E.ON ENERGY SOLUTIONS LIMITED
(formerly E.ON Energy Limited)

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2010

Registered No: 3407430

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E.ON ENERGY SOLUTIONS LIMITED
(formerly E.ON Energy 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 the supply of electricity and the shipping and supply of natural gas to industrial and commercial, residential and small and medium-sized business customers.

On 20 April 2011, the Company changed its name from E.ON Energy Limited to E ON Energy Solutions Limited

Business review

Fair review of the Company's business

The Company sells electricity, gas and other energy-related products to residential, business and industrial customers throughout Great Britain. As of 31 December 2010, the Company supplied approximately 8 0m (2009: 7 9m) customer accounts, of which 7.4m (2009: 7.4m) were residential customer accounts and 0 6m (2009. 0.5m) were small and medium-sized business and industrial customer accounts. During the year, there was a net increase in the total number of customer accounts of approximately 0 1m. The Company continues to focus on reducing costs, through efficiency improvements, more economical procurement of services and the utilisation of lower cost sales channels

Residential Customers

The residential business had approximately 7 4m customer accounts as of 31 December 2010. Approximately 61% of the Company's residential customer accounts are electricity customers and 39% are gas customers. Individual retail customers who buy more than one product (i.e. electricity, gas or other energy-related products) are counted as having a separate account for each product, although they may choose to receive a single bill for all services provided by the E.ON UK group of companies

In the residential customer sector, the Company sold 21.1 TWh of electricity and 52.7 TWh of gas in 2010, as compared with 20 5 TWh of electricity and 46.1 TWh of gas in 2009. The main reasons for the increase in consumption were the impact of colder weather offset by energy-efficiency measures.

The Company targets residential customers through national marketing activities such as media advertising (including print, television and radio), targeted direct mail, public relations and online campaigns. The Company seeks to create significant national brand awareness through high profile sponsorships under its E.ON brand. This includes the sponsorship of the FA Cup, England's most historic football competition. The sponsorship is due to end in 2011.

Electricity consumption across the industry in England, Scotland and Wales was 320 TWh for the full year, compared with 315 TWh in 2009 Gas consumption (excluding power stations) was 647 TWh compared with 597 TWh in 2009 The main reasons for the increase in consumption were the impact of colder weather offset by energy-efficiency measures

Business review (continued)

Fair review of the Company's business (continued)

Lower wholesale costs influenced by the recession, oil prices and the availability of gas led to all major suppliers, including the Company, announcing gas and/or electricity price decreases in the first quarter of 2010.

Wholesale prices increased throughout 2010 and all of the Company's competitors made an announcement regarding their standard prices in the final quarter of 2010. The Company and one other competitor were the only suppliers not to announce a price increase in 2010, delaying a change to 2011.

Small and medium-sized business ("SME") and industrial and commercial customers

In this sector, the Company sold 27.2 TWh of electricity and 21.6 TWh of gas in 2010, as compared with 23.1 TWh of electricity and 25.2 TWh of gas in 2009. The main reasons for the increase in consumption were the impact of colder weather and portfolio gains in power.

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 management of these risks is chiefly undertaken at the E ON UK plc consolidated ('group') level.

The key business risks and uncertainties affecting the Company are detailed below.

Price risk

This is the risk that the Company faces from competitors' ability to amend their selling prices in response to movements in wholesale energy markets This ability is a factor of their purchasing strategies and internal structures The Company's responses are similarly constrained or enabled by the same factors.

Credit risk

Risk arises due to the impact of economic conditions on the ability of the Company's customers to pay for the energy they consume.

Weather risk

Risk arises due to the impact that weather has on the demand for energy and the impact on the Company's sales

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

Customer numbers

Customer numbers increased during the year to 8.0m (2009: 7 9m).

Business review (continued)

Key performance indicators (continued)

Price changes

The average price changes for tariff customers were as follows:

	2010	2009
	%	%
Consumer electricity	No change	Decrease 9
Consumer gas	Decrease 6	Decrease 3
SME electricity	Decrease 8	No change
SME gas	Decrease 5	No change

Results and dividends

The Company's profit for the financial year is £161 9m (2009: loss of £26 2m). A preference dividend of £1 7m (2009: £2.7m) was paid on 26 April 2010 The directors do not recommend the payment of a final dividend (2009 £nil).

