

Company Registration No. 03987817 (England and Wales)

RWE GENERATION UK HOLDINGS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



RWE GENERATION UK HOLDINGS LIMITED

COMPANY INFORMATION

Directors

Mr S Glover
Mrs H Mallett (Appointed 18 June 2019)
Mr M Suleman

Company secretary

Mr J Keene

Company number

03987817

Registered office

Windmill Hill Business Park
Whitehill Way
Swindon
Wiltshire
United Kingdom
SN5 6PB

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
3 Forbury Place, 23 Forbury Road
Reading
Berkshire
United Kingdom
RG1 3JH

RWE GENERATION UK HOLDINGS LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3 - 5
Independent auditor's report	6 - 8
Statement of comprehensive income	9
Statement of financial position	10
Statement of changes in equity	11
Notes to the financial statements	12 - 22

RWE GENERATION UK HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report for the year ended 31 December 2019.

Review of the business

The Company's profit for the financial year ended 31 December 2019 after taxation is £163m (2018: loss of £152m). The profit in 2019 is due to finance income of £164m (2018: £3m), which includes £160m (2018: £nil) of dividends received from RWE Generation UK plc. In 2018 the loss was due to an impairment relating to its subsidiary undertakings of £157m. Net assets increased to £2,576m (2018: £2,573m). During the year, the Company paid an interim dividend of £160m (2018: £nil).

At 31 December 2019, the statement of financial position comprised investments in subsidiaries of £1,905m (2018: £1,905m), corporate tax group relief receivable of £2m (2018: £15m) and net loans owed by group undertakings of £669m (2018: £653m). During the year the Company reviewed the carrying value of its direct subsidiary undertaking and concluded that it was not impaired (2018: impairment of £157m).

The Company continues to be the holding company for the RWE Generation UK group of companies. The Company has access to the RWE AG cash management arrangements which provide adequate liquidity and the Company is also part of the RWE Generation UK plc treasury arrangements, which actively manage a mixture of finance to ensure that the RWE Generation UK group of companies has sufficient liquid resources to manage its current and future operational requirements.

During 2019 the Company carried out a capital reduction to create distributable reserves. Ordinary shares were reduced to 1 share of £0.10. Share premium was reduced to £nil. The reduction in capital is recognised in retained earnings.

The UK formally left the European Union on 31 January 2020. In practice, nothing has changed for the Company however the RWE Brexit Working Group will continue to monitor the trade negotiations closely through 2020. The key areas of work in this group include data protection, HR/labour mobility, procurement, supply chain, EU ETS, Internal Energy Market, financial regulation, tax, legal and IT.

The Company and RWE Group are closely monitoring the COVID-19 outbreak and have activated a Group-wide crisis response. Teams involved include representatives from Group Security, Group Occupational Medicine and organisational management. The crisis teams regularly exchange information on current developments and assess the situation within the RWE Group with regard to the risk of infection and preventative measures.

The Company is committed to providing security of supply and protecting key workers. Preventative measures have been taken such as restricting travel between RWE sites, maximising working from home, reviewing outage profiles and scope and switching to telephone and online conferences.

No adjustments have been made to these financial statements for Covid-19 effects given the pandemic occurred in Q1 2020. In the Company's subsidiary there is a downside in energy spreads and volumes expected in 2020, however the subsidiary's hedge position and associated trading activity has largely shielded the subsidiary and the Company from these effects.

Principal risks and uncertainties

The primary responsibility for risk management lies with the Executive Board of RWE AG who monitors and manages the overall risk of the Group and its operational subsidiaries. Accordingly, the principal risks and uncertainties of RWE AG, which include those of the Company, are discussed on pages 84 through 92 of the group's annual report which does not form part of this 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 carry out a formal review and assessment to initiate mitigating action where necessary. From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the RWE Generation UK group of companies and are not managed separately.

RWE GENERATION UK HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Key performance indicators (KPIs)

RWE Generation UK Holdings Limited does not have any trading operations. For this reason, the Company's directors do not set KPIs for this specific entity.

On behalf of the board



3rd June 2020

.....
Mrs H Mallett
Director
.....

RWE GENERATION UK HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and audited financial statements for the year ended 31 December 2019.

Principal activities

The principal activity of the company continued to be that of a holding company for RWE Generation UK plc.

Results and dividends

The results for the year are set out on page 9.

