

RWE Npower Group plc

Annual Report and Financial Statements

for the Year Ended 31 December 2014

Registered number: 08241182

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RWE Npower Group plc

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RWE Npower Group plc

Strategic Report for the year ended 31 December 2014

The directors present their strategic report on RWE Npower Group plc ("the Company") for the year ended 31 December 2014.

The prior year consisted of a long period of account, from 5 October 2012 to 31 December 2013.

Business review and future developments

The Company's profit for the year ended 31 December 2014 after taxation is £17m (2013: £36m).

The Company offers financing to its fellow subsidiaries with fluctuations in profit due to movements in underlying interest rates and borrowings between group undertakings, in addition to any dividends received from subsidiary companies.

At 31 December 2014, the Balance Sheet comprised investments in subsidiaries of £33m (2013: £33m), net amounts owed by group undertakings of £107m (2013: £92m net amounts owed to group undertakings) and a bank overdraft of £54m (2013: £128m cash in hand).

The directors do not expect there to be any significant changes in the future developments of the Company.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of RWE AG, which include those of the Company, are discussed on pages 75 to 86 of the RWE AG 2014 annual report.

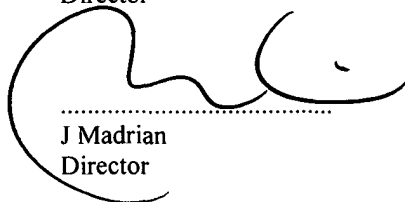
Key performance indicators (KPIs)

RWE Npower Group plc does not have any trading operations or activity. For this reason, the Company's directors do not set KPIs for this specific entity.

Approved by the Board on 8 June 2015 and signed on its behalf by:



.....
P Massara
Director



.....
J Madrian
Director

RWE Npower Group plc

Directors' Report for the year ended 31 December 2014

The directors present their report and the financial statements for the year ended 31 December 2014.

Principal activities

RWE Npower Group plc is the holding company for the npower Retail Group. The subsidiary undertakings held by the Company are listed in note 8 to the financial statements.

Financial risk management

Because the main purpose of the Company is the holding company for the Retail entities, its activities do not require the Company to use financial instruments.

Results and dividends

The Company's profit for the year ended 31 December 2014 is £17m (2013: £36m).

The directors do not recommend payment of a final dividend for the year ended 31 December 2014 (2013: £nil).

Directors of the company

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

P Massara

J Madrian

The following director was appointed after the year end:

P Coffey (appointed 1 April 2015)

Directors' indemnity

The directors have the benefit of the indemnity provision contained in the Company's Articles of Association. This provision was in force throughout the last financial year and is currently in force. This provision is a qualifying third party indemnity provision under section 234 of the Companies Act 2006. The Company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

Future developments

Further details of significant changes in the future developments of the Company are provided in the Strategic Report on page 1.

RWE Npower Group plc
Directors' Report for the year ended 31 December 2014 (continued)

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

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

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

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

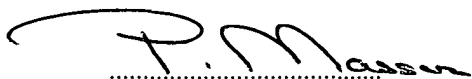
Statement of disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. Each director confirms that there is no relevant information that they know of and of which they know the auditors are unaware.

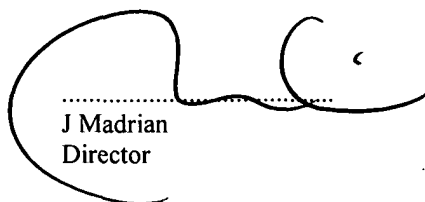
Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

Approved by the Board on 8 June 2015 and signed on its behalf by:



P Massara
Director



J Madrian
Director

RWE Npower Group plc

Independent Auditors' Report to the members of RWE Npower Group plc

Report on the financial statements

Our opinion

In our opinion, RWE Npower Group plc's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

RWE Npower Group plc's financial statements comprise:

- Balance Sheet as at 31 December 2014;
- Profit and Loss Account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

RWE Npower Group plc

Independent Auditors' Report to the members of RWE Npower Group plc (continued)

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

RWE Npower Group plc
Independent Auditors' Report to the members of RWE Npower Group plc (continued)

