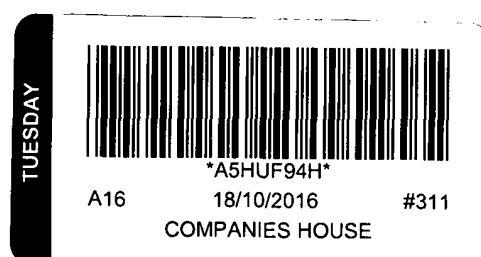


POWERGEN US SECURITIES LIMITED
STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the Year Ended 24 June 2016



Registered No: 04258957

**POWERGEN US SECURITIES LIMITED
STRATEGIC REPORT
for the Year Ended 24 June 2016**

The directors present their strategic report of the Company for the year ended 24 June 2016.

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 24 June 2016, the Company had net assets of €25,288,000 (2015: net assets of €25,289,000). Further information regarding the financial position of the Company at the year end is provided in the Directors' Report.

The directors believe that the present level of activity will be sustained in the current year.

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 carrying value of its investments in Powergen LS SE and Powergen US Investments, foreign exchange rate fluctuations and adverse movements in interest rates.

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 14 October 2016 and signed on its behalf by:



D C A Baumber
Director

Powergen US Securities Limited
Company No: 04258957
Westwood Way
Westwood Business Park
Coventry
CV4 8LG

POWERGEN US SECURITIES LIMITED
DIRECTORS' REPORT
for the Year Ended 24 June 2016

The directors present their report and the audited financial statements of the Company for the year ended 24 June 2016.

Directors of the Company

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

D Gandley
D C A Baumber (appointed 15 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 an investment company.

Results and dividends

The Company's loss for the financial year is €1,000 (2015: result of €nil). No interim dividends were paid during the year (2015: €nil). The directors do not recommend the payment of a final dividend (2015: €nil).

Political donations

No political donations were made during the year (2015: €nil).

Future developments

The Company's present level of activity is expected to continue in the current year.

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 these 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 US SECURITIES LIMITED
DIRECTORS' REPORT
for the Year Ended 24 June 2016 (continued)**

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and these 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 14 October 2016 and signed on its behalf by:



D C A Baumber
Director

Powergen US Securities Limited
Company No: 04258957
Westwood Way
Westwood Business Park
Coventry
CV4 8LG

Independent Auditors' Report to the Members of POWERGEN US SECURITIES LIMITED

Report on the financial statements

Our opinion

In our opinion, Powergen US Securities Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 24 June 2016 and of its loss 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 24 June 2016;
- 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 US SECURITIES LIMITED (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 (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

Date 14 October 2016

POWERGEN US SECURITIES LIMITED
PROFIT AND LOSS ACCOUNT
for the year ended 24 June 2016

	<i>Note</i>	2016 €000	2015 €000
Operating result	2	-	-
Interest payable and similar charges	5	(1)	-
(Loss)/result on ordinary activities before taxation		(1)	-
Tax on (loss)/result on ordinary activities	6	-	-
(Loss)/result for the financial year		(1)	-

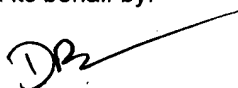
As the Company has no other comprehensive income for the year, a separate statement of comprehensive income has not been presented.

The notes on pages 9 to 13 form part of these financial statements.

POWERGEN US SECURITIES LIMITED
BALANCE SHEET
as at 24 June 2016

	<i>Note</i>	2016 €000	2015 €000
Fixed assets			
Investments	7	24,406	24,406
Current assets			
Debtors	8	1,062	1,063
Creditors: amounts falling due within one year	9	(180)	(180)
Net current assets		882	883
Net assets		25,288	25,289
Capital and reserves			
Called up share capital	10	4,132	4,132
Profit and loss account		21,156	21,157
Total shareholders' funds		25,288	25,289

The financial statements on pages 6 to 13 were approved by the Board of Directors on 14 October 2016 and signed on its behalf by:



D C A Baumber
Director
Powergen US Securities Limited
Company No: 04258957

The notes on pages 9 to 13 form part of these financial statements.

POWERGEN US SECURITIES LIMITED
STATEMENT OF CHANGES IN EQUITY
for the year ended 24 June 2016

	Called up share capital €000	Profit and loss account €000	Total shareholders' funds €000
At 25 June 2014	4,132	21,157	25,289
Result for the financial year	-	-	-
At 24 June 2015	4,132	21,157	25,289
Loss for the financial year	-	(1)	(1)
At 24 June 2016	<u>4,132</u>	<u>21,156</u>	<u>25,288</u>

The notes on pages 9 to 13 form part of these financial statements.

POWERGEN US SECURITIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 24 June 2016

1. Accounting policies

General information

The Company acts as an investment company within the E.ON SE group.

The Company is a private limited company and is incorporated and domiciled in the UK.

