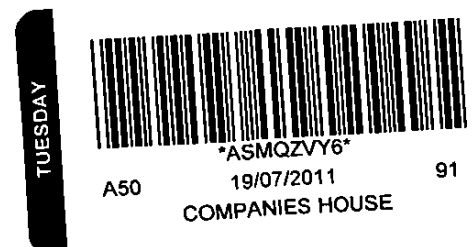


EAST MIDLANDS ELECTRICITY DISTRIBUTIONS HOLDINGS
REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2010

Registered No: 4254217



EAST MIDLANDS ELECTRICITY DISTRIBUTIONS HOLDINGS

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 to act as an intermediate holding company within the E.ON UK group.

On 1 April 2011, the Company disposed of its investment in Central Networks East plc (subsequently renamed Western Power Distribution (East Midlands) plc) for the consideration of £1,256 million.

Business review

Fair review of the Company's business

The position of the Company at the year end was as anticipated. Following the sale of Central Networks East plc (subsequently renamed Western Power Distribution (East Midlands) plc) the directors are considering the future of the Company.

Principal risks and uncertainties

The key business risks and uncertainties affecting the Company are considered to relate to the Company's investments. The Company's key investment has been in Central Networks East plc. The principal risks and uncertainties associated with this investment are discussed within the financial review section of the E.ON UK plc annual report which does not form part of this report.

Key performance indicators ('KPIs')

The directors of E.ON UK plc manage the group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using KPIs for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the Central division of E.ON UK plc, which includes the Company, is discussed within the financial review section of the group's annual report which does not form part of this report.

Results and dividends

The Company's loss for the financial year is £2 million (2009: profit of £300 million). The directors do not recommend the payment of a dividend (2009: £nil).

Directors

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

Mr B J Tear
Ms F S Stark
Ms M Antoniou (appointed 23 February 2011)
E.ON UK Directors Limited (resigned 23 February 2011)

EAST MIDLANDS ELECTRICITY DISTRIBUTIONS HOLDINGS

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

Contributions to political and charitable purposes

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

Post balance sheet events

Post balance sheet events have been disclosed in note 11 to the financial statements.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements the directors are required to:

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and accounting estimates that are reasonable and prudent;
- c) state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- d) prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' indemnities

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


Disclosure of information to auditors

So far as each of the directors are aware, there is no relevant audit information of which the Company's auditors are unaware and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

EAST MIDLANDS ELECTRICITY DISTRIBUTIONS HOLDINGS

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

ON BEHALF OF THE BOARD



Brian Tear

Director

East Midlands Electricity Distribution Holdings

Registered No· 4254217

Westwood Way

Westwood Business Park

Coventry

CV4 8LG

7 July 2011

**Independent auditor's report to the members of
East Midlands Electricity Distribution Holdings**

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

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



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

13 July 2011

EAST MIDLANDS ELECTRICITY DISTRIBUTIONS HOLDINGS

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2009

		Year ended 31 December 2010	Year ended 31 December 2009
	Note	£m	£m
Net operating income		-	305
Operating profit	2	-	305
Interest payable and similar charges	3	(3)	(7)
(Loss)/profit on ordinary activities before taxation		(3)	298
Tax on (loss)/profit on ordinary activities	4	1	2
(Loss)/profit for the financial year		(2)	300

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

The Company has no recognised gains and losses other than the (loss)/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 11 form part of these financial statements

EAST MIDLANDS ELECTRICITY DISTRIBUTIONS HOLDINGS

BALANCE SHEET AS AT 31 DECEMBER 2010

	Note	At 31 December 2010 £m	At 31 December 2009 £m
Fixed assets			
Investments	5	<u>1,063</u>	<u>1,063</u>
Current assets			
Debtors: amounts falling due within one year	6	<u>595</u>	<u>593</u>
Total assets less current liabilities		<u>1,658</u>	<u>1,656</u>
Creditors: amounts falling due after more than one year	7	<u>(261)</u>	<u>(257)</u>
Net assets		<u>1,397</u>	<u>1,399</u>
Capital and reserves			
Called-up share capital	8	<u>106</u>	<u>106</u>
Share premium account	9	<u>957</u>	<u>957</u>
Profit and loss reserve	9	<u>334</u>	<u>336</u>
Total shareholders' deficit	10	<u>1,397</u>	<u>1,399</u>

The financial statements on pages 5 to 11 were approved by the Board of Directors on 7 July 2011 and were signed on its behalf by:



Brian Tear
Director
East Midlands Electricity Distribution Holdings
Registered No. 4254217

7 July 2011

The accounting policies and the notes on pages 7 to 11 form part of these financial statements.