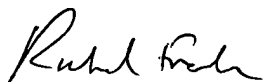
Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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



.....
Richard French (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP,
Chartered Accountants and Statutory Auditors
London

8 June 2015

RWE Npower Group plc
Profit and Loss Account for the year ended 31 December 2014

		Year ended 31 December 2014	5 October 2012 to 31 December 2013
	Note	£ 000	£ 000
Turnover		-	-
Administrative expenses		(229)	(127)
Operating loss		(229)	(127)
Income from shares in group undertakings	4	-	8,357
(Loss)/profit on ordinary activities before interest and taxation		(229)	8,230
Net interest receivable and similar income	5	9,170	21,981
Profit on ordinary activities before taxation	3	8,941	30,211
Tax on profit on ordinary activities	7	8,411	5,387
Profit for the financial year/period	13	17,352	35,598

All results relate to continuing operations.

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

There are no material differences between the profit on ordinary activities before taxation and the profit for the financial year/period stated above and their historical cost equivalents.

The notes on pages 9 to 15 form an integral part of these financial statements.

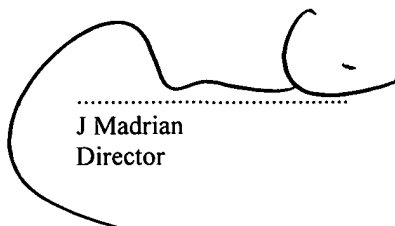
RWE Npower Group plc
Balance Sheet as at 31 December 2014

	Note	31 December 2014 £ 000	31 December 2013 £ 000
Fixed assets			
Investments	8	33,213	33,213
Current assets			
Debtors	9	2,053,911	2,351,484
Cash at bank and in hand		-	128,363
		<u>2,053,911</u>	<u>2,479,847</u>
Creditors: amounts falling due within one year	10	<u>(1,072,054)</u>	<u>(1,517,462)</u>
Net current assets		<u>981,857</u>	<u>962,385</u>
Total assets less current liabilities		1,015,070	995,598
Creditors: amounts falling due after more than one year	11	<u>(928,907)</u>	<u>(926,787)</u>
Net assets		<u>86,163</u>	<u>68,811</u>
Capital and reserves			
Called up share capital	12	33,213	33,213
Profit and loss account	13	<u>52,950</u>	<u>35,598</u>
Total shareholders' funds	14	<u>86,163</u>	<u>68,811</u>

The financial statements on page 7 to 15 were approved by the Board of directors on 8 June 2015 and were signed on its behalf by:



P Massara
Director



J Madrian
Director

RWE Npower Group plc registered company number: 08241182

The notes on pages 9 to 15 form an integral part of these financial statements.

RWE Npower Group plc

Notes to the Financial Statements for the year ended 31 December 2014

1 Accounting policies

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. A summary of the principal accounting policies is set out below. These policies have been applied consistently.

Basis of preparation of financial statements

The financial statements present information about the Company as an individual company undertaking and 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 financial statements as the results of the Company and its subsidiaries are included in the consolidated financial statements of RWE AG.

Interest

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

Fixed asset investments

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

Taxation

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

The charge for taxation is based on the profit for the financial year and takes into account deferred tax. In accordance with FRS 19 (Deferred Taxation), deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements.

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

Dividends

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

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 financial statements.

RWE Npower Group plc**Notes to the Financial Statements for the year ended 31 December 2014 (continued)****2 Cash flow statement and related party disclosures**

The Company is a wholly owned subsidiary of RWE AG and is included in the consolidated financial statements of RWE AG, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (Cash Flow Statements). The Company is also exempt under the terms of FRS 8 (Related Party Disclosures) from disclosing related party transactions with entities that are part of the RWE AG group or investees of the RWE AG group.

3 Profit on ordinary activities before taxation

The audit fee for the Company was borne by Npower Limited, a subsidiary of the Company, and not recharged.

