

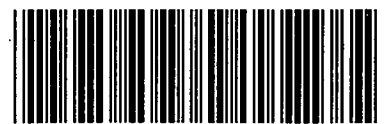
Npower Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2013

Registered number: 3653277

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Npower Limited

Contents

Strategic Report for the year ended 31 December 2013	1 - 4
Directors' Report for the year ended 31 December 2013	5 - 8
Independent Auditors' Report to the members of Npower Limited	9 - 10
Profit and Loss Account for the year ended 31 December 2013	11
Balance Sheet as at 31 December 2013	12
Notes to the Financial Statements for the year ended 31 December 2013	13 - 30

Npower Limited

Strategic Report for the year ended 31 December 2013

The directors present their strategic report on Npower Limited (the Company) for the year ended 31 December 2013.

Business review and future developments

The Company forms part of the npower Retail Group, which is also known as the npower Retail Division ("Retail Division"). The npower Retail Group/Division consists of 6 main trading entities which are detailed below:

Legal entity	Business Area			
	Domestic	SME	I&C	Other
Npower Limited	X		X	
Npower Northern Limited	X		X	
Npower Yorkshire Limited	X			
Npower Gas Limited	X			
Npower Commercial Gas Limited			X	
Npower Direct Limited		X		
Electricity Plus Supply Ltd*	X			
Gas Plus Supply Ltd*	X			
Plus Shipping Services Ltd				X
Npower Business and Social Housing Ltd				X
Octopus Electrical Ltd				X
RWE Solutions Ireland Ltd				X

**On 20 December 2013, Npower Limited sold its 100% interest in Gas Plus Supply Limited and Electricity Plus Supply Limited to Telecom Plus plc.*

Across this Group of companies operating profit has decreased to £102m during 2013 (2012: £211m).

The directors of the Company do not primarily focus their management of the activities of the Company or wider group on a legal entity basis. Instead business performance is monitored and assessed at a segmented level, which when aggregated covers all of the Retail Group's commercial activities in the UK. Therefore the Business Review below represents the Director's assessment of the Retail Group as a whole.

Npower Limited

Strategic Report for the year ended 31 December 2013 (continued)

Business review and future developments (continued)

Domestic business

Wholesale market prices for both gas and electricity continued to rise during the year. Combined with increasing network and distribution costs and the growing cost of delivering on government mandated obligations, the Group took the decision to increase prices towards the end of 2013.

The full year impact of the late 2012 price rises, in addition to the small effect of the late 2013 increase, saw turnover increase during 2013. In addition, colder temperatures, particularly during the exceptionally cold month of March, drove volume rises which contributed to the improved performance in the year. However, this growth in turnover was more than offset by the higher commodity, network and government obligation costs.

The Group completed the migration of all its domestic customers onto the new SAP Billing System in May 2013. The new system has presented initial teething problems but these will be resolved in 2014 and customers will see the benefit of the new system in improved service and efficiency going forward. The Group also announced in late 2013 its plans to outsource certain middle and back office functions to expert third party providers. This will result in approximately 2,000 staff leaving the organisation and will drive enduring cost efficiencies and a better service for customers in the future.

SME business

The SME business experienced a significant increase in operating profit during the year, in part driven by the non-recurrence of write offs in unbilled revenue which impacted on 2012. In addition the focus on delivery of the Group's efficiency programmes saw the SME business benefit from the removal of management layers from its organisational structure and lower functional and bad debt costs.

The SME business announced the end of the automatic renewal of fixed contract customers from November 2014. This is a significant milestone in the journey to materially improve customer satisfaction and the SME business is on track to deliver this change with a new set of product offers which were launched in early 2014.

The SME business is also implementing a new gas billing and management system for all of its customers and with the target of all customers being migrated onto the new platform in 2015.

I&C business

The I&C business reported an increase in operating profit during the year driven by growth in Generation Services and Energy Solutions activities as well as reduced operating costs, bad debt efficiencies and one-off environmental and network cost reconciliations.

Mid Market volumes decreased slightly however volumes and market share in the large Corporate Market sector increased despite competitive pressure from new entrants. Throughout 2013 the I&C business faced continuing pressure on power and gas margins reflecting the highly competitive nature of the market and the aggressive pricing strategies adopted by new entrants.

In line with the SME segment the cessation of auto renewal of fixed contract customers was announced from November 2014. This is a significant milestone on the journey to materially improve customer satisfaction and this will be enhanced further by the new gas billing and management system which will be operational for all I&C customers in 2015.

Npower Limited

Strategic Report for the year ended 31 December 2013 (continued)

Business review and future developments (continued)

General

The Group continues to pursue its strategy of both improving customer services and delivering real, sustainable cost efficiencies and savings. The main element of this strategy is the Customer Transformation Programme which is reviewing the end to end customer processes across the organisation. The benefits this programme is delivering started to be realised in 2013 and will appear strongly in 2014 and 2015.

