E.ON CLIMATE & RENEWABLES UK ROBIN RIGG EAST LIMITED

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2009

Registered No: 3568724

E.ON CLIMATE & RENEWABLES UK ROBIN RIGG EAST LIMITED

Report of the directors for the year ended 31 December 2009

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2009.

Principal activities

The Company's principal activity during the year and at the year end was the development and operation of power generation assets utilising renewable energy resources.

Business review

Fair review of the Company's business

The Company has obtained the consents and licenses necessary to construct the Robin Rigg Wind Farm in Solway Firth The contract to commence building the Wind Farm was signed in December 2006. During 2009 significant progress was made on the construction of the Robin Rigg Wind Farm Full commercial operation and contractual handover will occur during 2010 and at which point the Company expects to trade profitably going forwards.

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 ability to construct the Robin Rigg Wind Farm economically, on time and within budget. The management of risks is undertaken at E.ON UK plc consolidated ('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.

Key performance indicators

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 EC&R 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 £3,038,022 (2008: profit of £3,242,397) The directors do not recommend the payment of a dividend (2008 £nil)

Directors

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

Mr P J Webster
Mr D G Rogers

Statement of directors' responsibilities

The directors are responsible for preparing 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 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 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.

Going concern

Notwithstanding the fact that the Company has been loss making before taxation and has net current liabilities, the directors have prepared the accounts on the going concern basis. The directors have received confirmation from E ON UK plc, the principal UK trading subsidiary of the E.ON Group, of its intention to financially support the Company such that the Company can meet its obligations as they fall due for a period of at least twelve months from the date of the directors' approval of these accounts

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.

ON BEHALF OF THE BOARD

Paul J Webster

Paul Webster
Director
E ON Climate & Renewables UK Robin Rigg East Limited
Registered No 3568724
Westwood Way
Westwood Business Park
Coventry
CV4 8LG

24 September 2010

Independent auditor's report to the member of E.ON Climate & Renewables UK Robin Rigg East Limited

We have audited the financial statements of E ON Climate & Renewables UK Robin Rigg East Limited for the year ended 31 December 2009 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 Directors' Responsibilities Statement, 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 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 member 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 2009 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

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

24 September 2010

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	**Year ended 31 December 2009**	Year ended 31 December 2008
		£	£
Turnover	2	**387,981**	443,639
Net operating expenses	3	**(1,090,093)**	(1,392,804)
Operating loss	4	**(702,112)**	(949,165)
Interest payable and similar charges	6	**(1,394,216)**	(2,930,017)
Loss on ordinary activities before taxation		**(2,096,328)**	(3,879,182)
Tax on loss on ordinary activities	7	**5,134,350**	7,121,579
Profit for the financial year	17	**3,038,022**	3,242,397

There are no material differences between the loss on ordinary activities before taxation and the 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 7 to 18 form part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2009

	Note	At 31 December 2009 £	At 31 December 2008 £
Fixed assets			
Intangible assets	8	**1,584,618**	1,584,618
Tangible assets	9	**204,665,640**	153,288,675
		206,250,258	154,873,293
Current assets			
Debtors: amounts falling due after more than one year	10	**41,066**	40,620
Debtors amounts falling due within one year	11	**14,576,757**	29,307,469
		14,617,823	29,348,089
Creditors: amounts falling due within one year	12	**(116,883,412)**	(99,830,127)
Net current liabilities		**(102,265,589)**	(70,482,038)
Total assets less current liabilities		**103,984,669**	84,391,255
Creditors: amounts falling due after more than one year	13	**(78,281,564)**	(74,960,665)
Provisions for liabilities and charges	14	**(19,227,800)**	(5,993,307)
Net assets		**6,475,305**	3,437,283
Capital and reserves			
Called-up share capital	16	**2**	2
Profit and loss reserve	17	**6,475,303**	3,437,281
Total shareholder's funds	18	**6,475,305**	3,437,283

The financial statements on pages 5 to 18 were approved by the Board of Directors on 24 September 2010 and were signed on its behalf by:

Paul J Webster

Paul Webster
Director

24 September 2010

The accounting policies and the notes on pages 7 to 18 form part of these financial statements.

