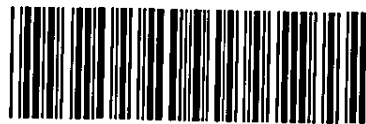


# **Npower Limited**

## **Directors' report and financial statements for the year ended 31 December 2007**

**Registered number: 3653277**

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# **Npower Limited**

## **Directors' report and financial statements for the year ended 31 December 2007**

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# **Npower Limited**

## **Directors' report for the year ended 31 December 2007**

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2007

### **Principal activities**

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

### **Business Review**

The external commercial environment in which the Company operates is expected to remain competitive in 2008. Whilst the Directors recognise that the Company operates in a competitive industry, the directors remain confident that the Company will continue to improve the current level of performance in the future

### **Key Performance Indicators**

The Directors of Npower Limited manage the company's operations on a divisional basis as part of the retail business within the RWE npower group. Management monitor the business performance and measure it against strategic objectives using key performance indicators on a divisional basis. The key performance indicators of the division include comparison of gross margin, EBITA, operating costs, and cash flow against budgets and quarterly re-forecasts. For this reason the Company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Npower Limited.

### **Review of results and dividends**

The result for the year is shown on page 6. The Directors do not recommend the payment of a dividend (2006 £nil).

### **Political and charitable contributions**

The Company made no political contributions during the year. During the year the Company made charitable donations of £9,539 (2006 £3,800).

### **Directors and their interests**

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

A Duff	
D Threlfall	resigned 14 February 2008
K Miles	appointed 2 January 2007
G Parsons	appointed 2 January 2007, resigned 31 January 2007
C Johnson	appointed 1 October 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 2007 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.

# **Npower Limited**

## **Directors' report for the year ended 31 December 2007 (continued)**

### **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.

### **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 intermediate 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 2007 was 61 (2006: 69) 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 2007 (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 in respect of the annual report and the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 those financial statements, the directors are required to

- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary,
- select suitable accounting policies and apply them consistently.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **Npower Limited**

## **Directors' report for the year ended 31 December 2007 (continued)**

### **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.

### **Auditors and disclosure of information to auditors**

In the case of each of the persons who are directors at the time when the report is approved under Section 234ZA of the Companies Act, the following applies:

- a) so far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- b) they have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **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



**K Miles**  
Director  
30<sup>th</sup> June 2008

## **Independent auditors' report to the members of Npower Limited**

We have audited the financial statements of Npower Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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**

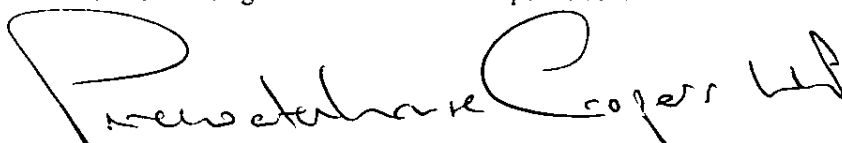
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



**PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors

Birmingham

30<sup>th</sup> June 2008

# Npower Limited

## Profit and loss account for the year ended 31 December 2007

	Note	2007 £m	2006 £m
<b>Turnover</b>	1	<b>3,012.9</b>	3,113.1
Cost of sales		(2,638.1)	(2,698.0)
<b>Gross profit</b>		<b>374.8</b>	415.1
Selling and distribution costs		(67.1)	(63.8)
Administrative expenses		(243.0)	(357.0)
Other operating income	4	6.8	4.5
<b>Operating profit / (loss)</b>	5	<b>71.5</b>	(1.2)
Interest receivable and similar income	2	11.6	4.5
Interest payable and similar charges	3	(64.1)	(44.1)
<b>Profit / (loss) on ordinary activities before taxation</b>		<b>19.0</b>	(40.8)
Tax on profit / (loss) on ordinary activities	7	6.6	14.2
<b>Profit / (loss) for the financial year</b>	16	<b>25.6</b>	(26.6)

All amounts are derived from continuing operations

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year above and their historical cost equivalents

There were no recognised gains or losses other than the profit for the year as shown above

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

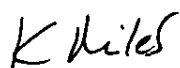


# Npower Limited

## Balance sheet as at 31 December 2007

	Note	2007 £m	2006 £m
<b>Fixed assets</b>			
Intangible assets	8	326.4	354.8
Tangible assets	9	67.7	80.4
Investments	10	27.8	27.8
		<b>421.9</b>	<b>463.0</b>
<b>Current assets</b>			
Debtors	11	1,753.2	1,150.3
Cash at bank and in hand		51.8	-
		<b>1,805.0</b>	<b>1,150.3</b>
<b>Creditors</b> amounts falling due within one year	12	<b>(2,338.7)</b>	<b>(1,750.3)</b>
<b>Net current liabilities</b>		<b>(533.7)</b>	<b>(600.0)</b>
<b>Total assets less current liabilities</b>		<b>(111.8)</b>	<b>(137.0)</b>
<b>Provisions for liabilities and charges</b>	13	<b>(2.5)</b>	<b>(6.4)</b>
<b>Net liabilities</b>		<b>(114.3)</b>	<b>(143.4)</b>
<b>Capital and reserves</b>			
Called up share capital	15	1.0	1.0
Merger reserve	16	30.4	30.4
Profit and loss reserve	16	(145.7)	(174.8)
<b>Total shareholders' deficit</b>	17	<b>(114.3)</b>	<b>(143.4)</b>