As a consequence, administrative expenses for the Retail Group have increased during the year. This includes a number of non recurring transformation costs, including £36m of severance and termination payments in respect of the Group's efficiency programmes which are discussed in more detail above. These were further increased by £38m in respect of the Group's share of additional pension contributions required to reduce the defined benefit pension scheme deficit.

Against a backdrop of increased public and political interest in the energy market, the government announced a catalogue of measures in December 2013 which are aimed at reducing energy costs to the consumer. This included the scale back of the Energy Companies Obligation (ECO); as a result lower tariffs were announced in the first quarter of 2014 so passing back the benefit of this to customers.

From 1 January 2014 onwards, energy companies will be allowed to offer no more than four residential tariffs and from 1 April 2014 they will be obliged to indicate on bills which of their tariffs is most affordable for their customers. On 27 March 2014, the UK regulator, the Office of Gas and Electricity Markets (Ofgem) in a joint assessment with the Competition and Markets Authority (CMA) reported on their findings from an initial review of the state of competition in the energy Market and how well this is serving the interests of households and small businesses. There were four key findings from their review:

- declining customer confidence in openness and transparency;
- uncertainty over whether vertical integration of the large energy companies is in consumers' interests;
- increase in retail profits with no clear evidence of suppliers becoming more efficient; and
- suppliers consistently setting higher prices for consumers who have not switched.

Ofgem launched a consultation on referring the energy market to the CMA which closed on 23 May 2014. On 26 June 2014 Ofgem referred the energy market to the CMA for a full competition investigation.

RWE npower welcomes the competition investigation and will work constructively with the CMA to provide total transparency, and seek to create a better understanding of the facts behind the energy industry, helping consumers make more informed decisions about the energy they use. In July 2013, before the CMA review was initiated, RWE npower launched the 'Energy Explained' campaign, through which detailed information was provided on items making up electricity and gas bills. Energy Explained is about transparency and presenting information clearly and simply with the intention of helping to rebuild trust in the energy industry. Npower's introduction of clearer bills, fewer tariffs and a commitment to customers through our Standards of Conduct are examples of the actions being taken to improve customer experience.

On 20 December 2013, Npower Limited sold its 100% interest in Gas Plus Supply Limited and Electricity Plus Supply Limited to Telecom Plus plc. Telecom Plus plc paid Npower Limited an initial £196.5 million for the companies with a further £21.5 million to be paid after three years as deferred consideration.

The Company also received £2.5 million in respect of the residual net assets of Electricity Plus Supply Limited and Gas Plus Supply Limited at the date of disposal.

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

Npower Limited

Strategic Report for the year ended 31 December 2013 (continued)

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. These risks are not managed on a legal entity basis, but overseen for the Retail Group as a whole.

The Retail Group continues to invest in a formal, regular risk assessment process to identify, monitor and mitigate as far as possible any risk that should arise. These are formally reviewed and assessed by the Board on a quarterly basis and actions taken as appropriate.

The key business risks affecting the Retail Group are the retention of existing customers and growth of its market share. The level of volatility in electricity and gas wholesale prices is the main uncertainty faced by the Retail Group. Detailed discussions of these risks and opportunities, in the context of the RWE AG Group as a whole, are provided on pages 88 through 99 of the RWE AG 2013 Annual Report.

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

Key performance indicators (KPIs)

The directors of Npower Limited do not primarily focus their management of the activities of the Company or wider group on a legal entity basis. Instead business performance is monitored and assessed at a segmented level, which when aggregated covers all of the Retail Group's commercial activities in the UK. These segments are supported by a number of central functions that provide a range of services including finance, tax, strategy and HR. Each segment is managed in particular against a number of key performance indicators that cover a range of financial, service delivery, efficiency and operational measures. The operations and activities of Npower Limited and the other entities within the Group are allocated across these segments. Therefore the Company's directors do not set KPIs at a legal entity level, and as a result such KPIs are not presented for Npower Limited.

Approved by the Board on 29 August 2014 and signed on its behalf by:



Mr R Rose
Director

Npower Limited

Directors' Report for the year ended 31 December 2013

The directors present their report and the audited financial statements for the year ended 31 December 2013.

Principal activities

The principal activities of Npower Limited (the Company) is the marketing and supply of electricity and related services to domestic, commercial and industrial consumers.

Results and dividends

The Company's profit for the financial year ended 31 December 2013 is £338.3 million (2012: profit of £58.3 million). The directors do not recommend the payment of a dividend (2012: £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:

Mr G Johnson

Mr J Madrian (resigned 18 February 2013)

Mr S Stacey

Mr C Pilgrim

Ms J Eaton

Mr J Stamp

Mr R Hattam

Mr J Scagell (appointed 15 April 2013)

Mr R Rose (appointed 18 February 2013)

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 directors of RWE Npower Holdings plc, 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 2013 (continued)

Employees

The energy, innovation and creativity of our staff add value to our businesses. During the financial year the Retail Group maintained its existing policies in the following areas in respect of employee involvement.