• Basis of preparation of financial statements

This is the first year that the Company has prepared financial statements in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101'). Further information relating to the impact of the conversion is disclosed in note 11. These 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 FRS 101. 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)

Exemption from preparing group financial statements

The Company is a wholly-owned subsidiary undertaking of E.ON SE, the ultimate parent undertaking, and is included in the publicly available consolidated financial statements of E.ON SE. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of Section 400 of the Companies Act 2006.

The Company's financial statements present information about it as an individual entity and not about its group.

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.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

POWERGEN US SECURITIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 24 June 2016 (continued)

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax

assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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.

Fixed asset investments

Fixed asset investments are stated at historical cost less provision for any diminution in value.

Foreign currency

These financial statements are presented in Euros which is the Company's functional currency. All financial information is presented in Euros and has been rounded to the nearest thousand.

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rates at the balance sheet date. All exchange differences are included in the profit and loss account.

2. Operating result

Administration

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

There were no employees during the year (2015: none).

The directors received no emoluments from the Company during the year (2015: €nil) in respect of services to the Company.

3. Auditors' remuneration

Auditors' remuneration for the audit of these financial statements of €4,000 (2015: €4,000) was borne by E.ON UK Holding Company Limited, the intermediate parent undertaking and not recharged.

4. Interest receivable and similar income

	2016 €000	2015 €000
Interest receivable from group undertakings	-	-

POWERGEN US SECURITIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 24 June 2016 (continued)

5. Interest payable and similar charges

	2016 €000	2015 €000
Interest payable to group undertakings	1	-

6. Tax on (loss)/result on ordinary activities

	2016 €000	2015 €000
Current tax:		
UK corporation tax charge on (losses)/result for the year	-	-
Total current tax charge	-	-

Factors affecting current tax (credit)/charge for the year

There is no difference (2015: no difference) between the tax on the (loss)/result on ordinary activities for the year and the tax assessed on the (loss)/result on ordinary activities for the year assessed at the effective rate of corporation tax in the UK at 20.00% (2015: 20.80%).

During the year the main rate of UK corporation tax was reduced to 19% with effect from 1 April 2017 in the Finance Act (No. 2) 2015 which was substantively enacted at the balance sheet date.

A further reduction in the UK corporation tax rate was announced in the March 2016 Budget Statement to reduce the rate to 17% from 1 April 2020 and was enacted as part of the Finance Act 2016 after the balance sheet date.

The corporation tax receivable has been reduced by €246 because of group relief surrendered to a fellow group company for which a payment will be received (2015: payment made of €13).

7. Investments

	2016 €000	2015 €000
Shares in group undertakings and participating interests	24,406	24,406

POWERGEN US SECURITIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 24 June 2016 (continued)

Shares in group undertakings and participating interests

	Subsidiary undertakings €000
Cost or valuation	
At 25 June 2015	3,014,346
At 24 June 2016	3,014,346
Provision for impairment	
At 25 June 2015	2,989,940
At 24 June 2016	2,989,940
Net book value	
At 24 June 2016	24,406
At 24 June 2015	24,406

The directors believe that the carrying value of the investments is supported by their underlying net assets.

Details of undertakings

Details of the investments which the Company holds are as follows:

Undertaking	Holding	Proportion of shares held	Proportion of voting shares held	Principal Activity
Subsidiary undertakings				
Powergen LS SE	Class A shares	9.6%	4.6%	Financing company
Powergen US Investments	Ordinary shares	17.75%	17.75%	Group holding and financing company

8. Debtors

	2016 €000	2015 €000
Amounts owed by group undertakings	<u>1,062</u>	<u>1,063</u>

Amounts owed by group undertakings are unsecured and repayable on demand. Interest is charged at Euro LIBOR minus 5 basis points.

9. Creditors: amounts falling due within one year

	2016 €000	2015 €000
Amounts owed to group undertakings	<u>180</u>	<u>180</u>

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

POWERGEN US SECURITIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 24 June 2016 (continued)

10. Called up share capital

	2016 €000	2015 €000
Allotted, called-up and fully paid		
574,122,339 Ordinary shares of US\$0.01 each	4,118	4,118
1 'A' non-voting share of US\$1	-	-
1 'B' non-voting share of US\$1	-	-
1 'C' non-voting share of US\$1	-	-
1 'D' non-voting share of US\$1	-	-
1 'E' non-voting share of US\$1	-	-
20,000 preference shares of US\$1 each	14	14
	4,132	4,132

The holders of the preference shares are entitled to receive out of the profits of the Company available for distribution which the Company determines to distribute, in priority to any holder of any other class of share, a fixed cumulative preferred net cash dividend at the rate of 4 per cent per annum on the aggregate of the amount paid up (or credited as paid up) on such preference share and the premium paid (or deemed to have been paid).

11. 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 24 June 2016, the comparative information presented in these financial statements for the year ended 24 June 2015 and in the preparation of an opening FRS 101 balance sheet at 25 June 2015 (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).

12. Ultimate holding company

The Company is controlled by Powergen US Holdings 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
Germany
45131
Essen