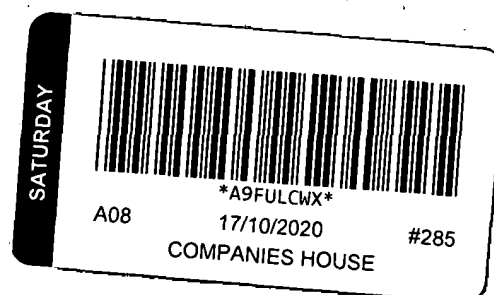


Registration number: 04262243

RWE KL Limited (formerly Centrica KL Limited)

Annual Report and Financial Statements

for the Year Ended 31 December 2019



RWE KL Limited (formerly Centrica KL Limited)

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RWE KL Limited (formerly Centrica KL Limited)

Strategic Report for the Year Ended 31 December 2019

The Directors present their Strategic Report for RWE KL Limited (formerly Centrica KL Limited) (the 'Company') for the year ended 31 December 2019.

Review of the business and principal activities

The Company's principle activity is the operating of a 380MW gas-fired combined cycle gas turbine station at King's Lynn, Norfolk ('King's Lynn Power Station').

During the year, the Company continued to progress the replant of the King's Lynn Power Station which returned to service on 18 November 2019. The project involved replacement of the existing gas turbine, refurbishment of the existing steam turbine and generator, and other enhancements. This has also increased the stations MW capacity from 325MW to 380MW. The station has a 15-year capacity market contract commencing from October 2020.

In December 2019 the Company purchased assets from GB Gas Holdings Limited ('GBGH'), which it previously leased from GBGH.

Sale of the Company to RWE Generation UK PLC

On 12 February 2020, Centrica plc sold the Company to RWE Generation UK Plc. The consideration for the acquisition of the 100% shareholding in the Company was £28,570,929 fully paid in cash. On 13 February 2020 the Company changed its name to RWE KL Limited.

Principal risks and uncertainties

From the perspective of the Company for the year ended 31 December 2019, the principal risks and uncertainties are integrated with those of the Centrica plc group (the 'Group') and are not managed separately. The principal risks and uncertainties of the Group, which include those of the Company, are disclosed on pages 34-43 of the Group's Annual Report and Accounts 2019, which does not form part of this report.

Impact of severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) outbreak and coronavirus disease (COVID-19) pandemic

On 11 March 2020 the World Health Organisation declared the SARS-CoV-2 outbreak and resultant COVID-19 to be a global pandemic. The Company and the 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 Operational 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 Group 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.

Exit from the European Union

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.

RWE KL Limited (formerly Centrica KL Limited)

Strategic Report for the Year Ended 31 December 2019 (continued)

Key performance indicators ('KPIs')


For the year ended 31 December 2019, the Directors of the Group use a number of KPIs to monitor progress against the Group's strategy. The development, performance and position of the Group, which includes the Company, are disclosed on pages 18-19 of the Group's Annual Report and Accounts 2019, which does not form part of this report. The results of the Company are disclosed in the Directors' Report on page 3.

Future developments

Since the balance sheet date, the Directors agreed to transfer the trade and assets of the Company to its immediate parent company RWE Generation UK Plc. The Company will be liquidated at the earliest opportunity. See Directors report on page 4 for further details.

30/09/20

Approved by the Board on and signed on its behalf by:

DocuSigned by:

A924F2CF9854EE.....

By order of the Board for and on behalf of Helen Mallett
Director

Company registered in England and Wales, No. 04262243

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

RWE KL Limited (formerly Centrica KL Limited)

Directors' Report for the Year Ended 31 December 2019

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

Directors of the Company

The Directors of the Company, who were in office during the year and up to the date of signing the financial statements were as follows:

R McCord (resigned 12 February 2020)

M Futyan (resigned 6 February 2020)

The following directors were appointed after the year end:

S Glover (appointed 12 February 2020)

H Mallett (appointed 12 February 2020)

M Suleman (appointed 12 February 2020)

M Dennis (appointed 6 February 2020 and resigned 12 February 2020)

Results and dividends

The results of the Company are set out on page 9. The loss for the financial year ended 31 December 2019 is £15,389,000 (2018: loss £20,499,000).

The Company did not pay an interim dividend during the year (2018: £nil) and the Directors do not recommend the payment of a final dividend (2018: £nil).

Objectives and policies

The Directors have established objectives and policies for managing financial risks to enable the Company to achieve its long-term shareholder value growth targets within a prudent risk management framework. These objectives and policies are regularly reviewed.

Exposure in terms of price risk, credit risk, liquidity risk and cash flow risk

Exposure to counterparty credit risk and liquidity risk arises in the normal course of the Company's business. Cash forecasts identifying the liquidity requirements of the Company are produced frequently and reviewed regularly. For the year ended 31 December 2019 liquidity risk is managed through funding arrangements with Group undertakings.

Future developments

Future developments are discussed in the Strategic Report on page 2.

Going concern

The Financial Statements have been prepared on a basis other than going concern in accordance with IAS 1 'Presentation of Financial Statements', as the trade and assets of the Company were transferred to its immediate parent company RWE Generation UK Plc on 1 September 2020 and the Company is expected to be liquidated in the near future. No adjustments to the carrying value of assets and liabilities were necessary. The comparative Financial Statements continue to be prepared on a going concern basis.

RWE KL Limited (formerly Centrica KL Limited)

Directors' Report for the Year Ended 31 December 2019 (continued)

Non adjusting events after the financial period

On 10 February 2020 the Company increased its ordinary share capital by 27,999,998 ordinary £1 shares.

On 12 February 2020, the Centrica plc Group sold the Company to RWE Generation UK plc. The consideration for the acquisition of the 100% shareholding in the Company was £28,570,929 fully paid in cash. On 13 February 2020 the Company changed its name to RWE KL Limited.