The directors proposed and paid interim dividends to its immediate German parent company of £160m in 2019. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr S Glover

Mrs H Mallett

Mr M Suleman

Mrs R Wall

(Appointed 18 June 2019)

(Resigned 18 June 2019)

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the reporting date.

Financial instruments

Capital management

The Company's objectives, policies and processes for managing capital are consistent with those of the RWE AG group. Detailed discussions of these, in the context of the RWE AG group as a whole, are provided on page 114 of the RWE AG 2019 Annual Report.

Liquidity risk

The Company forms part of the RWE Generation UK plc 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.

Interest rate cash flow risk

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

Securities price risk

The Company has interest-bearing assets comprising loans to group undertakings. The interest-bearing assets bear interest at an annual LIBOR rate less a margin. The Company has no interest-bearing liabilities.

General risk management

Operational risk relates to the risk that processes, controls or competencies affect the Company's profits. These are formally reviewed and assessed by the Company's directors as part of a wider review and assessment of the RWE Generation UK group of companies.

RWE GENERATION UK HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Equal opportunities and diversity

We are committed to creating a diverse and inclusive organisation and to valuing the contribution that our employees make.

We welcome and respect differences in culture, background, working style, education and other less obvious differences. We value the contribution that people from all backgrounds can make to the success of our business, irrespective of sex, marital status, race, nationality, ethnic or national origins, disability, age, religion or belief, sexual orientation and trade union affiliation.

Our commitment means that we continually seek to improve our policies, procedures and codes of practice to ensure that our employees, potential employees and other workers are treated equally, fairly and on merit.

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 training being given if necessary.

Employee involvement

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

The success of our business depends on the ability, commitment and dedication of our employees and we thank them for their continued efforts this year in the challenging business environment that we find ourselves in.

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 ongoing changes within the Company mean that effective communications with staff are vital. The Company provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Corporate publications and other media, including distribution of key development messages and team briefings, are used to promote wide understanding of policies and strategy.

Health and Safety remains of the utmost priority and we are committed to sharing best practice across the Company, maintaining our high standards and striving for improvements. We take every measure to protect everyone we work with – not only our employees, but also our contractors, visitors and the public. We also take every opportunity to promote wellbeing at work.

Post reporting date events

Since the reporting date the Covid -19 pandemic emerged in Q1 2020. This event is non-adjusting. See note 18 for more information.

Auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

RWE GENERATION UK HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Statement of directors' responsibilities

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). 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; and
- 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 to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



.....
Mrs H Mallett
Director

Date: 3rd June 2020

RWE GENERATION UK HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RWE GENERATION UK HOLDINGS LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, RWE Generation UK Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

RWE GENERATION UK HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF RWE GENERATION UK HOLDINGS LIMITED

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

RWE GENERATION UK HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF RWE GENERATION UK HOLDINGS LIMITED

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

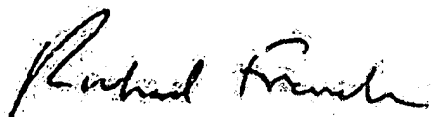
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Richard French (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
3 June 2020

RWE GENERATION UK HOLDINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £m	2018 £m
Finance income	5	164	3
Exceptional items	6	-	(157)
Profit/(loss) before taxation		<u>164</u>	<u>(154)</u>
Tax on profit/(loss)	7	(1)	2
Profit/(loss) for the financial year		<u>163</u>	<u>(152)</u>
Other comprehensive expense:			
Items that will not be reclassified to profit or loss			
Transfer to the RWE Group of the Electricity Supply Pension Scheme		-	(4)
Movement on deferred tax relating to pension surplus		-	1
Total items that will not be reclassified to profit or loss		<u>-</u>	<u>(3)</u>
Total other comprehensive expense for the year		<u>-</u>	<u>(3)</u>
Total comprehensive income/(expense) for the year		<u>163</u>	<u>(155)</u>

The income statement has been prepared on the basis that all operations are continuing operations.