The Group is committed to the development of all staff in order to leverage our intellectual capital. Among many development and training initiatives, all staff are encouraged to maintain personal development plans.

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 through a range of mediums.

Equal opportunities and diversity

The Group 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. In addition, appropriate arrangements are made for training, career development and promotion of disabled persons employed by the Group. If members of staff become disabled the Group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

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.

Employee share plans

The Retail Group is part of a savings related share option plan for the benefit of employees in the UK. RWE Npower plc is responsible for the operation of these plans on behalf of Retail Group employees up to and including the 2012 tranche. As a consequence of the restructuring of the RWE Npower Holdings plc group, Npower Limited is responsible for the operation of the 2013 tranche.

Over 35% (2012: 37%) of eligible staff participate in the scheme, saving between £5 and £125 per month with the option to purchase RWE AG shares at a 20% discount at the end of a three year savings period.

Financial risk management

Capital management

The Company's objectives, policies and processes for managing capital are consistent with those of the RWE AG Group. Detailed discussions of these, in the context of the RWE AG Group as a whole, are provided on page 151 of the RWE AG 2013 Annual Report.

Npower Limited

Directors' Report for the year ended 31 December 2013 (continued)

Financial risk management (continued)

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. Cash and cash equivalents comprise cash in hand and deposits which are readily convertible to cash and are subject to insignificant risk of change in value or credit risk.

Liquidity risk

The Company forms part of the RWE Npower Group plc 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.

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 hedge policies consist of the purchase of forward contracts for the purchase of electricity on the wholesale market.

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

Interest rate cash flow risk

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

General risk management

As a subsidiary of 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.

Npower Limited

Directors' Report for the year ended 31 December 2013 (continued)

Statement of Directors' Responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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.

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

Statement of disclosure of information to the auditors

Each director who held office as at the date of approval of this report confirms the following:

- so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each director has taken steps that ought to have been taken as a director in order to become aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

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

Approved by the Board on 29 August 2014 and signed on its behalf by:



Mr R Rose
Director

Npower Limited

Independent Auditors' Report to the members of Npower Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

What we have audited

The financial statements, which are prepared by Npower Limited, comprise:

- Balance Sheet as at 31 December 2013;
- Profit and Loss Account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

What an audit of financial statements involves

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

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

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Npower Limited

Independent Auditors' Report to the members of Npower Limited (continued)

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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



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

Date: 29/8/14

Npower Limited**Profit and Loss Account for the year ended 31 December 2013**

	Note	2013 £ m	2012 £ m
Turnover	1	3,939.5	3,567.1
Cost of sales		<u>(3,579.2)</u>	<u>(3,216.1)</u>
Gross profit		360.3	351.0
Administrative expenses		(270.3)	(224.4)
Other operating income	3	<u>6.1</u>	<u>17.6</u>
Operating profit		96.1	144.2
Income from shares in group undertakings	5	89.3	-
Profit on disposal of investments in subsidiaries	6	<u>220.5</u>	<u>-</u>
Profit on ordinary activities before interest and taxation		405.9	144.2
Net interest payable and similar charges	7	<u>(46.3)</u>	<u>(40.3)</u>
Profit on ordinary activities before taxation	4	359.6	103.9
Tax on profit on ordinary activities	11	<u>(21.3)</u>	<u>(45.6)</u>
Profit for the financial year	20	<u><u>338.3</u></u>	<u><u>58.3</u></u>

All results relate to continuing operations.

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

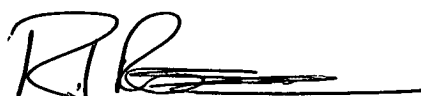
There are no material differences between the profit on ordinary activities before taxation and the profit for the financial years stated above and their historical cost equivalents.

The notes on pages 13 to 30 form an integral part of these financial statements.

Npower Limited
Balance Sheet as at 31 December 2013

		31 December 2013 £ m	31 December 2012 £ m
	Note		
Fixed assets			
Intangible assets	12	156.1	184.5
Tangible assets	13	153.3	95.3
Investments	14	27.8	27.8
		<u>337.2</u>	<u>307.6</u>
Current assets			
Debtors: Amounts falling due within one year	15	2,011.1	2,271.7
Debtors: Amounts falling due after more than one year	15	40.7	24.0
Cash at bank and in hand		30.8	4.0
		<u>2,082.6</u>	<u>2,299.7</u>
Creditors: Amounts falling due within one year	16	<u>(2,219.3)</u>	<u>(2,775.3)</u>
Net current liabilities		<u>(136.7)</u>	<u>(475.6)</u>
Total assets less current liabilities		200.5	(168.0)
Provisions for liabilities	17	<u>(34.8)</u>	<u>(4.6)</u>
Net assets/(liabilities)		<u>165.7</u>	<u>(172.6)</u>
Capital and reserves			
Called up share capital	19	1.0	1.0
Merger reserve	20	30.4	30.4
Profit and loss account	20	<u>134.3</u>	<u>(204.0)</u>
Total shareholders' funds/(deficit)	21	<u>165.7</u>	<u>(172.6)</u>

The financial statements on page 11 to 30 were approved by the Board of directors on 29 August 2014 and were signed on its behalf by:



Mr R Rose
Director

Npower Limited registered company number: 3653277

The notes on pages 13 to 30 form an integral part of these financial statements.