Subsequent to the balance sheet date, on 11 March 2020 the World Health Organisation declared the SARS-CoV-2 outbreak and resultant COVID-19 to be a global pandemic. The Company and the 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 Operational 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 Group 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.

Since the balance sheet date, the Directors agreed to transfer the trade and assets of the Company to its immediate parent company RWE Generation UK Plc at book value. The transfer took place on 1 September 2020 at which point RWE KL Limited ceased trading. Prior to the transfer, the Company carried out a capital reduction to create distributable reserves. Ordinary shares were reduced to 1 share of £1. The Company will be liquidated at the earliest opportunity.

Directors' and officers' liability

For the year ended 31 December 2019 Directors' and officers' liability insurance has been purchased by the ultimate parent company, Centrica plc, and was in place throughout the year. The insurance does not provide cover in the event that the Director is proved to have acted fraudulently.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable UK 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), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). 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 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.

RWE KL Limited (formerly Centrica KL Limited)

Directors' Report for the Year Ended 31 December 2019 (continued)

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

Disclosure of information to auditors

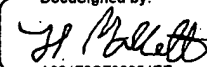
Each of the Directors who held office at the date of approval of this Directors' Report confirm that so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and that they have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditors

Following the sale of the Company on 12 February 2020, PricewaterhouseCoopers LLP has been appointed as auditor of RWE KL Limited for the year ended 31 December 2020.

30/09/20

Approved by the Board on and signed on its behalf by:

DocuSigned by:

A924F2CF9854EE.....

By order of the Board for and on behalf of Helen Mallett
Director

Company registered in England and Wales, No. 04262243
Registered office:
Windmill Hill Business Park
Whitehill Way
Swindon
Wiltshire
SN5 6PB
United Kingdom

RWE KL Limited (formerly Centrica KL Limited)

Independent Auditors' Report to the Members of RWE KL Limited (formerly Centrica KL Limited)

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of RWE KL Limited (formerly Centrica KL Limited) (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Income Statement;
- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We have nothing to report in respect of these matters.

Emphasis of matter - Financial statements prepared other than on a going concern basis

We draw attention to note 2 of the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in respect of these matters.

RWE KL Limited (formerly Centrica KL Limited)

Independent Auditors' Report to the Members of RWE KL Limited (formerly Centrica KL Limited) (continued)

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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 auditor's report.

Report on other legal and regulatory requirements

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

RWE KL Limited (formerly Centrica KL Limited)

Independent Auditors' Report to the Members of RWE KL Limited (formerly Centrica KL Limited) (continued)

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

D. Winstone

Daryl Winstone (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London
United Kingdom

Date: 30/9/20

RWE KL Limited (formerly Centrica KL Limited)**Income Statement for the Year Ended 31 December 2019**

	Note	2019 £ 000	2018 £ 000
Revenue	4	3,444	-
Cost of sales	6	<u>(4,091)</u>	<u>-</u>
Gross loss		(647)	-
Operating costs	6	(5,873)	(6,756)
Exceptional item - impairment charge	8	(11,036)	(19,520)
Other income	5	<u>13</u>	<u>-</u>
Operating loss		<u>(17,543)</u>	<u>(26,276)</u>
Finance income	9	-	611
Finance costs	9	<u>(1,574)</u>	<u>(297)</u>
Net finance (cost)/income		<u>(1,574)</u>	<u>314</u>
Loss before taxation		(19,117)	(25,962)
Taxation on loss	12	<u>3,728</u>	<u>5,463</u>
Loss for the year from continuing operations		<u><u>(15,389)</u></u>	<u><u>(20,499)</u></u>

The above results were derived from continuing operations.

RWE KL Limited (formerly Centrica KL Limited)**Statement of Comprehensive Income for the Year Ended 31 December 2019**

	Note	2019 £ 000	2018 £ 000
Loss for the year		<u>(15,389)</u>	<u>(20,499)</u>
Items that will be or have been reclassified to the Income Statement			
Loss on cash flow hedges (net)		(216)	(280)
Taxation on cash flow hedges		<u>128</u>	<u>(291)</u>
		<u>(88)</u>	<u>(571)</u>
Other comprehensive loss		<u>(88)</u>	<u>(571)</u>
Total comprehensive loss for the year		<u>(15,477)</u>	<u>(21,070)</u>


The notes on pages 13 to 33 form an integral part of these financial statements.

RWE KL Limited (formerly Centrica KL Limited)**Statement of Financial Position as at 31 December 2019**

	Note	2019 £ 000	2018 £ 000
Non-current assets			
Property, plant and equipment	13	<u>110,606</u>	<u>104,574</u>
		<u>110,606</u>	<u>104,574</u>
Current assets			
Trade and other receivables	15	1,470	733
Inventories	16	1,792	1,051
Derivative financial instruments	22	935	52
Current tax assets	12	<u>5,005</u>	<u>-</u>
		<u>9,202</u>	<u>1,836</u>
Total assets		<u>119,808</u>	<u>106,410</u>
Current liabilities			
Trade and other payables	17	(148,681)	(115,448)
Derivative financial instruments	22	-	(728)
Borrowings	18	<u>-</u>	<u>(345)</u>
		<u>(148,681)</u>	<u>(116,521)</u>
Net current liabilities		<u>(139,479)</u>	<u>(114,685)</u>
Total assets less current liabilities		(28,873)	(10,111)
Non-current liabilities			
Deferred tax liabilities	12	(5,470)	(4,776)
Provisions for other liabilities and charges	19	(2,210)	(2,351)
Borrowings	18	<u>-</u>	<u>(3,671)</u>
		<u>(7,680)</u>	<u>(10,798)</u>
Net liabilities		<u>(36,553)</u>	<u>(20,909)</u>
Equity			
Share capital	20	-	-
Retained earnings		(35,793)	(20,404)
Cash flow hedging reserve		<u>(760)</u>	<u>(505)</u>
Total equity		<u>(36,553)</u>	<u>(20,909)</u>

The financial statements on pages 9 to 32 were approved and authorised for issue by the Board of Directors on 30/09/20..... and signed on its behalf by:

H Mallett, Director
Company number 04262243

DocuSigned by:

A924F2CF99854EE...

