Npower Limited

Annual report and financial statements

For the year ended

31 December 2011

Registered number 3653277

Annual report and financial statements

Contents

Directors' report for the year ended 31 December 2011

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2011

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

Npower Limited is part of Npower retail group ("Retail Group") which is also known as the Npower Retail Division ("Retail Division") The Npower retail group/division consists of 6 main trading entities being Npower Limited, Npower Northern Limited, Npower Yorkshire Limited, Npower Gas Limited, Npower Commercial Gas Limited and Npower Direct Limited

Business review and future developments
A number of factors have improved the Company's results during the year Improved profit before interest and tax has been achieved through significant gains in customer numbers within, and performance of, the large business group Furthermore, increases in Retail electricity prices have also contributed to increased turnover The price rises were required in response to increased commodity costs (electricity) and higher network charges

The Company has seen a reduction in charges for bad debt as the economy stabilises which have been offset by an increase in staff costs across the Npower Retail Group, incurred largely as a result of higher Customer Service staff numbers

In addition to the above the value of group service costs recharged by the Company to the other entities within the Retail Group has increased thus reducing administrative expenses However, the increase in overall staff costs has more than offset this in absolute terms This is driven by reduced domestic customer numbers in Npower Limited following the Retail Group's decision to service all new residential customers through Npower Northern Limited

The Directors do not expect there to be any significant changes in the future developments of the company

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 Company continues to invest in a formal, regular risk assessment process to identify, monitor and mitigate as far as possible any risk that should arise These are formally reviewed and assessed by the Board on a quarterly basis and actions taken as appropriate

The key business risks affecting the Company are the retention of existing customers and growth of its market share The level of volatility in electricity wholesale prices is the main uncertainty faced by the Company Detailed discussions of these risks and opportunities, in the context of the RWE AG Group as a whole, are provided on pages 87 through 95 of the RWE AG 2011 Annual Report

In line with the requirements of the German Corporate Control and Transparency Act (KonTraG), the Company's risk management system enables the directors to identify risks at an early stage and initiate mitigating action where necessary

Directors' report for the year ended 31 December 2011 (continued)

Key performance indıcators (KPIs)
The dırectors of Npower Lımıted do not prımarıly focus theır management of the actıvıtıes of the Company or wıder group on a legal entıty basıs Instead busıness performance ıs monıtored, assessed and managed across sıx Performance Unıts (PU's) coverıng all RWE Npower plc Group's commercıal actıvıtıes ın the UK These PU's are supported by a number of central functıons that provıde a range of servıces ıncludıng fınance, tax, strategy and HR Each PU ıs managed ın partıcular agaınst a number of key performance ındıcators that cover a range of fınancıal, servıce delıvery, effıcıency and operatıonal measures The operatıons and actıvıtıes of Npower Lımıted and the other entıtıes wıthın the Group are allocated across these PU's Therefore the Company's dırectors do not set KPIs at a legal entıty level, and as a result such KPIs are not presented for Npower Lımıted

Results and dıvıdends
The Company's profıt for the year ended 31 December 2011 ıs £22 5m (2010 loss of £39 1m) The dırectors do not recommend the payment of a dıvıdend (2010 £nıl)

Dırectors
The dırectors who held offıce durıng the year and up to the date of sıgnıng the fınancıal statements are gıven below

Mr J Clark	
Mr T Calver	(Appoınted 29 Aprıl 2012)
Mr G Dı Vıta	
Mr C Johnson	(Resıgned 29 Aprıl 2012)
Mr G Johnson	
Mr J Madrıan	
Mr K Mıles	(Resıgned 31 October 2011)
Mr S Stacey	
Mr P Massara	(Appoınted 31 October 2011)

Dırectors' ındemnıty
The dırectors have the benefıt of the ındemnıty provısıon contaıned ın the Company's Artıcles of Assocıatıon Thıs provısıon was ın force throughout the last fınancıal year and ıs currently ın force Thıs provısıon ıs a qualıfyıng thırd party ındemnıty provısıon under sectıon 234 of the Companıes Act 2006 The Company also purchased and maıntaıned throughout the fınancıal year dırectors' and offıcers' lıabılıty ınsurance ın respect of ıtself and ıts dırectors

Charitable and polıtıcal donatıons
Durıng the year the Company made charıtable donatıons of £9,271 (2010 £26,625) to UK charıtıes, ıncludıng Chrıstıans Agaınst Poverty The Company made no polıtıcal contrıbutıons durıng the fınancıal year (2010 £nıl)

Going Concern
The dırectors of RWE Npower plc, the ımmedıate parent company, have ındıcated theır wıllıngness to contınue to provıde fınancıal support to the Company for the foreseeable future, at least one year from the date of approval of these fınancıal statements, suffıcıent for the Company to meet ıts oblıgatıons as they fall due As a result, the dırectors have prepared the fınancıal statements on a goıng concern basıs