Directors

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

Dr P Golby
Mr G J Bartlett
Mr M L Thomas

Policy and practice on payment of creditors

Where appropriate in relation to specific contracts, the Company's practice is to

a) settle the terms of payment with the supplier when agreeing the terms of each transaction;

b) ensure that those suppliers are made aware of the terms of payment by inclusion of other relevant terms in the contracts; and

c) pay in accordance with its contractual and other legal obligations.

For all other cases the Company supports the Better Payments Practice Code and has in place well developed arrangements with a view to ensuring that this is observed Trade creditors at the year end represented 62 days (2009: 58 days) of purchases.

Equal opportunities

The Company's employment policies are designed to attract, retain and motivate the very best people recognising that this can only be achieved through offering equal opportunities for all, irrespective of sex, race, marital status, age or disability.

Equal opportunities (continued)

Employment practices and procedures are regularly reviewed to ensure that they provide equality of opportunity to all employees within the current legislative framework. The Company encourages the use of flexible working arrangements where practicable

Employee involvement

Recognising that the success of the Company depends on the quality of performance of its employees, increased emphasis is being put on communication programmes to ensure that employees understand the business strategy and can contribute towards its achievements Throughout the year, principally through regular team briefings and meetings with employees and their representatives, individual businesses have continued to improve their arrangements for employee consultation and communication on matters relating to business performance and objectives There are also well established consultative and negotiating arrangements involving employees, employee representatives and trade union officials to ensure that employees' views are considered in relation to employment conditions, safety and health, welfare and training issues.

The E ON Group provides appropriate training in order to satisfy business needs and to develop the talents and skills of employees, benefiting the individual, the Company and its customers

Safety and health

The Company considers that good safety and health performance is an essential part of business activities and the Company aims to achieve the highest standards. All aspects of safe and healthy working practices are promoted by the Company in the interests of employees, customers, suppliers and the wider community.

People with disabilities

The Company fully recognises its responsibility to encourage and assist the recruitment, employment, training and career development of people with disabilities. If employees become disabled during their service with E.ON Group arrangements are discussed to enable continuity of employment and development as appropriate.

Contributions to political and charitable purposes

Donations to charitable organisations during the financial year by the Company amounted to £725 (2009 £300). No political donations were made (2009 £nil).

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 director 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

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

ON BEHALF OF THE BOARD

Mr M L Thomas
Director
E.ON Energy Solutions Limited
(formerly E.ON Energy Limited)
Company No: 3407430
Westwood Way
Westwood Business Park
Coventry
CV4 8LG

10 June 2011

Independent auditor's report to the member of E.ON Energy Solutions Limited (formerly E.ON Energy Limited)

We have audited the financial statements of E ON Energy Solutions Limited (formerly E ON Energy 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 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 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

Andrew Lyon BSc ACA (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands

10 June 2011

E.ON ENERGY SOLUTIONS LIMITED
(formerly E.ON Energy Limited)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	**Year ended 31 December 2010**	Year ended 31 December 2009
		£m	£m
Turnover	2	**6,688.3**	6,657.1
Cost of sales		**(5,826.9)**	(5,942 8)
Gross profit		**861.4**	714 3
Net operating expenses	3	**(635.9)**	(701.8)
Operating profit	4	**225.5**	12.5
Interest receivable and similar income	7	**2.5**	0.7
Interest payable and similar charges	8	**(1.9)**	(4.3)
Profit on ordinary activities before taxation		**226.1**	8.9
Tax on profit on ordinary activities	9	**(64.2)**	(35.1)
Profit/(loss) for the financial year		**161.9**	**(26.2)**

There are no material differences between the profit 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 10 to 25 form part of these financial statements

E.ON ENERGY SOLUTIONS LIMITED
(formerly E.ON Energy Limited)

BALANCE SHEET
AS AT 31 DECEMBER 2010

	Note	At 31 December 2010 £m	At 31 December 2009 £m
Fixed assets			
Intangible assets	10	**855.3**	968 6
Tangible assets	11	**0.3**	0 6
Investments	12	**21.6**	21 6
		877.2	990.8
Current assets			
Stock	13	**1.1**	2.9
Debtors. amounts falling due after more than one year	14	**38.0**	24.2
Debtors amounts falling due within one year	15	**1,737.6**	1,516.7
Cash at bank and in hand		**201.2**	156.0
		1,977.9	1,699 8
Creditors: amounts falling due within one year	16	**(1,674.7)**	(1,672.1)
Net current assets		**303.2**	27.7
Total assets less current liabilities		**1,180.4**	1,018.5
Creditors: amounts falling due after more than one year	17	**(44.0)**	(44.0)
Net assets		**1,136.4**	974 5
Capital and reserves			
Called-up share capital	18	**760.0**	760 0
Profit and loss reserve	19	**376.4**	214 5
Total shareholder's funds	20	**1,136.4**	974.5