RWE KL Limited (formerly Centrica KL Limited)**Statement of Changes in Equity for the Year Ended 31 December 2019**

	Share capital £ 000	Cash flow hedge reserve £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2019	-	(505)	(20,404)	(20,909)
Loss for the year	-	-	(15,389)	(15,389)
Other comprehensive income	-	(88)	-	(88)
Total comprehensive income	-	(88)	(15,389)	(15,477)
Transferred to property, plant and equipment on cash flow hedges	-	(195)	-	(195)
Tax on cash flow hedges	-	28	-	28
At 31 December 2019	-	(760)	(35,793)	(36,553)

	Share capital £ 000	Cash flow hedge reserve £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2018	-	1,333	95	1,428
Loss for the year	-	-	(20,499)	(20,499)
Other comprehensive income	-	(571)	-	(571)
Total comprehensive income	-	(571)	(20,499)	(21,070)
Transferred to property, plant and equipment on cash flow hedges	-	(1,267)	-	(1,267)
At 31 December 2018	-	(505)	(20,404)	(20,909)

The notes on pages 13 to 33 form an integral part of these financial statements.

RWE KL Limited (formerly Centrica KL Limited)

Notes to the Financial Statements for the Year Ended 31 December 2019

1 General information

RWE KL Limited (formerly Centrica KL Limited) (the 'Company') is a private company limited by shares, incorporated and domiciled in the United Kingdom and registered in England and Wales.

The address of its registered office and principal place of business is:

Windmill Hill Business Park
Whitehill Way
Swindon
Wiltshire
SN5 6PB

The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 1 to 2.

2 Accounting policies

Basis of preparation

The Company financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'). In preparing these financial statements the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Changes in accounting policy

From 1 January 2019, the following standards and amendments are effective in the Company's Financial Statements:

- IFRS 16: 'Leases'

The impact of adoption of IFRS 16 and the key changes to the accounting policy are disclosed below.

Changes resulting from adoption of IFRS 16

IFRS 16: 'Leases'

The Company adopted IFRS 16: 'Leases' from 1 January 2019. Adoption represents a significant change in accounting for lease arrangements in which the Company is a lessee as the standard mandates the on-balance sheet recognition of all lease liabilities and a corresponding right-of-use asset. In accordance with the transition provisions of IFRS 16, for contracts entered into before 1 January 2019, the requirements of the standard have been applied only to contracts previously identified as leases in accordance with IAS 17: 'Leases' or IFRIC 4: 'Determining Whether an Arrangement Contains a Lease'. For contracts entered into or modified after that date the definition of a lease in IFRS 16 has been applied. On application of IFRS 16 comparative information has not been restated.

On transition, the Company measured lease liabilities for leases previously assessed as operating at the present value of the remaining lease payments and elected to measure the associated right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. For arrangements previously assessed as finance leases, the asset and liability balances at 31 December 2018 were carried forward as the opening IFRS 16 balances and subsequently measured in accordance with the new standard.

RWE KL Limited (formerly Centrica KL Limited)

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Application resulted in the recognition of total lease liabilities on 1 January 2019 of £8,573,000. Right-of-use assets are presented in Property, plant and equipment on the Statement of Financial Position. Lease liabilities are included in Current and Non-current Borrowings.

A reconciliation of the operating lease commitment at 31 December 2018 to the opening IFRS 16 lease liability is shown below, along with a summary of the key judgements applied by the Company in determining these opening positions:

	£ 000
Operating lease commitment at 31 December 2018	5,003
Finance lease liabilities at 31 December 2018	4,016
Effect of discounting	(446)
IFRS 16 lease liability at 1 January 2019	<u>8,573</u>

The weighted average incremental borrowing rate used by the Company for IFRS 16 is 1.86%. The leases were terminated on the 21 December 2019 as the leased assets were sold to the Company. As at the 31 December 2019 the Company had no leases which fell within the scope of IFRS 16.

Significant Changes in the Company's Accounting Policy applicable from 1 January 2019

Leases

Definition of a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset;
- the Company has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset.

As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

RWE KL Limited (formerly Centrica KL Limited)

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounting using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Leases payments included in the measurement of the lease liability comprise: fixed payments (including in-substance fixed payments), variable lease payments that depend on an index or a rate (initially measured using the index or rate as at the commencement date), amounts expected to be payable under a residual value guarantee, and the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early. Variable lease payments that do not depend on an index or rate are recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, lease-term extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use of asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company recognises the lease payments associated with short-term leases (leases expiring within twelve months from commencement) and leases of low value assets (underlying asset value less than £5,000) on a straight-line basis over the lease term.

Summary of disclosure exemptions

In these financial statements, as a qualifying entity the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- the requirements of IAS 7 'Statement of Cash Flows';
- the statement of compliance with Adopted IFRSs;
- the effects of new but not yet effective IFRSs;
- prior year reconciliations for property, plant and equipment and intangible assets;
- the prior year reconciliations in the number of shares outstanding at the beginning and at the end of the year for share capital;
- disclosures in respect of related party transactions with wholly-owned subsidiaries in a group;
- disclosures in respect of the compensation of key management personnel; and
- disclosures in respect of capital management.

