

E.ON ENERGY LIMITED
REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2009

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Registered No: 3407430

E.ON ENERGY 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 supply of electricity and the shipping and supply of natural gas to industrial and commercial, residential and SME customers.

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 2009, the Company supplied approximately 7.9m (2008: 8.1m) customer accounts, of which 7.4m (2008: 7.5m) were residential customer accounts and 0.5m (2008: 0.6m) were small and medium-sized business and industrial customer accounts. During the year, there was a net decrease in the total number of customer accounts of approximately 0.2m. 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 2009. Approximately 63% of residential customer accounts are electricity customers and 37% 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 E.ON UK provided services.

In the residential customer sector, the Company sold 20.5 TWh of electricity and 46.1 TWh of gas in 2009, as compared with 22.2 TWh of electricity and 48.0 TWh of gas in 2008. The reduced volumes reflect the impact of changes in customer behaviour, energy-efficiency measures, the impact of the recession and the reduction in customer numbers. Prior year volumes have been restated to reflect volumes at customer meter point rather than the initial estimate of volume delivered to the grid, as this gives a more accurate measure.

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.

Electricity consumption across the industry in England, Scotland and Wales was 315 billion kWh for the full year 2009, compared with 332 billion kWh in 2008. Gas consumption (excluding power stations) was 597 billion kWh compared with 645 billion kWh in 2008. The main reasons for the reduction in consumption were the impact of changes in customer behaviour, energy-efficiency measures and the impact of the recession. The overall weather effect in both years is similar.

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Report of the directors for the year ended 31 December 2009 (continued)

Business review (continued)

Fair review of the Company's business (continued)

2009 saw significant falls in wholesale gas and electricity prices, which led to price decreases across all major competitors. In the first quarter of 2009 all major suppliers, including the Company, announced gas and/or electricity decreases. The Company also reduced its prices again in the third quarter.

Small and Medium-Sized Business ("SME") and Industrial and Commercial ("I&C") Customers

In this sector, the Company sold 23.1 TWh of electricity and 25.2 TWh of gas in 2009, as compared with 25.2 TWh of electricity and 28.1 TWh of gas in 2008. The lower SME volumes are mainly due to changes in customer behaviour, energy-efficiency measures, the impact of the recession and the reduction in customer numbers. The overall weather effect in both years is similar. Sales to I&C customers decreased significantly largely as a result of the continuing economic slowdown, although this was partially offset by portfolio gains in the autumn. Prior year volumes have been restated to reflect volumes at customer meter point rather than the initial estimate of volume delivered to the grid, as this gives a more accurate measure.

On 1 January 2009, the E.ON UK Group disposed of its trading business to a fellow subsidiary of E.ON AG, E.ON Energy Trading SE ("EET SE"). Following this disposal the Company now buys its required supply of power and gas from EET SE under a market based transfer pricing mechanism. Purchase commitments under this arrangement are disclosed in note 23.

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, our 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 our 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 our 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.

E.ON ENERGY LIMITED

Report of the directors for the year ended 31 December 2009 (continued)

Business review (continued)

Key performance indicators

Customer numbers

Customer numbers reduced during the year to 7.9m (2008: 8.1m) reflecting a strategic change in customer targeting

Price changes

The average price changes for tariff customers were as follows:

	2009	2008
	%	%
Consumer electricity	Decrease 9	Increase 13
Consumer gas	Decrease 3	Increase 21
SME electricity	No change	Increase 14
SME gas	No change	Increase 14

Results and dividends

The Company's loss for the financial year is £26.2m (2008: £100.8m). A preference dividend of £2.7m (2008: £2.7m) was paid on 23 April 2009. The directors do not recommend the payment of a final dividend (2008: £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

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.

Policy and practice on payment of creditors

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

- settle the terms of payment with the supplier when agreeing the terms of each transaction;
- ensure that those suppliers are made aware of the terms of payment by inclusion of other relevant terms in the contracts; and
- 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 58 days (2008: 48 days) of purchases.

Report of the directors for the year ended 31 December 2009 (continued)

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.

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 throughout the E.ON Group 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 the 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 £300 (2008: £2,000). No political donations were made during the year (2008: £nil).

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Report of the directors for the year ended 31 December 2009 (continued)

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:

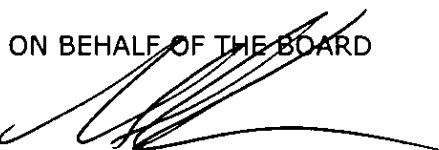
- a) select suitable accounting policies and then apply them consistently,
- b) make judgements and accounting estimates that are reasonable and prudent;
- c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial 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, in which case there should be supporting assumptions or qualifications as necessary.

