Registration number: 08241182

Npower Group Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019

Npower Group Limited
Contents

Npower Group Limited
Strategic Report for the year ended 31 December 2019

The directors present their Strategic Report on Npower Group Limited ("the Company") for the year ended 31 December 2019.

Business review and future developments

The Company's loss for the financial year ended 31 December 2019 is £792m (2018: loss £2,082m), which includes £510m of charges relating to waived loans to subsidiaries and £313m (2018: £2,127m) of additional bad debt provision against existing loans.

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. A dividend of £4.1m was received from innogy Solutions Ireland Limited during 2019 (2018: £nil).

At 31 December 2019, the Balance Sheet comprised investments in subsidiaries of £132m (2018: £133m), net amounts owed to group undertakings of £290m (2018: Net amounts owed to group undertakings of £350m) and a bank overdraft of £nil (2018: £9m).

Trading

2019 was another challenging year for the npower Retail Group (comprising all Npower Group Limited subsidiaries). Increased competition was a feature across the market segments alongside higher customer engagement, with customers switching to lower priced products and more efficiently managing their consumption. The Ofgem price cap has also had a significant impact in the market, the cap being set at a level that only allows the most efficient energy companies to make a profit.

In the first quarter of the year, in response to the extremely tough UK retail energy market conditions, in particular Ofgem's price cap and intense competition on fixed price tariffs, the npower Retail Group announced a programme to reduce its operating costs under a programme to focus on the 'Valuable Core'. The Valuable Core initiative led to a reduction of around 900 roles over the course of 2019.

E.ON and RWE asset swap

The asset swap transaction between RWE AG and E.ON concluded on 18th September 2019. The transaction has resulted in the Retail businesses of innogy SE, which include npower Retail Group, transferring to E.ON from RWE AG.

On 29th November 2019 it was announced that customers of npower Retail Group's Home and npower Business segments would transfer to E.ON UK systems commencing Q2 2020 with completion scheduled for mid-2021. The transfer of these customers was formalised in a Sale and Purchase Agreement (SPA) on 11th February 2020. Under the SPA E.ON UK has become the principal employer of the Retail section of innogy pension scheme with the pension obligation being transferred to E.ON UK on 1st April 2020.

The migration of customers to E.ON UK will also see the closing of the operational segments for Home and npower Business with related office closures and the loss of around 4,500 employees. The npower Retail Group offers enhanced redundancy terms which will continue to apply for those employees who are made redundant as part of this process. The financial impact in 2019 across the npower Retail Group has been to increase the restructuring provision, create provisions and accruals for onerous contracts and impair certain goodwill, intangible assets and PPE.

Business review and future developments (continued)
The restructure of the joint npower and E.ON businesses in the UK resulted in changes in the management of the npower Retail Group. Michael Lewis, the Chief Executive Officer (CEO) of E.ON UK, replaced Paul Coffey as CEO of the npower Retail Group with Simon Stacey replacing Dirk Simons as Chief Financial Officer.

The npower Business Solutions segment is to merge with E.ON's Industrial and Commercial segment. Npower Business Solutions customers will be moved to the Junifer billing platform and the business will then be sold to E.ON UK plc, this is likely to occur in the first half of 2021.

Loan restructuring
In December 2019 Npower Group Limited waived loans owed to it by certain subsidiary companies, either in full or in part. This resulted in a significant increase in other operating income of the subsidiary companies where a loan waiver was agreed. The subsidiary companies impacted by a loan waiver include: Npower Limited, Npower Northern Limited, Npower Yorkshire Limited, Npower Gas Limited and Npower Commercial Gas Limited.

Coronavirus / COVID-19
The global spread of the coronavirus and the measures taken to control it substantially limited economic activity over the course of the first half of 2020 across the globe and, in turn, the United Kingdom. In the year underway, the UK economy is likely to slip into a recession due to the COVID-19 pandemic and the countermeasures taken. At present, it is impossible to predict the severity of the recession, as there has been no reliable economic data so far.

The effects of the COVID-19 pandemic harbour risks for the npower Retail Group as well. npower Retail Group has identified economic risks from the crisis including sales shortfalls, particularly with Business to Business (B2B) customers. Moreover, there is a risk that customers may suffer hardship as a consequence of the COVID-19 pandemic, rendering them unable to settle their accounts payable - above all for electricity and gas purchases. The npower Retail Group has already in 2020 experienced the adverse effects of the necessary resale of electricity and gas volumes at lower market prices as the npower Retail Group can no longer sell them due to the decline in demand in certain cases.

However, due to the substantial uncertainty caused by the persistent COVID-19 pandemic, only limited statements can be made regarding its development and impacts over the course of 2020.

Brexit
The UK left the European Union on 31st January 2020. The effects of 'Brexit' on the npower Retail Group have been considered but at the date of signing are not believed to have a significant impact, mainly as the npower Retail Group operates predominantly within the UK.

Promoting the success of the Company and Section 172 Statement of the Companies Act 2006 ('Act')
The directors' overarching duty is to promote the success of the Company for the benefit of its shareholders, with consideration of stakeholders' interests, as set out in section 172 of the Act.

The directors are aware of their duty under section 172 of the Act to act in a way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to the factors detailed in section 172(1) of the Act.

During 2019 the Company was a wholly owned subsidiary of innogy SE, a company, which throughout 2019 was listed on the Frankfurt stock exchange and strongly committed to responsible corporate governance in line with the recommendations of the German Corporate Governance Code, detailed in the Corporate Governance Report for innogy, available through investor relations section of the innogy website and referenced on page 7 of the innogy 2019 annual report (https://iam.innogy.com/en/about-innogy/investor-relations).

