

POWERGEN TRADING LIMITED
REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2003



Registered No: 4178314

POWERGEN TRADING LIMITED

Report of the directors for the year ended 31 December 2003

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2003.

Principal activities, review of business and future developments

The Company's principal activity during the year was providing agency and arranging services to Powergen UK plc and Powergen Energy Trading Limited. At the year end the Company had ceased to act on behalf of Powergen Energy Trading Limited, however, the Company will continue to act on behalf of Powergen UK plc in future periods. These agency and arranging services included UK and European Power and Gas exchange, together with 'Over the Counter' and 'bilateral activity'.

The Company is authorised and regulated by the Financial Services Authority.

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.

Results and dividends

The Company's profit for the financial year is £207,230 (2002: £225,103). The directors do not recommend the payment of a dividend (2002: £nil)

Directors and their interests

The directors who held office during the year are given below:

G J Bartlett
A D Cocker
B Tear

During the year, no director had an interest in the shares of the Company. At 31 December 2002 and 31 December 2003, no director had any interest requiring disclosure.

Introduction of the Euro

Powergen Limited and its subsidiaries (together the "Powergen Group") recognise the wide implications of the Euro for businesses, including impacts on commercial arrangements and financial systems. In the UK, the Powergen Group's preparations recognise the uncertain position regarding possible UK entry to the single currency, and the situation is monitored closely.

POWERGEN TRADING LIMITED

Report of the directors for the year ended 31 December 2003 (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.

Auditors

On 19 July 2001 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


A D Cocker
Powergen Trading Limited
Westwood Way
Westwood Business Park
Coventry
CV4 8LG

29 March 2004

POWERGEN TRADING LIMITED

Independent auditors' report to the members of Powergen Trading Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 in to 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 transactions is not disclosed.

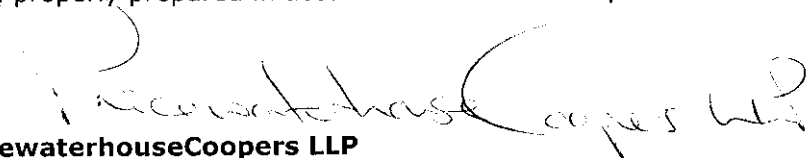
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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 of the state of the Company's affairs at 31 December 2003 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
Birmingham

29 March 2004

POWERGEN TRADING LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	Year ended 31 December 2003 £	Year ended 31 December 2002 £
Turnover	2	7,862,643	8,588,582
Cost of sales	3	(7,670,871)	(8,379,104)
Operating profit		191,772	209,478
Interest receivable	5	104,271	112,098
Profit on ordinary activities before taxation		296,043	321,576
Tax on profit on ordinary activities	6	(88,813)	(96,473)
Retained profit for the financial year	10	207,230	225,103

There is no difference 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.

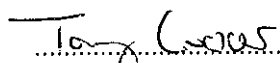
The accounting policies and the notes on pages 6 to 10 form part of these financial statements.

POWERGEN TRADING LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2003

	Note	At 31 December 2003 £	At 31 December 2002 £
Current assets			
Debtors: amounts falling due within one year	7	715,998	721,344
Cash at bank and in hand		3,375,786	3,090,598
		4,091,784	3,811,942
Creditors: amounts falling due within one year	8	(883,819)	(811,207)
Net current assets		3,207,965	3,000,735
Capital and reserves			
Called-up share capital	9	250,001	250,001
Share premium account	10	2,500,000	2,500,000
Profit and loss account	10	457,964	250,734
Equity shareholders' funds	11	3,207,965	3,000,735

The financial statements on pages 4 to 10 were approved by the Board of Directors on 29 March 2004 and were signed on its behalf by:

 Director
A D Cocker

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

POWERGEN TRADING LIMITED

Notes to the financial statements **for the year ended 31 December 2003**

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) Pension costs

The Company contributes to a funded group pension scheme operated by Powergen UK plc, the assets of which are invested in a separate trustee-administered fund. The Company is unable to identify its share of the underlying assets and liabilities of the group pension scheme. The Company has accounted for its contribution to the group pension scheme as if the scheme was a defined contribution scheme and accounts for contributions payable to the group pension scheme in the accounting period in which they fall due.

(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). 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 only recognised to the extent that the recoverability is regarded by the directors as more likely than not.

