

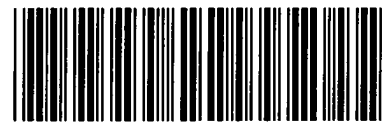
Registration number: 08241182

# **Npower Group Limited**

Annual Report and Financial Statements

for the Year Ended 31 December 2020

SATURDAY



\*AA8GZA7U\*

A07

10/07/2021

#136

COMPANIES HOUSE

**Npower Group Limited**  
**Contents**

	<b>Page(s)</b>
Strategic Report for the year ended 31 December 2020	1 - 2
Directors' Report for the year ended 31 December 2020	3 - 6
Independent auditors' report to the members of Npower Group Limited	7 - 10
Profit and Loss Account for the year ended 31 December 2020	11
Balance Sheet as at 31 December 2020	12
Statement of Changes in Equity for the year ended 31 December 2020	13
Notes to the Financial Statements for the year ended 31 December 2020	14 - 27

## **Npower Group Limited**

### **Strategic Report for the year ended 31 December 2020**

The directors present their Strategic Report on Npower Group Limited ("the Company") for the year ended 31 December 2020.

#### **Business review and future developments**

The Company's loss for the financial year ended 31 December 2020 is £7m (2019: loss £792m), which includes £nil (2019: £510m) of charges relating to waived loans to subsidiaries and £52m (2019: £313m) of additional bad debt provision against existing loans.

The Company offers financing to its 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 £39.7m was received from Npower Direct Limited prior to its sale to E.ON UK plc and a dividend of £1m was received from innogy Solutions Ireland Limited during 2020 (2019: £4.1m).

At 31 December 2020, the Balance Sheet comprised investments in subsidiaries of £131m (2019: £132m), net amounts owed to group undertakings of £297m (2019: Net amounts owed to group undertakings of £290m) and cash at bank of £2m (2019: £1m).

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.

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 npower Business Solutions segment is to merge with E.ON's Industrial and Commercial (I&C) segment. Npower Business Solutions customers will be moved to the Junifer billing platform and the business will then be hived down entirely to Npower Commercial Gas Limited (NCGL), a subsidiary Company, in the first half of 2021. The intention is for E.ON's I&C customers to also be transferred to NCGL. The Company will continue as the parent company for subsidiaries in the npower Retail Group until such time that it is no longer required as subsidiaries no longer require the Company to continue the provision of funding.

#### Coronavirus / Covid-19

The global spread of the coronavirus and the measures taken to control it substantially limited economic activity over the course of 2020 across the globe and, in turn, the United Kingdom. The net adverse financial impact across the npower Retail Group amounted to more than £80m which primarily related to increased energy industry costs, reduced sales volumes, commodity hedge sellbacks and bad debt charges, these downsides were partly offset by government furlough income and reduced energy industry obligations costs.

#### Brexit

The UK left the European Union (EU) on 31st January 2020 with a transitional period up until 31st December 2020. This process has often been referred to as "Brexit". On 30th December 2020, the UK Government passed legislation for a new EU-UK Trade and Cooperation Agreement (the "Agreement"). Work was conducted throughout 2020 in readiness for the cessation of the transitional period on a no-deal basis. The Agreement has ensured that trade and commerce will still pass between the EU and the UK which reduces the impact of Brexit on the npower Retail Group. Given the planning undertaken and the Agreement, there are not expected to be any material implications on the balance sheet as at 31 December 2020 as a result of Brexit.

## **Npower Group Limited**

### **Strategic Report for the year ended 31 December 2020 (continued)**

#### **Position of the business**

The net liabilities of the Company at 31 December 2020 were £164m (2019: net liabilities £157m).

#### **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, of which this Company belongs, as part of the enterprise risk management process of E.ON UK. 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. Risks specific to npower Retail Group are reviewed by the Chief Financial Officer of npower, prior to formal review by the E.ON UK Risk Committee; this takes place on a quarterly basis and actions are 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, the strength of the economy and weather impacts 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, and additionally increases the risks related to customers' ability to pay. Detailed discussions of these risks and opportunities, in the context of the E.ON SE Group as a whole are provided on pages 57 through 64 of the E.ON SE 2020 Annual Report, which is available in the investor relations section of the [eon.com](http://eon.com) website.

In line with the requirements of the German Corporate Control and Transparency Act (KonTraG), the Company's enterprise 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 2 July 2021 and signed on its behalf by:



Mr S Stacey  
Director

**Npower Group Limited**  
**Directors' Report for the year ended 31 December 2020**

The directors present their report on the Company and the audited financial statements for the year ended 31 December 2020.