The directors of the Company were also required to adhere to the sustainability approach set out on page 95 of the innogy SE 2019 annual report. While their actions shape the success of the Company, they also have an impact on our people and the environment. As directors of a wholly owned subsidiary of innogy SE they were committed to the innogy Code of Conduct, which applies to innogy SE as well as directly and indirectly affiliated companies in and outside of Germany. The corporate governance declaration details our conduct to customers, shareholders, the public and our employees, and is also available from within the investor relations section of the innogy SE website, linked above.

The merger of innogy SE into E.ON Verwaltungs SE became legally effective on 2 June 2020. innogy SE therefore ceased to exist on that date. In addition, E.ON Verwaltungs SE changed its company name into innogy SE as of 2 June 2020. E.ON SE is listed on the Frankfurt Stock Exchange and, like Innogy SE, is bound by the German Corporate Governance Code.

The board of management of E.ON SE manages the group's operations on a global and divisional basis. The E.ON SE group has detailed policies and governance frameworks within which its subsidiaries must operate, including the Company. From the perspective of the directors, due to the E.ON SE group governance structure, the matters that they are responsible for considering under section 172(1) of the Act are also considered to an appropriate extent by the E.ON SE group management board in relation both to the E.ON SE group and the Company. Going forward, the directors consider the factors detailed under section 172(1) of the Act but are directed by the strategy set by the board of management of E.ON SE.

To the extent necessary for an understanding of the development, performance and position of the entity, the Company's directors believe that the requirements of section 172(1) are discussed within the E.ON SE Annual Report 2019 on pages 6 to 85, which does not form part of this report. Further detail in relation to the Company's consideration of section 172(1) of the Act is set out in the Directors' Report.

The Board regards a well-governed business as essential for the successful delivery of its principal activity and the activities of the Transformation UK programme as set out in the business review and future developments from page 1. The npower management board directs the operations of the Company which is aligned with the group governance set out above and in line with section 172 of the act, the change in ownership to E.ON SE has not significantly impacted the way the Company is governed.

Position of the business
The net liabilities of the Company at 31 December 2019 were £157m (2018: net liabilities £215m).

Npower Group Limited
Strategic Report for the year ended 31 December 2019 (continued)

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. These risks are not managed on a legal entity basis, but overseen for the npower Retail Group as a whole. The npower Retail Group continues to invest in a formal, regular risk assessment process to identify, monitor and mitigate as far as possible any risk that should arise. These are formally reviewed and assessed by the Board on a quarterly basis and actions taken as appropriate.

The key business risk affecting the npower Retail Group is the competitive retail market which could impact the Company's ability to achieve its targets for customer numbers and/or gross margin per customer. The main external uncertainties faced are: the impact of energy efficiency initiatives and the strength of the economy on customer consumption; volatility in wholesale energy prices; and the level of network and environmental charges. Furthermore, the Company has a number of operational risks as part of its end-to-end processes. The COVID-19 pandemic increases the risks to the Company as set out above. Detailed discussions of these risks and opportunities, in the context of the innogy SE Group as a whole are provided on pages 79 through 88 of the innogy SE 2019 Annual Report, which is available in the investor relations section of the innogy.com website.

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

Key performance indicators (KPIs)

The Company does not have any trading operations or activity. For this reason, the Company's directors do not set KPIs for this entity.

Approved by the Board on 26 November 2020 and signed on its behalf by:

....

Mr S Stacey
Director

Npower Group Limited
Directors' Report for the year ended 31 December 2019

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

Principal activities
The principal activity of the Company is as the holding company for the npower Retail Group. The npower Retail Group consists of 6 main trading entities and 4 other entities. Each of the 6 main trading entities operate in varying business areas, namely:

- Home - residential customers
- npower Business - small and medium enterprise customers
- npower Business Solutions - industrial and commercial customers

The business areas in which each trading entity operates are detailed below:

	Business area			
Legal entity	**Home**	**npower Business**	**npower Business Solutions**	**Other**
Npower Limited	X		X	
Npower Northern Limited	X	X		
Npower Yorkshire Limited	X			
Npower Gas Limited	X			
E.ON Next Energy Limited*		X		
Npower Commercial Gas Limited			X	
Plus Shipping Services Limited	X			
PS Energy UK Limited	X			
Npower Business and Social Housing Limited**				X
Innogy Solutions Ireland Limited***			X	

* Npower Direct Limited changed name to E.ON Next Energy Limited
** Ceased trading in 2016
*** Ceased trading in 2018

Dividends
The directors do not recommend the payment of a dividend (2018: £nil).

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:

Mr P Coffey (resigned 2 December 2019)

Mr D Simons (resigned 3 December 2019)

Mr M Lewis (appointed 3 December 2019)

Mr M Hawthorne (appointed 3 December 2019 and resigned 24 July 2020)

Mr S Stacey (appointed 3 December 2019)

The following directors were appointed after the year end:

Mr C Pilgrim (appointed 2 January 2020)

Mr J Scagell (appointed 2 January 2020)

Mr C Thewlis (appointed 2 January 2020)

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.