RWE GENERATION UK HOLDINGS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 £m	2018 £m
Non-current assets			
Investments	9	1,905	1,905
Current assets			
Trade and other receivables	11	671	668
Total assets less current liabilities		2,576	2,573
Net assets		2,576	2,573
Equity			
Called up share capital	13	-	171
Share premium account	14	-	1,077
Other reserves	15	(6)	(6)
Retained earnings		2,582	1,331
Total equity		2,576	2,573

The financial statements were approved by the board of directors and authorised for issue on ...3rd June 2020... and are signed on its behalf by:



.....
Mrs H Mallett
Director

Company Registration No. 03987817

RWE GENERATION UK HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m
Balance at 1 January 2018		171	1,077	(6)	1,486	2,728
Loss for the year		-	-	-	(152)	(152)
Other comprehensive expense:						
Transfer to RWE Group of the Electricity Supply Pension Scheme		-	-	-	(4)	(4)
Movement of deferred tax relating to pension surplus		-	-	-	1	1
Total comprehensive expense for the year		-	-	-	(155)	(155)
Balance at 31 December 2018		171	1,077	(6)	1,331	2,573
Profit and total comprehensive income for the year		-	-	-	163	163
Dividends	8	-	-	-	(160)	(160)
Reduction in shares		(171)	(1,077)	-	1,248	-
Balance at 31 December 2019		-	-	(6)	2,582	2,576

RWE GENERATION UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

RWE Generation UK Holdings Limited is a private company limited by shares incorporated in England and Wales. The registered office is Windmill Hill Business Park, Whitehill Way, Swindon, Wiltshire, United Kingdom, SN5 6PB. The company's principal activities and nature of its operations are disclosed in the directors' report.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £m.

The financial statements have been prepared under the historical cost convention, except for the revaluation of financial assets and financial liabilities held at fair value, in accordance with the Companies Act 2006. The principal accounting policies adopted are set out below.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- Paragraph 38 of IAS 1 (Presentation of Financial Statements) to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1 (Presentation of Financial Statements)
- The following paragraphs of IAS 1 (Presentation of Financial Statements):
 - (i) 10(d) (statement of cash flows)
 - (ii) 16 (statement of compliance with all IFRS)
 - (iii) 38A (requirement for minimum of two primary statements, including cash flow statements)
 - (iv) 38B-D (additional comparative information)
 - (v) 40A-D (requirements for a third statement of financial position)
 - (vi) 111 (cash flow statement information)
 - (vii) 134-136 (capital management disclosures)
- IAS 7 (Statement of Cash Flows)
- Paragraph 17 of IAS 24 (Related Party Disclosures)
- The requirements in IAS 24 (Related Party Disclosures) to disclose related party transactions entered into between two or more members of a group.

The Company is a wholly owned subsidiary of RWE Generation SE. The ultimate parent is RWE AG. The financial statements contain information about RWE Generation UK Holdings Limited as an individual company and so do not contain consolidated financial information as the parent of a group.

The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the Company as an individual entity and not about its group.

1.2 Going concern

The financial statements have been prepared on a going concern basis. The basis of this assumption is that RWE Generation UK Holdings Limited continues to be the holding Company for the RWE Generation UK group of companies and receives interest from loans made to RWE Generation UK plc. In addition, the Company has access to the RWE AG cash management arrangements which provide adequate liquidity. Any long term funding requirement will be made via a commercial rate long-term loan.

RWE GENERATION UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.3 Non-current investments

All non-current 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.

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 income statement.

The recoverable amount of an asset or income generating unit is based on the higher of its estimated fair value less costs to sell and its estimated value in use. To derive fair value less costs to sell, 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 generation market;
- Cash flow projections are based on management's annual business plan updated for any significant movements since the date the business plan was approved;
- The cash flows obtained are discounted at a rate estimated to be appropriate for the electricity generation business in the UK. The discount rate is assessed annually.

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 for the asset in prior years. A reversal of an impairment loss is recognised in the income statement.

1.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.5 Financial assets

Financial assets are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

Financial assets held at amortised cost

Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (eg trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

RWE GENERATION UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.6 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.7 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.8 Amounts and loans owed by group undertakings

The amounts and loans owed by group undertakings are measured at amortised cost less provision for impairment in accordance with IFRS 9.

RWE GENERATION UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.9 Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. The Company does not recognise a contingent liability but discloses its existence in the notes to the financial statements, as the Company provides parent company guarantees on behalf of its subsidiaries.

2 Critical accounting estimates and judgements

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Critical judgements

Impairment of investments

The Company's management makes an estimate annually of the fair value of its investments. If the fair value is less than its carrying amount, an impairment loss is recognised immediately in the income statement.