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.

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



Mr M L Thomas

Director
E.ON Energy Limited
Company No: 3407430
Westwood Way
Westwood Business Park
Coventry
CV4 8LG

23 June 2010

Independent auditors' report to the member of E.ON Energy Limited

We have audited the financial statements of E.ON Energy 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 loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

Charles Joseland (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

28 June 2010

E.ON ENERGY LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2009

		Year ended 31 December 2009	Year ended 31 December 2008 As restated
	Note	£m	£m
Turnover	2	6,657.1	6,543.9
Cost of sales		(5,942.8)	(5,924.2)
Gross profit		714.3	619.7
Net operating expenses	3	(701.8)	(735.0)
Operating profit/(loss)	4	12.5	(115.3)
Interest receivable and similar income	7	0.7	0.7
Interest payable and similar charges	8	(4.3)	(27.8)
Profit/(loss) on ordinary activities before taxation		8.9	(142.4)
Tax on profit/(loss) on ordinary activities	9	(35.1)	41.6
Loss for the financial year		(26.2)	(100.8)

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

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

All the above amounts relate to continuing operations

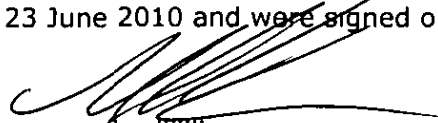
The accounting policies and the notes on pages 9 to 24 form part of these financial statements

E.ON ENERGY LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2009

	Note	At 31 December 2009 £m	At 31 December 2008 As restated £m
Fixed assets			
Intangible assets	10	968.6	1,082.0
Tangible assets	11	0.6	0.8
Investments	12	21.6	21.7
		990.8	1,104.5
Current assets			
Stocks	13	2.9	9.3
Debtors: amounts falling due after more than one year	14	24.2	50.1
Debtors: amounts falling due within one year	15	1,516.7	1,539.3
Cash at bank and in hand		156.0	103.5
		1,699.8	1,702.2
Creditors: amounts falling due within one year	16	(1,672.1)	(1,762.0)
Net current assets/(liabilities)		27.7	(59.8)
Total assets less current liabilities		1,018.5	1,044.7
Creditors: amounts falling due after more than one year	17	(44.0)	(44.0)
Net assets		974.5	1,000.7
Capital and reserves			
Called-up share capital	18	760.0	760.0
Profit and loss reserve	19	214.5	240.7
Total shareholder's funds	20	974.5	1,000.7

The financial statements on pages 7 to 24 were approved by the Board of Directors on 23 June 2010 and were signed on its behalf by



Mr M L Thomas, Director

23 June 2010

The accounting policies and the notes on pages 9 to 24 form part of these financial statements

E.ON ENERGY LIMITED

Notes to the financial statements for the year ended 31 December 2009

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, other than as noted below. 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.

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. 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.

E.ON ENERGY LIMITED

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

1 Accounting policies (continued)

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) 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.

(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	4 years
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(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 finished goods and are recognised in the profit and loss account on a FIFO cost basis.

E.ON ENERGY LIMITED

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

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 separate trustee-administered funds. Further details of these schemes are available in the consolidated financial statements of E.ON UK plc.

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.

There has been a change in application of discounting estimation in the year. In previous periods discounting was only applied in a year of unwind where there was an asset. In the current year all movements in each future year are now discounted including early years originating differences. The impact of this change is to reduce the deferred tax asset by £49.7m and an increase in the deferred tax charge by a similar amount. (See note 14)

(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.

E.ON ENERGY LIMITED

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

1 Accounting policies (continued)

(i) 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).

(j) 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.

(k) 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.

(l) Change in accounting treatment

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 to group companies have been reclassified 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.

The impact of this change is to recognise long term preference share liabilities of £44.0m (2008: £44.0m), reduce share capital by £3.2m (2008: £3.2m), reduce share premium by £40.8m (2008: £40.8m), reduce the dividends paid by £2.7m (2008: £2.7m) and to increase the interest charge for the year by £2.7m (2008: £2.7m).

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 £72.0m (2008: £99.0m) to reflect the inherent imbalance between volumes recognised by the settlement system and that equitably capable of being billed to customers.