**Principal activities**

The principal activity of the Company is as the holding company for the npower Retail Group. The npower Retail Group consists of 5 main trading entities and 3 other entities. Each of the 5 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:

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

\* Ceased trading in 2016

**Dividends**

The directors do not recommend the payment of a dividend (2019: £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 C Pilgrim (appointed 2 January 2020)

Mr J Scagell (appointed 2 January 2020)

Mr C Thewlis (appointed 2 January 2020)

Mr M Lewis

Mr M Hawthorne (resigned 24 July 2020)

Mr S Stacey

## **Npower Group Limited**

### **Directors' Report for the year ended 31 December 2020 (continued)**

#### **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 intermediate parent company, innogy SE, the Company has and continues to benefit from the support and access to funding from innogy SE and the ultimate parent company, E.ON 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 certain of the operations of Npower Group Limited'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;
- Npower Group Limited has received a letter of support from innogy SE indicating that it intends to provide such funds as are necessary for Npower Group Limited 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 of Npower Group Limited have a high degree of certainty that the support from innogy SE will continue to be provided.

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.

## **Npower Group Limited**

### **Directors' Report for the year ended 31 December 2020 (continued)**

#### **Going concern (continued)**

The npower Retail Group's Business Solutions segment is to merge with E.ON's Industrial and Commercial (E.ON I&C) segment. Npower Business Solutions customers will be moved to the Junifer billing platform and the business will then be hived down from Npower Limited to subsidiary company Npower Commercial Gas Limited (NCGL) in 2021. Following the hive down the customers of E.ON I&C will then be transferred into NCGL.

The Company is a 100% owned subsidiary of the E.ON SE group, being a large group, E.ON 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.

#### **Financial risk management**

##### ***Capital management***

The Company's objectives, policies and processes for managing capital are consistent with those of the E.ON SE Group. Detailed discussions of these, in the context of the E.ON SE Group as a whole, are provided on page 57 to 64 of the E.ON SE 2020 Annual Report.

##### ***Liquidity risk***

The Company forms part of the Npower Group Limited 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.

##### ***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 EON SE, the Company complies with 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.

#### **Streamlined Energy and Carbon Reporting (SECR) for the year ended 31st December 2020**

The Company has no specific contractual emissions or energy usage to report and qualifies for the low energy user exemption. The SECR disclosure information is reported via its subsidiary companies' statutory accounts.

**Npower Group Limited**  
**Directors' Report for the year ended 31 December 2020 (continued)**

**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 2 July 2021 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 2020 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 2020; 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**

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## **Npower Group Limited**

### **Independent auditors' report to the members of Npower Group Limited (continued)**

#### **Report on the audit of the financial statements (continued)**

##### **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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2020 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.

## **Npower Group Limited**

### **Independent auditors' report to the members of Npower Group Limited (continued)**

#### **Report on the audit of the financial statements (continued)**

##### **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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with industry regulations, employment legislation and tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of unusual journals to revenue or the manipulation of accounting estimates which could be subject to management bias. Audit procedures performed by the engagement team included:

- Understanding and evaluating the key elements of Npower's internal controls around accounting estimates;
- Reviewing accounting estimates for any indicators of management bias by validating supporting evidence and challenging the assumptions that are made;
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- Review of legal expense accounts, board minutes, internal audit reports and internal documentation alongside discussions with the heads of legal and regulatory within the business; and
- Substantive testing of journal entries, in particular any journal entries posted with unusual account combinations which result in an impact to revenue.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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](http://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.

**Npower Group Limited**  
**Independent auditors' report to the members of Npower Group Limited (continued)**

**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

2 July 2021

**Npower Group Limited**  
**Profit and Loss Account for the year ended 31 December 2020**

	Note	2020 £ m	2019 £ m
Other operating income	4	2	-
Income from shares in group undertakings	5	41	4
Interest receivable and similar income	6	3	32
Amounts written off investments		(1)	-
Interest payable and similar expenses	7	(4)	(12)
Impairment of loans to group undertakings	13	(52)	(823)
Loss before taxation		(11)	(799)
Tax on loss	10	4	7
Loss for the financial year		<u>(7)</u>	<u>(792)</u>

The above results were derived from continuing operations.

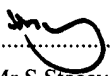
There are no further items which would be included in other comprehensive income so no separate statement of comprehensive income has been prepared.

The notes on pages 14 to 27 form an integral part of these financial statements.

