

Npower Limited

Directors' report and financial statements
for the year ended 31 December 2005

Registered number: 3653277

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Directors' report and financial statements for the year ended 31 December 2005

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Npower Limited

Directors' report for the year ended 31 December 2005

The Directors present their report and the audited financial statements of the company for the year ended 31 December 2005.

Principal activities

The principal activities of the Company and its subsidiaries are the marketing and supply of electricity and natural gas and related services to domestic, commercial and industrial consumers.

Business Review

The year ended December 2005 has been one of continuing the focus on the integration of the RWE retail group of which Npower Limited is a part.

Activities of four entities within the retail division, Virtutel Limited, Npower Customer Services Limited, Npower Energy Sales Limited and Npower Renewables and Consolidation Services Limited, have been transferred directly to Npower Limited during the year, for a consideration equal to the carrying value of the assets and liabilities at the dates of transfer.

It is expected that this activity will continue throughout 2006 with the rationalisation of processes and legal entities within the retail group.

Review of results and dividends

The results for the year are shown on page 6. The directors do not recommend the payment of a dividend (2004: £nil).

Political and charitable contributions

The Company made no political contributions during the year. During the year the Company made no charitable donations £nil (2004: £32,400).

Directors and their interest

The directors who served during the year and to the date of this report are as follows:

M Bowden resigned 12 August 2006
A Duff
D Threlfall
K Miles appointed 2 January 2007

According to the register required to be kept under section 325 of the Companies Act 1985 none of the Directors of the Company at 31 December 2005 held any interest in shareholdings, share options or debentures of group companies incorporated in the United Kingdom. As permitted by statutory instrument, the register does not include shareholdings of Directors in companies incorporated outside Great Britain.

During the year no directors (2004: none) exercised share options in RWE Npower Holdings plc.

Health and safety

The Company regards the health and safety of its employees as an essential integrated feature of our operations. We have published an overall policy and guidelines and procedures appropriate to each of our workplaces have been issued to managers.

Npower Limited

Directors' report for the year ended 31 December 2005 (continued)

Employees

The energy, innovation and creativity of our staff add value to our businesses.

The Company is committed to the development of all staff in the organisation in order to leverage our intellectual capital. Staff are encouraged to maintain personal development plans and the company provides financial support to employees to pursue training opportunities.

The major changes within the Npower retail division mean that effective communications with staff are vital. Corporate publications and other media, including distribution of key development messages and team briefings, are used to promote wide understanding of policies and strategy. We also utilise the latest technology to aid rapid communication with staff around the world through use of a comprehensive Company Intranet.

Equal opportunities and diversity

The Company is committed to equal opportunity and diversity because of a sense of social responsibility and also because it makes sound business sense to tap into the wide-ranging knowledge and experience of individuals in all sectors of society. Through its commitment to valuing the talents of its employees, the Group aims to ensure that it is able to compete in attracting and retaining high calibre employees with wide-ranging experience and is therefore able to respond positively and flexibly to change. Decisions to appoint, reward, train, develop and promote are taken based on skills and abilities, or demonstrated potential, merit and the requirements of the job. Employment decisions affecting both job applicants and employees with disabilities will be made following any reasonable adjustments that may be necessary to ensure fair treatment.

The Group is a member of the Employers' Forum on Disability, Opportunity Now and the Employers' Forum on Age and is committed to the aims of these organisations.

Creditor payment policy

Npower Limited recognises the need to observe the highest standards of business practice in its role as buyer and seller. Its parent company, RWE Npower Holdings plc, subscribes to the CBI's Prompt Payment Code and has formally adopted British Standard 7890 Methods for Achieving Good Payment Performance in Commercial Transactions and this is an achievement and a standard that Npower Limited and its subsidiary companies are seeking to emulate. Npower Limited's average number of days outstanding in respect of trade creditors calculated in accordance with the Companies Act, at 31 December 2005 was 62 (2004: 55) days.

Financial risk management

Credit Risk

The npower retail group of companies has a policy of requiring appropriate credit checks on commercial customers prior to establishing credit terms and payment method. Credit insurance and security deposits are arranged depending upon a combination of the credit rating and the projected annual spend. For all new customers with an annual spend in excess of predetermined limits commodity risk control are required to sign off the account prior to acceptance.

Liquidity Risk

The company forms part of the group treasury arrangements which actively manage a mixture of finance to ensure that the group has sufficient liquid resources to manage its current and future operational requirements.

