates were included in the Finance Act (No. 2) 2015. These reduce the main rate to 19% from 1 April 2017 and to 18% from 1 April 2020. These changes were substantively enacted at the balance sheet date and the deferred tax impact of these changes have been included in these financial statements. A further reduction in the UK corporation tax was announced in the March 2016 Budget Statement to reduce the rate to 17% from 1 April 2020 (instead of the previously announced 18% rate). This further change has not been substantively enacted at the balance sheet date and therefore the impact has not been included in these financial statements.

The proposed further reduction in the rate of corporation tax to 17% from 1 April 2020 is expected to be enacted as part of the Finance Bill 2016. There is no overall effect of this further change as the deferred tax asset as at 31 December 2015 is not recognised.

The corporation tax receivable has been reduced by £29,000 because of group relief surrendered to a fellow group undertaking for which a payment will be received (2014: receipt of £937,000). Accordingly no current year tax losses are available for carry forward.

6. Debtors: amounts falling due within one year

	2015 £000	2014 £000
Amounts owed by group undertakings	<u>83,846</u>	<u>83,818</u>

Amounts owed by group undertakings include a loan of £10,000 (2014: £10,000) which is unsecured, bears interest at a rate of LIBOR minus 5 basis points and is repayable on demand. All other amounts are unsecured, interest free and repayable on demand.

There are unused tax losses of £1,428,000,000 on which a deferred tax asset has not been recognised which are available to be carried forward indefinitely.

A deferred tax asset would only be recognised in the event of capital gains within any UK group company being expected to crystallise within 12 months from the end of this accounting year.

7. Called up share capital

	2015 £000	2014 £000
Allotted, called-up and fully paid		
10,002 (2014: 10,002) ordinary shares of £1 each	<u>10</u>	<u>10</u>

POWERGEN UK INVESTMENTS
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015 (continued)

8. Explanation of transition to FRS 101

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101. The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015, the comparative information presented in these financial statements for the year ended 31 December 2014 and in the preparation of an opening FRS 101 balance sheet at 1 January 2014 (the Company's date of transition).

In preparing its FRS 101 balance sheet, the Company had no adjustments to amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP).

9. Ultimate holding company

The Company is controlled by E.ON UK Holding Company Limited. The ultimate parent undertaking and controlling party is E.ON SE, a company incorporated in Germany, which is the parent company of the largest and smallest group to consolidate these financial statements. Copies of E.ON SE's financial statements are available from the offices of E.ON SE at the following address:

E.ON SE
Brüsseler Platz 1
45131
Essen
Germany