Directors' report for the year ended 31 December 2011 (continued)

Employees
The energy, innovation and creativity of our staff add value to our businesses During the financial year the Company maintained its existing policies in the following areas in respect of employee involvement

The Company is committed to the development of all staff in order to leverage our intellectual capital Among many development and training initiatives, all staff are encouraged to maintain personal development plans

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

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 Company 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 In addition, appropriate arrangements are made for training, career development and promotion of disabled persons employed by the Company If members of staff become disabled the Company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary

The Company 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

Employee share plans
The Retail Group is part of a savings related share option plan for the benefit of employees in the UK which is operated by RWE Npower Plc Over 38% (2010 35%) of eligible staff participate in the scheme, saving between £5 and £125 per month with the option to purchase RWE AG shares at a 20% discount at the end of a three year savings period

Prompt payment policy
For all trade creditors it is Company policy to
- Agree and confirm the terms of payment at the commencement of business with the supplier
- Pay suppliers in accordance with applicable terms, continually review the payment procedures and liaise with suppliers as a measure of eliminating difficulties and maintaining a good working relationship

The Company also subscribes to the CBI's Prompt Payment Code and has formally adopted the BS Standard 7890 Methods for Achieving Good Payment Performance in Commercial Transactions

The Company operates as part of the Retail Group which shares common accounting and payments functions For this reason the trade creditor days presented is that for the Retail Group The trade creditors days of the Retail Group as at 31 December 2011 were 72 days (2010 60 days) based on the ratio of Company trade creditors at the end of the year to the amounts recorded as expense during the year attributable to trade creditors

As part of the Company's commitment to corporate responsibility a number of initiatives have been launched that make social and environmental considerations an integral part of the Company's procurement process

Directors' report for the year ended 31 December 2011 (continued)

Fınancıal risk management

Capıtal management
The Company's objectıves, polıcıes and processes for managıng capıtal are consıstent wıth those of the RWE AG Group Detaıled dıscussıons of these, ın the context of the RWE AG Group as a whole, are provıded on page 142 of the RWE AG 2011 Annual Report

Credıt risk
The npower Retaıl Group of companıes has a polıcy of requırıng appropnate credıt checks on commercıal customers pnor to establıshıng credıt terms and payment method Credıt ınsurance and securıty deposıts are arranged dependıng upon a combınatıon of the credıt ratıng and the projected annual spend For all new customers wıth an annual spend ın excess of predetermıned lımıts, commodıty rısk control are requıred to sıgn off the account pnor to acceptance Cash and cash equıvalents compnse cash ın hand and deposıts whıch are readıly convertıble to cash and are subject to ınsıgnıfıcant rısk of change ın value or credıt rısk

Lıquıdıty rısk
The Company forms part of the RWE npower plc Group treasury arrangements whıch actıvely manage a mıxture of fınance to ensure that the group has suffıcıent lıquıd resources to manage ıts current and future operatıonal requırements

Commodity prıce rısk
The Company ıs exposed to commodıty prıce rısk as a result of ıts operatıons The rısk ıs actıvely managed through the applıcatıon of appropnate technıques and methodologıes ın accordance wıth the Commodıty Rısk Controllıng Dırectıve of the Company's ultımate parent RWE AG These technıques and methodologıes ınclude the applıcatıon of appropnate hedge polıcıes, the measurement of commodıty rısks, the settıng of approved transactıon lımıts (together wıth the monıtorıng of complıance wıth the approved lımıts), the reportıng of unhedged posıtıons and the conduct of scenarıo analyses and stress tests The hedge polıcıes consıst of the purchase of forward contracts for the purchase of electrıcıty on the wholesale market

The Dırectıve and ıts applıcatıon wıthın the Company ıs kept under constant revıew to reflect changes ın market and Company dynamıcs, together wıth the nature of products offered to the market

Securıtıes prıce rısk
The Company has no exposure to equıty securıtıes prıce rısk as ıt holds no lısted or other equıty ınvestments

Interest rate cash flow rısk
The Company has ınterest-bearıng assets and ınterest-bearıng lıabılıtıes Interest bearıng assets ınclude cash balances, whıch earn ınterest when ın a surplus posıtıon The Company has loan borrowıngs wıth group undertakıngs whıch are at fıxed rates above LIBOR to ensure contınuous fundıng and management of future ınterest cash flows The dırectors wıll revısıt the approprıateness of thıs polıcy should the Company's operatıons change ın sıze or nature