The financial statements on pages 6 to 20 were approved by the Board of directors on 30<sup>th</sup> June 2008 and were signed on its behalf by



K Miles  
Director

# **Npower Limited**

## **Notes to the financial statements for the year ended 31 December 2007 (continued)**

### **1. Accounting policies**

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are set out below. All accounting policies have been applied consistently throughout the year.

#### **Basis of preparation**

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 20.

#### **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.

#### **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 improves 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.

#### **Provisions**

Provisions are recognised when the company has a present obligation for a past event, for which it is probable that a transfer of economic benefits will be required and a reliable estimate can be made of the amount of the obligation. Provisions are discounted where material in relation to the estimated period over which the provision will be utilised. The rate of discount reflects the time value of money and the risks associated with the liability.

#### **Share based payments**

As a subsidiary of RWE AG, share based incentive arrangements are provided to employees under the Group's share option, incentive and other share award schemes. Share options granted to Directors and employees and share based arrangements are valued at the date of grant or award are charged to operating profit over the vesting period of the scheme, based on the Company's best estimates. The annual charge is modified to take account of shares forfeited by Directors and employees who leave during the vesting period and, in the case of non-market related performance conditions, where it becomes unlikely the option will vest.

# **Npower Limited**

## **Notes to the financial statements for the year ended 31 December 2007 (continued)**

### **1. Accounting policies (continued)**

#### **Goodwill**

In accordance with FRS 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 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, with 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

Freehold land is not depreciated

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

#### **Other operating 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 Deferred tax assets are only recognised to the extent that it is deemed more likely than not that they will be realised

# Npower Limited

## Notes to the financial statements for the year ended 31 December 2007 (continued)

### 2. Interest receivable and similar income

	2007	2006
	£m	£m
Interest receivable from group companies	7.3	3.9
Other interest receivable	4.3	0.6
	11.6	4.5

All loans between group undertakings incur interest at base rate plus 1%

### 3. Interest payable and similar charges

	2007	2006
	£m	£m
Other interest payable to group companies	57.2	38.4
Interest payable on bank overdraft balances	6.9	5.7
	64.1	44.1

All loans between group undertakings incur interest at base rate plus 1%

### 4. Other operating income

	2007	2006
	£m	£m
Final customer credits (note 13)	6.8	4.5

Final customer credits relate to historic credit balances written back to the profit and loss account in accordance with the company's accounting policy

### 5. Operating profit/(loss)

	2007	2006
	£m	£m
Operating profit/(loss) is stated after charging		
Amortisation of capitalised goodwill (note 8)	28.4	28.3
Depreciation (note 9)	11.4	10.2
Services provided by the company's auditor		
Fees payable for the audit	0.2	0.2
Operating lease rentals		
Land and buildings	3.9	3.7

Fees paid to the auditors for non audit services amounted to £nil (2006: £nil)

# Npower Limited

## Notes to the financial statements for the year ended 31 December 2007 (continued)

### 6. Directors' emoluments and employee information

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

	2007	2006
	Number	Number
Selling, customer service and administrative staff	8,353	7,567

The aggregate remuneration comprised

	2007	2006
	£m	£m
Wages and salaries	169.4	142.9
Social security costs	15.0	12.3
Other pension costs	9.4	8.9
Share based payments	1.5	-
	195.3	164.1

With the exception of the metering businesses, all retail division employees are employed by Npower Limited. Total employee costs of £123.7m were recharged to the other retail group entities via the group management charge 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 £875,429 (2006: £477,000). Prior year emoluments were wholly in respect of one director.

No director was a member of the Company's defined contribution scheme in the year (2006: none). All directors are members of defined benefit schemes (2006: All).

During the year all of the directors (2006: all) exercised share options in RWE AG the ultimate parent company.

Further details of the nature and the extent of share based payment arrangements have been disclosed in full within the accounts of RWE Npower plc.