Npower Limited

Directors' report for the year ended 31 December 2005 (continued)

Commodity Price risk

The company is exposed to commodity price risk as a result of its operations. The risk is actively managed through the application of appropriate techniques and methodologies in accordance with the Commodity Risk Controlling Directive of the company's ultimate parent RWE AG. These techniques and methodologies include the application of appropriate hedge policies, the measurement of commodity risks, the setting of approved transaction limits (together with the monitoring of compliance with the approved limits), the reporting of unhedged positions and the conduct of scenario analyses and stress tests.

The Directive and its application within the company is kept under constant review to reflect changes in market and company dynamics, together with the nature of products offered to the market.

Securities Price Risk

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

General Risk Management

As a subsidiary of RWE AG, the Company complies with the Risk Management Directive of RWE AG, 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

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to assume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently, with the exception of changes arising on the adoption of new accounting standards in the year as explained in note 1, "Accounting policies". They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2005 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 1985, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern

The directors of RWE Npower plc, the immediate parent company, have indicated their willingness to continue to provide financial support to the company for the foreseeable future, at least one year from the date of approval of these financial statements, sufficient for the company to meet its obligations as they fall due. As a result, the directors have prepared the financial statements on a going concern basis.

Npower Limited

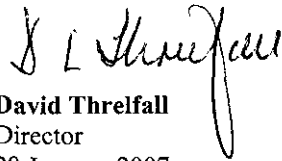
Directors' report for the year ended 31 December 2005 (continued)

Auditors

Pursuant to Section 386 of the Companies Act 1985, the Company has dispensed with the obligation to appoint auditors annually. PricewaterhouseCoopers LLP will continue to act as auditors of the company.

Pursuant to Section 366A of the Companies Act 1985 the Company has dispensed with the obligation to hold an annual general meeting and pursuant to Section 379A the Company has dispensed with the requirement to lay accounts before a general meeting.

By order of the board



David Threlfall
Director
29 January 2007

Npower Limited

Independent auditors' report to the members of Npower Limited

We have audited the financial statements of Npower Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

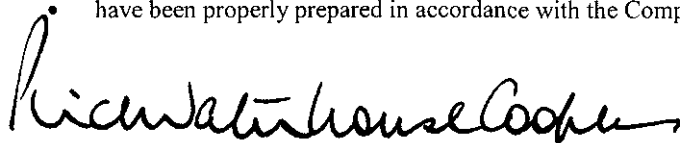
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
29 January 2007

Npower Limited

Profit and loss account for the year ended 31 December 2005

	Note	2005 Acquired £m	2005 Continuing £m	2005 Total £m	2004 Total £m
Turnover	1	49.3	2,013.9	2,063.2	1,622.4
Cost of sales		(50.5)	(1,692.7)	(1,743.2)	(921.4)
Gross profit		(1.2)	321.2	320.0	701.0
Distribution costs and selling expenses		-	(52.9)	(52.9)	(41.6)
Administrative expenses		(0.2)	(255.7)	(255.9)	(567.5)
Other income	4	-	10.7	10.7	-
Operating profit	5	(1.4)	23.3	21.9	91.9
Income from fixed asset investments				9.1	-
Profit on ordinary activities before interest and taxation				31.0	91.9
Interest receivable and similar income	2			9.3	7.8
Interest payable and similar charges	3			(48.5)	(6.7)
(Loss)/profit on ordinary activities before taxation				(8.2)	93.0
Tax on (loss)/profit on ordinary activities	7			(3.7)	11.8
(Loss)/profit for the financial year	17			(11.9)	104.8

All amounts are derived from continuing operations.

There is no difference between the (loss)/profit on ordinary activities before taxation and the (loss)/profit for the year above and their historical cost equivalents.

Movements on reserves are set out in note 16 to the financial statements.