Going concern
The financial statements have been prepared on a going concern basis which assumes that the Company will continue to trade for at least the next 12 months. The basis of this assumption depends on the support of innogy SE, the Company has and continues to benefit from the support and access to funding from innogy SE. The Directors of Company believe this support will continue to be provided because:

• Npower plays a key role for the future of E.ON UK as its domestic customer base is currently being migrated to E.ON UK and E.ON UK's I&C business is due to be merged onto Npower's systems;

• Innogy SE recognises that the operations of the Company's subsidiary companies will be subject to an orderly wind-down, or sale of assets and/or shares to E.ON UK plc over a period expected to take 24 months from February 2020, resulting in some or all of such companies ceasing to operate;

• Cash flow forecasts are produced regularly and submitted to the ultimate parent company as part of the annual three year planning process and these forecasts include assumptions on all expected cash flows in and out of the business including the impacts of COVID-19;

• The Company has received a letter of support from innogy SE indicating that it intends to provide such funds as are necessary for the Company to trade for at least the next 12 months and up to completion of the winding-down of operations; and

• The majority of the expected funding requirement required to the completion of the winding-down has already been drawn down at the time of the approval of these accounts.

When considering all these factors, the Directors have a high degree of certainty that the support from innogy SE will continue to be provided.

Going concern (continued)

On 18th September, 2019 E.ON SE (E.ON) acquired RWE AG's (RWE) 76.8% majority stake in innogy SE (innogy1) as part of an extensive asset swap transaction. The main elements of this transaction were that E.ON acquired innogy1's Grid & Infrastructure and Retail businesses and in return, RWE has taken on both E.ON and innogy1's renewables businesses. RWE received a 16.67% stake in E.ON. Subsequently E.ON increased its shareholding in innogy1 to c90%, the remaining c10% minority shareholders retained their interests. innogy1 pursued a merger squeeze out process under German law to acquire this remaining minority holding.

On 2nd June 2020, that merger squeeze out process was completed and E.ON acquired the entire minority shareholding to become 100% owner of innogy1. At the same time, by operation of German law, innogy1 was merged into its immediate parent company E.ON Verwaltungs SE (E.ON V). Under this legal process, E.ON V became the legal successor to innogy1 and the assets and liabilities of innogy1 were assumed by E.ON V. On the same date (2nd June 2020), E.ON V changed its name to innogy SE. The new innogy SE (innogy2), although a separate German legal entity, is now legal successor to the letters of financial support in favour of Npower Group Limited from the old innogy SE (innogy1).

On 29th November 2019, it was announced that customer accounts of the npower Retail Group's Home and npower Business segments would be migrated to E.ON UK plc (E.ON UK) systems commencing Q2 2020 with completion scheduled for mid-2021. Terms for the transfer of the related customers supply contracts were formalised in a Sale and Purchase Agreement (SPA) on 11th February 2020. Under the SPA E.ON UK has become the principal employer of the Retail section of innogy pension scheme with the pension obligation being transferred to E.ON UK on 1st April 2020. Under the SPA, ownership of each customer contract will transfer to E.ON Energy Solutions Limited (EESL) upon migration of the related customer account. The npower Retail Group's Business Solution segment is to merge with E.ON's Industrial and Commercial segment. Npower Business Solutions customers will be moved to the Junifer billing platform and the business will then be sold to E.ON UK plc, this is likely to occur in the first half of 2021.

The npower Retail Group's Business Solution segment is to merge with E.ON's Industrial and Commercial segment. Npower Business Solutions customers will be moved to the Junifer billing platform and the business will then be sold to E.ON UK plc, this is likely to occur in the first half of 2021.

The Company is a 100% owned subsidiary of the E.ON group and the innogy2 group. innogy2 group had a market capitalisation of €24.8 billion at the 2019 year end (2018: €22.4 billion) and employs around 35,000 employees. innogy2 group supplies over 14 million customers with electricity and over 4 million with gas across Europe, its key markets being in Germany, the Netherlands and the United Kingdom. In the year 2019, the innogy SE group recorded €35.4 billion (2018: €35.2 billion) in revenue and had a profit after tax of approximately €0.7 billion (2018: loss of €0.3 billion). Being a large group, innogy2 manages its financial resources with a Group Treasury function. This function allocates financial resources across the Group to meet all financial obligations in a timely fashion.

Future decisions by E.ON SE could lead to some or all of the companies within the npower Retail Group ceasing to trade. Given the above position, the financial statements of the Company have been prepared on a going concern basis, and this treatment will be reviewed on an annual basis.

Stakeholder engagement statement

The directors' overarching duty is to promote the success of the Company for the benefit of its shareholders, with consideration of stakeholders' interests, as set out in section 172 of the Act. The Board regards a well-governed business as essential for the successful delivery of its principal activity.

The directors are aware of their duty under section 172 of the Act to act in a way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to the factors detailed in section 172(1) of the Act.

During 2019 the Company was a wholly owned subsidiary of innogy SE, a company listed on the Frankfurt stock exchange and strongly committed to responsible corporate governance in line with the recommendations of the German Corporate Governance Code, detailed in the Corporate Governance Report for innogy, available through investor relations section of the innogy website and referenced on page 7 of the innogy 2019 annual report (https://iam.innogy.com/en/about-innogy/investor-relations).

The directors of the Company were also required to adhere to the sustainability approach set out on page 95 of the innogy SE 2019 annual report. While their actions shape the success of the Company, they also have an impact on our people and the environment. As directors of a wholly owned subsidiary of innogy SE they were committed to the innogy Code of Conduct, which applies to innogy SE as well as directly and indirectly affiliated companies in and outside of Germany. The corporate governance declaration details our conduct to customers, shareholders, the public and our employees, and is also available from within the investor relations section of the innogy SE website, linked above.