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 principal accounting policies are set out below.

(a) Intangible assets

Intangible assets include the benefits of land options and development contracts, and capitalised development costs They will be amortised over the useful economic life of the schemes to which they relate.

(b) Tangible fixed assets

Tangible fixed assets are stated at their purchase or production cost less accumulated depreciation Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line basis over their useful economic lives.

Major assets in the course of construction are included in tangible fixed assets on the basis of expenditure incurred at the balance sheet date. Where borrowings are used to finance the construction of a major capital project with a long period of development, interest payable is capitalised as part of the cost of the asset and written off over the economic useful life of the asset. Where specific borrowings are used, the amount capitalised is based on actual interest payable. Where general borrowings are used, the amount capitalised is based on the weighted average cost of capital of the group, not exceeding the actual expenditure incurred during the relevant period of construction.

The estimated useful economic lives used for the principal categories of fixed assets are as follows·

Plant and machinery	*24 years*

Freehold land and assets in the course of construction are not depreciated

Depreciation policies are reviewed on a regular basis. During the year there has been a change in the useful economic life of the wind farm, this is to take account of technical experience increasing the predicted life of the wind farm. The wind farm is now being depreciated over 24 years rather than 15 years. The effect of this change is to decrease the depreciation charge for 2009 by £57,657.

(c) Decommissioning provision

A fixed asset and related provision is recognised in respect of the estimated total discounted cost of decommissioning the wind farm generating assets. The resulting fixed asset is depreciated on a straight-line basis, and the discount on the provision is amortised, over the useful life of the associated wind farm assets of 24 years.

1 Accounting policies (continued)

(d) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

(e) 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'. Timing differences arise primarily from the differing treatment for taxation and accounting purposes of depreciation of fixed assets. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods which the timing differences are expected to reverse, based on tax laws that have been enacted or substantially enacted by the balance sheet date.

(f) Turnover

Turnover comprises revenue from the wholesale of electricity Turnover excludes value added tax

Turnover from the wholesale of electricity to external customers is recognised when the commodity is delivered on the basis of the agreed volumes and rates within the sales contracts.

(g) 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 payment takes place unless related or matching forward foreign exchange contracts have been entered into when the rate specified in that contract is used. Any resultant foreign exchange differences are taken to the profit and loss account in the period in which they arise

(h) 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).

Notes to the financial statements
for the year ended 31 December 2009 (continued)

1 Accounting policies (continued)

(i) 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.

(j) Going concern

Notwithstanding the fact that the Company has been loss making before taxation and has net current liabilities, the directors have prepared the financial statements on the going concern basis. The directors have received confirmation from E.ON UK plc, the principal UK trading subsidiary of the E.ON Group, of its intention to financially support the Company such that the Company can meet its obligations as they fall due for a period of at least twelve months from the date of the directors' approval of these financial statements.

2 Turnover

Turnover, which excludes value added tax, represents the value of electricity supplied during the year. The Company's turnover, all of which arises in the course of the Company's principal activity, arises in the UK.

3 Net operating expenses

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Administrative expenses	**310,470**	269,903
Other operating costs	**779,623**	1,122,901
	1,090,093	1,392,804

4 Operating loss

Operating loss is stated after charging/(crediting)

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Depreciation of tangible fixed assets	**224,223**	294,869
Operating lease charges	**87,174**	23,725
Other operating income	**(446)**	(1,400)

The directors received no emoluments from the Company during the year (2008: £nil).

Auditors' remuneration of £12,000 (2008: £10,000) was borne by the parent undertaking E.ON Climate & Renewables UK Limited (2008: E.ON UK plc) and not recharged.

5 Employee information

The Company had no employees during the year (2008: nil). The Company is charged by E.ON Climate & Renewables UK Limited for 50% of the services of 14 employees (2008: 15).