**Npower Group Limited**  
**Balance Sheet as at 31 December 2020**

	Note	2020 £ m	2019 £ m
<b>Fixed assets</b>			
Investments	11	<u>131</u>	<u>132</u>
		<u>131</u>	<u>132</u>
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	13	-	33
Debtors: amounts falling due within one year	12	208	21
Cash at bank and in hand		<u>2</u>	<u>1</u>
		210	55
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	14	<u>(505)</u>	<u>(344)</u>
<b>Net current liabilities</b>		<u>(295)</u>	<u>(289)</u>
<b>Net liabilities</b>		<u>(164)</u>	<u>(157)</u>
<b>Capital and reserves</b>			
Called up share capital	15	850	850
Profit and loss account		<u>(1,014)</u>	<u>(1,007)</u>
<b>Total shareholders' deficit</b>		<u>(164)</u>	<u>(157)</u>

The financial statements on pages 11 to 27 were approved by the Board on 2 July 2021 and signed on its behalf by:

  
 .....  
 Mr S Stacey

Director

Npower Group Limited registered company number: 08241182

The notes on pages 14 to 27 form an integral part of these financial statements.

**Npower Group Limited**  
**Statement of Changes in Equity for the year ended 31 December 2020**

	<b>Called up share capital £ m</b>	<b>Profit and loss account £ m</b>	<b>Total shareholders' deficit £ m</b>
At 1 January 2020	850	(1,007)	(157)
Loss for the financial year	-	(7)	(7)
Total comprehensive income for the year	-	(7)	(7)
At 31 December 2020	850	(1,014)	(164)

	<b>Called up share capital £ m</b>	<b>Profit and loss account £ m</b>	<b>Total shareholders' deficit £ m</b>
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 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.

The notes on pages 14 to 27 form an integral part of these financial statements.

## **Npower Group Limited**

### **Notes to the Financial Statements for the year ended 31 December 2020**

#### **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 E.ON 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 Reduced Disclosure Framework:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment'.
- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations.
- Paragraph 33(c) of IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations).
- IFRS 7 (Financial Instruments: Disclosures)
- 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.



**Npower Group Limited**  
**Notes to the Financial Statements for the year ended 31 December 2020 (continued)**

**2 Accounting policies (continued)**

**Summary of disclosure exemptions (continued)**

- 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)

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

- (i) 10(d)
- (ii) 10(f)
- (iii) 16
- (iv) 38A
- (v) 38B-D
- (vi) 40A-D
- (vii) 111
- (viii) 134-136

- 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.

- Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 (Impairment of Assets).

Where required, equivalent disclosures are given in the group financial statements of E.ON SE. The group financial statements of E.ON SE are available to the public and can be obtained as set out in note 17.

**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 intermediate parent company, innogy SE, the Company has and continues to benefit from the support and access to funding from innogy SE and the ultimate parent company, E.ON 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 certain of the operations of Npower Group Limited'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;

**Npower Group Limited**  
**Notes to the Financial Statements for the year ended 31 December 2020 (continued)**

**2 Accounting policies (continued)**

**Going concern (continued)**

- 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;
- Npower Group Limited has received a letter of support from innogy SE indicating that it intends to provide such funds as are necessary for Npower Group Limited 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 of Npower Group Limited have a high degree of certainty that the support from innogy SE will continue to be provided.

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 Solutions segment is to merge with E.ON's Industrial and Commercial (E.ON I&C) segment. Npower Business Solutions customers will be moved to the Junifer billing platform and the business will then be hived down from Npower Limited to subsidiary company Npower Commercial Gas Limited (NCGL) in 2021. Following the hive down the customers of E.ON I&C will then be transferred into NCGL.

The Company is a 100% owned subsidiary of the E.ON SE group, being a large group, E.ON 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.

**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 E.ON SE, a company incorporated in Germany.

**Npower Group Limited**  
**Notes to the Financial Statements for the year ended 31 December 2020 (continued)**

**2 Accounting policies (continued)**

**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 2020 have had a material impact on the company.

**Interest**

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

**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.

**Npower Group Limited**  
**Notes to the Financial Statements for the year ended 31 December 2020 (continued)**

**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.

**Npower Group Limited**  
**Notes to the Financial Statements for the year ended 31 December 2020 (continued)**

**2 Accounting policies (continued)**

**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.

**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 notes 12 and 13 for the net carrying amount of the receivables and associated impairment provision.