The financial statements on pages 8 to 25 were approved by the Board of Directors on 10 June 2011 and were signed on its behalf by

Mr M L Thomas
Director, E.ON Energy Solutions Limited
(formerly E.ON Energy Limited)
Registered No: 3407430
10 June 2011

The accounting policies and the notes on pages 10 to 25 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 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

Judgement in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting year. These judgements are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the financial statements

Areas of judgement in application of accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Revenue recognition – unread gas and electricity meters

Revenue for energy supply activities includes an assessment of energy supplied to customers between the date of the last meter reading and the year end Unread gas and electricity is estimated using historical consumption patterns taking into account the industry reconciliation process for total gas and total electricity usage by supplier. The industry reconciliation process is required as differences arise between the estimated quantity of gas and electricity the Company deems to have supplied and billed customers, and the estimated quantity the industry system operator deems the individual suppliers, including the Company, to have supplied to customers.

Impairment of trade debtors

Valuation allowances against trade receivables are provided for identifiable individual risks where the loss is probable. The estimates and assumptions used to determine the level of provisions are reviewed periodically. Although the provisions recognised are considered appropriate, the use of different assumptions or changes in economic conditions could lead to changes in the provisions and therefore impact profit or loss for the year

Corporation tax

Significant judgement is required in determining the Company's provision for corporation taxes There are many transactions and calculations for which the ultimate tax determination is uncertain The Company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due.

1 Accounting policies (continued)

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

(a) Intangible fixed assets

Intangible assets are stated at their valuation at acquisition less amortisation. Of the £1,632.6m goodwill arising from the acquisition of TXU assets (an energy supply company acquired in October 2002), £1,182.6m is being amortised over its expected useful life of 20 years The remaining £450.0m that is directly related to the value of the acquired customer base is being amortised over a shorter period of 10 years which represents the directors' view of the expected useful life.

The goodwill arising from the acquisition of the Retail energy businesses of the subsidiary companies of Powergen Retail Supply Limited, its wholly owned subsidiary, of £118.2m is being amortised over its expected useful life of 20 years

Goodwill of £12.5m arose in 2006 from the acquisition of customers beneficially owned by Economy Power Limited, which is being amortised over 7 years which represents the directors' view of these customers' expected useful lives The remaining goodwill relating to other acquisitions is being amortised over 7 years.

(b) 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

(c) Tangible fixed assets

Tangible fixed assets are stated at their purchase or production cost less accumulated depreciation 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. The estimated useful economic lives used for the principal categories of fixed assets are as follows:

Meter reading equipment	3 years

(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) Stocks

Stocks and stores are stated at the lower of cost and net realisable value. All stocks are goods for resale and are recognised in the profit and loss account on a FIFO cost basis

1 Accounting policies (continued)

(f) Pension costs

The Company contributes to a defined contribution pension scheme, and also a defined benefit group pension scheme operated by E.ON UK plc, the assets of which are invested in a separate trustee-administered fund Further details of these schemes are available in E ON UK plc's consolidated financial statements

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

(g) 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 provisions and 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.

(h) Turnover

Turnover comprises revenue from the sale of electricity and gas to industrial and commercial and domestic customers Turnover excludes value added tax

Turnover from the sale of electricity and gas to industrial, commercial and domestic customers is recognised when earned on the basis of a contractual agreement with the customer It reflects the value of the volume supplied, including an estimated value of the volume supplied to customers between the date of their last meter reading and the year end Both billed and unbilled amounts receivable are included within trade debtors.

(i) Financial instruments

The Company utilises financial instruments to manage risk Gains or losses on settled hedging transactions are recognised in the profit and loss account in line with the underlying transactions Unrealised hedging contracts are not recognised and are deferred until the corresponding hedged transactions are realised in the profit and loss account The fair value of such contracts is not disclosed when contracts have been entered into for the purpose of, and continue to meet, the Company's expected purchase, sale or usage requirements.

1 Accounting policies (continued)

(j) Preference shares

Due to the obligation within the Company's articles of association to pay cumulative dividends, in accordance with Financial Reporting Standard 25 the preference shares issued have been classified as debt instruments and included within borrowings The obligation to pay a cumulative dividend is recognised within interest in the profit and loss account. Any unpaid dividends are included within creditors

(k) 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).