As the consolidated financial statements of the Centrica plc group (the 'Group'), which are available from its registered office, include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- certain disclosures required by IAS 36 'Impairment of Assets' in respect of the impairment of goodwill and indefinite life intangible assets;
- certain disclosures required by IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instruments: Disclosures' have not been provided apart from those which are relevant for the financial instruments which are held at fair value;

RWE KL Limited (formerly Centrica KL Limited)

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

- certain disclosures required by IFRS 3 'Business Combinations' in respect of business combinations undertaken by the Company; and
- disclosures of the net cash flows attributable to the operating, investing and financing activities of discontinued operations.

Measurement convention

The financial statements are prepared on the historical cost basis except for derivative financial instruments and financial instruments designated at fair value through profit and loss on initial recognition. The carrying value of recognised assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

Going Concern

The Financial Statements have been prepared on a basis other than going concern in accordance with IAS 1 'Presentation of Financial Statements', as the trade and assets of the Company were transferred to its immediate parent company RWE Generation UK Plc on 1 September 2020 and the Company is expected to be liquidated in the near future. No adjustment to the carrying value of assets and liabilities were necessary. The comparative Financial Statements continue to be prepared on a going concern basis.

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Revenue recognition

The Company adopted IFRS 15: 'Revenue from contracts with customers' from 1 January 2018. The primary impact of application is the revision of accounting policies to reflect the five-step approach to revenue recognition required by IFRS 15. All revenue for the Company has been assessed to be within the scope of IFRS 15. This resulted in no changes to amounts previously recognised in the financial statements.

Revenue comprises the amount of consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Company's activities. It is recognised to the extent that it is probable that the Company will be able to collect consideration it will be entitled to in exchange for goods and/or services. Revenue is recognised over time as the Company generates electricity and is measured on the basis of power supplied during the period. Power purchases and sales entered into to optimise the performance of power generation facilities are presented net within revenue.

Revenue from ancillary or support services to National Grid, such as Capacity Market revenue, is recognised by reference to completion of each performance obligation which is generally as generating capacity is made available.

Revenue is recognised on an accruals basis and is shown net of sales/value added tax, returns, rebates and discounts.

RWE KL Limited (formerly Centrica KL Limited)

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Finance income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying value.

Cost of Sales

Cost of sales within power generation businesses includes the depreciation of assets included in generating power, fuel purchase costs, direct labour costs and carbon emissions costs.

Overhaul costs

Contract work involved in replacing gas turbine components is capitalised and depreciated over their expected economic life, typically over the period to the next overhaul. Repairs and other costs that are not of a capital nature are charged directly to the income statement as incurred.

Exceptional items

Exceptional items are those items that, in the judgement of the Directors, need to be disclosed separately by virtue of their nature, size or incidence. To ensure the business performance reflects the underlying results of the Company, these exceptional items are disclosed separately in the income statement. Items which may be considered exceptional in nature include disposals of businesses, business restructurings, significant onerous contract charges and asset write-downs/impairments.

Foreign currencies

Transactions in foreign currencies are, on initial recognition, recorded in the functional currency of the Company at the exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency of the Company at the rates prevailing at the reporting date, and associated gains and losses are recognised in the Income Statement for the year, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income Statement within 'finance income' or 'finance costs'. All other foreign exchange gains and losses are presented in the Income Statement in the respective financial line item to which they relate.

Non-monetary items that are measured at historical cost in a currency other than the functional currency of the Company are translated using the exchange rate prevailing at the dates of the initial transaction and are not retranslated. Non-monetary items measured at fair value in foreign currencies are retranslated at the rates prevailing at the date when the fair value was measured.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in equity. In this case, the tax is recognised in equity.

Deferred tax is recognised in respect of all temporary differences identified at the reporting date, except to the extent that the deferred tax arises from the initial recognition of goodwill (if impairment of goodwill is not deductible for tax purposes) or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit and loss. Temporary differences are differences between the carrying amount of the Company's assets and liabilities and their tax base.

RWE KL Limited (formerly Centrica KL Limited)

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Deferred tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised only to the extent that it is probable that the deductible temporary differences will reverse in the future and there is sufficient taxable profit available against which the temporary differences can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement using tax rates that have been enacted or substantively enacted at the reporting date.

EU Emissions Trading Schemes and renewable obligation certificates

Purchased carbon dioxide emissions allowances are recognised initially at cost (purchase price) within intangible assets. The liability is measured at the cost of purchased allowances up to the level of purchased allowances held, and then at the market price of allowances ruling at the reporting date, with movements in the liability recognised in operating profit.

Forward contracts for the purchase or sale of carbon dioxide emissions allowances are measured at fair value with gains and losses arising from changes in fair value recognised in the Company's Income Statement. The intangible asset is surrendered and the liability is extinguished at the end of the compliance period to reflect the consumption of economic benefits.

Property, plant and equipment ('PP&E')

PP&E is included in the Statement of Financial Position at cost, less accumulated depreciation and any provisions for impairment. The initial cost of an asset comprises its purchase price or construction cost and any costs directly attributable to bringing the asset into operation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Subsequent expenditure in respect of items of PP&E, such as the replacement of major parts, major inspections or overhauls, are capitalised as part of the cost of the related asset where it is probable that future economic benefits will arise as a result of the expenditure and the cost can be reliably measured. All other subsequent expenditure, including the costs of day-to-day servicing, repairs and maintenance, is expensed as incurred.

Freehold land is not depreciated. Other PP&E, are depreciated on a straight-line basis at rates sufficient to write off the cost, less estimated residual values, of individual assets over their estimated useful lives.

Depreciation of PPE

The depreciation periods for the principal categories of assets are as follows:

Asset class	Depreciation method and rate
Power station assets and decommissioning asset	Straight line, up to 20 years
Turbine components	Straight line, up to 20 years
Other plant and machinery	Straight line, up to 20 years

The carrying values of PP&E are tested annually for impairment and are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Residual values and useful lives are reassessed annually and if necessary changes are accounted for prospectively.

