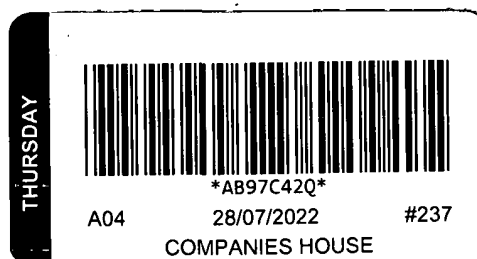


Company Registration No. 03987817 (England and Wales)

RWE GENERATION UK HOLDINGS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021



RWE GENERATION UK HOLDINGS LIMITED

COMPANY INFORMATION

Directors

Mrs H Mallett
Mr M Suleman
Mr W Jeffery (Appointed 1 April 2021)

Company secretary

Mr J Keene

Company number

03987817

Registered office

Windmill Hill Business Park
Whitehill Way
Swindon
Wiltshire
United Kingdom
SN5 6PB

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
3 Forbury Place, 23 Forbury Road
Reading
Berkshire
United Kingdom
RG1 3JH

RWE GENERATION UK HOLDINGS LIMITED

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RWE GENERATION UK HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the strategic report for the year ended 31 December 2021.

Review of the business and future developments

The Company reports a profit before tax of £6m compared to a £171m profit before tax in 2020. Net assets slightly decreased to £2,576m (2020: slightly increased to £2,577m). During the year, the Company paid an interim dividend of £7m (2020: £170m).

The £165m decrease in the year-on-year profit before tax is due to a £165m decrease in finance income as explained below:

- £6m dividend was received from RWE Generation UK plc compared to £170m in 2020.
- £1m reduction in interest receivable from group companies due to fall in overnight LIBOR.

At 31 December 2021, the statement of financial position comprised investments in subsidiaries of £1,905m (2020: £1,905m), corporate tax group relief receivable of £nil (2020: £2m) and net loans owed by group undertakings of £671m (2020: £670m).

Business environment

The Company and RWE Group continue to closely monitor the Covid-19 outbreak through its Group-wide crisis response. Teams involved include representatives from Group Security, Group Occupational Medicine, Operations and Organisational Management. The crisis teams regularly exchange information on current developments and assess the situation within the RWE Group with regard to the risk of infection and preventative measures.

The Company is committed to providing security of supply and protecting key workers. Preventative Covid-19 measures were relaxed on 2 May 2022 however infection numbers will still be monitored and restrictive measures will be implemented on a local level if required.

Management are confident that despite the uncertainties caused by the pandemic, the Company's subsidiary has sufficient resources and liquidity to continue to provide security of supply. No adjustments have been made to these financial statements for Covid-19 effects.

Principal risks and uncertainties

The primary responsibility for risk management lies with the Executive Board of RWE AG who monitors and manages the overall risk of the Group and its operational subsidiaries. Accordingly, the principal risks and uncertainties of RWE AG, which include those of the Company, are discussed on pages 70 through 79 of the group's annual report which does not form part of this report.

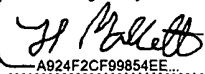
In line with the requirements of the German Corporate Control and Transparency Act (KonTraG), the Company's risk management system enables the directors to identify risks at an early stage and carry out a formal review and assessment to initiate mitigating action where necessary. From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the RWE Generation UK group of companies and are not managed separately.

Key performance indicators (KPIs)

RWE Generation UK Holdings Limited does not have any trading operations. For this reason, the Company's directors do not set KPIs for this specific entity.

On behalf of the board

DocuSigned by:



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Mrs H Mallett
Director

08/07/2022

RWE GENERATION UK HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and audited financial statements for the year ended 31 December 2021.

Principal activities

The principal activity of the Company continued to be that of a holding company for RWE Generation UK plc.

Results and dividends

The results for the year are set out on page 9.

The directors proposed and paid an interim dividend to its immediate German parent company of £7m in 2021 (2020: £170m). The directors do not propose a final dividend for the year ending 31 December 2021 (2020: £nil).

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr S Glover	(Resigned 31 March 2021)
Mrs H Mallett	
Mr M Suleman	
Mr W Jeffery	(Appointed 1 April 2021)

Qualifying third party indemnity provisions

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the reporting date.

Financial instruments

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 pages 107 to 108 of the RWE AG 2021 Annual Report.

Liquidity risk

The Company forms part of the RWE Generation UK plc 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.

Interest rate cash flow risk

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

Securities price risk

The Company has interest-bearing assets comprising loans to group undertakings. The interest-bearing assets bear interest at an annual LIBOR rate less a margin. The Company has no interest-bearing liabilities.

General risk management

Operational risk relates to the risk that processes, controls or competencies affect the Company's profits. These are formally reviewed and assessed by the Company's directors as part of a wider review and assessment of the RWE Generation UK group of companies.