The salaries and related costs of employees recharged to the Company by E.ON Climate & Renewables UK Limited were

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Wages and salaries	**217,807**	193,912
Social security costs	**20,575**	19,409
Other pension costs	**34,772**	27,356
	273,154	240,677

6 Interest payable and similar charges

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Interest payable recharged from group undertakings	**8,119,765**	8,053,287
Interest capitalised during the year	**(7,260,134)**	(5,129,873)
Other interest	**527,685**	-
Unwind of discount on decommissioning provision	**6,900**	6,603
Total interest payable and similar charges	**1,394,216**	2,930,017

7 Tax on loss on ordinary activities

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Current tax:		
UK corporation tax on losses for the year	**(11,430,609)**	(9,946,063)
Adjustment in respect of previous periods	**49,644**	249,756
Total current tax credit	**(11,380,965)**	(9,696,307)
Deferred tax:		
Origination and reversal of timing differences	**10,683,765**	9,144,485
Movement in discount on deferred tax	**(4,437,150)**	(6,569,757)
Total deferred tax charge	**6,246,615**	2,574,728
Tax on loss on ordinary activities	**(5,134,350)**	(7,121,579)

7 Tax on loss on ordinary activities (continued)

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

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Loss on ordinary activities before tax	**(2,096,328)**	(3,879,182)
Tax on loss on ordinary activities before tax at 28% (2008: 28.5%)	**(586,972)**	(1,105,567)
Effects of:		
Capital allowances in excess of depreciation	**(10,859,829)**	(8,846,196)
Expenses not deductible for tax purposes	**16,192**	5,700
Adjustment in respect of previous periods	**49,644**	249,756
Current tax credit for the year	**(11,380,965)**	(9,696,307)

The standard rate of corporation tax in the UK changed from 30% to 28% with effect from 1 April 2008 Accordingly, the Company's profits were taxed at an effective rate of 28.5% in 2008 and 28% in 2009

The corporation tax receivable for the year has been reduced by £11,430,609 because of group relief surrendered to a fellow group undertaking for which a payment will be received (2008: £9,946,063). Accordingly, no tax losses are available for carry forward

8 Intangible assets

	Intangible assets £
Cost:	
At 1 January 2009 and at 31 December 2009	**1,584,618**
Net book value:	
At 1 January 2009 and at 31 December 2009	**1,584,618**

Intangible assets are capitalised development costs related to the Robin Rigg Wind Farm. They will be amortised over the useful life of the Robin Rigg Wind Farm when the development is commissioned and brought into service.

9 Tangible fixed assets

	Plant and machinery £	Assets in the course of construction £	Total £
Cost:			
At 1 January 2009	3,691,768	152,513,504	156,205,272
Additions	-	51,601,188	51,601,188
At 31 December 2009	**3,691,768**	**204,114,692**	**207,806,460**
Accumulated depreciation:			
At 1 January 2009	2,916,597	-	2,916,597
Charge for the year	224,223	-	224,223
At 31 December 2009	**3,140,820**	**-**	**3,140,820**
Net book value:			
At 31 December 2009	**550,948**	**204,114,692**	**204,665,640**
At 31 December 2008	775,171	152,513,504	153,288,675

Additions in 2009 included capitalised borrowing costs amounting to £7,260,134 (2008: £5,129,873). The cumulative net book value of capitalised borrowing costs is £14,776,399.

Notes to the financial statements
for the year ended 31 December 2009 (continued)

10 Debtors: amounts falling due after more than one year

	At 31 December 2009 £	At 31 December 2008 £
Other debtors	**41,066**	40,620

11 Debtors: amounts falling due within one year

	At 31 December 2009 £	At 31 December 2008 £
Trade debtors	**30,391**	50,175
Amounts owed by group undertakings	-	12,368,766
Other debtors	**1,005,543**	423,256
Prepayments and accrued income	**13,540,823**	16,465,272
	14,576,757	29,307,469

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

12 Creditors: amounts falling due within one year

	At 31 December 2009 £	At 31 December 2008 £
Amounts owed to group undertakings	**108,794,281**	85,019,865
Accruals and deferred income	**8,089,131**	14,810,262
	116,883,412	99,830,127

Amounts owed to group undertakings include an amount of £1,163,395 with interest payable at 1% and repayable on demand All other amounts owed to group undertakings are unsecured, interest free and repayable on demand

13 Creditors: amounts falling due after more than one year

	At 31 December 2009 £	At 31 December 2008 £
Amounts owed to group undertakings	**78,281,564**	74,960,665

Amounts owed to group undertakings are unsecured with interest payable at a rate of LIBOR + 0 25% The amount owed is repayable in December 2011.

