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Npower Northern Limited

Directors' report and financial statements for the year ended 31 December 2007

Registered no 03432100



Npower Northern Limited

Directors' report and financial statements for the year ended 31 December 2007

	Page
Directors' report for the year ended 31 December 2007	1
Independent auditors' report to the members of Npower Northern Limited	5
Profit and loss account for the year ended 31 December 2007	6
Balance sheet as at 31 December 2007	7
Notes to the financial statements for the year ended 31 December 2007	8

Npower Northern Limited

Directors' report for the year ended 31 December 2007

The Directors present their report and the audited financial statements for the year ended 31 December 2007

Principal activities

The principal activities of the Company are the marketing and supply of electricity and natural gas and related services to domestic, commercial and industrial consumers

Business Review

The external commercial environment in which the Company operates is expected to remain competitive in 2008. Whilst the Directors recognise that the Company operates in a competitive industry, the Directors remain confident that the Company will continue to maintain the current level of performance in the future.

Review of results and dividends

The results for the year are shown on page 6. A dividend of £100,000,000 was paid in the year (2006 £50,000,000).

Key Performance Indicators

The Directors of Npower Northern Limited manage the group's operations on a divisional basis as part of the retail business within the RWE npower group. Management monitor the business performance and measure it against strategic objectives using key performance indicators on a divisional basis. The key performance indicators of the division include comparison of gross margin, EBITA, operating costs, and cash flow against budgets and quarterly re-forecasts. For this reason the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of Npower Northern Limited.

Directors and their interests

The Directors who held office during the year and up to the date of this report were as follows:

A Duff	
D Threlfall	resigned 14 February 2008
K Miles	appointed 2 January 2007
C Johnson	appointed 1 October 2007

According to the register required to be kept under section 325 of the Companies Act 1985 none of the Directors of the Company at 31 December 2007 held any interest in the share options or debentures of group companies incorporated in the United Kingdom. As permitted by statutory instrument, the register does not include shareholdings of Directors in companies incorporated outside Great Britain.

Employees

The energy, innovation and creativity of our staff add value to our businesses.

The Company is committed to the development of all staff in the organisation in order to leverage our intellectual capital. Staff are encouraged to maintain personal development plans and the Company provides financial support to employees to pursue training opportunities.

The major changes within the Npower Retail division mean that effective communications with staff are vital. Corporate publications and other media, including distribution of key development messages and team briefings, are used to promote wide understanding of policies and strategy. We also utilise the latest technology to aid rapid communication with staff around the world through use of a comprehensive Company Intranet.

Health and safety

The Company regards the health and safety of its employees as an essential integrated feature of our operations. We have published an overall policy and guidelines and procedures appropriate to each of our workplaces have been issued to managers.

Npower Northern Limited

Directors' report for the year ended 31 December 2007 (continued)

Equal Opportunities and Diversity

The Company is committed to equal opportunity and diversity because of a sense of social responsibility and also because it makes sound business sense to tap into the wide-ranging knowledge and experience of individuals in all sectors of society. Through its commitment to valuing the talents of its employees, the Group aims to ensure that it is able to compete in attracting and retaining high calibre employees with wide-ranging experience and is therefore able to respond positively and flexibly to change. Decisions to appoint, reward, train, develop and promote are taken based on skills and abilities, or demonstrated potential, merit and the requirements of the job. Employment decisions affecting both job applicants and employees with disabilities will be made following any reasonable adjustments that may be necessary to ensure fair treatment.

The Group is a member of the Employers' Forum on Disability, Opportunity Now and the Employers' Forum on Age and is committed to the aims of these organisations.

Creditor payment policy

Npower Northern Limited recognises the need to observe the highest standards of business practice in its role as buyer and seller. Its immediate parent company, RWE Npower plc, subscribes to the CBI's Prompt Payment Code and has formally adopted British Standard 7890 Methods for Achieving Good Payment Performance in Commercial Transactions and this is an achievement and a standard that Npower Northern Limited is seeking to emulate. Npower Northern Limited's average number of days outstanding in respect of trade creditors calculated in accordance with the Companies Act, at 31 December 2007 was 52 days (2006: 54 days).

Financial risk management

Credit Risk

The npower retail group of companies has a policy of requiring appropriate credit checks on commercial customers prior to establishing credit terms and payment method. Credit insurance and security deposits are arranged depending upon a combination of the credit rating and the projected annual spend. For all new customers with an annual spend in excess of predetermined limits commodity risk control are required to sign off the account prior to acceptance.