Npower Limited

Statement of total recognised gains and losses for the year ended 31 December 2005


	Note	2005	2004
		£m	£m
(Loss)/profit for the financial year		(11.9)	104.8
Total recognised gains and losses related to the financial year		(11.9)	104.8
Prior year adjustment – FRS 17	1, 17	0.5	
Total gains and losses recognised since last financial statements		(11.4)	

Npower Limited

Balance sheet as at 31 December 2005

	Note	2005 £m	2004 As restated £m
Fixed assets			
Intangible assets	8	383.1	411.5
Tangible assets	9	55.1	47.9
Investments	10	27.6	27.6
		465.8	487.0
Current assets			
Debtors	11	894.0	659.0
Cash at bank and in hand		-	4.6
		894.0	663.6
Creditors: amounts falling due within one year	12	(1,469.4)	(1,247.5)
Net current liabilities		(575.4)	(583.9)
Total assets less current liabilities		(109.6)	(96.9)
Provisions for liabilities and charges	13	(7.2)	(8.0)
Net liabilities		(116.8)	(104.9)
Capital and reserves			
Called up equity share capital	15	1.0	1.0
Merger reserve	16	30.4	30.4
Profit and loss account	16	(148.2)	(136.3)
Total equity shareholders' funds - deficit	17	(116.8)	(104.9)

The financial statements on pages 6 to 25 were approved by the Board of directors on 29 January 2007 and were signed on its behalf by:


David Threlfall
Director

Npower Limited

Notes to the financial statements for the year ended 31 December 2005

1 Accounting policies

The principal accounting policies have been applied consistently throughout the year, with the exception of the adoption of new accounting standards, the impact of which are outlined below.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Under FRS 1(revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

The financial statements have been prepared on a going concern basis which assumes that the company will continue to trade. The basis of this assumption depends on the support of the immediate parent company, RWE Npower plc. The immediate parent company has indicated that it intends to provide funds as are necessary for the company to trade for the foreseeable future.

As the company is a wholly owned subsidiary, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of RWE AG, within which this company is included, can be obtained from the address given in note 21.

Changes in accounting policies

The company has adopted FRS 21, 'Events after the balance sheet date', FRS 25, 'Financial instruments: disclosure and presentation', FRS 17, 'Retirement benefits' and FRS 28 'Corresponding amounts' in these financial statements.

The adoption of these standards represents a change in accounting policy. There was no impact on the financial statements arising from the changes in accounting policies to adopt FRS 21, FRS 25 and FRS 28.

The effect of the change in accounting policy to adopt FRS 17 has not had any impact upon the current year financial statements. The effect upon the prior year was to increase net assets by £0.5m and decrease the total recognised losses by £0.5m.

Group accounts

The Company is exempt under Section 228 of the Companies Act 1985 from the requirement to prepare group financial statements and to deliver them to the Registrar of Companies. The financial statements therefore present information about the Company as an individual undertaking and not about its group. The Company is included within the consolidated financial statements of RWE AG, the Company's ultimate parent undertaking, which is incorporated in Germany.

Turnover

Turnover is recognised at the date of supply of services to customers, and comprises the value of sales of goods and services, excluding VAT and other indirect taxes in the normal course of business. The Company operates in one class of business, the marketing and supply of electricity and related services, and in one geographical segment, the United Kingdom.

Npower Limited

Notes to the financial statements for the year ended 31 December 2005 (continued)

1 Accounting policies (continued)

Accounting estimations

In accounting for revenues and direct costs for energy, the company employs a forecasting process using forecast models to calculate the energy accruals required at the accounting year end. The models are regularly updated with historical actual data downloaded from the financial ledgers which in turn will improve the accuracy of the forecast data. The accuracy of the forecast data is reviewed each year end to identify any significant movements to actual results and adjustments made.

Goodwill

In accordance with Financial Reporting Standard No. 10: Goodwill and Intangible Assets, goodwill arising on acquisitions of unincorporated businesses, being the difference between the fair value of the purchase consideration and the fair value of the identifiable net assets/liabilities of an acquired business, is capitalised and amortised in equal annual instalments over its useful economic life, normally not exceeding 20 years.

Impairment reviews are undertaken in accordance with the requirements of FRS 11: Impairment of fixed assets and goodwill.

Investments

Unlisted investments are stated at cost less provisions for impairment losses.

Tangible fixed assets

Tangible fixed assets are stated at original cost less accumulated depreciation. In the case of assets constructed by the Company, related works and commissioning costs are included in cost. Assets in the course of construction are included in tangible fixed assets on the basis of expenditure incurred at the balance sheet date.

Depreciation is calculated so as to write down the cost of tangible fixed assets to their residual value evenly over their estimated useful lives. Estimated useful lives are reviewed periodically, taking into account commercial and technological obsolescence as well as normal wear and tear, provision being made for any permanent diminution in value.