Npower Limited

Notes to the Financial Statements for the year ended 31 December 2013

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 2006 and applicable accounting standards in the United Kingdom. A summary of the principal accounting policies is set out below. These policies have been applied consistently.

Going concern

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 RWE Npower Holdings plc. RWE Npower Holdings plc has indicated that it intends to provide funds as are necessary for the Company to trade for the foreseeable future.

Basis of preparation of financial statements

The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated financial statements. The results of the Company and its subsidiaries are included in the consolidated financial statements of RWE AG, which can be obtained from the address as detailed in note 24.

Turnover

Turnover is recognised at the point of supply of electricity and related services to customers.

Turnover 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, marketing and supply of electricity and related services, and in one geographical segment, the United Kingdom.

Pension costs

The Company's contributions to all of its pension schemes, the majority being to the Electricity Supply Pension Scheme (ESPS), a defined benefit scheme, are recognised as if it were a defined contribution scheme within administrative expenses in the profit and loss account. This is because the Company is unable to identify its share of the underlying assets and liabilities of the ESPS scheme on a reasonable and consistent basis and hence it is accounted for as a multi-employer scheme under FRS 17 (Retirement Benefits). The assets of these schemes are held separately from those of the Company in independently administered funds. During 2009, the Company took the decision to close its defined benefit schemes to new entrants. New entrants are now only able to participate in a defined contribution scheme.

Operating leases

The Group policy is that rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term. The amounts recognised in the profit and loss account for the financial year are amounts after recharges to other Retail Group entities.

Interest

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

Other operating income

Credit balances relating to ex customers who are no longer supplied by the Company (known as final credits) are transferred to provisions for liabilities and charges after 12 months. Prior to this rigorous procedures to trace the lost customer are undertaken. If these procedures prove unsuccessful, the balance is released to the profit and loss account with a percentage being retained to cover any future claims. The percentage is consistent across the Retail Division and is reviewed annually.

Npower Limited

Notes to the Financial Statements for the year ended 31 December 2013 (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.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical purchase cost less accumulated depreciation and any provision for impairment in value. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. In the case of assets constructed by the Company, cost includes related works and administrative overheads and commissioning costs in accordance with FRS 15. Assets in the course of construction are included in tangible fixed assets on the basis of expenditure incurred at the balance sheet date and are not depreciated until brought into use. Interest costs are not capitalised.

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 impairment in value.

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

Asset class	Depreciation method and rate
Freehold land	Not Depreciated
Freehold buildings	40 years
Computer software	5 years
Office equipment and furniture	5 years
Fixtures and fittings	5 years

Npower Limited

Notes to the Financial Statements for the year ended 31 December 2013 (continued)

1 Accounting policies (continued)

Impairment reviews

In accordance with UK Generally Accepted Accounting Practice the Company's management reviews the carrying amounts of its fixed assets, which includes goodwill, tangible assets and investments, to determine whether there is any indication that those assets 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 its estimated value in use. 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 RWE 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.

Fixed asset investments

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

Taxation

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

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

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

Npower Limited

Notes to the Financial Statements for the year ended 31 December 2013 (continued)

1 Accounting policies (continued)

Accounting estimations

In accounting for energy turnovers and direct costs, the Company employs a forecasting process using forecast models to calculate the energy accruals required at the financial 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. The actual billings and costs are compared with the estimates in hindsight and adjustments made where material.

Provisions

Provisions are recognised when:

- the Company has a present legal or constructive obligation as a result of a past event;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Where appropriate, discounting will be applied to the cashflows of the provision, with the discounted amount being shown within net interest payable and similar charges.

Share-based payments

The Company operates an equity share-based plan. Eligible employees of the Company are awarded options over the shares in the ultimate parent undertaking, RWE AG. At the inception of a scheme, a hedge is put in place with a financial institution in order to purchase the required number of shares at the scheme option price on the date that employees are first able to exercise. The hedge is recognised as an asset, at cost, until exercised. The fair value of the obligation arising from the employee services received in exchange for these grants of options is recognised as a liability and expensed in the profit and loss account. The total amount to be expensed over the scheme duration is determined by reference to the cost of the hedge. Further details on both schemes are contained within note 22.

Dividends

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

2 Cash flow statement and related party disclosures

The Company is a wholly owned subsidiary of RWE AG and is included in the consolidated financial statements of RWE AG, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996) Cashflow Statements. The Company is also exempt under the terms of FRS 8 'Related Party Disclosures' from disclosing related party transactions with entities that are part of the RWE AG group or investees of the RWE AG group.