3 Operating profit

Operating profit excludes charges for audit fees, as the audit fees in 2019 and 2018 were borne by RWE Generation UK plc, a subsidiary company. No recharge is made in relation to audit fees.

4 Directors' remuneration

	2019 £'000	2018 £'000
Remuneration for qualifying services	542	537

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 2 (2018 - 2).

RWE GENERATION UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

4 Directors' remuneration

(Continued)

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2019 £'000	2018 £'000
Remuneration for qualifying services	369	342
Accrued pension at the end of the year	53	52
Accrued lump sum at the end of the year	160	157

The Company had no employees during the year (2018: none). None of the directors received any remuneration for their services as directors of the Company (2018: £nil) and no recharge is made to the Company.

Two of the directors provide their services primarily to a subsidiary Company, RWE Generation UK plc and therefore their remuneration is shown above. The other director provided the majority of their services to other wider RWE Group Companies and therefore the above details include no remuneration in respect of that director.

5 Finance income

	2019 £m	2018 £m
Interest income		
Interest receivable from group companies	4	3
Income from fixed asset investments		
Income from shares in group undertakings	160	-
Total income	164	3

6 Exceptional items

	2019 £m	2018 £m
Impairment of investments	-	(157)

During the year, the Company reviewed the carrying amount of its direct subsidiary undertaking and concluded that it was not impaired.

In the prior year the Company reviewed the carrying amount of its direct subsidiary undertaking following an indication of impairment. An impairment of £157m was recorded against investments.

RWE GENERATION UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

7 Taxation

	2019 £m	2018 £m
Current tax		
UK corporation tax on profits for the current period	1	1
Adjustments in respect of prior periods	-	(3)
Total UK current tax	<u>1</u>	<u>(2)</u>

The charge for the year can be reconciled to the profit/(loss) per the income statement as follows:

	2019 £m	2018 £m
Profit/(loss) before taxation	<u>164</u>	<u>(154)</u>
Expected tax charge/(credit) based on a corporation tax rate of 19.00% (2018: 19.00%)	31	(29)
Effect of expenses not deductible in determining taxable profit	(30)	30
Adjustment in respect of prior years	-	(3)
Taxation charge/(credit) for the year	<u>1</u>	<u>(2)</u>

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2019 £m	2018 £m
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	-	(1)

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These included reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

RWE GENERATION UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

8	Dividends	2019 per share	2018 per share	2019 £m	2018 £m
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Amounts recognised as distributions to equity holders:

Ordinary

Interim dividend paid

160,000,000	-	160	-
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9 Investments

Current 2019 £m	2018 £m	Non-current 2019 £m	2018 £m
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Investments in subsidiaries	-	-	1,905	1,905
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Movements in non-current investments

Cost or valuation

At 1 January 2019 & 31 December 2019

Shares in
group
undertakings
£m

2,062

Impairment

At 1 January 2019 & 31 December 2019

(157)

Carrying amount

At 31 December 2019

1,905

At 31 December 2018

1,905

10 Subsidiaries

All subsidiaries incorporated in the United Kingdom are registered at Windmill Hill Business Park, Whitehill Way, Swindon, Wiltshire. SN5 6PB, United Kingdom.

Electra Insurance Limited is registered at Victoria Hall, 11 Victoria Street, Hamilton, Bermuda, HM11.

Transpower Limited is registered at 25/28 North Wall Quay, Dublin 1, Ireland.

Details of the Company's subsidiaries at 31 December 2019 are as follows:

RWE GENERATION UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

10 Subsidiaries

(Continued)

Name of undertaking	Registered office	Principal activities	% Held	
			Direct	Indirect
RWE Generation UK plc	United Kingdom	Fossil fuel power generation, engineering and technical support	100.00	-
Electra Insurance Limited	Bermuda	Insurance	-	100.00
RWE Ingenius Limited	United Kingdom	Holding company	-	100.00
RWE Markinch Limited	United Kingdom	Power generation	-	100.00
RWE Cogen UK Limited	United Kingdom	Dormant	-	100.00
RWE Cogen UK (Hythe) Limited	United Kingdom	Dormant	-	100.00
Transpower Limited	Ireland	Dormant	-	100.00

11 Trade and other receivables

	2019 £m	2018 £m
Loans owed by group undertakings	669	653
Amounts owed by group undertakings	2	15
	<u>671</u>	<u>668</u>

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

On 1 March 2019, the Company entered into a facility agreement with RWE Generation UK plc under which the Company may deposit with RWE Generation UK plc to a maximum of £100m. The deposit is unsecured and bears interest, calculated monthly, at the overnight LIBOR average of the respective month minus 10 basis points. The investment may be repaid at any time with the consent of both parties and will expire on 30 December 2024.