**Npower Group Limited**  
**Notes to the Financial Statements for the year ended 31 December 2020 (continued)**

**4 Other operating income**

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

	2020 £ m	2019 £ m
Proceeds from sale of Npower Direct Limited	<u>2</u>	<u>-</u>

During the year the Company sold Npower Direct Limited to E.ON UK plc for £2m, consisting of a £1.925m intercompany loan settlement and £75k of cash. The charge arising on derecognition of the investment in Npower Direct Limited was £1.

**5 Income from shares in group undertakings**

	2020 £ m	2019 £ m
Dividend income	<u>41</u>	<u>4</u>

During the year a dividend of £39.7m was received by Npower Direct Limited prior to its sale to E.ON UK plc and £1m (2019: £4.1m) was received by the Company from Innogy Solutions Ireland Limited prior to its liquidation (note 11).

**6 Interest receivable and similar income**

	2020 £ m	2019 £ m
Interest receivable from group undertakings	<u>3</u>	<u>32</u>

**7 Interest payable and similar expenses**

	2020 £ m	2019 £ m
Interest on bank overdrafts and borrowings	-	1
Interest payable to group undertakings	<u>4</u>	<u>11</u>
	<u>4</u>	<u>12</u>

**Npower Group Limited**  
**Notes to the Financial Statements for the year ended 31 December 2020 (continued)**

**8 Directors' remuneration**

The Company had no employees during the year (2019: none) other than the directors. During the year aggregate emoluments of £2.7m were paid to the directors (2019: £2.4m) for their services to the npower Retail Group as a whole. No compensation for loss of office was paid to the directors (2019: £nil).

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

	2020 No.	2019 No.
Accruing benefits under defined benefit pension scheme	2	1
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>1</u>

The accrued pension entitlement of the directors under the defined benefit pension scheme at 31 December 2020 was £198,663 (2019: £194,800).

The total cost of contributions paid into the defined contribution pension scheme for the year ended 31 December 2020 was £nil (2019: £nil).

The directors, including the highest paid director, were not entitled to receive aggregate cash payments during the year (2019: two directors) under long-term incentive schemes from the Company. None (2019: none) of the directors received or became entitled to receive shares in E.ON SE under long-term incentive schemes in the financial year. No (2019: no) directors, including the highest paid director, exercised share options for shares in E.ON SE in the financial year.

In respect of the highest paid director:

	2020 £	2019 £
Remuneration	597,368	715,941
Benefits under long-term incentive schemes (excluding shares)	-	654,343
Defined benefit accrued pension entitlement at the end of the year	-	95,200
Defined benefit accrued lump sum at the end of the year	-	285,900

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.

**9 Auditors' remuneration**

The audit fee for the Company was borne by Npower Limited, another npower Retail Group company. No fees were paid to the auditors for non audit services.

There were no recharges in either the current year or prior year in respect of audit or non-audit fees.

**Npower Group Limited**  
**Notes to the Financial Statements for the year ended 31 December 2020 (continued)**

**10 Tax on loss**

The tax credit is made up as follows:

	<b>2020</b> <b>£ m</b>	<b>2019</b> <b>£ m</b>
<b>Current taxation:</b>		
Group relief payable	-	(15)
Adjustments in respect of prior periods	<u>(4)</u>	<u>(3)</u>
Total current tax credit	<u>(4)</u>	<u>(18)</u>
<b>Deferred taxation:</b>		
Arising from origination and reversal of temporary differences	-	16
Adjustment in respect of prior periods	<u>-</u>	<u>(5)</u>
Total deferred taxation	<u>-</u>	<u>11</u>
Total tax credit to profit and loss account	<u>(4)</u>	<u>(7)</u>

The tax assessed on the loss before tax for the year is lower than the standard rate of corporation tax in the UK (2019 - higher than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	<b>2020</b> <b>£ m</b>	<b>2019</b> <b>£ m</b>
Loss before taxation	<u>(11)</u>	<u>(799)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	(2)	(152)
Adjustments in respect of prior periods	(4)	(8)
Expenses not deductible for tax purposes	2	149
Increase from tax losses for which no deferred tax asset was recognised	-	(11)
Deferred tax credit from unrecognised temporary difference from a prior period	-	16
Deferred tax credit relating to changes in tax rates or laws	<u>-</u>	<u>(1)</u>
Total tax credit	<u>(4)</u>	<u>(7)</u>



**Npower Group Limited**  
**Notes to the Financial Statements for the year ended 31 December 2020 (continued)**

**10 Tax on loss (continued)**

**Factors that may affect future tax charges**

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

At the reporting date, Npower Group Limited has unused tax losses of £17,285 (2019: £31,614,690) available for offset against future profits, which may be carried forward indefinitely. Npower Group Limited also has gross unrecognised temporary differences relating to interest of £119,209,406 (2019: £118,140,996). 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.