Npower Limited**Notes to the Financial Statements for the year ended 31 December 2013 (continued)****3 Other operating income**

	Year ended 31 December 2013 £ m	Year ended 31 December 2012 £ m
Final customer credits	6.1	17.6

As a result of the migration to new billing systems, during 2012 and 2013 the Company carried out an investigation of outstanding customer credit balances. The investigation highlighted invalid amounts held on the legacy billing systems as well as historical customer credit balances that were at least 6 years old. Consequently these balances have been written back to the profit and loss account.

Also included in the final customer credits are balances relating to valid credits to customers who are no longer supplied by the Company. Despite carrying out rigorous procedures over 12 months the Company has been unable to trace these customers and consequently these amounts have been written back to the profit and loss account in accordance with the accounting policy note explained in note 1. A percentage is retained as a provision to meet any obligation that may arise from ex customers re-establishing contact with the Company (see note 17).

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	Year ended 31 December 2013 £ m	Year ended 31 December 2012 £ m
Operating leases - plant and machinery (after recharges)	0.4	0.4
Operating leases - other assets (after recharges)	3.7	4.6
Depreciation of owned assets	9.6	13.5
Amortisation	28.4	28.4
Services provided by the company's auditors:		
Fees payable for the audit	0.3	0.3
Fees payable for other services - other non audit services	0.4	0.1

Npower Limited**Notes to the Financial Statements for the year ended 31 December 2013 (continued)****5 Income from shares in group undertakings**

	Year ended 31 December 2013 £ m	Year ended 31 December 2012 £ m
Income from shares in group undertakings	89.3	-

On 13 November 2013 the Company received dividends of £17,008,000 from Gas Plus Supply Limited and £69,052,000 from Electricity Plus Supply Limited. On 12 December 2013 the Company received further dividends of £1,378,000 from Gas Plus Supply Limited and £1,876,000 from Electricity Plus Supply Limited.

6 Profit on disposal of investments in subsidiaries

	Year ended 31 December 2013 £ m	Year ended 31 December 2012 £ m
Profit on disposal of investments in subsidiaries	220.5	-

On 20 December 2013, Npower Limited sold its 100% interest in Gas Plus Supply Limited and Electricity Plus Supply Limited to Telecom Plus plc. Telecom Plus plc paid Npower Limited an initial £199 million for the companies with a further £21.5 million to be paid after three years.

7 Net interest payable and similar charges

	Year ended 31 December 2013 £ m	Year ended 31 December 2012 £ m
Interest payable and similar charges		
Other borrowings with group undertakings	(57.8)	(48.1)
Interest payable on bank overdraft balances	(0.4)	(0.9)
Other interest payable	(0.1)	-
Total interest payable and similar charges	(58.3)	(49.0)
Interest receivable and similar income		
Interest receivable from group undertakings	11.4	8.2
Interest receivable on bank balances	0.5	-
Other interest receivable	0.1	0.5
Total interest receivable and similar income	12.0	8.7
Net interest payable and similar charges	(46.3)	(40.3)

Npower Limited

Notes to the Financial Statements for the year ended 31 December 2013 (continued)

8 Directors' remuneration

During the year aggregate emoluments of £2.0 million were paid to the directors (2012: £2.7 million) of which £2.0 million (2012: £0.8 million) was recharged from RWE Npower plc, a fellow Group company. The highest paid director received total emoluments of £340,973 (2012: £449,678) excluding amounts receivable under long term incentive schemes.

Five (2012: four) of the directors had accrued pension entitlements under defined benefit schemes at 31 December 2013. The accrued pension entitlement at 31 December 2013 of these directors was £132,600 (2012: £131,800). The accrued pension entitlement at 31 December 2013 of the highest paid Director was £nil (2012: £nil).

Three directors were members of a defined contribution scheme as at 31 December 2013, the total cost of contributions was £82,700. The total cost of contributions for the highest paid director was £30,700.

The directors became entitled to receive aggregate cash payments of £nil (2012: £nil) under long-term incentive schemes in the financial year. The highest paid director became entitled to receive £nil (2012: £nil). None (2012: none) of the directors received or became entitled to receive shares in RWE AG under long-term incentive schemes in the financial year. No (2012: no) directors exercised share options for shares in RWE AG in the financial year. The highest paid director did not exercise share options for shares in RWE AG in the financial year (2012: did not exercise).

9 Particulars of employees

All npower Retail Group employees, with the exception of the metering and home energy services businesses, are employed by Npower Limited. Employee costs are then recharged to other Retail entities via the group management charge. The aggregate payroll costs for Npower Limited, after deduction of recharges to other Retail entities, were as follows:

	Year ended 31 December 2013 £ m	Year ended 31 December 2012 £ m
Wages and salaries	48.6	44.6
Social security costs	4.8	4.1
Other pension costs	26.8	2.8
Share-based payments (employment costs)	0.5	0.5
	<u>80.7</u>	<u>52.0</u>

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. The notional average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2013 Number	2012 Number
Sales and administrative staff	1,874	1,911

Npower Limited

Notes to the Financial Statements for the year ended 31 December 2013 (continued)

10 Pension scheme funding

The majority of pensions are funded through the RWE npower Group 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 Defined Contribution Section of the RWE npower Group of the ESPS.