	2007	2006
	£000	£000
<b>Highest paid director.</b>		
Total emoluments and amounts receivable under long term incentive schemes (excluding shares)	487	477
Defined benefit pension scheme		
Accrued pension at end of year	197	190

# Npower Limited

## Notes to the financial statements for the year ended 31 December 2007 (continued)

### 7. Tax on profit/(loss) on ordinary activities

	2007 £m	2006 £m
<b>Current tax</b>		
Group relief payable/(receivable)	1.1	(11.7)
Adjustment in respect of prior periods	(4.5)	-
<b>Total current tax</b>	<b>(3.4)</b>	<b>(11.7)</b>
<b>Deferred tax (note 14)</b>		
Deferred tax credit	(6.0)	(2.5)
Adjustment in respect of prior periods	0.5	-
Impact of change in UK tax rate	2.3	-
<b>Total deferred taxation</b>	<b>(3.2)</b>	<b>(2.5)</b>
<b>Credit to profit and loss account</b>	<b>(6.6)</b>	<b>(14.2)</b>

The current tax credit for the year is lower (2006 lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below

	2007 £m	2006 £m
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>19.0</b>	<b>(40.8)</b>
Profit/(loss) on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	5.7	(12.2)
Effects of		
Depreciation in excess of capital allowances/(capital allowances in excess of depreciation)	4.3	(10.3)
Expenses not deductible for taxation	8.6	8.8
Income not taxable	(2.0)	-
Use of losses brought forward not recognised	(17.3)	-
Other timing differences	1.8	2.0
Adjustment in respect of prior periods	(4.5)	-
<b>Total current tax credit</b>	<b>(3.4)</b>	<b>(11.7)</b>

# Npower Limited

## Notes to the financial statements for the year ended 31 December 2007 (continued)

### 8. Intangible assets

	Goodwill £m
<b>Cost</b>	
At 1 January 2007 and 31 December 2007	568.4
<b>Amortisation</b>	
At 1 January 2007	213.6
Charge for the year	28.4
<b>At 31 December 2007</b>	<b>242.0</b>
<b>Net book value</b>	
<b>At 31 December 2007</b>	<b>326.4</b>
At 31 December 2006	354.8

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 2007 (continued)

### 9. Tangible assets

	Freehold land and buildings	Computer hardware	Computer software	Office equipment and furniture	Assets in the course of construction	Total
	£m	£m	£m	£m	£m	£m
<b>Cost</b>						
At 1 January 2007	3.7	30.9	125.0	9.8	50.0	219.4
Additions	-	1.0	11.1	0.9	17.0	30.0
Reclassification	-	4.2	24.5	-	(28.7)	-
Transfers to other group companies	-	(15.6)	(9.5)	(1.6)	(1.6)	(42.7)
<b>At 31 December 2007</b>	<b>3.7</b>	<b>20.5</b>	<b>151.1</b>	<b>9.1</b>	<b>22.3</b>	<b>206.7</b>
<b>Depreciation</b>						
At 1 January 2007	2.2	10.3	118.3	8.2	-	139.0
Charge for the year	0.1	0.7	10.1	0.5	-	11.4
Transfers to other group companies	-	(4.0)	(6.7)	(0.7)	-	(11.4)
<b>At 31 December 2007</b>	<b>2.3</b>	<b>7.0</b>	<b>121.7</b>	<b>8.0</b>	<b>-</b>	<b>139.0</b>
<b>Net book value</b>						
<b>At 31 December 2007</b>	<b>1.4</b>	<b>13.5</b>	<b>29.4</b>	<b>1.1</b>	<b>22.3</b>	<b>67.7</b>
At 31 December 2006	1.5	20.6	6.7	1.6	50.0	80.4

Included with fixed assets is capital work in progress of £22.3m (2006: £50.0m), within which is a significant amount of system development cost.

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



# Npower Limited

## Notes to the financial statements for the year ended 31 December 2007 (continued)

### 10. Fixed asset investments

	Shares in subsidiary undertakings £m
Cost and net book value 1 January 2007 and 31 December 2007	27.8

The Company's trading subsidiary undertakings at 31 December 2007 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
Electricity Plus Supply Limited	1 ordinary share	100%	Energy supply
Gas Plus Supply Limited	1 ordinary share	100%	Energy supply
Plus Shipping Services Ltd	1 ordinary share	100%	Energy supply

# Npower Limited

## Notes to the financial statements for the year ended 31 December 2007 (continued)

### 11. Debtors

	2007	2006
	£m	£m
Trade debtors	205.1	237.3
Loans due from group undertakings	220.1	128.9
Other amounts due from group undertakings	849.6	274.4
Other tax and social security	24.2	35.1
Prepayments and accrued income	422.5	446.1
Total amounts recoverable within one year	1,721.5	1,121.8
Deferred taxation asset (note 14)	31.7	28.5
Total amounts recoverable after more than one year	31.7	28.5
Total debtors	1,753.2	1,150.3

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

Other amounts due from group undertakings include £3.4m of group relief receivable (2006: £13.6m)

Prepayments and accrued income includes accruals for energy income not yet billed of £388.7m (2006: £426.0m)

### 12. Creditors: amounts falling due within one year

	2007	2006
	£m	£m
Trade creditors	30.5	21.4
Customer payments in advance	183.0	183.9
Bank overdraft	-	20.1
Loans due to group undertakings	1,227.0	948.4
Other amounts due to group undertakings	430.6	118.5
Other tax and social security	17.6	13.2
Accruals and deferred income	450.0	444.8
	2,338.7	1,750.3

The loans due to group companies are unsecured and subject to annual renewal by agreement with the lending 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 lending 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%.