<u>Conduct towards customers</u>

We offer our customers a wide range of products and services in the energy supply industry. It is very important for us to deal with customers fairly, both in recognition of our regulatory obligations but also by putting customers at the centre of what we do including offering them suitable and efficient solutions.

<u>Conduct towards shareholders</u>

As a wholly owned subsidiary of innogy SE during 2019 the npower Retail Group aimed to follow the requirements of innogy and therefore the innogy shareholders' capital is the prerequisite and foundation of our business activities. We therefore aimed to preserve this capital and achieve returns on it in line with market conditions.

<u>Conduct towards business partners</u>

We advocate free competition and transparent markets and are against unfair competition and restrictions of competition. This means that we comply with requirements regarding tax levies, subsidy grants and procedures for awarding public contracts. Through our activities, we would like to set an example and work towards propagating the set of principles in our Code of Conduct. We therefore expect companies that enter into a business relationship with companies in the npower Retail Group to accept the principles in our Code of Conduct as the basis for the partnership. This happens by including the principles that are part of the innogy Code of Conduct in the contractual relationship. Should competing policies come into conflict with each other or the application of the principles of conduct not be possible during the course of the business relationship, we strive to agree on a common set of standards that is at least equal to the level of the UN Global Compact. If it becomes publicly known that a business partner has violated these responsibilities, we will re-examine our business relationship with that partner and take any appropriate measures that we deem necessary.

When choosing consultants and agents, we focus especially on their qualifications and integrity. In all business relationships, we observe the applicable national and international sanction and embargo directives as well as any other applicable foreign trade law restrictions. We also take all necessary and appropriate measures to prevent money laundering.

Stakeholder engagement statement (continued)

Conduct towards the public

During 2019 innogy published company information in accordance with German and international capital markets provisions in order to enable proper trading in company securities.

At the same time, non-public information that could reasonably be expected to significantly affect the price of company securities must remain confidential until it is officially released and must not be used as the basis for decisions about buying or selling securities. All communications from innogy are full, fair, accurate, timely and understandable. We respect the professional independence of journalists and the media.

Only authorised persons are allowed to disclose information concerning innogy or its subsidiaries to the public, the media or to other third parties.

Compliance management system

In order to minimise the risks of breaching the Code of Conduct, innogy provided a compliance management system. This serves to identify potential structural risks of corruption in the company. The measures necessary for removing or minimising the risks will be carried out, communicated regularly, monitored and continuously improved. This way, we wish to establish a compliance culture that meets the highest standards across the entire Group.

Future conduct

The merger of innogy SE into E.ON Verwaltungs SE became legally effective on 2 June 2020. innogy SE therefore ceased to exist on that date. In addition, E.ON Verwaltungs SE changed its company name into innogy SE as of June 2, 2020.

E.ON SE is listed on the Frankfurt Stock Exchange and, like Innogy SE, is bound by the German Corporate Governance Code. The two main operating divisions of the E.ON SE group are Energy Networks and Customer Solutions.

The board of management of E.ON SE manages the group's operations on a global and divisional basis. The E.ON SE group has detailed policies and governance frameworks within which its subsidiaries must operate, including the Company. From the perspective of the directors, due to the E.ON SE group governance structure, the matters that they are responsible for considering under section 172(1) of the Act are also considered to an appropriate extent by the E.ON SE group management board in relation both to the E.ON SE group and the Company. Going forward, the directors consider the factors detailed under section 172(1) of the Act but are directed by the strategy set by the board of management of E.ON SE.

To the extent necessary for an understanding of the development, performance and position of the entity, the Company's directors believe that the requirements of section 172(1) are discussed within the E.ON SE Annual Report 2019 on pages 6 to 85, which does not form part of this report. Further detail in relation to the Company's consideration of section 172(1) of the Act is set out in the Directors' Report.

Financial risk management

Capital management
The Company's objectives, policies and processes for managing capital are consistent with those of the innogy SE Group. Detailed discussions of these, in the context of the innogy SE Group as a whole, are provided on pages 79 to 88 of the innogy SE 2019 Annual Report.

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

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

Interest rate cash flow risk
The Company has interest-bearing assets and liabilities. Interest-bearing assets include loans to group undertakings. Interest-bearing liabilities include loans from group undertakings. Interest on loans is fixed which minimises the interest rate risk faced by the Company.

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

Statement of directors' responsibilities in respect of the financial statements

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

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, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are 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.

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.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the 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.

Approved by the Board on 26 November 2020 and signed on its behalf by:

....
Mr S Stacey
Director

Npower Group Limited
Independent auditors' report to the members of Npower Group Limited

Report on the audit of the financial statements

Opinion

In our opinion, Npower Group Limited's financial statements:

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

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2019; the Profit and Loss Account and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

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

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

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

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

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

Responsibilities for the financial statements and the audit

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

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

Responsibilities for the financial statements and the audit (continued)

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

....

Steven Kentish (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

26 November 2020

Npower Group Limited
Profit and Loss Account for the year ended 31 December 2019

	Note	2019 £ m	2018 £ m
Income from shares in group undertakings	4	4	-
Interest receivable and similar income	5	32	27
Interest payable and similar expenses	6	(12)	(10)
Impairment of loans to group undertakings	12	(823)	(2,127)
Loss before taxation		(799)	(2,110)
Tax on loss	9	7	28
Loss for the financial year		(792)	(2,082)

The above results were derived from continuing operations.