General risk management
As a subsıdıary of RWE AG, the Company complıes wıth the Rısk Management Dırectıve of RWE AG, whıch embodıes the relevant provısıons of the German Law on Corporate Control and Transparency (Gesetz zur Kontrolle und Transparenz ım Unternehmensbereıch), together wıth the German Stock Corporatıon Act (Aktıengesetz) and the German Commercıal Code (Handelsgesetzbuch) Complıance ıs achıeved wıthın the Company through the applıcatıon of a trı-partıte system of three separate but supportıve elements, namely a rısk controllıng/early warnıng system, an ınternal control system and an ınternal audıt process

Directors' report for the year ended 31 December 2011 (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 year Under that law the directors have prepared 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

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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

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

Statement of disclosure of information to auditors
Each director who held office as at the date of approval of this report confirms the following

- So far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and
- Each director has taken steps that ought to have been taken as a director in order to become aware of any relevant audit information and to establish that the Company's auditors are aware of that information

On behalf of the Board

J Clark
Director
24 May 2012

Windmill Hill Business Park, Whitehill Way, Swindon, SN5 6PB

Independent auditors' report to the members of Npower Limited

We have audited the financial statements of Npower Limited for the year ended 31 December 2011 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 set out on page 5 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 In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

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 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Jason Burkitt (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
24 May 2012

Profit and loss account for the year ended 31 December 2011

	Note	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
Turnover	1	3,292 7	3,130 0
Cost of sales		(2,997 3)	(2,895 3)
Gross profit		295 4	234 7
Administrative expenses			
Excluding exceptional items		(217 9)	(217 3)
Exceptional items	4	-	(16 9)
Administrative expenses including exceptional items		(217 9)	(234 2)
Other operating income	3	6 6	1 8
Profit on ordinary activities before interest and taxation		84 1	2 3
Net interest payable and similar charges	5	(29 1)	(24 4)
Profit/(loss) on ordinary activities before taxation	4	55 0	(22 1)
Tax on profit/(loss) on ordinary activities	8	(32 5)	(17 0)
Profit/(loss) for the financial year	17	22 5	(39 1)

All results relate to continuing operations

The Company has no recognised gains and losses other than the profit/(loss) shown above and therefore no separate statement of total recognised gains and losses has been presented

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

The notes on pages 9 to 24 form an integral part of these financial statements

Balance sheet as at 31 December 2011

	Note	31 December 2011 £m	31 December 2010 £m
Fixed assets			
Intangible assets	*9*	212 9	241 3
Tangible assets	*10*	51 7	45 4
Investments	*11*	27 8	27 8
		292 4	314 5
Current assets			
Debtors amounts falling due within one year	*12*	1,924 0	1,835 1
Debtors amounts falling due after more than one year	*12*	34 1	34 4
		1,958 1	1,869 5
Creditors amounts falling due within one year	*13*	(2,466 3)	(2,434 3)
Net current liabilities		(508 2)	(564 8)
Total assets less current liabilities		(215 8)	(250 3)
Provisions for liabilities and charges	*14*	(15 1)	(3 1)
Net liabilities		(230 9)	(253 4)
Capital and reserves			
Called-up share capital	*16*	1 0	1 0
Merger reserve	*17*	30 4	30 4
Profit and loss account	*17*	(262 3)	(284 8)
Total shareholders' deficit	*18*	(230 9)	(253 4)

The financial statements on pages 7 to 24 were approved by the Board of Directors on 24 May 2012 and were signed on its behalf by

J Clark
Director

Npower Limited registered company number 3653277

The notes on pages 9 to 24 form an integral part of these financial statements

Notes to the financial statements for the year ended 31 December 2011

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 2006 and applicable accounting standards in the United Kingdom A summary of the principal accounting policies are set out below These policies have been applied consistently

(i) ***Going concern***

The financial statements have been prepared on a going concern basis which assumes that the Company will continue to trade The basis of this assumption depends on the support of the immediate parent company, RWE Npower plc The immediate parent company has indicated that it intends to provide funds as are necessary for the Company to trade for the foreseeable future

(ii) ***Basis of preparation of financial statements***

The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated financial statements The results of the Company and its subsidiaries are included in the consolidated financial statements of RWE AG, which can be obtained from the address as detailed in note 20

(iii) ***Turnover***

Turnover is recognised at the point of supply of electricity and related services to customers

Turnover 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, marketing and supply of electricity and related services, and in one geographical segment, the United Kingdom

(iv) ***Pension costs***

The Company's contributions to all of its pension schemes, the majority being to the Electricity Supply Pension Scheme (ESPS), a defined benefit scheme, are recognised as if it were a defined contribution scheme within other operating costs in the profit and loss account This is because the Company is unable to identify its share of the underlying assets and liabilities of the ESPS scheme on a reasonable and consistent basis and hence it is accounted for as a multi-employer scheme under FRS 17 (Retirement Benefits) The assets of these schemes are held separately from those of the Company in independently administered funds During 2009, the Company took the decision to close its defined benefit schemes to new entrants New entrants are now only able to participate in a defined contribution scheme

