

POWERGEN INTERNATIONAL LIMITED
REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2010

Registered No: 3548380

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POWERGEN INTERNATIONAL LIMITED

Report of the directors for the year ended 31 December 2010

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2010.

Principal activities

The Company's principal activity during the year and at the year end was that of an investment holding company. The Company is expected to continue in this capacity in the future.

Business review

Fair review of the Company's business

During the year, one of the Company's investments, Powergen Overseas Holdings Limited, carried out a capital reduction and repaid £60,000,000 to the Company. The Company also received a preference dividend from Powergen Overseas Holdings Limited of £21,374,000. Powergen Overseas Holdings Limited was then placed into members' voluntary liquidation on 17 August 2010.

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 £21,453,000 (2009: loss of £548,000). The directors do not recommend the payment of a dividend (2009: £nil).

Directors

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

Brian Tear
E.ON UK Directors Limited

Contributions to political and charitable purposes

Donations to charitable organisations during the financial year by the Company amounted to £nil (2009: £nil). No political donations were made (2009: £nil).

POWERGEN INTERNATIONAL LIMITED

Report of the directors for the year ended 31 December 2010 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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:

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and accounting estimates that are reasonable and prudent;
- c) state whether applicable UK Accounting Standards have been followed, subject to any material departures 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 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.

Directors' indemnities

The Company maintains liability insurance for its directors and officers This is a qualifying indemnity provision for the purposes of the Companies Act 2006

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.

POWERGEN INTERNATIONAL LIMITED

Report of the directors for the year ended 31 December 2010 (continued)

ON BEHALF OF THE BOARD



Brian Tear

Director
Powergen International Limited
Registered No 3548380
Westwood Way
Westwood Business Park
Coventry
CV4 8LG

4 August 2011

**Independent auditors' report to the members of
Powergen International Limited**

We have audited the financial statements of Powergen International Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, 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 and 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.

Scope of the audit of the financial statements

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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 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.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Paul Nott (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands

11 August 2011

POWERGEN INTERNATIONAL LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010

		Year ended 31 December 2010	Year ended 31 December 2009
	Note	£'000	£'000
Net operating income/(expenses)	2	21,487	(270)
Operating profit/(loss)	3	21,487	(270)
Loss on disposal	4	-	(574)
Interest receivable and similar income	5	4	9
Profit/(loss) on ordinary activities before taxation		21,491	(835)
Tax on profit/(loss) on ordinary activities	6	(38)	287
Profit/(loss) for the financial year		21,453	(548)

There are no material differences between the profit/(loss) on ordinary activities before taxation and the profit/(loss) for either of the years stated above and their historical cost equivalents

The Company has no recognised gains and losses other than the profit/(loss) above and therefore no separate statement of total recognised gains and losses has been presented.

All of the above amounts relate to continuing operations

The accounting policies and the notes on pages 7 to 13 form part of these financial statements

POWERGEN INTERNATIONAL LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2010

	Note	At 31 December 2010 £'000	At 31 December 2009 £'000
Fixed assets			
Investments	7	749,192	809,192
Current assets			
Debtors' amounts falling due within one year	8	100,649	82,882
Creditors: amounts falling due within one year	9	(58,098)	(148,750)
Net current assets		42,551	(65,868)
Total assets less current liabilities		791,743	743,324
Creditors: amounts falling due after more than one year	10	(26,966)	-
Net assets		764,777	743,324
 Capital and reserves			
Called-up share capital	11	84,153	84,153
Share premium account	12	757,372	757,372
Profit and loss reserve	12	(76,748)	(98,201)
Total shareholders' funds	13	764,777	743,324

The financial statements on pages 5 to 13 were approved by the Board of Directors on 4 August 2011 and were signed on its behalf by



Brian Tear
Director
Powergen International Limited
Registered No: 3548380

4 August 2011

The accounting policies and the notes on pages 7 to 13 form part of these financial statements

POWERGEN INTERNATIONAL LIMITED

Notes to the financial statements **for the year ended 31 December 2010**

1 Accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards, all of which have been consistently applied. The Company is a wholly-owned subsidiary undertaking of E.ON AG, the ultimate parent undertaking, 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 consolidated financial statements under the terms of Section 400 of the Companies Act 2006. The principal accounting policies are set out below.

(a) 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.

(b) Taxation

The tax charge/credit 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 assets are recognised when it is more likely than not that they will be recovered.

(c) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at exchange rates ruling at the end of the financial year. Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling on the date of the transaction. Any resultant foreign exchange differences are taken to the profit and loss account in the period in which they arise.

(d) Cash flow statement

The Company is a wholly-owned subsidiary undertaking of E.ON AG, the ultimate parent undertaking, and is included in the publicly available consolidated financial statements of E.ON AG and its subsidiaries and associates (together, "the E.ON Group"). 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).

(e) Related party transactions

The Company is exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with the E.ON Group or investees of the E.ON Group.

(f) Inter-company balances

Inter-company payable and receivable trading balances within the group are consolidated at each month end into a single balance with the Company. These transactions are net settled through this arrangement with the Company. 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 gross.

POWERGEN INTERNATIONAL LIMITED

Notes to the financial statements
for the year ended 31 December 2010 (continued)

2 Net operating income/(expenses)

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Dividend from fellow group undertaking	21,374	-
Other operating income	2	-
Foreign exchange gain/(loss)	111	(270)
	21,487	(270)

3 Operating profit/(loss)

The directors received no emoluments from the Company during the year (2009: £nil).

Auditors' remuneration of £3,000 (2009: £3,000) was borne by E.ON UK plc, the immediate parent undertaking, and not recharged.