RWE GENERATION UK HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Future developments

The Company continues to be the holding company for the RWE Generation UK group of companies. The Company has access to the RWE AG cash management arrangements which provide adequate liquidity and the Company is also part of the RWE Generation UK plc treasury arrangements, which actively manage a mixture of finance to ensure that the RWE Generation UK group of companies has sufficient liquid resources to manage its current and future operational requirements.

Auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 the financial statements, the directors are required to:

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

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

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

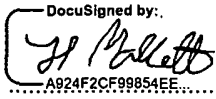
- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's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

RWE GENERATION UK HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

On behalf of the board

DocuSigned by:

.....A924F2CF99854EE.....

Mrs H Mallett
Director

Date: 08/07/2022

RWE GENERATION UK HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF RWE GENERATION UK HOLDINGS LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, RWE Generation UK Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: Statement of financial position as at 31 December 2021; Statement of comprehensive income, and Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

RWE GENERATION UK HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF RWE GENERATION UK HOLDINGS LIMITED

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and the Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and the Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

RWE GENERATION UK HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF RWE GENERATION UK HOLDINGS LIMITED

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

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

- Enquiry of management, those charged with governance and the entity's in-house legal team around actual and potential litigation and claims;
- Review of minutes of meetings of those charged with governance;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Review of the financial statement disclosures for compliance with the Companies Act 2006; and
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, testing accounting estimates (because of the risk of management bias), and evaluating the business rationale of significant transactions outside the normal course of business.

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

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

Use of this report

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

RWE GENERATION UK HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF RWE GENERATION UK HOLDINGS LIMITED

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

KE Finn

**Katharine Finn (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading**

8 July 2022

RWE GENERATION UK HOLDINGS LIMITED**STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	2021 £m	2020 £m
Finance income	5	6	171
Profit before taxation		<u>6</u>	<u>171</u>
Tax on profit	6	-	-
Profit and total comprehensive income for the financial year		<u><u>6</u></u>	<u><u>171</u></u>

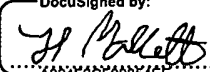
The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

RWE GENERATION UK HOLDINGS LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2021**

	Notes	2021 £m	2020 £m
Fixed assets			
Investments	7	1,905	1,905
Current assets			
Trade and other receivables	9	671	672
Net assets		<u>2,576</u>	<u>2,577</u>
Capital and reserves			
Called up share capital	10	-	-
Other reserves	11	(6)	(6)
Profit and loss reserves		<u>2,582</u>	<u>2,583</u>
Total equity		<u>2,576</u>	<u>2,577</u>

The financial statements on pages 9 to 20 were approved by the board of directors and authorised for issue on ..08/07/2022... and are signed on its behalf by:

DocuSigned by:



.....A024F2C0F00854EE.....
Mrs H Mallett
Director

Company Registration No. 03987817

RWE GENERATION UK HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Other reserves £m	Profit and loss reserves £m	Total £m
Balance at 1 January 2020		(6)	2,582	2,576
Year ended 31 December 2020:				
Profit and total comprehensive income for the year		-	171	171
Dividends	12	-	(170)	(170)
Balance at 31 December 2020		(6)	2,583	2,577
Year ended 31 December 2021:				
Profit and total comprehensive income for the year		-	6	6
Dividends	12	-	(7)	(7)
Balance at 31 December 2021		(6)	2,582	2,576

RWE GENERATION UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

RWE Generation UK Holdings Limited is a private company limited by shares incorporated in England and Wales. The registered office is Windmill Hill Business Park, Whitehill Way, Swindon, Wiltshire, United Kingdom, SN5 6PB. The Company's principal activities and nature of its operations are disclosed in the directors' report.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

1.1 Accounting convention

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £m.

The financial statements have been prepared under the historic cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value, in accordance with the Companies Act 2006.

The Company has taken advantage of the relevant disclosure exemptions under FRS 101 from the list below:

- Paragraph 38 of IAS 1 (Presentation of Financial Statements) to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1 (Presentation of Financial Statements)
- The following paragraphs of IAS 1 (Presentation of Financial Statements):
 - (i) 10(d) (statement of cash flows)
 - (ii) 16 (statement of compliance with all IFRS)
 - (iii) 38A (requirement for minimum of two primary statements, including cash flow statements)
 - (iv) 38B-D (additional comparative information)
 - (v) 40A-D (requirements for a third statement of financial position)
 - (vi) 111 (cash flow statement information)
 - (vii) 134-136 (capital management disclosures)
- IAS 7 (Statement of Cash Flows)
- Paragraph 17 of IAS 24 (Related Party Disclosures).
- The requirements in IAS 24 (Related Party Disclosures) to disclose related party transactions entered into between two or more members of a group.