There are no further items which would be included in other comprehensive income so no separate statement of comprehensive income has been prepared.

The notes on pages 18 to 31 form an integral part of these financial statements.

Npower Group Limited
Balance Sheet as at 31 December 2019

	Note	2019 £ m	2018 £ m
Fixed assets			
Investments	10	132	133
		132	133
Current assets			
Debtors: amounts falling due after more than one year	12	33	522
Debtors: amounts falling due within one year	11	21	15
Cash at bank and in hand		1	-
		55	537
Current liabilities			
Creditors: amounts falling due within one year	13	(344)	(885)
Net current liabilities		(289)	(348)
Net liabilities		(157)	(215)
Capital and reserves			
Called up share capital	14	850	-
Profit and loss account		(1,007)	(215)
Total shareholders' deficit		(157)	(215)

The financial statements on pages 15 to 31 were approved by the Board on 26 November 2020 and signed on its behalf by:

....

Mr S Stacey

Director

Npower Group Limited registered company number: 08241182

The notes on pages 18 to 31 form an integral part of these financial statements.

Npower Group Limited
Statement of Changes in Equity for the year ended 31 December 2019

	Called up share capital £ m	Profit and loss account £ m	Total shareholders' (deficit)/funds £ m
At 1 January 2019	-	(215)	(215)
Loss for the financial year	-	(792)	(792)
Total comprehensive expense for the year	-	(792)	(792)
Share capital addition	850	-	850
At 31 December 2019	850	(1,007)	(157)

	Called up share capital £ m	Profit and loss account £ m	Total shareholders' funds/(deficit) £ m
At 1 January 2018	1,917	(50)	1,867
Loss for the financial year	-	(2,082)	(2,082)
Total comprehensive expense for the year	-	(2,082)	(2,082)
Share capital addition	(1,917)	1,917	-
At 31 December 2018	-	(215)	(215)

Called up share capital consists of funds raised by the Company issuing shares in return for cash or other consideration.

Profit and loss account represents the accumulated losses of the Company.

In 2019 the Company issued 850,000,000 shares at nominal value of £1 per share.

During 2018 the Company passed a special resolution to reduce its share capital as disclosed in note 13.

The notes on pages 18 to 31 form an integral part of these financial statements.

1 General information

The Company is a private company limited by share capital incorporated in England and Wales and domiciled in the United Kingdom.

The address of its registered office is:
Windmill Hill Business Park
Whitehill Way
Swindon
Wiltshire
SN5 6PB
United Kingdom

The principal activity of the Company is as the holding company for the entities in the npower Retail Group.

2 Accounting policies

Summary of significant accounting policies
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.

Basis of preparation
These financial statements were prepared in accordance with the Companies Act 2006 as applicable to companies using FRS 101. The financial statements were prepared under the historical cost convention.

Where required, equivalent disclosures are given in the innogy SE group financial statements.

Summary of disclosure exemptions
The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraph 33(c) of IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations)

- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

- IFRS 7 (Financial Instruments: Disclosures)

- Paragraph 38 of IAS 1 (Presentation of Financial Statements) to present comparative information in respect of:

  (i) paragraph 79(a)(iv) of IAS 1 (Presentation of Financial Statements)
  (ii) paragraph 73(e) of IAS 16 (Property, Plant and Equipment)
  (iii) paragraph 118(e) of IAS 38 (Intangible Assets)

2 Accounting policies (continued)

Summary of disclosure exemptions (continued)

- The following paragraphs of IAS 1 (Presentation of Financial Statements):

    (i) 10(d) (statement of cash flows)
    (ii) 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements)
    (iii) 16 (statement of compliance with all IFRS)
    (iv) 38A (requirement for minimum of two primary statements, including cash flow statements)
    (v) 38B-D (additional comparative information)
    (vi) 40A-D (requirements for a third statement of financial position)
    (vii) 111 (cash flow statement information)
    (viii) 134-136 (capital management disclosures)

- IAS 7 (Statement of Cash Flows)

- Paragraphs 30 and 31 of IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors)

- Paragraphs 17 and 18A of IAS 24 (Related Party Disclosures)

- The requirements in IAS 24 (Related Party Disclosures) to disclose related party transactions entered into between two or more members of a group.

Where required, equivalent disclosures are given in the group financial statements of innogy SE. The group financial statements of innogy SE are available to the public and can be obtained as set out in note 15.

Going concern

The financial statements have been prepared on a going concern basis which assumes that the Company will continue to trade for at least the next 12 months. The basis of this assumption depends on the support of innogy SE, the Company has and continues to benefit from the support and access to funding from innogy SE. The Directors of Company believe this support will continue to be provided because:

• Npower plays a key role for the future of E.ON UK as its domestic customer base is currently being migrated to E.ON UK and E.ON UK's I&C business is due to be merged onto Npower's systems;

• Innogy SE recognises that the operations of the Company's subsidiary companies will be subject to an orderly wind-down, or sale of assets and/or shares to E.ON UK plc over a period expected to take 24 months from February 2020, resulting in some or all of such companies ceasing to operate;

• Cash flow forecasts are produced regularly and submitted to the ultimate parent company as part of the annual three year planning process and these forecasts include assumptions on all expected cash flows in and out of the business including the impacts of COVID-19;

• The Company has received a letter of support from innogy SE indicating that it intends to provide such funds as are necessary for the Company to trade for at least the next 12 months and up to completion of the winding-down of operations; and

2 Accounting policies (continued)

Going concern (continued)

• The majority of the expected funding requirement required to the completion of the winding-down has already been drawn down at the time of the approval of these accounts.