Npower Limited participates, along with other employers 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 on a reasonable and consistent basis primarily due to the following reasons:

- the allocation of non-active members (retired and deferred) to any one employer is not possible on an accurate and practicable basis due to the privatisation and subsequent restructuring of the electricity industry. Non active members made up approximately 86% of the scheme membership as at 31 March 2013; and
- no one employer dominates the overall scheme in terms of payroll cost. The share of scheme pensionable salary for the subsidiaries of RWE Npower Group plc ("Retail Group") is approximately 40%.

These circumstances have meant that the last actuarial valuation in 2013 was not prepared on an individual entity basis and it will also not be possible to prepare the next one on an individual entity basis either. Therefore the scheme is accounted for as a multi-employer scheme under FRS 17 (Retirement Benefits) using the defined contribution exemption.

The last formal valuation of the scheme was carried out as at 31 March 2013. At that date the deficit of the whole scheme was £563 million giving a funding ratio of 89%. Independent actuaries have assessed the FRS 17 position as at 31 December 2013 for the scheme as a whole by updating the last formal valuations using methods appropriate for FRS 17. As at 31 December 2013 there was a deficit of £703 million (2012: £957 million).

During the year ended 31 December 2013, the subsidiaries of the Retail Group contributed to the four defined benefit sections of the ESPS at a weighted average rate of 18% of members' pensionable earnings, inclusive of a 2.3% contribution for the administrative expenses of the scheme. The Npower Limited cost of contributions during the financial year was £26.0 million (2012: £2.4 million) which includes additional contributions required to reduce the whole scheme deficit.

During the year to 31 December 2013, Npower Limited has paid total contributions of £3,269,909 (2012: £1,688,905) into the various defined contribution schemes on behalf of the npower Retail Group companies.

There were no prepaid or accrued contributions at 31 December 2013 or 31 December 2012.

Npower Limited

Notes to the Financial Statements for the year ended 31 December 2013 (continued)

11 Tax on profit on ordinary activities

	Year ended 31 December 2013 £ m	Year ended 31 December 2012 £ m
Current tax		
Group relief	16.4	35.5
Adjustments in respect of previous years	0.1	-
Total current tax	16.5	35.5
Deferred tax		
Origination and reversal of timing differences	1.9	8.3
Adjustments in respect of previous years	(0.1)	(0.2)
Impact of change in UK tax rate	3.0	2.0
Total deferred tax	4.8	10.1
Total tax on profit on ordinary activities	21.3	45.6

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK (2012 - higher than the standard rate of corporation tax in the UK) of 23.25% (2012 - 24.5%). The differences are explained below:

	2013 £ m	2012 £ m
Profit on ordinary activities before tax	359.6	103.9
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	83.6	25.4
Expenses not deductible for tax purposes	6.8	19.1
Income not taxable - dividends received	(20.8)	-
Income not taxable - profit on disposal of investments in subsidiaries	(51.3)	-
Capital allowances in excess of depreciation	(8.2)	(7.2)
Other timing differences	6.3	(1.1)
Impact of change in UK tax rate	-	0.1
Group relief surrendered / (claimed) for nil consideration	-	(0.8)
Adjustments in respect of previous years	0.1	-
Total current tax	16.5	35.5

Factors that may affect future tax charges

During the year, the main rate of UK corporation tax was reduced from 24% to 23%. This was substantively enacted on 3 July 2012 and was effective from 1 April 2013.

During the year, the relevant deferred tax balances have been re-measured as a result of the change in the main rate of corporation tax to 21% effective from 1 April 2014 and to 20% effective from 1 April 2015. These rate reductions were substantively enacted on 2 July 2013 prior to the balance sheet date.

Npower Limited**Notes to the Financial Statements for the year ended 31 December 2013 (continued)****12 Intangible fixed assets**

	Goodwill £ m
Cost	
At 1 January 2013	568.4
At 31 December 2013	568.4
Accumulated amortisation	
At 1 January 2013	383.9
Charge for the year	28.4
At 31 December 2013	412.3
Net book value	
At 31 December 2013	156.1
At 31 December 2012	184.5

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 FRS10.

For the purposes of the goodwill impairment review, the Directors consider it appropriate to assess the npower Retail Group as one income generating unit as all new domestic customers for all Retail Group companies are now being acquired through fellow subsidiary Npower Northern Limited. As such, based on the impairment review which has now been performed across the Retail Group companies as a whole, the Directors do not believe that an impairment of Npower Limited's goodwill is necessary.