The depreciation charge is based on the following estimates of useful lives:

Freehold buildings	40 years straight line
Short leasehold land and buildings	period of lease
Office equipment and furniture	5 years
Computer hardware and software costs	5 years

Depreciation of computer software costs commences when the related software becomes operational.

Npower Limited

Notes to the financial statements for the year ended 31 December 2005 (continued)

1 Accounting policies (continued)

Other income

Final customer credits are transferred to provisions for liabilities and charges and subsequently released to the profit and loss account where all procedures to trace lost customers have been undertaken and proved unsuccessful. An appropriate amount is retained representing expected future refunds when a claim may be made by a lost customer.

Pension costs

Contributions paid by the Company to the RWE npower section of the industry-wide defined benefit scheme, the Electricity Supply Pension Scheme (ESPS), are accounted for as if the scheme were a defined contribution scheme, as the company is unable to identify its share of the underlying assets and liabilities in the scheme.

Contributions payable under money-purchase schemes are charged to the profit and loss account as they fall due.

Leases

Rentals payable under operating leases are charged to the profit and loss account evenly over the term of the lease.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred. Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date.

2 Interest receivable and similar income

	2005	2004
	£m	£m
Interest receivable on cash deposits	4.9	7.8
Interest receivable from group companies	4.4	-
	9.3	7.8

With effect from 1 January 2005 all loans between group undertakings became interest bearing. Interest is charged at base rate plus 1%.

Npower Limited

Notes to the financial statements for the year ended 31 December 2005 (continued)

3 Interest payable and similar charges

	2005	2004
	£m	£m
Interest payable on overdraft balances	6.3	6.7
Interest payable to group companies	42.2	-
	48.5	6.7

With effect from 1 January 2005 all loans between group undertakings became interest bearing. Interest is charged at base rate plus 1%.

4 Other income

	2005	2004
	£m	£m
Final customer credits (note 13)	10.7	-

Final customer credits relate to historic credit balances written back to the profit and loss account

5 Operating profit

	2005	2004
	£m	£m
Operating profit is stated after charging/ (crediting)		
Amortisation of capitalised goodwill (note 8)	28.4	28.4
Depreciation (note 9)	17.3	8.6
(Profit)/loss on disposal of fixed assets	(3.5)	3.1
Auditors' remuneration	0.1	0.1
Operating lease rentals:		
Land and buildings	1.2	1.1
Plant and machinery	-	0.1

Fees paid to the auditors for non audit services amounted to £nil (2004: nil).

Npower Limited

Notes to the financial statements for the year ended 31 December 2005 (continued)

6 Directors emoluments and employee information

The average monthly number of employees (including executive directors) was:

	2005	2004
	Number	Number
Selling, customer service and administrative staff	7,026	5,341

The aggregate remuneration comprised:

	2005	2004
	£m	£m
Wages and salaries (includes redundancy costs £3.2m (2004: £nil))	119.7	144.0
Social security costs	10.3	13.1
Other pension costs (includes redundancy costs £4.8m (2004: £nil))	13.5	9.7
	143.5	166.8

With the exception of the metering businesses, all employees are employed by Npower Limited. Employee costs are recharged to each of the retail group entities via the group management charge based on the proportionate turnover of each entity and are appropriately disclosed as staff costs.

As employees may work across several legal entities average staff numbers have been deduced based on the average employee cost for the Npower retail group.

All directors are paid by RWE Npower plc, the immediate parent company, for their services to the group as a whole and it is not possible to fully allocate their emoluments to Npower Limited. Their aggregate emoluments are disclosed in the accounts of RWE Npower plc. Total directors' emoluments paid through Npower Limited were £402,000 (2004: £44,000). These emoluments were wholly in respect of one director being D Threlfall.

No director was a member of the Company's defined contribution scheme in the year (2004: none). All directors are members of defined benefit schemes (2004: All).

	2005	2004
	£000	£000
Highest paid director:		
Total emoluments and amounts receivable under long term incentive schemes (excluding shares)	402	-

Defined benefit pension scheme:

Accrued pension at end of year	173
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Npower Limited

Notes to the financial statements for the year ended 31 December 2005 (continued)

7 Tax on loss on ordinary activities

	2005	2004
	£m	£m
Current tax:		
Group relief (receivable)/payable	(4.8)	2.3
Deferred tax (see note 14):		
Deferred tax charge/(credit)	8.0	(4.7)
Adjustment in respect of prior periods	0.5	(9.4)
Total deferred taxation	8.5	(14.1)
Charge/(credit) to profit and loss account	3.7	(11.8)