When considering all these factors, the Directors have a high degree of certainty that the support from innogy SE will continue to be provided.

On 18th September, 2019 E.ON SE (E.ON) acquired RWE AG's (RWE) 76.8% majority stake in innogy SE (innogy1) as part of an extensive asset swap transaction. The main elements of this transaction were that E.ON acquired innogy1's Grid & Infrastructure and Retail businesses and in return, RWE has taken on both E.ON and innogy1's renewables businesses. RWE received a 16.67% stake in E.ON. Subsequently E.ON increased its shareholding in innogy1 to c90%, the remaining c10% minority shareholders retained their interests. innogy1 pursued a merger squeeze out process under German law to acquire this remaining minority holding.

On 2nd June 2020, that merger squeeze out process was completed and E.ON acquired the entire minority shareholding to become 100% owner of innogy1. At the same time, by operation of German law, innogy1 was merged into its immediate parent company E.ON Verwaltungs SE (E.ON V). Under this legal process, E.ON V became the legal successor to innogy1 and the assets and liabilities of innogy1 were assumed by E.ON V. On the same date (2nd June 2020), E.ON V changed its name to innogy SE. The new innogy SE (innogy2), although a separate German legal entity, is now legal successor to the letters of financial support in favour of Npower Group Limited from the old innogy SE (innogy1).

On 29th November 2019, it was announced that customer accounts of the npower Retail Group's Home and npower Business segments would be migrated to E.ON UK plc (E.ON UK) systems commencing Q2 2020 with completion scheduled for mid-2021. Terms for the transfer of the related customers supply contracts were formalised in a Sale and Purchase Agreement (SPA) on 11th February 2020. Under the SPA E.ON UK has become the principal employer of the Retail section of innogy pension scheme with the pension obligation being transferred to E.ON UK on 1st April 2020. Under the SPA, ownership of each customer contract will transfer to E.ON Energy Solutions Limited (EESL) upon migration of the related customer account. The npower Retail Group's Business Solution segment is to merge with E.ON's Industrial and Commercial segment. Npower Business Solutions customers will be moved to the Junifer billing platform and the business will then be sold to E.ON UK plc, this is likely to occur in the first half of 2021.

The npower Retail Group's Business Solution segment is to merge with E.ON's Industrial and Commercial segment. Npower Business Solutions customers will be moved to the Junifer billing platform and the business will then be sold to E.ON UK plc, this is likely to occur in the first half of 2021.

The Company is a 100% owned subsidiary of the E.ON group and the innogy2 group. innogy2 group had a market capitalisation of €24.8 billion at the 2019 year end (2018: €22.4 billion) and employs around 35,000 employees. innogy2 group supplies over 14 million customers with electricity and over 4 million with gas across Europe, its key markets being in Germany, the Netherlands and the United Kingdom. In the year 2019, the innogy SE group recorded €35.4 billion (2018: €35.2 billion) in revenue and had a profit after tax of approximately €0.7 billion (2018: loss of €0.3 billion). Being a large group, innogy2 manages its financial resources with a Group Treasury function. This function allocates financial resources across the Group to meet all financial obligations in a timely fashion.

Future decisions by E.ON SE could lead to some or all of the companies within the npower Retail Group ceasing to trade. Given the above position, the financial statements of the Company have been prepared on a going concern basis, and this treatment will be reviewed on an annual basis.

2 Accounting policies (continued)

Exemption from preparing group financial statements
The financial statements contain information about Npower Group Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of innogy SE, a company incorporated in Germany.

New standards, amendments and IFRS IC interpretations
No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 have had a material impact on the company.

The IASB has adopted further Standards and amendments to Standards, which were not yet mandatory in the European Union (EU) in the year ending 31 December 2018. The most important changes are presented below. EU endorsement is still pending in some cases.

The following Standards, amendments to Standards, and Interpretations are not expected to have any material effects on npower Retail Group's consolidated financial statements:

• IFRS 17 Insurance Contracts (2017).
• Amendments to IFRS 9: Prepayment Features with Negative Compensation (2017).
• Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (2017).
• Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (2016).
• Annual Improvements to IFRS Standards 2014– 2016 Cycle (2016), which contains amendments and clarifications to IFRS 1 and IAS 28.
• Amendments to IAS 40 Transfers of Investment Property (2016).
• Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (2016).
• Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and an Associate or Joint Venture (2014). First-time application of these amendments in the EU was delayed indefinitely.
• IFRIC 22 Foreign Currency Transactions and Advance Consideration (2016).
• IFRIC 23 Uncertainty over Income Tax Treatments (2017).
• Annual Improvements to IFRS Standards 2015– 2017 Cycle (2017); this collective Standard contains amendments and clarifications to IFRS 3, IFRS 11, IAS 12 and IAS 23.
• Amendments to IAS 19 Plan Amendment, Curtailment or Settlement (2018).

Interest
Interest receivable and payable is credited or charged to the Profit and Loss Account on an accruals basis.

2 Accounting policies (continued)

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Investments

All fixed asset investments are stated at cost less provision for any impairment.

Investments in securities are classified on initial recognition as fair value through other comprehensive income and are carried at fair value, except where their fair value cannot be measured reliably, in which case they are carried at cost, less any impairment. On disposal of the investment the cumulative change in fair value is transferred from the OCI reserve to retained earnings.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

2 Accounting policies (continued)

Impairment of non-financial assets
The Company's management reviews the carrying amounts of its investments to determine whether there is any indication that the investments have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss.