(v) ***Operating leases***

Rentals payable under operating leases are charged to the profit and loss account evenly over the term of the lease

(vi) ***Interest***

Interest receivable and payable is credited or charged to the profit and loss account on an accruals basis

(vii) ***Exceptional items***

Exceptional items represent significant items of income and expense which due to their nature or the expected infrequency of the event giving rise to them, are presented separately in the notes to the financial statements to give a better understanding of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance

(viii) ***Other operating income***

Final 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

Notes to the financial statements for the year ended 31 December 2011 (continued)

1 Accounting policies (continued)

(ix) ***Goodwill***

In accordance with FRS 10 Goodwill and Intangible Assets, goodwill arising on acquisitions of unincorporated businesses, 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 useful economic life, normally not exceeding 20 years

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

(x) ***Tangible fixed assets and depreciation***

Tangible fixed assets are stated at historical purchase cost less accumulated depreciation and any provision for impairment in value Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use In the case of assets constructed by the Company, cost includes related works and administrative overheads and commissioning costs in accordance with FRS 15 Assets in the course of construction are included in tangible fixed assets on the basis of expenditure incurred at the balance sheet date and are not depreciated until brought into use Interest costs are not capitalised

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, provision being made for any impairment in value

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

Freehold land	Not depreciated
Freehold buildings	40 years
Computer hardware and software costs	5 years
Office equipment and furniture	5 years

Notes to the financial statements for the year ended 31 December 2011 (continued)

1 Accounting policies (continued)

(xi) ***Impairment Reviews***

In accordance with UK Generally Accepted Accounting Practice the Company's management reviews the carrying amounts of its fixed assets, which includes goodwill, tangible assets and investments, to determine whether there is any indication that those assets have suffered an impairment loss If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss

If the recoverable amount of an asset or income generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or income generating unit is reduced to its recoverable amount An impairment loss is recognised immediately in the profit and loss account

The recoverable amount of an asset is based on its estimated value in use Value in use is the present value of the future cash flows expected to be derived from use of the asset The cash flow projections are based on future economic and market assumptions and forecast trading conditions drawn up by the Company's management as follows

- future market conditions and prices are based on detailed analysis and predictions prepared by RWE economists based on the specific circumstances of the UK retail energy market

- cash flow projections are based on management's approved long term business plan which incorporate the predictions of future market conditions above

- the cash flows obtained are discounted at a rate estimated to be appropriate for the retail energy business in the UK

Where an impairment loss subsequently reverses the carrying amount of the asset is increased to the revised estimate of its recoverable amount, not exceeding the carrying amount that would have been determined had no impairment loss been recognised A reversal of an impairment loss is recognised in the profit and loss account

(xii) ***Fixed asset investments***

Fixed asset investments are stated at cost less provision for any impairment Impairment reviews are performed by the directors when there has been an indication of potential impairment

(xiii) ***Stocks***

Operating stocks of fuel and consumables are valued at the lower of cost and net realisable value Cost is determined on a weighted average basis Provision is made for slow moving, obsolete or defective stock as necessary

Notes to the financial statements for the year ended 31 December 2011 (continued)

1 Accounting policies (continued)

(xiv) ***Taxation***

Current taxation is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date

The charge for taxation is based on the profit for the financial year and takes into account deferred tax In accordance with Financial Reporting Standard (FRS) 19, 'Deferred taxation', 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 to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the company's taxable profits and its results as stated in the financial statements

Deferred tax assets are recognised to the extent that they are regarded recoverable and that there will be suitable taxable profits from which the future reversal can be deducted Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse Deferred tax is measured on a non-discounted basis

(xv) ***Accounting estimations***

In accounting for energy revenues and direct costs, the Company employs a forecasting process using forecast models to calculate the energy accruals required at the financial year end The models are regularly 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

(xvi) ***Provisions***

Provisions are recognised when
- the Company has a present legal or constructive obligation as a result of a past event
- it is more likely than not that an outflow of resources will be required to settle the obligation, and
- the amount has been reliably estimated

Where appropriate, discounting will be applied to the cashflows of the provision, with the discounted amount being shown within net interest payable and similar charges

(xvii) ***Share-based payments***

As a subsidiary of RWE AG, the Company operates both a cash-settled compensation plan and an equity, share-based plan Share options granted to Directors and employees and share based arrangements are valued at the date of grant or award and charged to operating profit over the vesting period of the scheme, based on the Company's best estimates The annual charge is modified to take account of shares forfeited by Directors and employees who leave during the vesting period and, in the case of non-market related performance conditions, where it becomes unlikely the option will vest