On 29 January 2019, the Company entered into a facility agreement with RWE AG under which the Company may deposit with RWE AG. The deposit is unsecured and bears interest, calculated monthly, at the overnight LIBOR average of the respective month minus 10 basis points.

As at 31 December 2019, the amount held on deposit with RWE Generation UK plc was £12m (2018: £653m) and the amount held on deposit with RWE AG was £657m (2018: £nil).

Amounts owed by group undertakings includes £2m of group relief recoverable (2018: £15m).

There is no provision for impairment of financial assets as at 31 December 2019 (2018: £nil).

RWE GENERATION UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

12 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting period.

	Pension asset £m
Deferred tax liability at 1 January 2018	1
Deferred tax movements in prior year	
Credit to other comprehensive income	(1)
Deferred tax liability at 1 January 2019 and 31 December 2019	-

Deferred tax assets and liabilities are offset in the financial statements only where the Company has a legally enforceable right to do so.

13 Called up share capital	2019 £m	2018 £m
Ordinary share capital		
<i>Authorised</i>		
1 Ordinary of 10p each	-	171
<i>Issued and fully paid</i>		
1 Ordinary of 10p each	-	171

Reconciliation of movements during the year:

	Ordinary Number
At 1 January 2019	171
Share capital reduction	(171)
At 31 December 2019	-

During 2019 the Company carried out a capital reduction to create distributable reserves. Ordinary shares were reduced to 1 share of £0.10. Share premium was reduced to £nil. The reduction in capital is recognised in retained earnings.

RWE GENERATION UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

14 Share premium account

	2019 £m	2018 £m
At the beginning of the year	1,077	1,077
Share capital reduction	(1,077)	-
At the end of the year	-	1,077

During 2019 the Company carried out a capital reduction to create distributable reserves. Ordinary shares were reduced to 1 share of £0.10. Share premium was reduced to £nil. The reduction in capital is recognised in retained earnings.

15 Other reserves

	£m
Balance at 1 January 2018	(6)
Balance at 31 December 2018	(6)
Balance at 31 December 2019	(6)

Other reserves comprise the difference between the issue price and exercise price of shares issued in 2002 to satisfy specific share schemes held in place at the time of acquisition by RWE AG.

16 Post-employment benefits

At the start of 2018 an amount of assets remained within the RWE Npower Group of the Electricity Supply Pension Scheme (ESPS) in RWE Generation UK Holdings Limited to cover the anticipated costs to wind up the scheme. During 2018 all remaining assets over and above the costs to wind up the scheme were transferred to the RWE Group of the ESPS. As at 31 December 2018 no obligation remained with the RWE Npower Group of the ESPS scheme. The obligation was released following the signing of the deed of discharge on 31 March 2018 when the defined benefit scheme relating to the RWE Npower Group of the ESPS pension scheme officially ceased.

17 Contingent liabilities

In the normal course of business the Company has provided parent company guarantees on behalf of its subsidiaries. As at 31 December 2019 the total value of these guarantees amounted to £2m (2018: £2m).

All of the above guarantees are in place as security against the subsidiary companies failing to meet certain payment obligations. It is considered to be very unlikely that any event will occur that gives rise to any of the guarantees being affected.

RWE GENERATION UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

18 Events after the reporting date

Covid -19

The Company and RWE Group are closely monitoring the Covid -19 outbreak and have activated a Groupwide crisis response. Teams involved include representatives from Group Security, Group Occupational Medicine and organisational management. The crisis teams regularly exchange information on current developments and assess the situation within the RWE Group with regard to the risk of infection and preventative measures.

19 Controlling party

The Company's immediate parent is RWE Generation SE, a company incorporated in Germany.

The ultimate parent is RWE AG, a company incorporated in Germany. RWE AG is the smallest and largest group to consolidate these financial statements. Their financial statements are available upon request from RWE AG, Altenessener Straße 35, 45141 Essen, Germany. They can be accessed at www.rwe.com.

The ultimate controlling party is RWE AG.