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

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

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

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

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

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

Borrowings
All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Debtors
Debtors are amounts due from group companies in respect of financing or group taxation relief. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

2 Accounting policies (continued)

Creditors

Creditors are obligations to group companies in respect of financing. The accounting policy for financing creditors is detailed in the Borrowings section above. Creditors are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Called up 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, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

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.

3 Critical accounting judgements and key sources of estimation uncertainty

Valuation of debtors - estimation uncertainty

Debtors represent the most significant exposure to credit risk and are stated after an allowance for impairment.
The Company makes an estimate of the recoverable value of loan receivables which comprise all debtor balances other than deferred tax. When assessing impairment of loan receivables, management considers the likelihood of repayment by the subsidiary based on the expected cash flows of that subsidiary and the ability to make repayments. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all loan receivables. See note 11 for the net carrying amount of the receivables and associated impairment provision.

4 Income from shares in group undertakings

	2019 £ m	2018 £ m
Dividend income	4	-

During the year a dividend of £4.1m (2018: £nil) was received by the Company from Innogy Solutions Ireland Limited (note 10).

5 Interest receivable and similar income

	2019 £ m	2018 £ m
Interest receivable from group undertakings	32	27

6 Interest payable and similar expenses

	2019 £ m	2018 £ m
Interest on bank overdrafts and borrowings	1	-
Interest payable to group undertakings	11	10
	12	10

7 Directors' remuneration

The Company had no employees during the year (2018: none) other than the directors. None of the directors received any remuneration for their services as directors of the Company. During the year aggregate emoluments of £2.4m were paid to the directors (2018: £1.7m) for their services to subsidiary companies. No compensation for loss of office was paid to the directors (2018: £nil).

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2019 No.	2018 No.
Accruing benefits under defined benefit pension scheme	1	1
Accruing benefits under money purchase pension scheme	1	1

In respect of the highest paid director:

	2019 £	2018 £
Remuneration	715,941	645,439
Benefits under long-term incentive schemes (excluding shares)	654,343	400,000
Defined benefit accrued pension entitlement at the end of the year	95,200	95,100
Defined benefit accrued lump sum at the end of the year	285,900	279,800

During 2019 the acquisition of innogy SE by E.ON SE triggered a change in control clause causing the early pay-out of the 2016-2018 LTIP.

In the prior year benefits under long term incentive schemes relates to emoluments received in relation to a Recovery Plan incentive scheme assessed over the period from 2015. No other remuneration in relation to this incentive plan has been received in the past or is receivable in the future.

8 Auditors' remuneration

The audit fee for the Company was borne by Npower Limited, another npower Retail Group company, and not recharged.

No fees were paid to the auditors for non audit services.

9 Tax on loss

The tax credit is made up as follows:

9 Tax on loss (continued)

	2019 £ m	2018 £ m
Current taxation:		
Group relief receivable/(payable)	(15)	(3)
Adjustments in respect of prior periods	(3)	(14)
Total current tax credit	(18)	(17)
Deferred taxation:		
Arising from origination and reversal of temporary differences	16	1
Adjustment in respect of prior periods	(5)	(12)
Total deferred taxation	11	(11)
Total tax credit to profit and loss account	(7)	(28)

The tax assessed on the loss before tax for the year is higher than the standard rate of corporation tax in the UK (2018 - higher than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £ m	2018 £ m
Loss before taxation	(799)	(2,110)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	(152)	(401)
Adjustments in respect of prior periods	(8)	(26)
Expenses not deductible for tax purposes	149	399
Decrease (increase) from tax losses for which no deferred tax asset was recognised	(11)	-
Deferred tax expense (credit) from unrecognised temporary difference from a prior period	16	-
Deferred tax expense (credit) relating to changes in tax rates or laws	(1)	-
Total tax credit	(7)	(28)

In December 2019 there was a general election, as part of the Government's manifesto it was announced that the corporation tax rate would not reduce to 17% from April 2020 and that the rate would remain at 19% for the foreseeable future. At the balance sheet date however, the rate reduction to 17% was still substantively enacted and therefore we have continued to recognise deferred tax at that rate.

At the reporting date, Npower Group Limited has unused tax losses of £31,614,690 (2018: nil) available for offset against future profits, which may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the full amount as it is not considered probable that there will be future taxable profits available.

9 Tax on loss (continued)

Deferred tax
Deferred tax assets and liabilities

Deferred tax movement during the year:

	At 1 January 2019 £ m	Recognised in income £ m	At 31 December 2019 £ m
Other items	11	(11)	-

Deferred tax movement during the prior year:

	At 1 January 2018 £ m	Recognised in income £ m	At 31 December 2018 £ m
Other items	-	11	11

10 Investments

	Subsidiary undertakings £ m
Cost	
At 1 January 2019	133
Impairment	(1)
At 31 December 2019	132
Carrying amount	
As at 31 December 2019	132
As at 31 December 2018	133

Innogy Solutions Ireland Limited ceased trading in 2018 and was placed into liquidation in September 2019. A dividend of £4.1m was received by the Company from Innogy Solutions Ireland Limited in 2019 and the Company's investment in this subsidiary was written down by £0.9m to £nil.

The company did not receive dividends from any other group undertakings (2018: £nil).