(xviii) ***Dividends***

Interim dividends are recognised in the period in which they are paid or when the Company has a constructive or legal commitment to pay the dividend

Notes to the financial statements for the year ended 31 December 2011 (continued)

2 Cash flow statement and related party dısclosures

The Company ıs a wholly owned subsıdıary of RWE AG and ıs ıncluded ın the consolıdated fınancıal statements of RWE AG, whıch are publıcly avaılable Consequently, the Company has taken advantage of the exemptıon from preparıng a cash flow statement under the terms of FRS 1 (revısed 1996) Cashflow Statements The Company ıs also exempt under the terms of FRS 8 (Related Party Dısclosures) from dısclosıng related party transactıons wıth entıtıes whıch are wholly owned subsıdıarıes of RWE AG

3 Other operating ıncome

	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
Fınal customer credıts	6 6	1 8

Fınal customer credıts relate to hıstorıc credıt balances wrıtten back to the profıt and loss account

4 Profit/(loss) on ordınary activitıes before taxatıon

Profıt/(loss) on ordınary actıvıtıes before taxatıon ıs stated after chargıng	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
Depreciatıon on tangıble fıxed assets - owned assets (note 10)	13 4	14 1
Amortısatıon of goodwıll (note 9)	28 4	28 3
Operatıng lease charges – other than plant and machınery	5 6	5 7
Loss on waıver of loan due from group undertakıng	-	16 9
Servıces provided by the Company's auditors·		
Fees payable for the audıt	0 2	0 2

No fees were paıd to the audıtors for non audıt servıces (2010 nıl)

The loss on waıver of loan due from group undertakıng ın 2010 relates to a loan receıvable from Npower Fınancıal Servıces Lımıted, a dırect and wholly owned subsıdıary of the Company The loan was waıved on the basıs that Npower Fınancıal Servıces Lımıted had no prospect of repayıng the loan ın full or ın part,

Notes to the financial statements for the year ended 31 December 2011 (continued)

5 Net interest payable and similar charges

	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
Interest payable and similar charges		
Interest on borrowings		
Other borrowings with group undertakings	(36 0)	(31 0)
Interest payable on bank overdraft balances	(0 6)	(0 4)
Other interest payable	(1 1)	(0 4)
Total interest payable and similar charges	(37 7)	(31 8)
Interest receivable and similar income		
Interest receivable from group undertakings	8 0	7 2
Other interest receivable	0 6	0 2
Total interest receivable and similar income	8 6	7 4
Net interest payable and similar charges	(29 1)	(24 4)

Notes to the financial statements for the year ended 31 December 2011 (continued)

6 Dırectors' and employees' remuneration

(a) Dırectors' remuneration

All dırectors (2010 all) are paıd by RWE Npower plc, the ımmedıate parent company, for theır servıces to the group as a whole and theır aggregate emoluments are dısclosed ın the fınancıal statements of RWE Npower plc The remuneratıon ıs unable to be allocated to ındıvıdual entıtıes as the npower retaıl group ıs not managed on a legal entıty basıs Total dırectors' emoluments (excludıng amounts receıvable under long term ıncentıve schemes) recharged to Npower Lımıted were £2 2m (2010 £1 8m) The hıghest paıd dırector receıved total emoluments of £343,594 (2010 £411,000) excludıng amounts receıvable under long term ıncentıve schemes

No dırector was a member of the Company's defıned contrıbutıon scheme ın the year (2010 none) All dırectors are members of defıned benefıt schemes (2010 all)

Durıng the year no dırectors (2010 two) exercısed share optıons ın RWE AG the ultımate parent company None (2010 sıx) of the dırectors receıved or became entıtled to receıve aggregate cash payments ın RWE AG under long-term ıncentıve schemes ın the fınancıal year The hıghest paıd dırector receıved £nıl (2010 £176,000) under long-term ıncentıve schemes

Further detaıls of the nature and the extent of share based payment arrangements have been dısclosed ın full wıthın the fınancıal statements of RWE npower plc The dırectors do not consıder ıt necessary to provıde separate dısclosure wıthın the Npower Lımıted fınancıal statements as the amount ıs not materıal

(b) Employees' remuneration

Salarıes and other staff costs were as follows

	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
Wages and salarıes	177 2	162 7
Socıal securıty costs	16 0	14 7
Pensıon costs	10 0	8 2
Share based payments	(1 1)	2 0
Total staff costs	202 1	187 6

Employee numbers: The notıonal average number of employees (ıncludıng dırectors) durıng the fınancıal year, analysed by actıvıty, was	Year to 31 December 2011 Number	Year to 31 December 2010 Number
Sellıng and admınıstratıve staff	8,846	8,098