(l) 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

2 Turnover

Turnover, which excludes value added tax, represents the value of electricity and gas supplied to industrial and commercial and domestic customers Revenues from the delivery and sale of electricity and gas are recognised upon delivery, primarily on the basis of meter readings, and include an estimate of services provided but not yet billed incorporating historical consumption patterns. The value of services not yet billed is included within trade debtors All of the Company's turnover arises in the course of the Company's principal activity in the UK.

During the year revenue has been reduced by £20.4m (2009 £72.0m) to reflect the inherent imbalance between volumes recognised by the settlement system and that equitably capable of being billed to customers.

3 Net operating expenses

	Year ended 31 December 2010 £m	Year ended 31 December 2009 £m
Administrative expenses before amortisation of goodwill	**560.7**	607 7
Amortisation of goodwill	**113.3**	113.4
Total administration expenses	**674.0**	721 1
Other operating income	**(38.1)**	(19 3)
	635.9	701 8

Administrative expenses include £36.4m (2009: £25.6m) of exceptional costs in relation to staff restructuring and redundancy charges Other operating income relates mainly to prepayment infrastructure usage and other sundry income.

4 Operating profit

Operating profit is stated after charging:

	Year ended 31 December 2010 £m	Year ended 31 December 2009 £m
Depreciation of tangible fixed assets		
Owned assets	**0.3**	0.2
Amortisation of intangible assets	**113.3**	113.4
Loss on disposal of fixed asset investment	**-**	0.1
Operating lease charges:		
Other	**3.4**	2.6
Auditors' remuneration:		
Audit services	**0.4**	0 3

Non-audit fees during the year were £nil (2010: £nil).

5 Directors' emoluments

	Year ended 31 December 2010 £	Year ended 31 December 2009 restated £
Aggregate emoluments	**1,155,790**	1,302,071

Dr P Golby received no emoluments from the Company during the year (2009: £nil). This remuneration is borne by E ON UK plc and is not recharged.

Retirement benefits are accruing to two (2009: two) directors under a defined benefit scheme. The number of directors entitled to shares under a long-term incentive scheme during the year was two (2009: two). During the year no (2009 none) directors exercised options over shares they were rewarded for services to the E ON Group. During the year one (2009: two) director exercised Performance Rights over shares in the ultimate parent company, E ON AG, that they were awarded for services to the E.ON UK Group.

Comparative figures have been restated to exclude accrued pensions.

Highest paid director

	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	**847,482**	1,022,651
Defined benefit pension scheme:		
Accrued pension at end of year	**189,080**	168,510

During the year, the highest paid director exercised Performance Rights over shares in the ultimate parent company, E.ON AG, that they were awarded for services to the E.ON UK Group

6 Employee information

The average monthly number of persons (including executive directors) employed by the Company during the year was

By activity	Year ended 31 December 2010	Year ended 31 December 2009
Selling and distribution	6,901	7,574

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

	Year ended 31 December 2010 £m	Year ended 31 December 2009 £m
Wages and salaries	171.5	176.4
Social security costs	15.1	16.1
Other pension costs (note 21)	18.7	17.7
	205.3	210 2

7 Interest receivable and similar income

	Year ended 31 December 2010 £m	Year ended 31 December 2009 £m
Interest receivable from group undertakings	2.3	-
Other interest receivable	0.2	0.7
	2.5	0.7

8 Interest payable and similar charges

	Year ended 31 December 2010 £m	Year ended 31 December 2009 £m
Interest payable to group undertakings	-	1.5
Preference dividends payable	1.7	2.7
Other interest payable	0.2	0.1
Total interest payable and similar charges	1.9	4.3

9 Tax on profit on ordinary activities

	Year ended 31 December 2010 £m	Year ended 31 December 2009 £m
Current tax:		
UK corporation tax on profits for the year	**78.8**	16.7
Adjustment in respect of previous periods	**(0.8)**	(7.5)
Total current tax charge	**78.0**	9.2
Deferred tax:		
Origination and reversal of timing differences	**(12.1)**	(10 6)
Movement in deferred tax discount	**(2.6)**	3 9
Changes in tax laws and rates	**0.9**	-
Adjustment in respect of previous periods	**-**	(17.1)
Change in estimation technique	**-**	49.7
Total deferred tax (credit)/charge (note 14)	**(13.8)**	25.9
Tax on profit on ordinary activities	**64.2**	35 1