There were no employees during the year (2009: none)

4 Loss on disposal

The Company's investment in Lincoln Green Energy Limited ('Lincoln Green') was written off following the member's voluntary liquidation and its subsequent dissolution on 29 September 2009. The Company received a final dividend in 2009 of £179,927,000 from the liquidators of Lincoln Green resulting in a loss on disposal of £574,000.

5 Interest receivable and similar income

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Interest receivable from group undertakings	4	9

6 Tax on profit/(loss) on ordinary activities

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Current tax:		
UK corporation tax on profits/(losses) for the year	39	(74)
Adjustment in respect of previous periods	(1)	(213)
Total current tax charge/(credit)	38	(287)

POWERGEN INTERNATIONAL LIMITED

Notes to the financial statements
for the year ended 31 December 2010 (continued)

6 Tax on profit/(loss) on ordinary activities (continued)

The difference between the tax on the profit/(loss) on ordinary activities for the year and the tax assessed on the profit/(loss) on ordinary activities for the year assessed at the standard rate of corporation tax in the UK at 28% can be explained as follows:

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Profit/(loss) on ordinary activities before tax	21,491	(835)
Tax on profit/(loss) on ordinary activities before tax at 28% (2009: 28%)	6,018	(234)
<i>Effects of:</i>		
Income not taxable	(5,985)	-
Expenses not deductible for tax purposes	6	160
Adjustment in respect of previous periods	(1)	(213)
Current tax charge/(credit) for the year	38	(287)

The Finance (No. 2) Act 2010 was substantively enacted on 20 July 2010 and included legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. Further reductions to the UK corporation tax rate were announced in the June 2010 Budget. These changes, which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 24% by 1 April 2014.

In addition to the changes in rates of corporation tax disclosed above, a number of further changes to the UK corporation tax system were announced in the March 2011 UK Budget Statement. A resolution passed by Parliament on 29 March 2011 has reduced the main rate of corporation tax to 26% from 1 April 2011. Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 is included in the Finance Act 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014.

The corporation tax payable has been reduced by £38,000 because of group relief received from a fellow group undertaking for which a payment will be made (2009: £287,000 paid).

POWERGEN INTERNATIONAL LIMITED

Notes to the financial statements
for the year ended 31 December 2010 (continued)

7 Fixed asset investments

	Investment in subsidiaries £'000
Cost:	
At 1 January 2010	809,980
Disposals	(60,000)
At 31 December 2010	749,980
Provision for impairment:	
At 31 December 2010 and 1 January 2010	(788)
Net book value:	
At 31 December 2010	749,192
At 31 December 2009	809,192

On 17 August 2010, the Company's subsidiary Powergen Overseas Holdings Limited was placed into members' voluntary liquidation. Prior to this, Powergen Overseas Holdings Limited carried out a capital reduction and repaid £60,000,000 to the Company.

Fixed asset investments comprise the following:

Held by the Company				
Name	Country of incorporation	Shares held	Voting rights held	Nature of business
Ergon Overseas Holdings Limited	England and Wales	100% ordinary £1 shares	100%	Investment
Ergon Energy Limited	England and Wales	100% ordinary £1 shares	100%	Investment

Held by subsidiary undertakings				
Name	Country of Incorporation	Shares held	Voting rights held	Nature of business
Powergen Holdings BV	Netherlands	100% Euro ordinary shares	100%	Non-trading

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Notes to the financial statements
for the year ended 31 December 2010 (continued)

7 Fixed asset investments (continued)

Held jointly by the Company and subsidiary undertakings				
Name	Country of Incorporation	Shares held	Voting rights held	Nature of business
Visioncash	England and Wales	89 A ordinary £1 shares	89%	Non-trading
Powergen Overseas Holdings Limited	England and Wales	50% ordinary £1 shares	50%	In members' voluntary liquidation
Powergen Serang Limited	England and Wales	50% ordinary £1 shares	50%	Non-trading

8 Debtors: amounts falling due within one year

	At 31 December 2010 £'000	At 31 December 2009 £'000
Trade debtors	2	1
Amounts owed by group undertakings	100,647	82,881
	100,649	82,882

Amounts owed by group undertakings include a loan of £290,000 (2009: £285,000), which is unsecured and incurs interest at LIBOR minus 5 basis points. All other amounts owed by group undertakings are unsecured, interest free and repayable on demand.

9 Creditors: amounts falling due within one year

	At 31 December 2010 £'000	At 31 December 2009 £'000
Amounts owed to group undertakings	57,981	148,279
Other creditors	117	471
	58,098	148,750

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

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Notes to the financial statements
for the year ended 31 December 2010 (continued)

10 Creditors: amounts falling due after more than one year

	At 31 December 2010 £'000	At 31 December 2009 £'000
Amounts owed to group undertakings	<u>26,966</u>	<u>-</u>

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

11 Called-up share capital

	At 31 December 2010 £'000	At 31 December 2009 £'000
Authorised		
100,000,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called-up and unpaid		
84,152,511 ordinary shares of £1 each	<u>84,153</u>	<u>84,153</u>

12 Reserves

	Share premium account £'000	Profit and loss reserve £'000
At 1 January 2010	757,372	(98,201)
Profit for the financial year	-	21,453
At 31 December 2010	<u>757,372</u>	<u>(76,748)</u>

13 Reconciliation of movements in shareholders' funds

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Profit/(loss) for the financial year	<u>21,453</u>	<u>(548)</u>
Net addition to/(reduction in) shareholders' funds	<u>21,453</u>	<u>(548)</u>
Opening shareholders' funds	<u>743,324</u>	<u>743,872</u>
Closing shareholders' funds	<u>764,777</u>	<u>743,324</u>

POWERGEN INTERNATIONAL LIMITED

Notes to the financial statements
for the year ended 31 December 2010 (continued)

14 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
Dusseldorf
Germany