**Deferred tax**

Deferred tax assets and liabilities

Deferred tax movement during the year:

	At 1 January 2020 £ m	At 31 December 2020 £ m
Other items	-	-

Deferred tax movement during the prior year:

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

**Npower Group Limited**  
**Notes to the Financial Statements for the year ended 31 December 2020 (continued)**

**11 Investments**

	<b>Subsidiary undertakings £ m</b>
<b>Cost</b>	
At 1 January 2020	132
Impairment	(1)
At 31 December 2020	<u>131</u>
<b>Carrying amount</b>	
As at 31 December 2020	<u>131</u>
As at 31 December 2019	<u>132</u>

Innogy Solutions Ireland Limited ceased trading in 2018 and was placed into liquidation in September 2019. In 2020, a dividend of £0.9m (2019: £4.1m) was received by the Company from Innogy Solutions Ireland Limited and the Company's investment in this subsidiary was written down by £0.9m to £nil.

The Company also received a dividend of £39.7m from Npower Direct Limited, prior to its sale to E.ON UK plc.

Details of the subsidiaries as at 31 December 2020 are as follows:

<b>Name of subsidiary</b>	<b>Principal activity</b>	<b>Country of incorporation</b>	<b>Proportion of ownership interest and voting rights held</b>	
			<b>2020</b>	<b>2019</b>
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	0%	100%
Npower Yorkshire Limited	Energy supplier	England and Wales	100%	100%

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.

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

**Npower Group Limited****Notes to the Financial Statements for the year ended 31 December 2020 (continued)****12 Debtors: amounts falling due within one year**

	2020	2019
	£ m	£ m
Loans owed by group undertakings	188	-
Amounts owed by group undertakings	20	21
	<u>208</u>	<u>21</u>

Loans owed by group undertakings of £188m were held with the following group companies at the year end: innogy Business Services UK Limited, Npower Yorkshire Limited, Npower Northern Limited, Plus Shipping Services Limited, Npower Financial Services Limited, Npower Gas Limited, PS Energy UK Limited and Npower Limited. The loans are unsecured and at 31 December 2020 bear interest at a rate of 0.54% (2019: 0.57%) 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 and this resulted in a charge for the year of £510m (2020: £nil) 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 £52m (2019: £313m) 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. The total charge inclusive of bad debt and provisions for the 2020 year was £52m (2019: £823m).

The deferred tax asset was nil (2019: £nil) and further disclosure is made in note 10.

Amounts owed by group undertakings includes £19.6m (2019: £20.9m) in respect of group relief receivable.

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

**13 Debtors: amounts falling due after more than one year**

	2020	2019
	£ m	£ m
Loans owed by group undertakings	-	33
	<u>-</u>	<u>33</u>

## Npower Group Limited

### Notes to the Financial Statements for the year ended 31 December 2020 (continued)

#### 14 Creditors: amounts falling due within one year

	2020	2019
	£ m	£ m
Loans owed to group undertakings	<u>505</u>	<u>344</u>

The Company has loan agreements totalling £506m with Innogy International Participations N.V. and Npower Commercial Gas Limited. The loan from Npower Commercial Gas Limited is unsecured and at 31 December 2020 bore interest at a rate of 0.05617% (2019: 1.1725%) and is 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. The loan from Innogy International Participations N.V. was entered into on 25 June 2020, is unsecured and at 31 December 2020 bore interest at a rate of 0.69%, the loan matured on 25 January 2021.

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.

#### 15 Called up share capital

##### Allotted, called up and fully paid shares

	No.	2020 £	No.	2019 £
Ordinary shares of £1 each	<u>850,000,001</u>	<u>850,000,001</u>	<u>850,000,001</u>	<u>850,000,001</u>

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

#### 16 Contingent liabilities

In the normal course of business the Company has provided parent company guarantees on behalf of its subsidiaries. As at 31 December 2020 the total value of these guarantees amounted to £4m (2019: £11m).

At the balance sheet date there were no bank issued letters of credit on the Company's facilities (2019: £0.1m).

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 E.ON SE group of companies and is funded on an ongoing basis through a cash management agreement.

**Npower Group Limited****Notes to the Financial Statements for the year ended 31 December 2020 (continued)****17 Controlling parties**

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

The ultimate parent company and controlling party is E.ON SE, a company incorporated in Germany, which is the parent undertaking of the smallest and 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.