The difference between the tax on the profit on ordinary activities for the year and the tax assessed on the profit 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 £m	Year ended 31 December 2009 £m
Profit on ordinary activities before tax	**226.1**	8.9
Tax on profit on ordinary activities before tax at 28% (2009 28%)	**63.3**	2 5
Effects of		
Capital allowances in excess of depreciation	**(0.6)**	(0 9)
Expenses not deductible for tax purposes	**2.9**	3 6
Adjustment in respect of previous periods	**(0.8)**	(7 5)
Other timing differences	**13.2**	11.5
Current tax charge for the year	**78.0**	9 2

9 Tax on profit on ordinary activities (continued)

The Finance (No. 2) Act 2010 was substantively enacted on 20 July 2010 and includes legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011 The deferred tax asset at 31 December 2010 has been re-measured accordingly

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. The Budget also included measures to reduce the rate of writing-down allowances on the main pool of plant and machinery expenditure to 18% and on the special rate pool to 8%, both with effect from 1 April 2012.

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 expected to be 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 effect of the changes enacted by Parliament on 29 March 2011 is to reduce the deferred tax asset provided at the balance sheet date by £1.8m. This decrease in the deferred tax asset is due to the additional reduction in the corporation tax rate to 26% with effect from 1 April 2011.

The effect of the changes expected to be enacted in the Finance Act 2011, would be to further reduce the deferred tax asset provided for at the balance sheet date by an additional £1.9m. This decrease in the deferred tax asset is due to the reduction in the corporation tax rate from 26% to 25% and a reduction in the rate of writing-down allowances on the main pool of plant and machinery expenditure to 18% and on the special rate pool to 8% with effect from 1 April 2012

The proposed reductions of the main rate of corporation tax by 1% per year to 23% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 25% to 23%, if these applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset by an additional £4 5m

The corporation tax payable for the year has been reduced by £78.0m because of group relief received from a fellow group undertaking for which a payment will be made (2009 £9 2m).

10 Intangible assets

	Goodwill £m
Cost:	
At 1 January 2010	1,774 1
At 31 December 2010	**1,774.1**
Accumulated amortisation:	
At 1 January 2010	805.5
Charge for the year	113 3
At 31 December 2010	**918.8**
Net book value:	
At 31 December 2010	**855.3**
At 31 December 2009	968.6

11 Tangible fixed assets

	Meter reading equipment £m
Cost:	
At 1 January 2010	0 9
At 31 December 2010	**0.9**
Accumulated depreciation:	
At 1 January 2010	0 3
Charge for the year	0 3
At 31 December 2010	**0.6**
Net book value:	
At 31 December 2010	**0.3**
At 31 December 2009	0.6

12 Fixed asset investments

	Investment in subsidiaries £m
Cost:	
31 December 2010 and 31 December 2009	**32.5**
Provision for impairment:	
Impairment at 31 December 2010 and 31 December 2009	**(10.9)**
Net book value:	
At 31 December 2010 and 31 December 2009	**21.6**

The principal fixed asset investment consists of the following:

Name	Country of incorporation	Shares held	Voting rights held	Nature of business
Economy Power Limited	England	Ordinary £0 01 shares and A Ordinary £0.01 shares	100%	Finance company

13 Stocks

	At 31 December 2010 £m	At 31 December 2009 £m
Goods for resale	**1.1**	2.9

14 Debtors: amounts falling due after more than one year

Debtors falling due after more than one year relate solely to deferred tax

The deferred tax asset comprises:

	At 31 December 2010 £m	At 31 December 2009 £m
Accelerated capital allowances	**3.3**	4.1
Other timing differences - Goodwill	**74.8**	66.0
Other timing differences	**1.6**	-
Undiscounted asset for deferred tax	**79.7**	70.1
Discount	**(41.7)**	(45 9)
Discounted asset for deferred tax	**38.0**	24.2

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

	£m
Deferred tax asset at 1 January 2010	24.2
Current year deferred tax credit to profit and loss account (see note 9)	13 8
Deferred tax asset at 31 December 2010	**38.0**

The Finance (No. 2) Act 2010 was substantively enacted on 20 July 2010 and includes legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. The deferred tax asset at 31 December 2010 has been re-measured accordingly. Within the current year deferred tax credit of £13.8m, the amount that relates to the change in tax rate is a charge of £0.9m.