Liquidity Risk

The Company forms part of the group treasury arrangements which actively manage a mixture of finance to ensure that the group has sufficient liquid resources to manage its current and future operational requirements.

Commodity Price Risk

The Company is exposed to commodity price risk as a result of its operations. The risk is actively managed through the application of appropriate techniques and methodologies in accordance with the Commodity Risk Controlling Directive of the Company's ultimate parent RWE AG. These techniques and methodologies include the application of appropriate hedge policies, the measurement of commodity risks, the setting of approved transaction limits (together with the monitoring of compliance with the approved limits), the reporting of unhedged positions and the conduct of scenario analyses and stress tests.

The Directive and its application within the Company is kept under constant review to reflect changes in market and company dynamics, together with the nature of products offered to the market.

Securities Price Risk

The Company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Npower Northern Limited

Directors' report for the year ended 31 December 2007 (continued)

General Risk Management

As a subsidiary of RWE AG, the Company complies with the Risk Management Directive of RWE AG, which embodies the relevant provisions of the German Law on Corporate Control and Transparency (Gesetz zur Kontrolle und Transparenz im Unternehmensbereich), together with the German Stock Corporation Act (Aktengesetz) and the German Commercial Code (Handelsgesetzbuch). Compliance is achieved within the Company through the application of a tri-partite system of three separate but supportive elements, namely a risk controlling/early warning system, an internal control system and an internal audit process.

Statement of directors' responsibilities in respect of the annual report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. 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). The financial statements are required by law to 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 those financial statements, the directors are required to

- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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,
- select suitable accounting policies and apply them consistently.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern

The directors of RWE Npower plc, the immediate parent company, have indicated their willingness to continue to provide financial support to the Company for the foreseeable future, at least one year from the date of approval of these financial statements, sufficient for the Company to meet its obligations as they fall due. As a result, the directors have prepared the financial statements on a going concern basis.

Auditors and disclosure of information to auditors

In the case of each of the persons who are directors at the time when the report is approved under Section 234ZA of the Companies Act, the following applies:

- a) so far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- b) they have taken all 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.

Npower Northern Limited

Directors' report for the year ended 31 December 2007 (continued)

Auditors

Pursuant to Section 386 of the Companies Act 1985, the Company has dispensed with the obligation to appoint auditors annually PricewaterhouseCoopers LLP will continue to act as auditors of the Company

Pursuant to Section 366A of the Companies Act 1985 the Company has dispensed with the obligation to hold an annual general meeting and pursuant to Section 379A the Company has dispensed with the requirement to lay accounts before a general meeting

By order of the board



Chris Johnson
Director
18 September 2008

Independent auditors' report to the members of Npower Northern Limited

We have audited the financial statements of Npower Northern Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

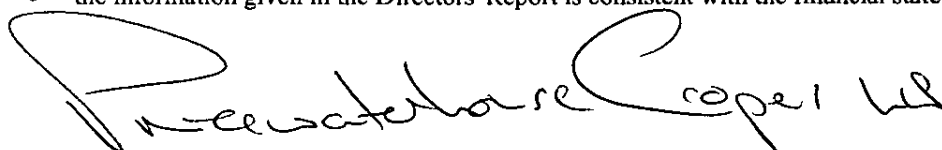
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors

Birmingham

18th September 2008

Npower Northern Limited

Profit and loss account for the year ended 31 December 2007

		2007	2006
	Note	£'000	£'000
Turnover	1		
Continuing operations		923,806	661,512
Acquisition		3,105	-
		926,911	661,512
Cost of sales		(704,348)	(473,515)
Gross profit		222,563	187,997
Administrative expenses		(209,975)	(96,188)
Other operating income	3	1,370	4,812
Operating profit	6		
Continuing operations		15,122	96,621
Acquisition		(1,164)	-
Profit on ordinary activities before interest and taxation		13,958	96,621
Interest receivable and similar income	4	4,222	2,268
Interest payable and similar charges	5	(14,162)	(18,004)
Profit on ordinary activities before taxation		4,018	80,885
Tax on profit on ordinary activities	7	(1,775)	9,926
Profit for the financial year	17	2,243	90,811

There is no difference between the profit above and their historical cost equivalents

There were no recognised gains or losses other than the profit for the year as shown above