The current tax credit for the year is higher (2004: charge for the year is lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2005	2004
	£m	£m
(Loss)/profit on ordinary activities before taxation	(8.2)	93.0
(Loss)/profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	(2.5)	27.9
Effects of:		
Depreciation in excess of capital allowances	(7.6)	3.9
Utilisation of brought forward losses	-	(40.0)
Expenses not deductible for taxation	8.7	8.7
Income not taxable	(2.7)	-
Other timing differences	(0.7)	1.8
Total current tax (credit)/charge	(4.8)	2.3

Npower Limited

Notes to the financial statements for the year ended 31 December 2005 (continued)

8 Intangible assets

	Goodwill
	£m
Cost	
At 1 January 2005 and 31 December 2005	568.4
Amortisation	
At 1 January 2005	156.9
Charge for the year	28.4
At 31 December 2005	185.3
Net book value	
At 31 December 2005	383.1
At 31 December 2004	411.5

The Directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises.

The Directors estimate that the useful economic life of this goodwill is at least 20 years and it is amortised over 20 years in accordance with FRS 10.

Npower Limited

Notes to the financial statements for the year ended 31 December 2005 (continued)

9 Tangible fixed assets

	Freehold land and buildings	Leasehold property alterations	Computer hardware	Computer software	Office equipment and furniture	Assets in the course of construction	Total
	£m	£m	£m	£m	£m	£m	£m
Cost							
At 1 January 2005	2.9	1.7	0.7	101.1	38.1	15.2	159.7
Additions	-	-	1.1	5.3	1.6	23.7	31.7
Disposals	(0.8)	-	(0.3)	-	-	-	(1.1)
Reclassification	1.6	(1.7)	28.1	6.9	(31.6)	(3.3)	-
Transfers to other group companies	-	-	(0.5)	-	-	(5.9)	(6.4)
At 31 December 2005	3.7	-	29.1	113.3	8.1	29.7	183.9
Depreciation							
At 1 January 2005	0.5	0.1	-	98.3	12.9	-	111.8
Reclassification	1.6	(0.1)	4.6	3.7	(9.8)	-	-
Charge for the year	0.1	-	4.0	10.0	3.2	-	17.3
Disposals	(0.1)	-	(0.2)	-	-	-	(0.3)
At 31 December 2005	2.1	-	8.4	112.0	6.3	-	128.8
Net book value							
At 31 December 2005	1.6	-	20.7	1.3	1.8	29.7	55.1
At 31 December 2004	2.4	1.6	0.7	2.8	25.2	15.2	47.9

Included with fixed assets is capital work in progress of £29.7m (2004: £15.2m), within which is a significant amount of system development cost.

Details of the capital commitments of the Company can be found in note 18.

Depreciation reclassifications have been made during the year with no net impact upon the overall depreciation or net book value of the assets to correct previous misallocation of the charge.

Npower Limited

Notes to the financial statements for the year ended 31 December 2005 (continued)

10 Fixed asset investments

	Shares in subsidiary undertakings
Cost and net book value	£m
At 1 January 2005 and 31 December 2005	27.6

The Company's trading subsidiary undertakings at 31 December 2005 are detailed below. All of the subsidiary undertakings are incorporated in Great Britain.

Name of subsidiary undertaking	Identity of shares held	Proportion of nominal value of issued shares of that class	Nature of business
Npower Gas Limited	3,862,500 'A' ordinary shares	100%	Energy supply
	3,862,500 'B' ordinary shares	100%	
Npower Commercial Gas Limited	2 ordinary shares	100%	Energy supply
Npower Financial Services Limited	1 ordinary share	100%	Financial Services

Npower Limited

Notes to the financial statements for the year ended 31 December 2005 (continued)

11 Debtors

	2005	2004
		As restated
	£m	£m
Trade debtors	206.4	160.0
Loans due from group undertakings	177.1	2.3
Other amounts due from group undertakings	150.9	214.1
Prepayments and accrued income	333.6	248.9
Total amounts recoverable within one year	868.0	625.3
Deferred taxation asset (note 14)	26.0	33.7
Total amounts recoverable after more than one year	26.0	33.7
Total debtors	894.0	659.0

Loans due from group undertakings are unsecured, have no fixed date of repayment, and with effect from 1 January 2005 attract interest at base rate plus 1%.