Npower Limited

Notes to the Financial Statements for the year ended 31 December 2013 (continued)

13 Tangible fixed assets

	Freehold land and buildings £ m	Office equipment and furniture £ m	Assets in the course of construction £ m	Fixtures and fittings £ m	Computer software £ m	Total £ m
Cost						
At 1 January 2013	0.4	1.1	62.7	16.7	110.3	191.2
Additions	-	-	90.4	-	-	90.4
Transfers	-	-	(0.6)	0.6	-	-
Disposals	-	-	(22.8)	(0.2)	-	(23.0)
At 31 December 2013	0.4	1.1	129.7	17.1	110.3	258.6
Accumulated depreciation						
At 1 January 2013	0.4	0.9	-	9.7	84.9	95.9
Charge for the year	-	-	-	2.0	7.6	9.6
Disposals	-	-	-	(0.2)	-	(0.2)
At 31 December 2013	0.4	0.9	-	11.5	92.5	105.3
Net book value						
At 31 December 2013	-	0.2	129.7	5.6	17.8	153.3
At 31 December 2012	-	0.2	62.7	7.0	25.4	95.3

Included within tangible fixed assets is capital work in progress of £129.7 million (2012: £62.7 million), within which is a significant amount of system development cost.

Assets under construction disposals of £22.8 million are assets that have been transferred to other group companies.

Details of the capital commitments of the Company can be found in note 23.

Npower Limited**Notes to the Financial Statements for the year ended 31 December 2013 (continued)****14 Fixed asset investments****Shares in group undertakings and participating interests**

	Subsidiary undertakings £ m
Cost	
At 1 January 2013	27.8
At 31 December 2013	27.8
Net book value	
At 31 December 2013	27.8
At 31 December 2012	27.8

On 20 December 2013, Npower Limited sold its 100% interest in Gas Plus Supply Ltd and Electricity Plus Supply Ltd to Telecom Plus plc. The book value of these investments was £1 each.

Details of undertakings

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held	Principal activity
Subsidiary undertakings				
Npower Gas Limited	England and Wales	Ordinary Shares	100%	Energy supplier
Npower Commercial Gas Limited	England and Wales	Ordinary Shares	100%	Energy supplier
Npower Financial Services Limited	England and Wales	Ordinary Shares	100%	Financial services
Plus Shipping Supply Limited	England and Wales	Ordinary Shares	100%	Energy supplier

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 and future expected cash flows from trading.

The Company also holds 426,989 shares in Telecom Plus plc (2012: 426,989 shares). The investment is recorded at cost and the market value of the investment as at 31 December 2013 was £7,557,705.30 (2012: £3,945,378), based on a closing mid market price of £17.70 per ordinary share (2012: £9.24 per ordinary share).

Npower Limited**Notes to the Financial Statements for the year ended 31 December 2013 (continued)****15 Debtors**

	31 December 2013 £ m	31 December 2012 £ m
Trade debtors	247.6	233.6
Loans owed by group undertakings	78.6	254.1
Amounts owed by group undertakings	1,143.8	1,268.5
Taxation and social security	36.0	49.8
Other debtors	17.0	-
Prepayments and accrued income	488.1	465.7
	<u>2,011.1</u>	<u>2,271.7</u>
	31 December 2013 £ m	31 December 2012 £ m
Deferred consideration	21.5	-
Deferred taxation (Note 18)	19.2	24.0
	<u>40.7</u>	<u>24.0</u>
Total debtors	<u>2,051.8</u>	<u>2,295.7</u>

Loans owed by group undertakings are unsecured and are repayable within a year. Loans bear interest at 3.4% (2012: 4.3%).

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

Prepayments and accrued income includes accruals for energy income not yet billed of £473.5 million (2012: £406.1 million).

Npower Limited**Notes to the Financial Statements for the year ended 31 December 2013 (continued)****16 Creditors: Amounts falling due within one year**

	31 December 2013 £ m	31 December 2012 £ m
Trade creditors	41.2	104.5
Loans owed to group undertakings	741.0	1,404.5
Amounts owed to group undertakings	817.8	677.4
Taxation and social security	13.3	12.4
Customer payments in advance	158.5	143.5
Accruals and other creditors	447.5	433.0
	<u>2,219.3</u>	<u>2,775.3</u>

All of the above creditors are unsecured.

Loans owed to group undertakings are unsecured and are repayable within a year. Loans bear interest between 0.8% and 3.4% (2012: 0.4% and 4.3%).

Amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment. Amounts owed to group undertakings also include £18.4 million of group relief payable (2012: £35.5 million).

Npower Limited**Notes to the Financial Statements for the year ended 31 December 2013 (continued)****17 Provisions for liabilities**

	Restructuring	Other	Final	Total
	£ m	provision	customer	£ m
		£ m	credits	
			£ m	
At 1 January 2013	-	1.2	3.4	4.6
Utilised during the year	(0.3)	-	-	(0.3)
Charged/(credited) to the profit and loss account	29.5	0.5	(6.1)	23.9
Transfer from creditors during the year	-	-	6.6	6.6
At 31 December 2013	<u>29.2</u>	<u>1.7</u>	<u>3.9</u>	<u>34.8</u>

Explanation of provisions

Final customer credits relate to remaining customer balances which arise from various circumstances including customer debt which has previously been provided against 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 who re-establish contact with the Company, and is expected to be utilised over six years.