14 Provisions for liabilities and charges

	Deferred tax (note 15) £	**Decommissioning provision £**	**Other provision £**	**Total £**
At 1 January 2009	5,814,704	153,603	25,000	5,993,307
Charged/(credited) to the profit and loss account	6,246,615	-	(25,000)	6,221,615
Capitalised in tangible fixed assets	-	7,005,978	-	7,005,978
Unwind of discount	-	6,900	-	6,900
At 31 December 2009	**12,061,319**	**7,166,481**	**-**	**19,227,800**

The decommissioning provision comprises an amount set aside for the estimated costs of terminating the Robin Rigg Wind Farm's grid connection, decommissioning the site and subsequent site restoration costs based on the current level of completion, which will be utilised when the farm is expected to close in 2034

The other provision relates to a potential claim for mineral rights at Oldside Wind Farm.

15 Deferred tax

The deferred tax provision comprises:

	At 31 December 2009 £	At 31 December 2008 £
Accelerated capital allowances	24,061,935	13,378,170
Undiscounted provision for deferred tax	24,061,935	13,378,170
Discount	(12,000,616)	(7,563,466)
Discounted provision for deferred tax	**12,061,319**	5,814,704

15 Deferred tax (continued)

The opening and closing deferred tax positions can be reconciled as follows:

	£
Deferred tax provision at 1 January 2009	5,814,704
Deferred tax charge to profit and loss account (see note 7)	6,246,615
Deferred tax provision at 31 December 2009	**12,061,319**

Deferred tax balances were measured at the standard rate of corporation tax in the UK of 28%, as this was the rate in force at the balance sheet date. During the year, a new first year rate for capital allowances of 40% was introduced for certain assets and industrial buildings allowances were reduced from 3% to 2%, to be reduced to nil by 2011. The impact of this change is to increase the deferred tax provision by £1,168,928.

On 22 June 2010, the UK Government announced a number of changes to the UK corporation tax system The Finance (No. 2) Act 2010 included legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011 Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014. In addition, capital allowances on plant expenditure will be reduced by 2% from 1 April 2012, on normal plant from 20% to 18% and long life plant from 10% to 8% These changes had not been substantively enacted at the balance sheet date and therefore, are not included in these financial statements.

Due to the proximity of this announcement to the signing of these accounts, it has not been possible to assess the impact of these changes on the deferred tax balances included in the Company's balance sheet.

16 Called up share capital

	At 31 December 2009 £	At 31 December 2008 £
Authorised		
99 ordinary shares of £1 each	**99**	99
1 redeemable preference share of £1	**1**	1
Allotted, called-up and fully paid		
2 ordinary shares of £1 each	**2**	2

17 Reserves

	Profit and loss reserve £
At 1 January 2009	3,437,281
Profit for the financial year	3,038,022
At 31 December 2009	**6,475,303**

18 Reconciliation of movements in shareholder's funds

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Profit for the financial year	**3,038,022**	3,242,397
Net addition to shareholder's funds	**3,038,022**	3,242,397
Opening shareholder's funds	**3,437,283**	194,886
Closing shareholder's funds	**6,475,305**	3,437,283

19 Contingent liabilities

A contingent liability exists with respect to the value of work completed by a contractor on foundation work of the Robin Rigg Wind Farm asset Agreement on the valuation of work completed has not been reached but the Company has received a claim from the contractor for £36,250,000. The directors intend to defend the claim and have not provided for any liability

20 Capital and other commitments

At 31 December 2009, the Company had commitments of £3,233,963 (2008: £15,924,815) for capital expenditure not provided for in these financial statements.

21 Financial commitments

The Company had annual commitments under a non-cancellable operating lease in respect of land The lease is due to expire in more than five years. The operating lease payments are variable, dependent on the Company's gross revenue. The payment for 2010 is estimated to fall within a range of £300,000 to £500,000.

22 Ultimate parent undertaking and controlling party

The immediate parent undertaking is E.ON Climate & Renewables UK Limited. 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
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Dusseldorf
Germany