Assets held as right-of-use assets are depreciated over their expected useful lives on the same basis as for owned assets, or where shorter, the lease term.

RWE KL Limited (formerly Centrica KL Limited)

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Inventories

Inventories are valued at the lower of cost incurred in bringing each item to its present location and condition and net realisable value. Provision is made where necessary for obsolete, slow-moving and defective inventories. Cost is determined on an average cost basis.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, that can be measured reliably, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. Where discounting is used, the increase in the provision due to the passage of time is recognised in the Income Statement within interest expense.

Onerous contract provisions are recognised where the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it.

Decommissioning costs

Provision is made for the net present value of the estimated cost of decommissioning power stations at the end of their useful lives, based on price levels and technology at the reporting date.

When this provision relates to an asset with sufficient future economic benefits, a decommissioning asset is recognised and included as part of the associated PP&E and depreciated accordingly. Changes in these estimates and changes to the discount rates are dealt with prospectively and reflected as an adjustment to the provision and corresponding decommissioning asset included within PP&E. The unwinding of the discount on the provision is included in the Income Statement within finance costs.

Impairment

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit ('CGU') is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss in respect of goodwill shall not be reversed in a subsequent period. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

The Company provides for impairments of financial assets when there is objective evidence of impairment as a result of events that impact the estimated future cash flows of the financial assets.

RWE KL Limited (formerly Centrica KL Limited)

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Financial assets and liabilities

Financial assets and financial liabilities are recognised in the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the Company no longer has the rights to cash flows, the risks and rewards of ownership or control of the asset. Financial liabilities are de-recognised when the obligation under the liability is discharged, cancelled or expires.

- Trade and other receivables

Trade receivables are initially recognised at fair value, which is usually the original invoice amount, and are subsequently held at amortised cost using the effective interest method less an allowance for expected credit losses. Balances are written off when recoverability is assessed as being remote. If collection is due in one year or less, receivables are classified as current assets. If not they are presented as non-current assets.

- Trade and other payables

Trade payables are initially recognised at fair value, which is usually the original invoice amount and are subsequently held at amortised cost using the effective interest method (although, in practice, the discount is often immaterial). If payment is due within one year or less, payables are classified as current liabilities. If not, they are presented as non-current liabilities.

- Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds received. Own equity instruments that are re-acquired (treasury or own shares) are deducted from equity. No gain or loss is recognised in the Company's Income Statement on the purchase, sale, issue or cancellation of the Company's own equity instruments.

- Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less.

- Loans and other borrowings

All interest-bearing and interest-free loans and other borrowings are initially recognised at fair value net of directly attributable transaction costs. After initial recognition, these financial instruments are measured at amortised cost using the effective interest method, except when they are the hedged item in an effective fair value hedge relationship where the carrying value is also adjusted to reflect the fair value movements associated with the hedged risks. Such fair value movements are recognised in the Company's Income Statement. Amortised cost is calculated by taking into account any issue costs, discount or premium, when applicable.

Hedge accounting

The Company continues to apply the hedge accounting requirements of IAS 39 and has not adopted IFRS 9 hedge accounting.

For the purposes of hedge accounting, hedges are classified as either fair value hedges or cash flow hedges.

RWE KL Limited (formerly Centrica KL Limited)

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Fair value hedges

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in the Income Statement. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged and any gains or losses on re-measurement are recognised immediately in the Income Statement. On the discontinuance of hedge accounting, any adjustment made to the carrying amount of the hedged item as a consequence of the fair value hedge relationship, is recognised in the Income Statement over the remaining life of the hedged item.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the Income Statement.

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from the hedging reserve and is included in the initial carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into the Income Statement in the same period or periods during which the asset acquired or liability assumed affects profit or loss e.g. when interest income or expense is recognised.

For cash flow hedges, other than those covered above, the associated cumulative gain or loss is removed from equity and recognised in the Income Statement in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the Income Statement immediately.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and the associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. In the Directors' opinion there are no critical judgements, apart from those involving estimations (which are dealt with separately below).

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Decommissioning costs

The estimated cost of decommissioning of power stations is reviewed periodically and is based on price levels and technology at the reporting date. Provision is made for the estimated cost of decommissioning at the reporting date. The payment dates of total expected future decommissioning costs are uncertain and dependent on the lives of the facilities, but are currently anticipated to be incurred in 2037.

RWE KL Limited (formerly Centrica KL Limited)**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)****3 Critical accounting judgements and key sources of estimation uncertainty (continued)****Impairment of long-lived assets**

The Company has material long-lived assets that are assessed or tested for indicators of impairment at each reporting date in accordance with the Company's accounting policy as disclosed in note 2. The Company makes judgements and estimates in considering whether the carrying amounts of these assets or cash generating units (CGUs) are recoverable.

4 Revenue

The analysis of the Company's revenue for the year from continuing operations is as follows:

	2019	2018
	£ 000	£ 000
Capacity market revenue	24	-
Loadbook contract income	3,359	-
Other revenue	61	-
	<u>3,444</u>	<u>-</u>

5 Other operating income

The analysis of the Company's other operating income for the year is as follows:

	2019	2018
	£ 000	£ 000
Other income	<u>13</u>	<u>-</u>

During the year the Company received other income in respect of sundry sales of scrap metal of £13,000 (2018: £nil).