Npower Northern Limited

Balance sheet as at 31 December 2007

		2007	2006
	Note	£'000	£'000
Fixed assets			
Intangible assets	9	422,694	452,575
Tangible assets	10	22,782	32,946
		445,476	485,521
Current assets			
Stocks	11	291	60
Debtors	12	1,151,549	346,041
Cash at bank and in hand		7,093	-
		1,158,933	346,101
Creditors amounts falling due within one year	14	(1,573,614)	(640,816)
Net current liabilities		(414,681)	(294,715)
Total assets less current liabilities		30,795	190,806
Provisions for liabilities and charges	15	(23,462)	(86,682)
Net assets		7,333	104,124
Capital and reserves			
Called up share capital	16	-	-
Profit and loss reserve	17	7,333	104,124
Total shareholders' funds	18	7,333	104,124

The financial statements on pages 6 to 23 were approved by the board of directors on 18 September 2008 and were signed on its behalf by



Chris Johnson
Director

Npower Northern Limited

Notes to the financial statements for the year ended 31 December 2007

1 Accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are set out below. All accounting policies have been applied consistently throughout the year.

Basis of preparation

Under FRS 1 (Revised) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company was a wholly owned subsidiary of RWE AG, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of RWE AG, within which this Company is included, can be obtained from the address given in note 23.

Going concern

The directors of RWE Npower plc, the immediate parent company, have indicated their willingness to continue to provide financial support to the company for the foreseeable future, at least one year from the date of approval of these financial statements, sufficient for the company to meet its obligations as they fall due. As a result, the directors have prepared the financial statements on a going concern basis.

Goodwill

In accordance with FRS 10 Goodwill and Intangible Assets, goodwill arising on acquisition, being the difference between the fair value of the purchase consideration and the fair value of the identifiable net assets/liabilities of an acquired business, is capitalised and amortised in equal annual instalments over its estimated useful service life of 20 years.

Impairment reviews are undertaken in accordance with the requirements of FRS 11 Impairments of fixed assets and goodwill.

Turnover

Turnover is recognised at the date of supply of services to customers, and comprises the value of sales of goods and services, excluding VAT and other indirect taxes in the normal course of business. The Company operates in one class of business, the marketing and supply of electricity and gas and related services, and in one geographical segment, the United Kingdom.

Accounting estimations

In accounting for revenues and direct costs, the company employs a forecasting process using forecast models to calculate the accruals required at the accounting period end. The models are continuously updated with historical actual data downloaded from the financial ledgers which in turn will improve the accuracy of the forecast data. The accuracy of the forecast data is reviewed each year end to identify any significant movements to actual results and adjustments made. The actual billings and costs are compared with the estimates in hindsight and adjustments made where material.

Npower Northern Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

1 Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. In the case of assets constructed by the Company, related works and commissioning costs are included in cost. Assets in the course of construction are included in tangible fixed assets on the basis of expenditure incurred at the balance sheet date.

Depreciation is calculated so as to write down the cost of tangible fixed assets to their residual value evenly over their estimated useful lives. Estimated useful lives are reviewed periodically, taking into account commercial and technological obsolescence as well as normal wear and tear, with provision being made for any permanent diminution in value.

The depreciation charge is based on the following estimates of useful lives:

Long leasehold land and buildings	period of lease
Office equipment and furniture	5 years
Computer hardware and software costs	5 years

Depreciation of computer software costs commences when the related software becomes operational.

Pension costs

Contributions paid by the Company to the RWE npower section of the industry-wide defined benefit scheme, the Electricity Supply Pension Scheme (ESPS), are accounted for as if the scheme were a defined contribution scheme, as the company is unable to identify its share of the underlying assets and liabilities in the scheme.

Contributions payable under money-purchase schemes are charged to the profit and loss account as they fall due.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of stocks, the weighted average purchase price is used.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred. Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date. Deferred tax assets are only recognised to the extent that it is deemed more likely than not that they will be realised.

Other operating income

Final customer credits are transferred to provisions for liabilities and charges and subsequently released to the profit and loss account where all procedures to trace lost customers have been undertaken and proved unsuccessful. An appropriate amount is retained representing expected future refunds when a claim may be made by a lost customer.

Provisions

Provisions are recognised when the company has a present obligation for a past event, for which it is probable that a transfer of economic benefits will be required and a reliable estimate can be made of the amount of the obligation. Provisions are discounted where material in relation to the estimated period over which the provision will be utilised. The rate of discount reflects the time value of money and the risks associated with the liability.