E.ON ENERGY LIMITED

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

3 Net operating expenses

	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m
Administrative expenses before amortisation of goodwill	607.7	630.5
Amortisation of goodwill	113.4	113.4
Total administrative expenses	721.1	743.9
Other operating income	(19.3)	(8.9)
	701.8	735.0

Administrative expenses include £25.6m (2008: £11.5m) 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/(loss)

Operating profit/(loss) is stated after charging:

	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m
Depreciation of tangible fixed assets:		
Owned assets	0.2	0.1
Amortisation of intangible assets	113.4	113.4
Loss on disposal of fixed asset investment (note 12)	0.1	-
Operating lease charges:		
Other	2.6	0.7
Auditors' remuneration.		
Audit services	0.3	0.3

Other operating lease charges include land and building lease charges relating to building rental and vehicle lease charges relating to Company vehicle rental

E.ON ENERGY LIMITED

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

5 Directors' emoluments

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Aggregate emoluments	1,638,911	1,509,685
	1,638,911	1,509,685

Dr P Golby received no emoluments from the Company during the year (2008: £nil). This remuneration is borne by E.ON UK plc and not recharged

Retirement benefits are accruing to two (2008: two) directors under a defined benefit scheme. During the year no directors exercised options over shares they were rewarded for services to the E.ON Group (2008: none). During the year two (2008: one) directors 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.

Highest paid director

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Total emoluments, excluding gains on the exercise of share options and benefits under long-term incentive schemes	1,022,651	979,732
Defined benefit pension scheme:		
Accrued pension at end of year	168,510	160,760

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 were:

By activity	Year ended 31 December 2009	Year ended 31 December 2008
Selling and distribution	7,574	7,362

É.ON ENERGY LIMITED**Notes to the financial statements**
for the year ended 31 December 2009 (continued)**6 Employee information (continued)**

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

	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m
Wages and salaries	176.4	180.3
Social security costs	16.1	16.8
Other pension costs (note 21)	17.7	15.1
	210.2	212.2

7 Interest receivable and similar income

	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m
Other interest receivable	0.7	0.7

8 Interest payable and similar charges

	Year ended 31 December 2009 £m	Year ended 31 December 2008 As restated £m
Interest payable to group undertakings	1.5	25.1
Preference dividends payable	2.7	2.7
Other interest payable	0.1	-
	4.3	27.8

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

9 Tax on profit/(loss) on ordinary activities

	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m
Current tax:		
UK corporation tax on profits/(losses) for the year	16.7	(27.1)
Adjustment in respect of previous periods	(7.5)	(5.0)
Total current tax	9.2	(32.1)
Deferred tax:		
Origination and reversal of timing differences	(10.6)	(10.1)
Unwinding of discounts	3.9	0.6
Adjustments in respect of prior periods including discounts	(17.1)	-
Change in estimation technique (note 1)	49.7	-
Total deferred tax	25.9	(9.5)
Tax charge/(credit) on profit/(loss) on ordinary activities	35.1	(41.6)

E.ON ENERGY LIMITED

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

9 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 for the year in the UK (28%) (2008: effective rate 28.5%) can be explained as follows

	Year ended 31 December 2009	Year ended 31 December 2008 As restated
	£m	£m
Profit/(loss) on ordinary activities before taxation	8.9	(142.4)
Tax on profit/(loss) on ordinary activities before tax at 28% (2008: 28.5%)	2.5	(40.6)
<i>Effects of:</i>		
Capital allowances in excess of depreciation	(0.9)	(1.3)
Expenses not deductible for tax purposes	3.6	3.4
Other timing differences	11.5	11.4
Adjustment in respect of previous periods	(7.5)	(5.0)
Current tax charge/(credit) for the year	9.2	(32.1)

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, and will be taxed at 28% in the future.

The corporation tax payable for the year has been reduced by £9.2m (2008: £32.1m receivable) because of group relief claimed from a fellow group undertaking for which a payment of £9.2m (2008: £32.1m received) will be made.

E.ON ENERGY LIMITED

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

10 Intangible fixed assets

	Goodwill £m
Cost:	
At 1 January 2009	1,774.1
At 31 December 2009	1,774.1
Amortisation:	
At 1 January 2009	692.1
Charge for the year	113.4
At 31 December 2009	805.5
Net book value:	
At 31 December 2009	968.6
At 31 December 2008	1,082.0

11 Tangible fixed assets

	Meter reading equipment £m
Cost:	
At 1 January 2009	0.9
Additions	-
At 31 December 2009	0.9
Accumulated depreciation:	
At 1 January 2009	0.1
Charge for the year	0.2
At 31 December 2009	0.3
Net book value:	
At 31 December 2009	0.6
At 31 December 2008	0.8

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

12 Fixed asset investments

	Trade investments £m	Subsidiaries £m	Total £m
At 1 January 2009	0.1	21.6	21.7
Disposals	(0.1)	-	(0.1)
At 31 December 2009	-	21.6	21.6

The principal subsidiaries of the Company are Powergen Retail Supply Limited and Economy Power Limited, both of which are wholly owned, incorporated in England and Wales and did not trade during the year.