Wıth the exceptıon of the meterıng staff and SPI Lımıted, all Retaıl Dıvısıon employees are employed by Npower Lımıted Employee costs of £202 1m (2010 £187 6m) have been recharged to Npower Lımıted vıa the group management charge

As employees may work across several legal entıtıes average staff numbers have been deduced based on the average employee cost for the npower Retaıl Group

Notes to the financial statements for the year ended 31 December 2011 (continued)

7 Pension scheme funding

The majority of pensions are funded through the RWE npower section of 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 There is also a defined contribution scheme, the RWE Innogy Group Defined Contribution Scheme (IGDCS)

Npower Limited participates, along with other employers in the RWE Npower Holdings plc Group, in the RWE Npower Group of the Electricity Supply Pension Scheme, a defined benefit pension scheme

Npower Limited is unable to identify its share of the underlying assets and liabilities on a reasonable and consistent basis primarily due to the following reasons

- the allocation of non-active members (retired and deferred) to any one employer is not possible on an accurate and practicable basis due to the privatisation and subsequent restructuring of the electricity industry Non active members made up approximately 85% of the scheme membership as at 31 March 2010, and
- no one employer dominates the overall scheme in terms of payroll cost RWE Npower plc's share of scheme pensionable salary is approximately 50%

These circumstances have meant that the last actuarial valuation in 2010 was not prepared on an individual entity basis and it will also not be possible to prepare the next one on an individual entity basis either Therefore the scheme is accounted for as a multi-employer scheme under FRS 17 (Retirement Benefits) using the defined contribution exemption

The last formal valuation of the scheme was carried out as at 31 March 2010 At that date the deficit of the whole scheme was £732 million giving a funding level of 83% Independent actuaries have assessed the FRS 17 position as at 31 December 2011 for the scheme as a whole by updating the last formal valuations using methods appropriate for FRS 17 As at 31 December 2011 there was a deficit of £533 million (2010 £712 million)

During the financial year ended 31 December 2011, RWE Npower plc contributed to the four defined benefit sections of the ESPS at a weighted average rate of 18% of members' pensionable earnings, inclusive of a 0 9% contribution for the administrative expenses of the scheme The Npower Limited cost of contributions during the financial year was £2 6m (2010 £2 2m) which includes additional contributions required to reduce the whole scheme deficit

During the year to 31 December 2011, Npower Limited has paid total contributions of £955,972 (2010 £482,083) into the various defined contribution schemes on behalf of the Npower retail group companies

There were no prepaid or accrued contributions at 31 December 2011 or 31 December 2010

Notes to the financial statements for the year ended 31 December 2011 (continued)

8 Tax on profit/(loss) on ordinary activities

	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
Current tax		
Group relief payable	32 2	19 0
Adjustment in respect of prior periods	-	8 5
Total current tax charge	32 2	27 5
Deferred tax		
Origination and reversal of timing differences	(1 8)	(3 3)
Impact of change in UK tax rates and laws	2 7	1 3
Adjustment in respect of prior periods	(0 6)	(8 5)
Total deferred tax charge(credit) (note 15)	0 3	(10 5)
Tax charge on profit/(loss) on ordinary activities	32 5	17 0

The tax charge for the year is higher (2010 higher) than the standard rate of corporation tax in the UK of 26 5% (2010 28%) The differences are explained below

	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
Profit/(loss) on ordinary activities before taxation	55 0	(22 1)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26 5% (2010 28%)	14 6	(6 2)
Effects of		
Depreciation in excess of capital allowances	3 1	4 1
Other timing differences	(1 4)	(0 4)
Expenses not deductible	15 9	21 5
Adjustment in respect of prior periods	-	8 5
Current tax charge for the year	32 2	27 5

Factors that may affect future tax charges

During the year, the relevant deferred tax balances have been re-measured as a result of the change in the UK main corporation tax rate to 26%, which was substantively enacted on 29 March 2011 and is effective from 1 April 2011, and to 25%, which was substantively enacted on 5 July 2011 and will be effective from 1 April 2012

Notes to the financial statements for the year ended 31 December 2011 (continued)

8 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 2012 UK Budget Statement A resolution passed by Parliament on 26 March 2012 reduced the main rate of corporation tax to 24% from 1 April 2012 Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 is expected to be included in the Finance Act 2012 A further reduction to the main rate is also proposed to reduce the rate to 22% from 1 April 2014 None of these rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements

9 Intangible assets

	Goodwill £m
Cost·	
At 1 January 2011 and 31 December 2011	568 4
Accumulated amortisation:	
At 1 January 2011	(327 1)
Charge for year	(28 4)
At 31 December 2011	(355 5)
Net book amount at 31 December 2011	212 9
Net book amount at 31 December 2010	241 3