Npower Northern Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

2 Directors' emoluments and employee information

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows

	2007	2006
	Number	Number
Operating employees	2,180	1,128

The aggregate payroll costs of these persons were as follows

	2007	2006
	£'000	£'000
Wages and salaries	45,743	21,306
Social security costs	4,044	1,829
Other pension costs	2,542	1,326
Share based payments	966	-
Staff costs	53,295	24,461

With the exception of the metering businesses and Home Energy Services, all employees are employed by Npower Limited. Employee costs are recharged to each of the retail group entities via the group management charge and are appropriately disclosed as staff costs.

As employees may work across several legal entities average staff numbers have been deduced based on the average employee cost for the Npower retail group.

The Directors of Npower Northern Limited received no remuneration from the company. These Directors were remunerated for their services to the group as a whole, including Npower Northern Limited, by other group companies and it is not possible to allocate their emoluments to Npower Northern Limited. Details of the Directors' aggregate remuneration are set out in the accounts of RWE Npower plc.

Costs recharged to the Npower retail group for the services of the Directors have been disclosed in the accounts of Npower Limited.

No director was a member of the defined contribution schemes (2006: no directors). All directors are members of defined benefit schemes (2006: all directors).

During the year all of the directors (2006: all) exercised share options in RWE AG the ultimate parent company.

Further details of the nature and the extent of share based payment arrangements have been disclosed in full within the accounts of RWE Npower plc.

Npower Northern Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

3 Other operating income

	2007	2006
	£'000	£'000
Final customer credits (note 15)	1,370	4,812

Final customer credits relate to historic credit balances written back to the profit and loss reserve

4 Other interest and similar income

	2007	2006
	£'000	£'000
Bank interest receivable	4,134	2,246
Interest receivable from group companies	-	22
Other interest receivable	88	-
	4,222	2,268

All loans between group undertakings incur interest at base rate plus 1%

5 Interest payable and similar charges

	2007	2006
	£'000	£'000
On bank loans and overdrafts	2,398	903
Interest payable to group companies	7,362	10,152
Interest charge on discounted provisions (note 15)	4,082	6,949
Other interest payable	320	-
	14,162	18,004

All loans between group undertakings incur interest at base rate plus 1%

Npower Northern Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

6 Operating profit

	2007	2006
	£'000	£'000
<hr/>		
Operating profit is stated after charging		
Services provided by the company's auditor		
Fees payable for the audit	57	54
Depreciation of tangible fixed assets (note 10)	7,281	7,158
Amortisation of goodwill (note 9)	30,698	30,684
Operating lease charges – land and buildings	913	917
<hr/>		

No fees were paid to the auditors for non audit services (2006 £nil)

Npower Northern Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

7 Tax on profit on ordinary activities

	2007	2006
	£'000	£'000
Current tax		
Group relief payable	632	11,021
Adjustment in respect of prior periods	4,282	(23,405)
Total current tax	4,914	(12,384)
Deferred tax.		
Current year deferred tax charge	734	2,473
Impact of change in UK tax rate	409	-
Adjustment in respect of prior periods	(4,282)	(15)
Total deferred tax (note 13)	(3,139)	2,458
Tax charge/(credit) on profit on ordinary activities	1,775	(9,926)

Npower Northern Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

7 Tax on profit on ordinary activities (continued)

The current tax charge for the year is higher (2006 credit is lower) than the standard rate of corporation tax in the UK 30% (2006 30%) The differences are explained below

	2007	2006
	£'000	£'000
Profit on ordinary activities before taxation	4,018	80,885
Profit on ordinary activities before taxation multiplied by the standard rate of taxation in the UK of 30% (2006 30%)	1,205	24,265
Effects of		
Non taxable release of PPA provision	(19,665)	(17,931)
Non taxable expense/(income) re capital element of PPA provision release	10,622	(2,054)
Expenses not deductible for tax purposes	9,204	9,214
Capital allowances for period in excess of depreciation	(1,634)	(1,813)
Other timing differences	900	(660)
Adjustment in respect of prior periods	4,282	(23,405)
Current tax charge/(credit) for the year	4,914	(12,384)

The standard rate of corporation tax in the UK changes to 28% with effect from 1 April 2008