13 Stocks

	At 31 December 2009 £m	At 31 December 2008 £m
Goods for resale	2.9	9.3

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 2009 £m	At 31 December 2008 £m
Accelerated capital allowances	4.1	4.9
Other timing differences - goodwill	66.0	69.0
Undiscounted asset for deferred tax	70.1	73.9
Discount	(45.9)	(23.8)
Discounted asset for deferred tax	24.2	50.1

E.ON ENERGY LIMITED

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

14 Debtors: amounts falling due after more than one year (continued)

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

	£m
Deferred tax asset at 1 January 2009	50.1
Change in estimation technique	(49.7)
Adjustment in respect of previous periods	17.1
Current year deferred tax credit to profit and loss account (see note 9)	6.7
Deferred tax asset at 31 December 2009	24.2

Deferred tax balances are measured at the standard rate of corporation tax in the UK of 28% as this is the rate that will apply when these timing differences reverse. 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. There is no impact on the deferred tax asset.

15 Debtors: amounts falling due within one year

	At 31 December 2009 £m	At 31 December 2008 £m
Trade debtors	882.5	1,400.2
Amounts owed by group undertakings	632.6	133.7
Other taxation and social security	0.7	0.7
Prepayments and accrued income	0.9	4.7
	1,516.7	1,539.3

Amounts owed by group undertakings include a £410.0m (2008: £369.1m) loan to E.ON UK plc, which incurs interest at LIBOR minus 5 basis points.

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.

E.ON ENERGY LIMITED

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

16 Creditors: amounts falling due within one year

	At 31 December 2009 £m	At 31 December 2008 £m
Trade creditors	241.2	192.4
Amounts owed to group undertakings	1,132.2	1,450.8
Other taxation and social security	78.1	31.7
Other creditors	74.0	74.8
Accruals and deferred income	146.6	12.3
	1,672.1	1,762.0

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

17 Creditors: amounts falling due after more than one year

	At 31 December 2009 £m	At 31 December 2008 As restated £m
Preference share liabilities	44.0	44.0
	44.0	44.0

	At 31 December 2009 £m	At 31 December 2008 £m
Authorised		
60,000,000 irredeemable preference shares of 10p each	6.0	6.0
	6.0	6.0
Allotted, called-up and fully paid		
31,625,436 irredeemable preference shares of 10p each	3.2	3.2
	3.2	3.2

The irredeemable preference shares are non-voting and carry the following rights:

- the right to receive a cumulative preferential dividend, based on LIBOR, payable annually in arrears from the date of first issue;
- entitlement, in a winding up or return of capital, to repayment of the nominal value paid up on each share, the payment of any cumulative preferential dividend due but unpaid on the date of distribution and a premium of 90 pence per share; and
- the preference shares were issued at a premium of £40.8m (£1.29 per share).

É.ON ENERGY LIMITED

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

18 Called up share capital

	At 31 December 2009 £m	At 31 December 2008 As restated £m
Authorised		
765,000,000 ordinary shares of £1 each	765.0	765.0
	765.0	765.0
Allotted, called-up and fully paid		
760,000,000 ordinary shares of £1 each	760.0	760.0
	760.0	760.0

19 Reserves

	Share premium account £m	Profit and loss reserve £m
At 1 January 2009	40.8	240.7
Prior year adjustment	(40.8)	-
At 1 January 2009 as restated	-	240.7
Loss for the financial year	-	(26.2)
At 31 December 2009	-	214.5

20 Reconciliation of movements in shareholder's funds

	At 31 December 2009 £m	At 31 December 2008 As restated £m
Loss for the financial year	(26.2)	(100.8)
Net reduction in shareholder's funds	(26.2)	(100.8)
Opening shareholder's funds	1,000.7	1,101.5
Closing shareholder's funds	974.5	1,000.7

E.ON ENERGY LIMITED

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

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 published actuarial assessment of the scheme was at 31 March 2007.

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 defined benefit and defined contribution schemes during the year amounts to £17.7m (2008 £15.1m).

Further details of the scheme are available in the consolidated financial statements of E.ON UK plc. Due to a deficit in the scheme, E.ON UK plc expects to make special contributions of £61.0m 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 2009 £m	At 31 December 2008 £m
within one year	0.5	0.5
within two to five years	3.5	3.4
after five years	-	-
	4.0	3.9

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 2009 the minimum commitment under these contracts was £4,870.0m (2008: £nil).

E.ON ENERGY LIMITED

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

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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