10 Investments (continued)

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

Name of subsidiary	Principal activity	Country of incorporation	Proportion of ownership interest and voting rights held 2019	2018
Npower Limited	Energy supplier	England and Wales	100%	100%
Npower Northern Limited	Energy supplier	England and Wales	100%	100%
Npower Direct Limited	Energy supplier	England and Wales	100%	100%
Npower Yorkshire Limited	Energy supplier	England and Wales	100%	100%
Innogy Solutions Ireland Limited	Dissolved	Republic of Ireland	0%	100%

The registered office of Innogy Solutions Ireland Limited is 25/28 North Wall Quay, Dublin 1, Ireland. The registered office of all other subsidiaries listed above is Windmill Hill Business Park, Whitehill Way, Swindon, SN5 6PB.

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

Innogy Solutions Ireland Limited was dissolved on 3rd September 2020.

Npower Direct Limited was sold to E.ON UK plc in June 2020 and subsequently renamed E.ON Next Energy Limited.

11 Debtors: amounts falling due within one year

	2019 £ m	2018 £ m
Amounts owed by group undertakings	21	15
	21	15

Amounts owed by group undertakings relate to group relief receivable.

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

12 Debtors: amounts falling due after more than one year

	2019 £ m	2018 £ m
Loans owed by group undertakings	33	511
Deferred tax asset	-	11
	33	522

Loans owed by group undertakings of £33m were held with the following subsidiaries at the year end: Npower Yorkshire Limited, Plus Shipping Services Limited, Npower Commercial Gas Limited, Npower Financial Services Limited, Npower Gas Limited, PS Energy UK Limited and Npower Northern Limited. The loans are unsecured and at 31 December 2019 bear interest at a rate of 0.57% (2018: 0.58%) The loans are due to mature on 30 December 2021 but can be repaid early subject to the consent of both parties. Loans owed by group undertakings include accrued interest receivable on the loan agreements.

In December 2019, the Company performed a loan waiver exercise to waive the majority of intra-group loans to subsidiaries. The total value of loans waived amounted to £2,637m, this resulted in a charge for the year of £510m net of bad debt provision. As of the balance-sheet date, the recoverable amounts of loans owed by group undertakings, which were calculated as fair value less costs of disposal, were compared to their carrying amounts. The Company recognised a charge of £313m (2018: £2,127m) in respect of fair value provisions against loans to the npower Retail Group due to a deterioration in commercial assumptions and more difficult regulatory conditions. These provision charges react especially sensitively to changes in the discount rate, the growth rate and cash flow in the terminal value. Total charge for the year was £823m (2018: £2,127m).

The deferred tax asset was written down to nil (2018: £11m) and further disclosure is made in note 9.

13 Creditors: amounts falling due within one year

	2019 £ m	2018 £ m
Loans owed to group undertakings	344	876
Bank overdrafts	-	9
	344	885

During the year the Company settled in full a loan to the value of £850m with the immediate parent company, innogy International Participations N.V., following an issue of an equivalent amount of ordinary shares at par value to innogy International Participations N.V.

The Company has loan agreements totalling £344m with Innogy Business Services UK Limited, Npower Limited and Npower Direct Limited. The loans are unsecured and at 31 December 2019 bear interest at a rate of 1.1725% (2018: 1.067%) The loans are due to mature on 30 December 2021 but can be repaid early subject to the consent of both parties. Loans owed by group undertakings also include accrued interest receivable on the loan agreements.

Cash surpluses and deficits in each Group company are swept on a daily basis and recognised as loans owed to/by group undertakings. Interest is calculated on a daily basis and interest rates reflect the overall cost of borrowing or deposit rates and are updated where required.

14 Called up share capital

Allotted, called up and fully paid shares

	2019		2018	
	No.	£	No.	£
Ordinary shares of £1 each	850,000,001	850,000,001	1	1

During the year the Company issued 850,000,000 shares at nominal value of £1 per share.

On 3rd July 2018 the Company passed a special resolution to reduce the capital of the Company. The share capital was reduced by £1,917,001,477 comprising 1,917,001,477 shares.

15 Contingent liabilities

In the normal course of business the Company has provided parent company guarantees on behalf of its subsidiaries. As at 31 December 2019 the total value of these guarantees amounted to £11m (2018: £24m).

At the balance sheet date there was a bank issued letter of credit issued on the Company's facilities for £0.1m (2018: £nil).

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 as the npower Retail Group is part of the innogy SE group of companies and is funded on an ongoing basis through a cash management agreement.

16 Controlling parties

The Company's immediate parent is innogy International Participations N.V., a company incorporated in the Netherlands.

The name of the parent undertaking of the smallest group in whose consolidated financial statements the Company's financial statements are consolidated is innogy SE, a company incorporated in Germany. These financial statements are available upon request from innogy SE, Opernplatz 1, D-45128 Essen, Germany.

The ultimate parent company and controlling party is E.ON SE, a company incorporated in Germany, which is the parent undertaking of the largest group to consolidate these financial statements. Copies of E.ON SE consolidated financial statements can be obtained from E.ON SE, Brüsseler Platz 1, 45131 Essen, Germany.

17 Non adjusting events after the financial year

During 2020 the Company has experienced negative impacts of the COVID-19 pandemic. The Company implemented crisis management plans which allowed the Company to maintain key functions whilst operating within the restrictions put in place by the Government. Despite the impact of COVID-19, the directors believe that the Company can meet its obligations as they fall due for a period of at least twelve months from the date of approval of these financial statements.

This has been discussed further within the Basis of preparation section of the Accounting Policies note.