Npower Northern Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

8 Dividends

	2007	2006
	£'000	£'000
Equity – Ordinary		
Interim paid £50,000,000 (2006 £25,000,000) per £1.00 share	100,000	50,000

9 Intangible assets

	Goodwill
	£'000
Cost	
At 1 January 2007	614,612
Additions (note 20)	817
At 31 December 2007	615,429
Amortisation	
At 1 January 2007	162,037
Charged in the year	30,698
At 31 December 2007	192,735
Net book value	
At 31 December 2007	422,694
At 31 December 2006	452,575

The Directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises

The Directors estimate that the useful economic life of this goodwill is at least 20 years and it is amortised over 20 years in accordance with FRS 10

Npower Northern Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

10 Tangible assets

	Long leasehold land and buildings	Office equipment and furniture	Computer hardware and software	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2007	2,000	7,187	45,392	116	54,695
Reclassifications	-	(15)	130	(115)	-
Additions (note 20)	-	-	278	71	349
Transfers to other group companies	-	(100)	(4,621)	-	(4,721)
At 31 December 2007	2,000	7,072	41,179	72	50,323
Depreciation					
At 1 January 2007	116	5,692	15,941	-	21,749
Charge for the year	24	135	7,122	-	7,281
Transfers to other group companies	-	(28)	(1,461)	-	(1,489)
At 31 December 2007	140	5,799	21,602	-	27,541
Net book value					
At 31 December 2007	1,860	1,273	19,577	72	22,782
At 31 December 2006	1,884	1,495	29,451	116	32,946

Npower Northern Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

11 Stocks

	2007	2006
	£'000	£'000
Metering stocks	62	60
Other stock	229	-
	291	60

12 Debtors

	2007	2006
	£'000	£'000
Trade debtors	129,517	59,574
Other amounts owed by group undertakings	749,805	155,876
Prepayments and accrued income	250,813	128,005
Other debtors	8,321	-
Tax and social security costs	7,368	-
Total amounts recoverable within one year	1,145,824	343,455
Amounts recoverable after more than one year - Deferred tax	5,725	2,586
	1,151,549	346,041

Prepayments and accrued income includes accruals for electricity and gas income not yet billed of £250,297,000 (2006 £127,841,000)

Npower Northern Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

13 Deferred taxation

The movement on deferred taxation is as follows

	£'000
At 1 January 2007	2,586
Credited to profit and loss account (note 7)	3,139
At 31 December 2007	5,725

Deferred taxation accounted for in the balance sheet and the potential amounts of deferred taxation at 28% (2006 30%) are as follows

	Amount recognised		Amount not recognised	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Tax effect of timing differences because of:				
Decelerated capital allowances	4,885	2,586	-	-
Other timing differences	840	-	-	-
	5,725	2,586	-	-

The deferred tax asset in respect of timing differences is expected to be recovered through a combination of future profits and group relief with other group companies.

Npower Northern Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

14 Creditors: amounts falling due within one year

	2007	2006
	£'000	£'000
Bank overdraft	-	3,106
Trade creditors	2,740	115
Customer payments in advance	132,033	71,857
Loans due to group undertakings	107,233	121,262
Other amounts due to group undertakings	1,175,466	345,089
Other creditors	9,683	19,358
Accruals and deferred income	144,421	73,956
Other tax and social security	2,038	6,073
	1,573,614	640,816

Loans owed to group undertakings are subject to annual renewal by agreement with RWE Npower plc. Such amounts have therefore been included within current liabilities. As at the date of approval of these financial statements the Directors are not aware of any intention of the lending company to require repayment of such funding, other than by way of transfer of surplus funds arising within the company's operations. Interest is charged to the Company for the loans from other group companies at base rate plus 1%.

Other amounts owed to group undertakings include £4,914,000 in respect of group relief payable (2006 £31,110,000).

Npower Northern Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

15 Provisions for liabilities and charges

	PPA provision	Final customer credits	Other provisions	Total
	£'000	£'000	£'000	£'000
At 1 January 2007	85,643	1,039	-	86,682
Created during the year	-	-	3,000	3,000
Transferred from creditors during the year	-	699	-	699
Utilised during year	(69,631)	-	-	(69,631)
Released during the year (note 3)	-	(1,370)	-	(1,370)
Unwinding of discounted amount (note 5)	4,082	-	-	4,082
At 31 December 2007	20,094	368	3,000	23,462

A provision is included within the balance sheet in respect of a power purchase agreement (PPA), which was onerous at the date of acquisition, and reflects the fair value of the agreement at that date in accordance with FRS 7 Fair values in acquisition accounting. The provision is expected to be utilised by March 2008 and has been discounted at a range of pre-tax discount rates (broadly 4.5% 2006-4.5%) which represent the current market assessment of the time value of money.