4 Income from shares in group undertakings

	Year ended 31 December 2014 £ 000	5 October 2012 to 31 December 2013 £ 000
Dividend income	-	8,357

5 Net interest receivable and similar income

	Year ended 31 December 2014 £ 000	5 October 2012 to 31 December 2013 £ 000
Interest payable and similar charges		
Interest on loans from group undertakings	(65,181)	(79,733)
Bank interest payable	(1,542)	(4,017)
Total interest payable and similar charges	(66,723)	(83,750)
Interest receivable and similar income		
Interest on loans from group undertakings	72,587	101,565
Bank interest receivable	3,306	4,166
Total interest receivable and similar income	75,893	105,731
Net interest receivable and similar income	9,170	21,981

RWE Npower Group plc

Notes to the Financial Statements for the year ended 31 December 2014 (continued)

6 Directors' and employees' remuneration

The Company had no employees during the period. None of the directors received any remuneration for their services as directors of the Company. During the period aggregate emoluments of £1.1m (2013: £1.2m) were paid to the directors for their services to subsidiary companies. The highest paid director was paid £631,175 (2013: £612,936).

One director (2013: One) was a member of a defined contribution scheme in the period, the cost of contributions to the Group was £41,300 (2013: £68,400). The cost of contributions to the Group for the highest paid director was £41,300 (2013: £68,400). No directors had accrued pension entitlements under defined benefit schemes at 31 December 2014.

The directors became entitled to receive aggregate cash payments of £nil (2013: £nil) under long-term incentive schemes in the period. None of the directors received or became entitled to receive shares in RWE AG under long-term incentive schemes in the period. None of the directors exercised share options for shares in RWE AG in the period.

7 Tax on profit on ordinary activities

	Year ended 31 December 2014 £ 000	5 October 2012 to 31 December 2013 £ 000
Current tax		
Group relief receivable	<u>(8,411)</u>	<u>(5,387)</u>

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (2013 - lower than the standard rate of corporation tax in the UK) of 21.5% (2013 : 23.38%). The differences are explained below:

	Year ended 31 December 2014 £ 000	5 October 2012 to 31 December 2013 £ 000
Profit on ordinary activities before tax	<u>8,941</u>	<u>30,211</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21.5% (2013: 23.38%)	1,922	7,063
Non-taxable income	(10,333)	(12,491)
Current rate tax difference	<u>-</u>	<u>41</u>
Tax charge for the year/period	<u>(8,411)</u>	<u>(5,387)</u>

Factors that may affect future tax charges

During the year, the main rate of UK corporation tax was reduced from 23% to 21%. This was substantively enacted on 2 July 2013 and was effective from 1 April 2014 giving a corporate tax rate for the year ended 31 December 2014 of 21.5%.

Further changes to the main rate of corporation tax were also substantively enacted on 2 July 2013 to reduce the rate to 20% effective from 1 April 2015.

RWE Npower Group plc
Notes to the Financial Statements for the year ended 31 December 2014 (continued)

8 Fixed asset investments

Shares in group undertakings and participating interests

**Subsidiary
undertakings
£ 000**

Cost and Net book value

At 1 January 2014 and as at 31 December 2014

33,213

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held	Principal activity
Subsidiary undertakings				
Npower Limited	England and Wales	Ordinary shares	100%	Energy supplier
Npower Northern Limited	England and Wales	Ordinary shares	100%	Energy supplier
Npower Direct Limited	England and Wales	Ordinary shares	100%	Energy supplier
Npower Yorkshire Limited	England and Wales	Ordinary shares	100%	Energy supplier
RWE Solutions Ireland Limited	Republic of Ireland	Ordinary shares	100%	Energy supplier

Investments in group undertakings are stated at cost less impairment. The directors believe that the carrying value of the investments is supported by their underlying net assets.

RWE Npower Group plc
Notes to the Financial Statements for the year ended 31 December 2014 (continued)

9 Debtors

	31 December 2014 £ 000	31 December 2013 £ 000
Loans owed by group undertakings	2,045,500	2,146,087
Loans owed by ultimate parent company	-	200,010
Amounts owed by group undertakings	<u>8,411</u>	<u>5,387</u>
	<u><u>2,053,911</u></u>	<u><u>2,351,484</u></u>

Loans owed by group undertakings and the ultimate parent undertaking, RWE AG, entered into on 30 December 2013 and 27 December 2013 respectively, were settled during the year. On 30 December 2014 the Company entered into loan agreements with Npower Limited, Npower Yorkshire Limited and Npower Northern Limited. The total amounts lent under these agreements have a book value of £2,045,500k with associated principal amounts totalling £2,045,275k. The loans are unsecured, bear interest at a rate of 4.0% and are repayable on 30 December 2015.