6 Analysis of costs by nature

	2019			2018		
	Cost of sales	Operating costs	Total costs	Cost of sales	Operating costs	Total costs
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Operating lease expense - property	-	-	-	-	(518)	(518)
Depreciation	(1,223)	(501)	(1,724)	-	(17)	(17)
Other cost of sales	(2,868)	-	(2,868)	-	-	-
Other operating costs	-	(5,372)	(5,372)	-	(6,221)	(6,221)
	<u>(4,091)</u>	<u>(5,873)</u>	<u>(9,964)</u>	<u>-</u>	<u>(6,756)</u>	<u>(6,756)</u>
Total costs by nature						

RWE KL Limited (formerly Centrica KL Limited)**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)****7 Employees' costs**

The Company has no direct employees (2018: nil). However, central payroll costs amounting to £2,842,000 (2018: £1,452,000) were incurred through a recharge during the year in respect of a monthly average of 32 (2018: 20) staff providing services to the Company under an employee services agreement with a Group company. Also under this agreement additional pension costs of £198,000 (2018: £230,000) have been incurred from the Group company.

8 Exceptional items

The following exceptional items were recognised in arriving at operating profit for the reporting year:

	2019 £ 000	2018 £ 000
Exceptional items- impairment charge	<u>(11,036)</u>	<u>(19,520)</u>

Impairment

The replant project completed in November 2019, later than anticipated. During the year end impairment process, an impairment charge of £11,036,000 (2018: £19,520,000) has been booked, predominantly due to the deterioration in the forward spark spread curve. The level of impairment charge recorded could change due to future changes in the spark spread curve.

9 Net finance income/cost**Finance income**

	2019 £ 000	2018 £ 000
Interest income from amounts owed by Group undertakings	<u>-</u>	<u>611</u>
Total finance income	<u>-</u>	<u>611</u>

Finance cost

	2019 £ 000	2018 £ 000
Decommissioning provision notional interest	(26)	(25)
Interest expense on lease liabilities (2018: finance leases)	(336)	(272)
Interest on amounts owed to Group undertakings	(1,078)	-
Net foreign exchange losses on financing transactions	<u>(134)</u>	<u>-</u>
Total finance costs	<u>(1,574)</u>	<u>(297)</u>
Net finance (cost)/ income	<u>(1,574)</u>	<u>314</u>

RWE KL Limited (formerly Centrica KL Limited)**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)****10 Directors' remuneration**

The Directors were remunerated as employees of Centrica plc Group and did not receive any remuneration, from any source, for their services as Directors of the Company during the current or preceding financial year. Accordingly, no details in respect of their emoluments have therefore been included in these financial statements.

11 Auditors' remuneration

The Company paid the following amounts to its auditors in respect of the audit of the Financial Statements provided to the Company.

	2019 £ 000	2018 £ 000
Audit fees	<u>(8)</u>	<u>(8)</u>

Auditors' remuneration relates to fees for the audit of the financial statements of the Company.

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the Group Financial accounts of its ultimate parent, Centrica plc.

12 Income tax

Tax credited/(charged) in the Income Statement

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax at 19% (2018: 19%)	5,005	5,267
UK corporation tax adjustment to prior periods	<u>(455)</u>	<u>-</u>
	<u>4,550</u>	<u>5,267</u>
Deferred taxation		
Origination and reversal of temporary differences	(1,373)	(334)
Changes in tax rates	144	558
Adjustment in respect of prior period	<u>407</u>	<u>(28)</u>
Total deferred taxation	<u>(822)</u>	<u>196</u>
Taxation on profit	<u>3,728</u>	<u>5,463</u>

RWE KL Limited (formerly Centrica KL Limited)**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)****12 Income tax (continued)**

The main rate of corporation tax for the year to 31 December 2019 was 19% (2018: 19%). The corporation tax rate was due to reduce to 17% with effect from 1 April 2020. However, at the Budget on 11 March 2020 it was announced that the rate of corporation tax will remain at 19%.

As substantive enactment of the 19% corporation tax rate is after the balance sheet date, the deferred tax balances provided in these financial statements reflect the enacted rate of 17%. For future reporting dates after the enactment of the Finance Bill 2020, the deferred tax balances provided are expected to increase by £643k, and will be reflected in the financial statements for the year ended 31 December 2020.

The differences between the taxes shown above and the amounts calculated by applying the standard rate of UK corporation tax to the profit before tax are reconciled below:

	2019 £ 000	2018 £ 000
Loss before tax	<u>(19,117)</u>	<u>(25,962)</u>
Tax on profit at standard UK corporation tax rate of 19% (2018: 19%)	3,632	4,933
Increase (decrease) in current tax from adjustment for prior periods	(48)	(28)
Increase (decrease) arising from group relief tax reconciliation	(81)	(338)
Increase (decrease) from transfer pricing adjustments	81	338
Deferred tax (expense) credit relating to changes in tax rates or laws	<u>144</u>	<u>558</u>
Total tax credit	<u>3,728</u>	<u>5,463</u>

Deferred tax

The movements in respect of the deferred income tax assets and liabilities that occurred during the financial year are as follows:

	Accelerated tax depreciation £000	Revaluation of cash-flow hedges £000	Loans and other borrowings £000	Other items £000	Total £ 000
1 January 2019	(5,138)	(9)	(29)	400	(4,776)
Charged/(credited) to the Income Statement	(1,205)	-	-	(24)	(1,229)
Charged/(credited) to other comprehensive income	-	8	120	-	128
Prior period adjustments	<u>407</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>407</u>
31 December 2019	<u>(5,936)</u>	<u>(1)</u>	<u>91</u>	<u>376</u>	<u>(5,470)</u>

RWE KL Limited (formerly Centrica KL Limited)**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)****12 Income tax (continued)**

	Accelerated tax depreciation £000	Revaluation of cash-flow hedges £000	Loans and other borrowings £000	Other items £000	Total £ 000
1 January 2018	(5,200)	(63)	-	-	(5,263)
Charged/(credited) to the Income Statement	228	-	-	(4)	224
Charged/(credited) to other comprehensive income	-	54	237	-	291
Prior period adjustments	(166)	-	(266)	404	(28)
31 December 2018	<u>(5,138)</u>	<u>(9)</u>	<u>(29)</u>	<u>400</u>	<u>(4,776)</u>

