

POWERGEN POWER NO. 2 LIMITED
REPORT AND FINANCIAL STATEMENTS
for the period ended 31 December 2003



Registered No: 4566779

POWERGEN POWER NO. 2 LIMITED

Report of the directors for the period ended 31 December 2003

The directors present their report and the audited financial statements of the Company for the period from 18 October 2002 to 31 December 2003.

Principal activities, review of business and future developments

The Company was incorporated on 18 October 2002. On 21 October 2002, the Company acquired the land and asset lease for High Marnham Power Station together with the generation assets and liabilities and the entire share capital of E.ON UK High Marnham Limited (formerly TXU Europe High Marnham Limited) for £nil consideration from TXU Europe Group plc. These assets were subsequently leased to E.ON UK plc (formerly Powergen UK plc). This was the Company's principal activity during the period and at the period end.

Both the level of business during the period and the financial position of the Company at the period 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 period is £419. The directors do not recommend the payment of a dividend.

Directors and their interests

The directors below were appointed on incorporation and held office during the period:

E.ON UK Directors Limited (formerly Powergen Directors Limited)
E.ON UK Secretaries Limited (formerly Powergen secretaries Limited)

During the period, no director had an interest in the shares of the Company. At 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 POWER NO. 2 LIMITED

Report of the directors for the period ended 31 December 2003 (continued)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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:

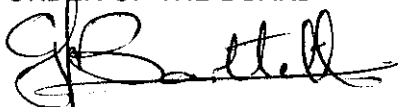
- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and estimates that are reasonable and prudent;
- c) state whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements; 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. The directors, believe that they have fulfilled their responsibilities.

Auditors

PricewaterhouseCoopers LLP were appointed auditors of the Company on 21 October 2002. On 18 November 2002, 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



G J Bartlett for and behalf of E.ON UK Directors Limited
Director
Powergen Power No. 2 Limited
Westwood Way
Westwood Business Park
Coventry
CV4 8LG

12 January 2005

POWERGEN POWER NO. 2 LIMITED

Independent auditors' report to the members of Powergen Power No. 2 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.

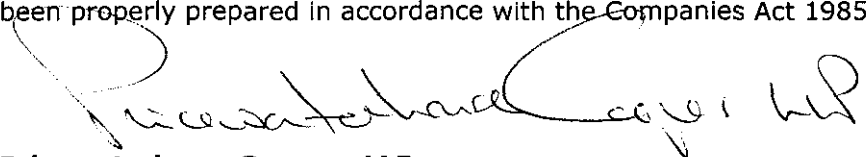
Basis of audit opinion

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 period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham

12 January 2005

POWERGEN POWER NO. 2 LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 DECEMBER 2003

| | Note | Period ended 31 December 2003 £ |
|--|------|--|
| Turnover | 2 | 1,197 |
| Operating expenses | | (598) |
| Profit on ordinary activities before taxation | 3 | 599 |
| Tax on profit on ordinary activities | 4 | (180) |
| Profit for the financial period | 9 | 419 |

There is no difference between the profit on ordinary activities before taxation and the retained profit for the period 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 acquired and continuing operations.

The accounting policies and the notes on pages 6 to 9 form part of these financial statements.

POWERGEN POWER NO. 2 LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2003

| | Note | At 31 December 2003 £ |
|--|------|--------------------------------|
| Fixed Assets | | |
| Investments | 5 | <u>2</u> |
| Current assets | | |
| Debtors : amounts falling due within one year | 6 | 420 |
| Creditors : amounts falling due within one year | 7 | (2) |
| Net current assets | | <u>418</u> |
| Net assets | | <u><u>420</u></u> |
| Capital and reserves | | |
| Share capital | 8 | 1 |
| Profit and loss account | 9 | 419 |
| Equity shareholders' funds | 10 | <u><u>420</u></u> |

The financial statements on pages 4 to 9 were approved by the Board of Directors on 12 January 2005 and were signed on its behalf by:



G.J. Bartlett for and on behalf of E.ON UK Directors Limited
Director

The accounting policies and the notes on pages 6 to 9 form part of these financial statements.

POWERGEN POWER NO. 2 LIMITED

Notes to the financial statements **for the period 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 Company is exempt from the requirement to produce consolidated financial statements as it is included in the consolidated financial statements of E.ON AG, a company registered in Germany. The principal accounting policies are set out below.

(a) Taxation

The tax charge for the period is based on the profits or losses on ordinary activities for the period 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).

(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.

(d) Fixed asset investments

Fixed asset investments are stated at original cost plus subsequent loans advanced or amounts invested. Provision is made for any impairment in the value of investments

2 Turnover

Turnover, which excludes Value Added Tax, represents the value of the land and asset rental income payable by E.ON UK plc (formerly Powergen UK plc) to the Company, all of which arises in the United Kingdom.

3 Profit on ordinary activities before taxation

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

The operating expenses include rent payable of £500 per annum to E.ON UK plc under the lease acquired from TXU Europe Group plc on 21 October 2002.

The directors received no emoluments from the Company during the period.

Auditors' remuneration is borne by the immediate parent undertaking and not recharged.

There were no employees during the period.

POWERGEN POWER NO.2 LIMITED

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

4 Tax on profit on ordinary activities

| | Period ended 31 December 2003 £ |
|---|--|
| Current tax: | |
| UK corporation tax charge on profits for the period | <u>180</u> |

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

The corporation tax payable has been group relieved by a fellow group undertaking for which a payment of £180 was made via intercompany.

There are no known factors that will affect future tax charges.

5 Fixed assets investment

On the 21 October 2002 the Company acquired the entire issued share capital (2 £1 shares) of E.ON UK High Marnham Limited (formerly TXU Europe High Marnham Limited) together with the assumption of the outstanding £2 liability over the shares. The company was dormant in the period to 31 December 2003.

6 Debtors: amounts falling due within one year

| | At 31 December 2003 £ |
|--------------------------------|--------------------------------------|
| Amounts due on unpaid shares | 1 |
| Amounts owed by parent company | <u>419</u> |
| | <u>420</u> |

Amounts owed by group undertakings are unsecured, free of any interest charge and are payable on demand.

POWERGEN POWER NO.2 LIMITED

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

7 Creditors: amounts falling due within one year

| | At 31 December 2003 £ |
|--|--------------------------------------|
| Amounts owed to subsidiary undertaking | <u>2</u> |

Amounts owed to group undertakings are unsecured, free of any interest charge and are payable on demand.

8 Share capital

| | At 31 December 2003 £ |
|---------------------------------------|--------------------------------------|
| Authorised | |
| 1,000 ordinary shares of £1 each | <u>1,000</u> |
| Allotted, called-up and unpaid | |
| 1 ordinary share of £1 each | <u>1</u> |

One ordinary share was issued at par on incorporation. This share remains unpaid at 31 December 2003.

9 Reserves

| | Profit and loss Account £ |
|--|--|
| At 21 October 2002 | - |
| Retained profit for the financial period | <u>419</u> |
| At 31 December 2003 | <u>419</u> |

POWERGEN POWER NO.2 LIMITED

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

10 Reconciliation of movements in shareholders' funds

| | 31 |
|---|----------------------|
| | December 2003 |
| | £ |
| At 22 October 2002 | - |
| Retained profit for the financial period | 419 |
| Net proceeds of issue of ordinary share capital | 1 |
| Net addition to shareholders' funds | <u>420</u> |
| Opening shareholders' funds | - |
| Closing shareholders' funds | <u>420</u> |

11 Ultimate parent undertaking and controlling party

The immediate parent undertaking is E.ON UK plc (formerly 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 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