Loans owed by group undertakings also include accrued interest receivable on the loan agreements.

Amounts owed by group undertakings relate to group relief receivable.

10 Creditors: Amounts falling due within one year

	31 December 2014 £ 000	31 December 2013 £ 000
Loans owed to ultimate parent company	655,843	1,232,184
Loans owed to immediate parent company	88,103	87,542
Loans owed to group undertakings	274,573	197,736
Bank loans and overdrafts	<u>53,535</u>	<u>-</u>
	<u><u>1,072,054</u></u>	<u><u>1,517,462</u></u>

The loans owed to the ultimate parent company entered into at 30 December 2013 were settled during the year. The loans owed to the ultimate parent company outstanding as at 31 December 2014 have book values of £600,842k and £55,001k with associated principal amounts of £600,812k and £55,000k. They are repayable on 31 March and 2 January 2015 respectively and are unsecured. The implied interest rates are 0.9% and 0.8% respectively.

The loans owed to the immediate parent company entered into at 30 December 2013 were settled during the year. On 30 December 2014, a new loan arrangement was entered into with RWE Npower Holdings plc for £88,103k. The loan is unsecured, has an effective interest rate of 0.9% and is repayable on 30 December 2015.

The loans owed to group undertakings entered into at 30 December 2013 were settled during the year. On 30 December 2014 the Company entered into a new loan agreement with Npower Direct Limited for £274,573k. The loan is unsecured, bears interest at a rate of 0.9% and is repayable on 30 December 2015.

Loans owed to the ultimate parent company, the immediate parent company and other group undertakings also include accrued interest payable on the loan agreements.

RWE Npower Group plc
Notes to the Financial Statements for the year ended 31 December 2014 (continued)

11 Creditors: Amounts falling due after more than one year

	31 December 2014 £ 000	31 December 2013 £ 000
Loans owed to immediate parent company	<u>928,907</u>	<u>926,787</u>

The loans owed to the immediate parent company comprise loans of £600,000k and £315,000k (2013: £600,000k and £315,000k). These loans are due for repayment in 2023 and 2030 respectively. These loans are unsecured and have fixed coupons of 5.9% and 6.3% respectively.

Loans owed to the immediate parent company also include accrued interest payable on the loan agreements.

12 Called up share capital

Allotted, called up and fully paid shares

	31 December 2014		31 December 2013	
	No.	£	No.	£
Ordinary shares of £1 each	<u>33,212,986</u>	<u>33,212,986</u>	<u>33,212,986</u>	<u>33,212,986</u>

13 Reserves

	Profit and loss account £ 000
At 1 January 2014	35,598
Profit for the year	<u>17,352</u>
At 31 December 2014	<u>52,950</u>

14 Reconciliation of movements in shareholders' funds

	2014 £ 000	2013 £ 000
Profit attributable to the members of the company	17,352	35,598
New share capital subscribed	<u>-</u>	<u>33,213</u>
Net addition to shareholders funds	17,352	68,811
Total shareholders' funds at start of period	<u>68,811</u>	<u>-</u>
Total shareholders' funds at end of period	<u>86,163</u>	<u>68,811</u>

RWE Npower Group plc
Notes to the Financial Statements for the year ended 31 December 2014 (continued)

15 Contingent liabilities

In the normal course of business the Company enters into performance bonds with certain customers on behalf of its subsidiaries. As at 31 December 2014, the total value of these bonds and guarantees amounted to £132m (2013: £171m).

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.

16 Ultimate parent undertaking and controlling party

The Company is controlled by RWE Npower Holdings plc (the immediate parent) a company incorporated in Great Britain and registered in England and Wales.

The ultimate controlling party is RWE AG a company incorporated in Germany, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of RWE AG consolidated financial statements can be obtained from RWE AG, Opernplatz 1, 45128 Essen, Germany.