Final customer credits relate to remaining customer balances which arise from various circumstances including customer debt which has previously been written off and subsequently recovered, or where management's ability to raise a final bill following the loss of a customer is prevented because of the absence of final meter readings, or where overpayments have been made by lost customers for whom there is no forwarding address or other contact details. The amount retained in provisions represents management's assessment of potential claims from lost customers and is expected to be utilised over six years.

A provision has been created in other provisions for £3,000,000 during the year. The provision relates to a potential historic VAT and Climate Change Levy liability.

Npower Northern Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

16 Called up share capital

	2007	2006
	£	£
Authorised		
100 Ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	2	2

17 Reserves

	Profit and loss reserve
	£'000
At 1 January 2007	104,124
Profit for the financial year	2,243
Share based payment	966
Dividends paid	(100,000)
At 31 December 2007	7,333

The profit and loss reserve includes £966,000 for charges in respect of employee share schemes

18 Reconciliation of movements in shareholders' funds

	2007	2006
	£'000	£'000
Profit for the financial year and net increase in shareholders funds	3,209	90,811
Dividends paid	(100,000)	(50,000)
Retained (loss)/profit for the financial year	(96,791)	40,811
Opening shareholders' funds	104,124	63,313
Closing shareholders' funds	7,333	104,124

Npower Northern Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

19 Commitments

Capital commitments at 31 December 2007 for which no provision has been made in these financial statements is £nil (2006 £nil)

Annual commitments under non-cancellable operating leases are as follows

	2007	2006
	Land and buildings	Land and buildings
	£'000	£'000
Operating leases which expire		
In less than one year	5	14
Within two to five years	671	635
More than five years	237	268
	913	917

20 Acquisitions

The net assets of Homeserve Ltd were acquired by Npower Northern Ltd on 1st September 2007 for a consideration of £1,334,184, satisfied in cash. The fair value of the assets and liabilities of the company was £517,621.

Goodwill arising on the acquisition of £816,563 has been capitalised (note 9)

21 Share based payments

The total charge for the year relating to employee share-based payment plans was £966,000 all of which related to equity-settled share based payment transactions.

Npower Northern Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

22 Pensions

The majority of pensions are funded through the industry-wide scheme, the Electricity Supply Pension Scheme (ESPS) which is a defined benefit scheme with assets invested in separate trustee-administered funds. The ESPS is divided into sections.

During the period ended 31 December 2007, RWE Npower plc contributed to the ESPS at the rate of 17.5% of members' pensionable earnings. The Npower Northern Limited cost was £2,541,761 (2006: £1,325,865).

Npower Northern Limited participates, along with other employers in the RWE Npower Group, in the RWE Npower Group ESPS. Npower Northern Limited is unable to identify its share of the underlying assets and liabilities on a reasonable and consistent basis and hence the scheme is accounted for as multi-employer under FRS 17. The last formal valuation of the scheme was carried out at 31 March 2007. At that date the deficit of the whole scheme was £175 million giving a funding level of 95%. Independent actuaries have assessed the FRS 17 position as at 31 December 2007 for the scheme as a whole by updating the last formal valuations using methods appropriate for FRS 17. As at 31 December 2007 there was a deficit of £158 million (2006: £42 million).

Npower Limited has paid total contributions of £129,252 (2006: £195,381) into the various defined contribution schemes in the year to 31 December 2007 on behalf of the Npower retail group companies.

There were no prepaid or accrued contributions at 31 December 2007 or 31 December 2006.

23 Ultimate parent and controlling company

The company's immediate parent company is RWE Npower plc, a company incorporated in Great Britain and registered in England and Wales. Copies of the financial statements of RWE Npower plc are available from the company secretary at Windmill Hill Business Park, Whitehill Way, Swindon SN5 6PB.

The company's ultimate parent company is RWE AG, which is the parent undertaking of the smallest and largest group to consolidate these financial statements, a company registered in Germany. Copies of the group financial statements are available from RWE AG, Opernplatz 1, D0-45128, Essen, Germany.