## Npower Limited

### Notes to the financial statements for the year ended 31 December 2007 (continued)

#### 13. Provisions for liabilities and charges

	Final customer credits	Re-organisation provision	Other provisions	Total
	£m	£m	£m	£m
At 1 January 2007	2.2	3.9	0.3	6.4
Created in the year	-	0.9	0.1	1.0
Transferred from creditors during the year	5.8	-	-	5.8
Released to profit and loss account	(6.8)	(1.0)	-	(7.8)
Utilised in the year	-	(2.5)	(0.4)	(2.9)
At 31 December 2007	1.2	1.3	-	2.5

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.

The re-organisation provision represents the balance of the provision for redundancy and related costs in respect of further business re-organisation which is expected to be utilised during the course of 2008.

Other provisions related to the costs of decommissioning legacy billing systems and have been fully utilised during the course of 2007.

# Npower Limited

## Notes to the financial statements for the year ended 31 December 2007 (continued)

### 14. Deferred taxation

The movement on deferred taxation is as follows

	2007
	£m
At 1 January 2007	28.5
Credit to profit and loss account (note 7)	3.2
<b>At 31 December 2007</b>	<b>31.7</b>

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	
	2007	2006	2007	2006
	£m	£m	£m	£m
Tax effect of timing differences because of				
Decelerated capital allowances	20.5	17.5	-	-
Other timing differences	11.2	11.0	-	-
Losses	-	-	20.4	38.0
<b>Deferred tax asset (note 11)</b>	<b>31.7</b>	<b>28.5</b>	<b>20.4</b>	<b>38.0</b>

The unrecognised tax losses are regarded as permanent differences under FRS19

### 15. Called up share capital

	2007	2006
	£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

# Npower Limited

## Notes to the financial statements for the year ended 31 December 2007 (continued)

### 16. Reserves

	Merger reserve £m	Profit and loss reserve £m	Total £m
At 1 January 2007	30.4	(174.8)	(144.4)
Profit for the financial year	-	25.6	25.6
Share based payment	-	3.5	3.5
<b>At 31 December 2007</b>	<b>30.4</b>	<b>(145.7)</b>	<b>(115.3)</b>

The profit and loss reserve includes £3.5m, in respect of charges in respect of employee share schemes

### 17. Reconciliation of movements in total shareholders' deficit

	2007 £m	2006 £m
Profit/(loss) for the year and net decrease/(increase) in shareholders' deficit	29.1	(26.6)
Opening shareholders' deficit	(143.4)	(116.8)
Closing shareholders' deficit	(114.3)	(143.4)

### 18. Capital and financial commitments

Annual commitments under non-cancellable operating leases are as follows

	Land and buildings 2007 £m	2006 £m
Expiry date		
In less than one year	0.6	-
Within two to five years	0.6	0.8
More than five years	2.7	2.8
	<b>3.9</b>	<b>3.6</b>

There are no capital commitments contracted but not provided as at 31 December 2007 (2006: none)

# **Npower Limited**

## **Notes to the financial statements for the year ended 31 December 2007 (continued)**

### **19. 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).

During the year ended 31 December 2007, RWE Npower plc contributed to the ESPS at the rate of 17.5% of members' pensionable earnings. The Npower Limited cost was £3.6 million (2006: £4.2 million).

Npower Limited participates, along with other employers in the RWE Npower Group, in the RWE Npower Group ESPS. Npower Limited is unable to identify its share of the underlying assets and liabilities on 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 at 31 March 2007. At that date the deficit of the whole scheme was £175 million giving a funding level of 95%. Independent actuaries have assessed the FRS 17 position as at 31 December 2007 for the scheme as a whole by updating the last formal valuations using methods appropriate for FRS 17. As at 31 December 2007 there was a deficit of £158 million (2006: £42 million).

Npower Limited has paid total contributions of £129,252 (2006: £195,381) into the various defined contribution schemes in the year to 31 December 2007 on behalf of the Npower retail group companies.

There were no prepaid or accrued contributions at 31 December 2007 or 31 December 2006.

### **20. Ultimate parent company and controlling party**

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.

### **21. Share based payments**

The total charge for the year relating to employee share-based payment plans was £3.5m all of which related to equity-settled share based payment transactions.