15 Debtors: amounts falling due within one year

	At 31 December 2010 £m	At 31 December 2009 £m
Trade debtors	**879.4**	882.5
Amounts owed by group undertakings	**857.3**	632.6
Other taxation and social security	**0.7**	0 7
Prepayments and accrued income	**0.2**	0 9
	1,737.6	1,516.7

15 Debtors: amounts falling due within one year (continued)

Amounts owed by group undertakings include a £474 4m floating rate deposit (2009· £410.0m) loan to E.ON UK plc, which incurs interest at LIBOR minus 5 basis points This deposit was drawn against the facility from E.ON UK plc which matures in October 2014.

The remaining amounts owed by group undertakings relate to funding of subsidiary companies and utilisation of liquid funds by the parent and are unsecured, interest free and repayable on demand.

16 Creditors: amounts falling due within one year

	At 31 December 2010 £m	At 31 December 2009 £m
Trade creditors	**292.3**	241 2
Amounts owed to group undertakings	**1,099.0**	1,132 2
Other taxation and social security	**83.3**	78.1
Other creditors	**48.9**	74.0
Accruals and deferred income	**151.2**	146.6
	1,674.7	1,672.1

Amounts owed to group undertakings relate to the provision of services, primarily energy purchases, and are unsecured, interest free and repayable on demand.

17 Creditors: amounts falling due after more than one year

	At 31 December 2010 £m	At 31 December 2009 £m
Preference share liabilities	**44.0**	44.0

	At 31 December 2010 £m	At 31 December 2009 £m
Authorised		
60,000,000 irredeemable preference shares of £0.10 each	**6.0**	6.0
Allotted, called-up and fully paid		
31,625,436 irredeemable preference shares of £0.10 each	**3.2**	3.2

17 Creditors: amounts falling due after more than one year (continued)

The ırredeemable preference shares are non-votıng and carry the followıng rıghts:
- the rıght to receıve a cumulatıve preferentıal dıvıdend, based on LIBOR, payable annually ın arrears from the date of fırst ıssue,
- entıtlement, ın a wındıng up or return of capıtal, to repayment of the nomınal value paıd up on each share, the payment of any cumulatıve preferentıal dıvıdend due but unpaıd on the date of dıstrıbutıon and a premıum of 90 pence per share; and
- the preference shares were ıssued at a premıum of £40 8m (£1.29 per share)

18 Called-up share capital

	At 31 December 2010 £m	At 31 December 2009 £m
Authorised		
765,000,000 ordınary shares of £1 each	**765.0**	765.0
Allotted, called-up and fully paid		
760,000,000 ordınary shares of £1 each	**760.0**	760.0

19 Reserves

	Profit and loss reserve £m
At 1 January 2010	214 5
Profıt for the fınancıal year	161 9
At 31 December 2010	**376.4**

20 Reconciliation of movements in shareholder's funds

	Year ended 31 December 2010 £m	Year ended 31 December 2009 £m
Profıt/(loss) for the fınancıal year	**161.9**	(26 2)
Net addıtıon to/(reductıon ın) shareholder's funds	**161.9**	(26.2)
Openıng shareholder's funds	**974.5**	1,000 7
Closıng shareholder's funds	**1,136.4**	974.5

21 Pension commitments

The Company participates in a funded group pension scheme operated by E.ON 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 actuarial valuation of the scheme was at 31 March 2010.

Due to the complexity of actuarial calculations and the number of different companies contributing to the scheme, the Company is unable to identify its share of the underlying assets and liabilities in the scheme. Consequently, the Company accounts for the scheme as a defined contribution scheme The cost of contributions to the scheme in the year amounts to £18 7m (2009: £17.7m).

Further details of the scheme are available in E.ON UK plc's consolidated financial statements. Due to a deficit in the scheme, E.ON UK plc expects to make special contributions of £61m per annum until 2013. None of this cost is expected to be recharged to the Company.

22 Financial commitments

The Company had annual commitments under non-cancellable operating leases in respect of vehicles expiring as follows:

	At 31 December 2010 £m	At 31 December 2009 £m
within one year	**1.1**	0 5
within two to five years	**3.4**	3 5
	4.5	4 0

23 Off balance sheet arrangements

The Company is committed to purchase power and gas under various supply contracts put in place to meet customer demand. At 31 December 2010, the minimum commitment under these contracts was £4,429 4m (2009. £4,870 0m)

24 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

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