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 FRS10

For the purposes of the goodwill impairment review, the Directors consider it appropriate to assess the npower Retail Group as one income generating unit as all new domestic customers for all Retail Group companies are now being acquired through fellow subsidiary Npower Northern Limited As such, based on the impairment review which has now been performed across the Retail Group companies as a whole, the Directors do not believe that an impairment of Npower Limited's goodwill is necessary

Notes to the financial statements for the year ended 31 December 2011(continued)

10 Tangible assets

	Freehold land and buildıngs £m	Computer hardware £m	Computer software £m	Office equipment and furnıture £m	Assets ın the course of constructıon £m	Total £m
Cost:						
At 1 January 2011	4 0	22 7	174 0	11 6	13 4	225 7
Addıtıons	-	-	0 3	0 1	20 4	20 8
Reclassıfıcatıon	(1 4)	(9 0)	13 3	(1 4)	(1 5)	-
Transfers ın	-	0 2	-	-	-	0 2
Transfers out	-	-	(0 2)	-	(1 0)	(1 2)
Dısposals	(2 2)	(2 0)	(98 0)	(9 2)	-	(111 4)
At 31 Dec 2011	0 4	11 9	89 4	1 1	31 3	134 1
Accumulated depreciatıon:						
At 1 January 2011	(2 6)	(9 0)	(158 6)	(10 1)	-	(180 3)
Charge for year	-	(1 0)	(12 4)	-	-	(13 4)
Transfers ın	-	-	(0 1)	-	-	(0 1)
Dısposals	2 2	2 0	98 0	9 2	-	111 4
At 31 Dec 2011	(0 4)	(8 0)	(73 1)	(0 9)	-	(82 4)
Net book amount at 31 Dec 2011	-	3 9	16 3	0 2	31 3	51 7
Net book amount at 31 Dec 2010	1 4	13 7	15 4	1 5	13 4	45 4

Included wıthın tangıble fıxed assets ıs capıtal work ın progress of £31 3m (2010 £13 4m), wıthın whıch ıs a sıgnıficant amount of system development cost

Detaıls of the capıtal commıtments of the Company can be found ın note 19

Transfers from / (to) other group companıes are paıd for vıa ıntercompany settlement

Dısposals ın the year relate to assets no longer ın use by the company, These assets have become obsolete wıth the ıntroductıon of new systems and property developments The assets are derecognısed due to obsolescence, no proceeds were receıved

Notes to the financial statements for the year ended 31 December 2011 (continued)

11 Investments

	Shares ın subsıdıarıes £m
Cost.	
At 1 January 2011 and 31 December 2011	27 8
Impaırment·	
At 1 January 2011 and 31 December 2011	-
Net book amount at 1 January 2011 31 December 2011	27 8

Detaıls of subsıdıary undertakıngs

SUBSIDIARY UNDERTAKINGS Name and nature of busıness	Country of incorporatıon, regıstratıon and operatıon		Percentage shareholding
Npower Gas Lımıted *(energy supplıer)*	England and Wales	Ordınary Shares	100%
Npower Commercıal Gas Lımıted *(energy supplıer)*	England and Wales	Ordınary Shares	100%
Npower Fınancıal Servıces Lımıted *(fınancıal servıces)*	England and Wales	Ordınary Shares	100%
Electrıcıty Plus Supply Lımıted *(energy supplıer)*	England and Wales	Ordınary Shares	100%
Gas Plus Supply Lımıted *(energy supplıer)*	England and Wales	Ordınary Shares	100%
Plus Shıppıng Servıces Lımıted *(energy supplıer)*	England and Wales	Ordınary Shares	100%

Investments ın group undertakıngs are stated at cost The dırectors belıeve that the carryıng value of the ınvestments ıs supported by theır underlyıng net assets and future expected cash flows from tradıng

The Company also holds 231,562 shares ın Telecom Plus Plc Thıs ınvestment was made on 19 August 2011 for a total consıderatıon of £11,578 The ınvestment ıs recorded at cost and the market value of the ınvestment as at 31 December 2011 was £1,739,030, based on a closıng mıd market prıce of £7 51 per ordınary share

Notes to the financial statements for the year ended 31 December 2011 (continued)

12 Debtors

	31 December 2011 £m	31 December 2010 £m
Amounts falling due within one year		
Trade debtors	271 9	175 2
Loans owed by group undertakings	251 4	335 7
Other amounts owed by group undertakings	949 9	812 3
Taxation and social security	61 4	50 1
Prepayments and accrued income	389 4	461 8
Total amounts falling due within one year	1,924 0	1,835 1
Amounts falling due after more than one year		
Deferred taxation	34 1	34 4
Total amounts falling due after more than one year	34 1	34 4
Total debtors	1,958 1	1,869 5