Other amounts due from group undertakings include £4.8m of group relief receivable (2004: £nil).

Prepayments and accrued income includes accruals for electricity income not yet billed of £313.1 million (2004: £234.6 million).

Npower Limited

Notes to the financial statements for the year ended 31 December 2005 (continued)

12 Creditors: amounts falling due within one year

	2005	2004 As restated
	£m	£m
Trade creditors	36.4	28.2
Customer payments in advance	160.0	127.7
Bank overdraft	18.1	-
Loans due to group undertakings	825.8	699.7
Other amounts due to group undertakings	82.5	95.2
Other tax and social security	1.2	6.3
Accruals and deferred income	345.4	290.4
	1,469.4	1,247.5

The loans due to group companies are unsecured and subject to annual renewal by agreement with the holding company. Such loans have therefore been included within current liabilities. As at the date of approval of these financial statements the Directors are not aware of any intention of the holding company to require repayment of such funding, other than by way of transfer of surplus funds arising within the company's operations. Interest is charged to the Company for the loans from other group companies at base rate plus 1%.

Other amounts due to group undertakings includes £nil (2004 - £2.3m) of group relief payable.

Npower Limited

Notes to the financial statements for the year ended 31 December 2005 (continued)

13 Provisions for liabilities and charges

	Final Customer Credits	Re-organisation provision As restated	Total
	£m	£m	£m
At 1 January 2005 - as previously reported	-	8.5	8.5
Prior year adjustment – FRS 17	-	(0.5)	(0.5)
At 1 January 2005 - as restated	-	8.0	8.0
Transferred from creditors during the year	12.3	-	12.3
(Released)/Charged to profit and loss account	(10.7)	3.4	(7.3)
Utilised in the year	-	(5.8)	(5.8)
At 31 December 2005	1.6	5.6	7.2

The re-organisation provision represents the balance of the provision for redundancy and related costs in respect of a business re-organisation which is expected to be utilised during the course of 2006.

Final customer credits relate to remaining customer balances which arise from various circumstances including customer debt which has previously been written off and subsequently recovered, or where management's ability to raise a final bill following the loss of a customer is prevented because of the absence of final meter readings, or where overpayments have been made by lost customers for whom there is no forwarding address or other contact details. The amount retained in provisions represents management's assessment of potential claims from lost customers and is expected to be utilised over six years

Npower Limited

Notes to the financial statements for the year ended 31 December 2005 (continued)

14 Deferred taxation

The movement on deferred taxation is as follows:

	2005
	As restated
	£m
At 1 January 2005 – as previously reported	33.8
Prior year adjustment – FRS 17	(0.1)
At 1 January 2005 – as restated	33.7
Transfer from group companies	0.8
Charge to profit and loss account	(8.5)
At 31 December 2005	26.0

Deferred taxation provided in the financial statements, and the amount not recognised of the total potential asset, are as follows:

	Amount recognised		Amount not recognised	
	2005	2004	2005	2004
	As restated			
	£m	£m	£m	£m
Tax effect of timing differences because of:				
Decelerated capital allowances	24.3	31.3	-	-
Other timing differences	1.7	2.4	-	-
Losses	-	-	38.0	38.5
Deferred tax asset (note 11)	26.0	33.7	38.0	38.5

The unrecognised tax losses are regarded as permanent differences under FRS19.

Npower Limited

Notes to the financial statements for the year ended 31 December 2005 (continued)

15 Share capital

	2005	2004
	£m	£m
Authorised		
1,500,000 ordinary shares of £1 each	1.5	1.5
Allotted, called up and fully paid		
1,000,001 ordinary shares of £1 each	1.0	1.0

16 Reserves

	Merger reserve	Profit and loss account	Total
	£m	£m	£m
At 1 January 2005 as previously reported	30.4	(136.8)	(106.4)
Prior year adjustment – FRS 17	-	0.5	0.5
At 1 January 2005 as restated	30.4	(136.3)	(105.9)
Loss for the financial year	-	(11.9)	(11.9)
At 31 December 2005	30.4	(148.2)	(117.8)

17 Reconciliation of movements in equity shareholders' funds

	2005	2004 As restated
	£m	£m
(Loss) / profit for the year and net (reduction) / increase in equity shareholders' funds	(11.9)	104.8
Opening equity shareholders' deficit - as previously reported	(105.4)	(210.2)
Prior year adjustment – FRS 17	0.5	0.5
Opening shareholders deficit - as restated	(104.9)	(209.7)
Closing equity shareholders' deficit	(116.8)	(104.9)

Npower Limited

Notes to the financial statements for the year ended 31 December 2005 (continued)

18 Capital and financial commitments

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings	
	2005	2004
	£m	£m
<hr/>		
Expiry date:		
In less than one year	-	-
Within two to five years	0.4	-
More than five years	1.0	1.1
	<hr/>	<hr/>
	1.4	1.1
	<hr/>	<hr/>

There are no capital commitments contracted but not provided as at 31 December 2005 (2004: none).