(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 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

Turnover, which excludes Value Added Tax, represents the value of amounts charged to Powergen UK plc and Powergen Energy Trading Limited for services provided. The majority of the Company's turnover, all of which arises in the course of the Company's principal activity, arises in the United Kingdom.

POWERGEN TRADING LIMITED

Notes to the financial statements for the year ended 31 December 2003 (continued)

3 Cost of sales

Cost of sales relate to costs borne by Powergen UK plc and Powergen Energy Trading Limited in relation to regulated activities. These costs are then recharged to the Company.

The directors received no emoluments during either year. However, included in the recharges detailed above is an amount of £352,259 (2002: £256,031) in respect of inter company charges for directors' services to Powergen Trading Limited. The emoluments of the directors are paid by Powergen UK plc and disclosed in the accounts of that company.

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

4 Employee information

The average monthly number of persons (including directors) who perform work on behalf of the company was:

By activity	Year ended 31 December 2003	Year ended 31 December 2002
Administration		
Management	7	8
Front Office	47	59
Trading	34	29
Finance and Back Office	5	5
Supporting Services	3	3
	<u>96</u>	<u>104</u>

The salaries and related costs of employees, including directors, were:

	Year ended 31 December 2003 £	Year ended 31 December 2002 £
Wages and salaries	2,936,378	2,779,273
Social security costs	337,192	319,151
Other pension costs	381,728	361,305
	<u>3,655,298</u>	<u>3,459,729</u>

POWERGEN TRADING LIMITED

Notes to the financial statements
for the year ended 31 December 2003 (continued)

5 Interest receivable

	Year ended 31 December 2003 £	Year ended 31 December 2002 £
Bank interest receivable	<u>104,271</u>	<u>112,098</u>

6 Tax on profit on ordinary activities

	Year ended 31 December 2003 £	Year ended 31 December 2002 £
Current tax:		
UK corporation tax on profits for the year	<u>88,813</u>	<u>96,473</u>

There is no difference between the current tax charge on the profit on ordinary activities for the period and the tax on the profit on ordinary activities for the period assessed at the standard rate of corporation tax in the UK (30%).

The corporation tax payable for the year represents payment to fellow group undertakings for group relief for which full payment will be made for the benefit.

7 Debtors: amounts falling due within one year

	At 31 December 2003 £	At 31 December 2002 £
Amounts owed by group undertakings	<u>715,998</u>	<u>721,344</u>

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

POWERGEN TRADING LIMITED

Notes to the financial statements
for the year ended 31 December 2003 (continued)

8 Creditors: amounts falling due within one year

	At 31 December 2003 £	At 31 December 2002 £
Amounts owed to group undertakings	883,819	811,207

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

9 Share capital

	At 31 December 2003 £	At 31 December 2002 £
Authorised		
5,000,000 ordinary shares of £1 each	5,000,000	5,000,000
Allotted, called-up and fully paid		
250,001 ordinary shares of £1 each	250,001	250,001

10 Reserves

	Share premium account £	Profit and loss account £	Total £
At 31 December 2002	2,500,000	250,734	2,750,734
Retained profit for the financial year	-	207,230	207,230
At 31 December 2003	2,500,000	457,964	2,957,964

POWERGEN TRADING LIMITED

Notes to the financial statements for the year ended 31 December 2003 (continued)

11 Reconciliation of movements in shareholders' funds

	31 December 2003 £	31 December 2002 £
Profit for the financial year	207,230	225,103
Opening shareholders' funds	3,000,735	2,775,632
Closing shareholders' funds	3,207,965	3,000,735

12 Pension commitments

The Company participates in a funded group pension scheme operated by Powergen UK plc, which is part of an industry wide scheme, the Electricity Supply Pension Scheme. The pension scheme is of the defined benefit type and its assets are held in a separate trustee-administered fund.

The fund is valued every three years by a professionally qualified, independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the appropriateness of the rates. The latest published actuarial assessment of the scheme was at 31 March 2001. Particulars of this valuation are contained in the accounts of Powergen Limited.

Accounting for amortisation of surpluses, other than the impact on regular costs and contributions payable, is dealt with in the accounts of Powergen UK plc.

The total pension cost to the Company was £381,728 (2002: £361,305).

13 Ultimate parent undertaking and controlling party

The immediate parent undertaking is Powergen 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 Powergen 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