Loans owed by group undertakings are unsecured, have no fixed date of repayment and attract interest at 12 months LIBOR plus 1 39% (2010 0 87%) This is subject to annual renewal by agreement with RWE Npower Plc Amounts owed by group undertakings (parent and other) are unsecured, interest free and have no fixed date of repayment

Prepayments and accrued income includes accruals for energy income not yet billed of £381 0m (2010 £408 0m)

Notes to the financial statements for the year ended 31 December 2011 (continued)

13 Creditors: amounts falling due within one year

	31 December 2011 £m	31 December 2010 £m
Bank overdraft	29 3	34 5
Trade creditors	50 4	51 6
Loans owed to group undertakings	1,460 4	1,506 3
Amounts owed to group undertakings	152 0	97 1
Taxation and social security	19 6	7 3
Customer payments in advance	146 3	142 5
Accruals and other creditors	608 3	595 0
	2,466 3	2,434 3

All of the above creditors are unsecured

Loans owed to group undertakings are unsecured and bear interest at 12 month LIBOR plus 1 39% (2010 0 87%) This is subject to annual renewal by agreement with RWE Npower Plc As at the date of approval of these financial statements the directors are not aware of any intention of the holding company to require repayment of such funding, other than by way of transfer of surplus funds arising from the Company's operations Amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment Amounts owed to group undertakings also include £32 2m of group relief payable (2010 £27 5m)

14 Provisions for liabilities and charges

	1 January 2011 £m	Charged/ (credited) £m	Transfer from creditors during the year £m	Provisions utilised £m	31 December 2011 £m
Final customer credits	1 7	(6 6)	7 0	-	2 1
Re-organisation provision	1 0	(0 1)	-	(0 6)	0 3
CESP	-	12 1	-		12 1
Other Provisions	0 4	0 2	-	-	0 6
Total provisions for liabilities	3 1	5 6	7 0	(0 6)	15 1

Final customer credits relate to remaining customer balances which arise from various circumstances including customer debt which has previously been provided against 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 who re-establish contact with the Company, and is expected to be utilised over six years

The re-organisation provision represents the balance of the provision for redundancy and related costs in respect of further business re-organisation which is expected to be utilised during the course of 2012

The CESP provision relates to the Governments Community Energy Saving Programme ("CESP") The amount recognised represents the value of the obligation that has built up (on a straight line basis) from the start of the obligation to 31 December 2011 less the amount actually delivered as at 31 December 2011 The obligation period for the CESP scheme is 1 October 2009 to 31 December 2012

Provisions have not been discounted by the Directors as the impact is not material

Notes to the financial statements for the year ended 31 December 2011 (continued)

15 Deferred taxation

The movement on deferred taxation is as follows

	£m
1 January 2011	34 4
Charge to profit and loss account (note 8)	(0 3)
31 December 2011	34 1

Deferred taxation accounted for in the balance sheet at 25% (2010 27%) is as follows,

	31 December 2011 £m	31 December 2010 £m
Tax effect of timing differences because of		
Decelerated capital allowances	29 4	28 1
Other timing differences	4 7	6 3
	34 1	34 4

There are no un-provided timing differences

16 Called up share capital

	31 December 2011 £m	31 December 2010 £m
Allotted and fully paid		
1,000,001 ordinary shares of £1 each	1	1

17 Reserves

	Merger reserve £m	Profit and loss account £m
As at 1 January 2011	30 4	(284 8)
Profit for the financial year	-	22 5
As at 31 December 2011	30 4	(262 3)

Notes to the financial statements for the year ended 31 December 2011 (continued)

18 Reconciliation of movements in total shareholders' deficit

	31 December 2011 £m	31 December 2010 £m
Profit/(loss) for the financial year	22 5	(39 1)
Opening total shareholders' deficit	(253 4)	(214 3)
Closing total shareholders' deficit	(230 9)	(253 4)

19 Capital commitments and operating lease commitments

The Company has annual commitments under non-cancellable operating leases expiring as follows

	Land and buildings 2011 £m	2010 £m
Operating leases expiring		
Within one year	0 4	0 4
Within two to five years	1 2	0 6
After five years	3 5	4 1
	5 1	5 1

Capital commitments contracted but not provided as at 31 December 2011 amounts to £4 1m (2010 £3 2m)

20 Ultimate parent undertaking and controlling party

The Company's immediate parent company is RWE Npower plc, a company incorporated in Great Britain and registered in England and Wales

The Company's ultimate parent company and controlling party is RWE AG, a company incorporated in Germany, which is the parent undertaking of the smallest and largest group to consolidate these financial statement Copies of the group financial statements are available from RWE AG, Opernplatz 1, D-45128, Essen, Germany