Npower Limited

Notes to the financial statements for the year ended 31 December 2005 (continued)

19 Acquisitions

During the year, the activities and net assets of four retail division entities, Virtutel Limited, Npower Customer Services Limited, Npower Energy Sales Limited and Npower Renewables and Consolidation Services Limited, have been transferred directly to Npower Limited during the year, for a consideration of £10,666,000 reflecting the carrying value of the assets and liabilities at the dates of transfer. The carrying value reflects the fair value of the assets and liabilities at the date of transfer.

The following net assets were acquired:

	Virtutel	NCSL	NESL	NRCSL	Total
	£'000	£'000	£'000	£'000	£'000
Assets:					
Prepayments and Accrued Income	-	-	-	25,115	25,115
Cash at bank	-	92	42	-	134
Amounts due from group undertakings	541	10,332	6,511	13,917	31,301
Other Debtors	-	638	235	578	1,451
	541	11,062	6,788	39,610	58,001
Liabilities:					
Trade Creditors	-	-	-	(22,103)	(22,103)
Amounts due to group undertakings	-	(7,883)	(5,758)	(5,439)	(19,080)
Other Creditors	(195)	(1,978)	(298)	(3,681)	(6,152)
	(195)	(9,861)	(6,056)	(31,223)	(47,335)
Net assets acquired – via inter-company settlement	346	1,201	732	8,387	10,666

Npower Limited

Notes to the financial statements for the year ended 31 December 2005 (continued)

20 Pension scheme funding

The majority of pensions are funded through the RWE npower section of the industry-wide scheme, the Electricity Supply Pension Scheme (ESPS) which is a defined benefit scheme with assets invested in separate trustee-administered funds. The ESPS is divided into sections. There is also a defined contribution scheme, the RWE Innogy Group Defined Contribution Scheme (IGDCS).

As the full requirements of Financial Reporting Standard 17 "Retirement benefits" are effective for accounting periods beginning on or after 1 January 2005, Npower Limited has adopted the standard in full in the financial statements this year. This has resulted in a prior year adjustment of £442,000 being reversal of the £580,000 defined benefit scheme prepayment previously recognised under SSAP 24, less the £138,000 related deferred tax liability.

During the year ended 31 December 2005, RWE Npower plc contributed to the ESPS at the rate of 15.4% of members' pensionable earnings, beginning on 1 April 2005 and 12% prior to this.

The total pension cost for the scheme was £11 million (2004: £7 million) of which the Npower Limited cost was £2.5 million. (2004: £3.7 million).

Npower Limited participates, along with other employers in the RWE npower Group, in the RWE npower Group of the Electricity Supply Pension Scheme a defined benefit pension scheme. Npower Limited is unable to identify its share of the underlying assets and liabilities in a reasonable and consistent basis and hence the scheme is accounted for as multi-employer under FRS 17. The last formal valuation of the scheme was carried out as at 31 March 2004. At that date the deficit of the whole scheme was £136 million giving a funding level of 96%.

Independent actuaries have assessed the FRS 17 position as at 31 December 2005 for the scheme as a whole by updating the last formal valuations using methods appropriate for FRS 17. As at 31 December 2005 there was a deficit of £80 million (2004: £160 million).

Npower Limited has paid total contributions of £97,760 (2004: £220,581) into the various defined contribution schemes in the year to 31 December 2005 on behalf of the Npower retail group companies.

There were no prepaid or accrued contributions at 31 December 2005 or 31 December 2004.

21 Controlling and parent company

The company's immediate parent company is RWE Npower plc, a company incorporated in Great Britain and registered in England and Wales.

The company's ultimate parent company is RWE AG, which is the parent undertaking of the smallest and largest group to consolidate these financial statements, a company registered in Germany. Copies of the group financial statements are available from RWE AG, Opernplatz 1, D0-45128, Essen, Germany.