EAST MIDLANDS ELECTRICITY DISTRIBUTIONS HOLDINGS

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

1 Accounting policies

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

(a) Fixed asset investments

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

(b) Taxation

The tax charge for the year is based on the profits or losses on ordinary activities for the year and takes into account full provision for deferred tax in respect of timing differences on a discounted basis, using the approach set out in Financial Reporting Standard 19 'Deferred tax'. Deferred tax assets are recognised when it is more likely than not that they will be recovered.

(c) 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).

(d) 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 Operating profit

During 2009, the value of the Company's investment in Central Networks East plc (subsequently renamed Western Power Distribution (East Midlands) plc) was reviewed due to a change in economic conditions. As a result, impairment losses of £305 million recognised in previous years were reversed.

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

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

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

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

EAST MIDLANDS ELECTRICITY DISTRIBUTIONS HOLDINGS

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

3 Interest payable and similar charges

	Year ended 31 December 2010 £m	Year ended 31 December 2009 £m
Interest payable to group undertakings	<u>3</u>	<u>7</u>

4 Tax on (loss)/profit on ordinary activities

	Year ended 31 December 2010 £m	Year ended 31 December 2009 £m
Current tax:		
UK corporation tax on losses for the year	<u>(1)</u>	<u>(2)</u>

The difference between the tax on the (loss)/profit on ordinary activities for the year and the tax assessed on the (loss)/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
(Loss)/profit on ordinary activities before tax	<u>(3)</u>	<u>298</u>
Tax on (loss)/profit on ordinary activities before tax at 28% (2009: 28%)	(1)	83
<i>Effects of:</i>		
Income not taxable	-	(85)
	<u>(1)</u>	<u>(2)</u>

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.

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.

EAST MIDLANDS ELECTRICITY DISTRIBUTIONS HOLDINGS

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

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

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 corporation tax receivable for the year has been reduced by £1 million because of group relief surrendered to a fellow group undertaking for which a payment will be received (2009: £2 million). Accordingly no tax losses are available for carry forward

5 Fixed asset investments

	Investment in subsidiaries £m
At 31 December 2010 and 31 December 2009	1,063

Fixed asset investments comprise the following:

Name	Country of incorporation	Shares held	Voting rights held	Nature of business
Central Networks East plc	England & Wales	Ordinary 56 9/11p shares	100%	Electricity Distribution

On 1 April 2011, the Company disposed of its investment in Central Networks East plc (subsequently renamed Western Power Distribution (East Midlands) plc).

6 Debtors: amounts falling due within one year

	At 31 December 2010 £m	At 31 December 2009 £m
Amounts owed by group undertakings	595	593

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

EAST MIDLANDS ELECTRICITY DISTRIBUTIONS HOLDINGS

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

7 Creditors: amounts falling due after more than one year

	At 31 December 2010 £m	At 31 December 2009 £m
Amounts owed to group undertakings	<u>261</u>	<u>257</u>

Amounts owed to group undertakings represent a loan of £261 million (2009 £257 million) to E.ON UK plc which is repayable on 21 December 2012. Interest is charged at LIBOR + 0.5%.

8 Called up share capital

	At 31 December 2010 £m	At 31 December 2009 £m
Authorised		
110,000,000 ordinary shares of £1 each	<u>110</u>	<u>110</u>
Allotted, called-up and fully paid		
106,300,002 ordinary shares of £1 each	<u>106</u>	<u>106</u>

9 Reserves

	Share premium account £m	Profit and loss reserve £m
At 1 January 2010	957	336
Loss for the financial year	-	(2)
At 31 December 2010	<u>957</u>	<u>334</u>

10 Reconciliation of movements in shareholders' funds

	Year ended 31 December 2010 £m	Year ended 31 December 2009 £m
(Loss)/profit for the financial year	<u>(2)</u>	300
Net (reduction in)/addition to shareholders' funds	<u>(2)</u>	300
Opening shareholders' funds	<u>1,399</u>	1,099
Closing shareholders' funds	<u>1,397</u>	<u>1,399</u>

EAST MIDLANDS ELECTRICITY DISTRIBUTIONS HOLDINGS

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

11 Post balance sheet events

On 1 April 2011, the Company disposed of its investment in Central Networks East plc (subsequently renamed Western Power Distribution (East Midlands) plc) for the consideration of £1,256 million

12 Ultimate parent undertaking and controlling party

The immediate parent undertaking is Powergen (East Midlands) Investments. 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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