Certain deferred tax assets and liabilities have been offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following is an analysis of the gross deferred tax balances and associated offsetting balances for financial reporting purposes:

	2019		2018	
	Assets £ 000	Liabilities £ 000	Assets. £ 000	Liabilities £ 000
Gross deferred tax balances crystallising within one year	91	(1)	400	(37)
Gross deferred tax balances crystallising after one year	<u>376</u>	<u>(5,936)</u>	<u>-</u>	<u>(5,139)</u>
	<u>467</u>	<u>(5,937)</u>	<u>400</u>	<u>(5,176)</u>

At the end of 2019, the net deferred tax liability after offsetting for financial reporting purposes was £5,470,000 (2018: £4,776,000).

RWE KL Limited (formerly Centrica KL Limited)**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)****13 Property, plant and equipment**

	Power station assets £ 000	Decommissioning asset £ 000	Turbines, plant and equipment £ 000	Total £ 000
Cost				
At 1 January 2019	164,226	2,241	24,061	190,528
Right-of-use assets recognised on adoption of IFRS 16 (i)	4,557	-	-	4,557
Additions	18,451	-	-	18,451
Disposals and surrenders	(4,557)	(167)	-	(4,724)
At 31 December 2019	182,677	2,074	24,061	208,812
Accumulated depreciation and impairment				
At 1 January 2019	(59,979)	(1,914)	(24,061)	(85,954)
Charge for the year	(1,727)	3	-	(1,724)
Disposals and surrenders	508	-	-	508
Impairment	(11,036)	-	-	(11,036)
At 31 December 2019	(72,234)	(1,911)	(24,061)	(98,206)
Net book value				
At 31 December 2019	110,443	163	-	110,606
At 31 December 2018	104,247	327	-	104,574

(i) 2019 reflects right-of-use asset additions of £4,556,900 recognised in accordance with IFRS 16 and right-of-use assets previously held as finance leases under IAS 17 with £5,069,889 cost, £3,530,267 depreciation and net book value £1,539,622 at the transition date of 1 January 2019. In December 2019 all the IFRS 16 leases were terminated and the Company purchased the assets for the net book value.

Impairment

The Company has material long-lived assets that are assessed or tested for indicators of impairment at each reporting date in accordance with the Company's accounting policy as disclosed in note 2. The Company makes judgements and estimates in considering whether the carrying amounts of these assets or cash generating units (CGUs) are recoverable.

The re-plant project completed November 2019. During the year end impairment process, an impairment charge of £11,036,000 (2018: £19,520,000) has been booked, predominantly due to the deterioration in the forward spark spread curve. The level of impairment charge recorded could change due to future changes in the spark spread curve.

Capitalised interest

During the year £4,349,000 (2018: £3,533,000) of finance costs were capitalised into power station assets.

RWE KL Limited (formerly Centrica KL Limited)**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)****14 Right of use assets**

	Land/Building/Plant £ 000
Cost or valuation	
Additions	6,097
Disposals	<u>(5,420)</u>
At 31 December 2019	<u>677</u>
Depreciation	
Charge for the year	<u>677</u>
At 31 December 2019	<u>677</u>
Carrying amount	
At 31 December 2019	<u><u>-</u></u>

15 Trade and other receivables

	2019 Current £ 000	2018 Current £ 000
Prepayments and accrued energy income	693	271
VAT	684	462
Other receivables	<u>93</u>	<u>-</u>
	<u><u>1,470</u></u>	<u><u>733</u></u>

16 Inventories

	2019 £ 000	2018 £ 000
Strategic spares and consumables	<u>1,792</u>	<u>1,051</u>

There is no significant difference between the replacement cost of inventories and their carrying amounts.

RWE KL Limited (formerly Centrica KL Limited)**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)****17 Trade and other payables**

	2019	2018
	Current	Current
	£ 000	£ 000
Trade payables	(480)	(781)
Accrued expenses	(5,632)	(8,229)
Amounts owed to Group undertakings	(139,932)	(106,438)
EU ETS emissions obligations	(2,588)	-
Other payables	(49)	-
	<u>(148,681)</u>	<u>(115,448)</u>

The amounts owed to Group undertakings have been presented on a net basis as there is a right of offset against certain amounts. Included within the amounts owed to Group undertakings disclosed above is £131,186,000 (2018: £107,685,000) that bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 4.20 and 4.90% per annum during 2018 (2018: 3.72 and 4.13%). Also included in amounts owed to Group undertakings is a payable of £8,746,000 (2018: receivable of £1,247,000) which is unsecured and repayable on demand.

The amounts owed by Group undertakings have been presented on a net basis as there is a right of offset against certain amounts. All amounts owed by Group undertakings are interest-free, unsecured and repayable on demand.

18 Loans and borrowings

	31 December	31 December
	2019	2018
	£ 000 (i)	£ 000
Non-current bank overdrafts, loans and borrowings		
Obligations under intra-Group leases	<u>-</u>	<u>(3,671)</u>
Current bank overdrafts, loans and borrowings		
Obligations under intra-Group leases	<u>-</u>	<u>(345)</u>

(i) Following the adoption of IFRS 16 on 1 January 2019, the Company has recognised incremental lease liabilities and sub-lease assets within loans and borrowings. See note 1 for further details.