The restructuring provision represents the provision for redundancy and related costs in respect of business re-organisation.

Other provisions include £1 million that has been set aside for the Health Through Warmth crisis fund. This follows the Company's announcement in December 2013 pledging the £1 million donation in recognition of customer service levels falling below the standards expected due to the implementation of the new domestic customer billing system.

Provisions have not been discounted by the Directors as the impact is not material.

Npower Limited**Notes to the Financial Statements for the year ended 31 December 2013 (continued)****18 Deferred taxation**

The movement in deferred taxation is as follows:

	2013 £ m
As at 1 January	24.0
Charged to the profit and loss account	<u>(4.8)</u>
As at 31 December (Note 15)	<u><u>19.2</u></u>

Deferred taxation recognised on the balance sheet, and the potential amounts of deferred tax assets not recognised, at 20% (2012: 23%) are as follows:

	31 December 2013 £ m	31 December 2012 £ m
Timing differences in respect of capital allowances	10.9	20.7
Other timing differences	<u>8.3</u>	<u>3.3</u>
	<u><u>19.2</u></u>	<u><u>24.0</u></u>

There are no unprovided deferred tax assets.

19 Called up share capital**Allotted, called up and fully paid shares**

	No.	2013 £	No.	2012 £
Ordinary shares of £1 each (2012: £1)	<u>1,000,001</u>	<u>1,000,001</u>	<u>1,000,001</u>	<u>1,000,001</u>

20 Reserves

	Merger reserve £ m	Profit and loss account £ m	Total £ m
At 1 January 2013	30.4	(204.0)	(173.6)
Profit for the year	<u>-</u>	<u>338.3</u>	<u>338.3</u>
At 31 December 2013	<u><u>30.4</u></u>	<u><u>134.3</u></u>	<u><u>164.7</u></u>

Npower Limited**Notes to the Financial Statements for the year ended 31 December 2013 (continued)****21 Reconciliation of movements in total shareholders' funds/deficit**

	2013	2012
	£ m	£ m
Profit for the financial year	338.3	58.3
Total shareholders' deficit at 1 January	(172.6)	(230.9)
Total shareholders' funds/(deficit) at 31 December	165.7	(172.6)

22 Share based payments

In the year under review the share-based payment schemes for executives and employees of Npower Limited consisted of an equity-settled scheme - a SAYE sharesave scheme - where the employee receives options in the share capital of RWE AG. There is also a cash-settled scheme, the long-term incentive plan 'BEAT'.

BEAT

The fair value of the provision in respect of BEAT is included within the financial statements of RWE Npower plc. RWE Npower plc then recharges the Retail Group for the expenses of its employees.

Sharesave scheme

	2013 tranche
Grant date	12/07/2013
Max number of options granted	354,814
Term	3 years
Vesting conditions	Waiting period: 3 years
Exercise price £ per share	17.73
Form of settlement	Existing shares
	2013 tranche
Balance at the start of the fiscal year	-
Granted during the period	354,814
Forfeited during the period	-
Exercised during the period	(28)
Expired during the period	(27,735)
Balance at the end of the fiscal year	327,051
Exercisable at the end of the fiscal year	2,988

The average weighted share price as of the exercise date amounted to €27.25 for the options from the Sharesave Scheme exercised in the previous fiscal year. The exercise prices of the options from the Sharesave Scheme outstanding as of the balance sheet date were €21.27. The weighted average remaining contractual term amounted to 2.67 years.

Npower Limited

Notes to the Financial Statements for the year ended 31 December 2013 (continued)

22 Share based payments (continued)

The fair value of the liability arising from the employee services received in respect of the 2013 tranche of Sharesave included within the financial statements at 31 December 2013 is £nil (2012: £nil).

The fair value of the liability arising from the employee services received in respect of the 2011 and 2012 tranches of Sharesave is included within the financial statements of RWE Npower plc. RWE Npower plc then recharges the Retail Group for the expenses of its employees.

In the year under review, the total expense for share-based payment schemes for the Retail Group amounted to £2million (2012: £2 million) of which £2million (2012: £2 million) was recharged from other group companies. In respect of these recharges, £2 million (2012: £2 million) was cash-settled by Npower Limited.

23 Capital commitments and operating lease commitments

Operating lease commitments

As at 31 December 2013 the company had annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:

	31 December 2013 £ m	31 December 2012 £ m
Land and buildings		
Within one year	0.3	0.1
Within two to five years	2.9	1.0
Over five years	0.6	2.0
	<u>3.8</u>	<u>3.1</u>

There were no capital commitments contracted but not provided as at 31 December 2013 (2012: nil).

24 Control

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

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