RWE KL Limited (formerly Centrica KL Limited)**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)****18 Loans and borrowings (continued)**

	Present value £ 000 (i)
2019	
Within one year	-
In two to five years	-
In over five years	-
	<u>-</u>
	<u>-</u>
	Present value £ 000
2018	
Within one year	(345)
In two to five years	(1,612)
In over five years	(2,059)
	<u>(4,016)</u>
	<u>(4,016)</u>

(i) The obligations under intra-group finance leases in 2018 relate to the fixed plant and buildings. This lease was cancelled on the 21st December 2019 as the leased asset were sold to the Company.

The amounts are contingent on station availability under the terms of the tolling contract and are also dependent on indexation amounts included in the contract.

19 Provisions for other liabilities and charges

	Decommissioning £ 000
At 1 January 2019	2,351
Charged to the Income Statement	(167)
Accretion of interest	26
	<u>2,210</u>
At 31 December 2019	<u>2,210</u>
Non-current liabilities	<u>2,210</u>

Decommissioning

The payment dates of total expected future decommissioning costs of the existing power station are uncertain and dependent on the lives of the facilities, but is currently anticipated to be incurred in 2037. The decommissioning costs represent an independent valuer's best estimate.

20 Capital and reserves**Allotted, called up and fully paid shares**

	2019		2018	
	No.	£	No.	£
Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

RWE KL Limited (formerly Centrica KL Limited)

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

20 Capital and reserves (continued)

On 10 February the Company increased its ordinary share capital by 27,999,998 £1 shares which were allotted, called up and fully paid.

Cash flow hedge reserve

The cash flow hedging reserve comprises fair value movements on instruments designated as cash flow hedges under the requirements of IFRS 9. Amounts are transferred from the cash flow hedging reserve to the Income Statement or the Statement of Financial Position as and when the hedged item affects the Income Statement or the Statement of Financial Position which is, for the most part, on receipt or payment of amounts denominated in foreign currencies.

Retained earnings

The balance classified as retained earnings includes the profits and losses realised by the Company in previous periods that were not distributed to the shareholders of the Company at the reporting date.

21 Commitments and contingencies

Leases as lessee

At 31 December 2019 the Company had annual commitments under non-cancellable operating leases with the following maturity:

	2019 £ 000	2018 £ 000
In over five years	-	518

Capital Commitments

On transition, the Company measured lease liabilities for leases previously assessed as operating at the present value of the remaining lease payments, and elected to measure the associated right-of-use assets at the amount equal to the lease liability, see note 1 for further details. The amount of non-cancellable operating lease payments recognised as an expense during 2018 was £518,000.

22 Fair value of financial instruments

Fair value hierarchy

Financial assets and financial liabilities measured and held at fair value are classified into one of three categories, known as hierarchy levels, which are defined according to the inputs used to measure fair value as follow:

- Level 1: Fair value is determined using observable inputs that reflect unadjusted quoted market prices for identical assets and liabilities.
- Level 2: Fair value is determined using significant inputs that may be directly observable inputs or unobservable inputs that are corroborated by market data.
- Level 3: Fair value is determined using significant unobservable inputs that are not corroborated by market data and may be used with internally developed methodologies that result in managements; best estimate of fair value.

RWE KL Limited (formerly Centrica KL Limited)**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)****22 Fair value of financial instruments (continued)***Financial instruments carried at fair value*

	31 December 2019		31 December 2018	
	Fair value and carrying value £ 000	Level 2 £ 000	Fair value and carrying value £ 000	Level 2 £ 000
Derivative financial assets - in hedge accounting relationships				
Foreign exchange derivatives	935.0	935.0	52.0	52.0
Total financial assets at fair value through profit or loss	935.0	935.0	52.0	52.0
Derivative financial liabilities - in hedge accounting relationships				
Foreign exchange derivatives	-	-	(728.0)	(728.0)
Total financial liabilities at fair value through profit or loss	-	-	(728.0)	(728.0)
Net financial instruments at fair value	935.0	935.0	(676.0)	(676.0)

There were no material transfers during the financial year/ period between level 1 and 2.

Valuation techniques used to derive Level 2 and 3 fair values and valuation process

Level 2 foreign exchange derivatives comprise forward foreign exchange contracts which are fair valued using forward exchange rates that are quoted in an active market.

23 Parent and ultimate parent undertaking

For the year ended 31 December 2019 the immediate parent undertaking is GB Gas Holdings Limited, a company registered in England and Wales.

The ultimate parent undertaking is Centrica plc, a company registered in England and Wales, which is the only company to include these financial statements in its consolidated financial statements. Copies of the Centrica plc consolidated financial statements may be obtained from www.centrica.com.

On 12 February 2020, the Centrica plc Group sold the Company to RWE Generation UK PLC, a company registered in England and Wales. The ultimate parent is RWE AG, a company incorporated in Germany. The most senior parent entity producing publicly available financial statements is RWE AG. This is the smallest and largest group to consolidate these financial statements. These financial statements are available upon request from RWE AG, Altenessener Straße 35, 45141 Essen, Germany. They can also be accessed at www.rwe.com. The ultimate controlling party is RWE AG.

The registered address of Centrica plc is Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD.

RWE KL Limited (formerly Centrica KL Limited)

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

24 Non adjusting events after the financial period

Subsequent to the balance sheet date, on 11 March 2020 the World Health Organisation declared the SARS-CoV-2 outbreak and resultant COVID-19 to be a global pandemic. The Company and the 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 Operational 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 Group 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. Management are confident that despite the uncertainties caused by the pandemic, the Company has sufficient resources to provide security of supply.

Since the balance sheet date, the Directors agreed to transfer the assets and liabilities of the Company to its immediate parent company RWE Generation UK Plc at book value. The transfer took place on 1 September 2020 at which point the Company ceased trading. Prior to the transfer, the Company carried out a capital reduction to create distributable reserves. Ordinary shares were reduced to 1 share of £1. These Financial Statements have been prepared on a basis other than a going concern basis and the company will be liquidated at the earliest opportunity.