The Company is a wholly owned subsidiary of RWE Generation SE. The ultimate parent is RWE AG. The financial statements contain information about RWE Generation UK Holdings Limited as an individual company and so do not contain consolidated financial information as the parent of a group.

The Company has taken advantage of the exemption under section 401 of the Companies Act 2006 not to prepare consolidated financial statements. The financial statements present information about the Company as an individual entity and not about its group.

RWE GENERATION UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.2 Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, which the directors consider to be at least 12 months from the date of approval of the financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements. The basis of this assumption is that RWE Generation UK Holdings Limited continues to be the holding Company for the RWE Generation UK group of companies, which is cash generative. In addition, the Company has access to the RWE AG cash management arrangements which provide adequate liquidity. Any long-term funding requirement will be made via a commercial rate long-term loan.

1.3 Fixed asset investments

All 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.

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 statement of comprehensive income.

The recoverable amount of an asset or income generating unit is based on the higher of its estimated fair value less costs to sell and its estimated value in use. To derive fair value less costs to sell, 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 generation market;
- Cash flow projections are based on management's annual business plan updated for any significant movements since the date the business plan was approved;
- The cash flows obtained are discounted at a rate estimated to be appropriate for the electricity generation business in the UK. The discount rate is assessed annually.

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 for the asset in prior years. A reversal of an impairment loss is recognised in the statement of comprehensive income.

1.4 Cash at bank and in hand

Cash at bank and in hand, include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in creditors; amounts falling due within one year.

RWE GENERATION UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.5 Financial assets

Financial assets are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in the statement of comprehensive income. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

Financial assets held at amortised cost

Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (e.g. trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

Impairment of financial assets

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been adversely affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.6 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

1.7 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently receivable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

RWE GENERATION UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.8 Amounts and loans owed by group undertakings

The amounts and loans owed by group undertakings are measured at amortised cost less provision for impairment in accordance with IFRS 9.

2 Critical accounting estimates and judgements

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Impairment of investments

The Company's management makes an estimate annually of the fair value of its investments. If the fair value is less than its carrying amount, an impairment loss is recognised immediately in the statement of comprehensive income.

3 Operating profit

Operating profit excludes charges for audit fees, as the audit fees in 2021 and 2020 were borne by RWE Generation UK plc, a subsidiary company. No recharge (2020: no) is made in relation to audit fees.

RWE GENERATION UK HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****4 Directors' remuneration**

	2021 £'000	2020 £'000
Remuneration for qualifying services.	587	521

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2020 - 1). The aggregate value of employer contributions paid under money purchase schemes in 2021 amounts to £19k (2020: £19k).

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 1 (2020 - 1).

The number of directors who are entitled to receive shares under long term incentive schemes during the year was 2 (2020 - 2).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2021 £'000	2020 £'000
Remuneration for qualifying services	190	298
Long term incentive schemes	58	37
Company pension contributions to defined contribution schemes	19	-
Accrued pension at the end of the year	-	55
Accrued lump sum at the end of the year	-	167

The Company had no employees during the year (2020: none). None of the directors received any remuneration for their services as directors of the Company (2020: £nil) and no recharge is made to the Company.

Two of the directors provide their services primarily to a subsidiary Company, RWE Generation UK plc and therefore they are included in all information in the details above. The other director provided the majority of their services to other wider RWE Group Companies and therefore they are excluded from all information in the details above.

5 Finance income

	2021 £m	2020 £m
Interest income		
Interest receivable from group companies	-	1
Income from fixed asset investments		
Income from shares in group undertakings	6	170
Total finance income	6	171

RWE GENERATION UK HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****6 Taxation**

	2021 £m	2020 £m
Current tax		
UK corporation tax on profits for the current period	-	-
	<u> </u>	<u> </u>

The charge for the year can be reconciled to the profit per the statement of comprehensive income as follows:

	2021 £m	2020 £m
Profit before taxation	6	171
	<u> </u>	<u> </u>
Expected tax charge based on a corporation tax rate of 19.00% (2020: 19.00%)	1	32
Income not taxable	(1)	(32)
	<u> </u>	<u> </u>
Taxation charge for the year	-	-
	<u> </u>	<u> </u>

In the Spring Budget 2021, the Government announced that from 1 April 2023 the main rate of corporation tax rate will increase to 25%. The rate change was substantively enacted on May 24 2021 and is reflected in these financial statements.

7 Investments

	2021 £m	2020 £m
Investments in subsidiaries	1,905	1,905
	<u> </u>	<u> </u>
	1,905	1,905
	<u> </u>	<u> </u>

RWE GENERATION UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

7 Investments

(Continued)

Movements in fixed asset investments

	Shares in group undertakings £m
Cost or valuation	
At 1 January 2021 & 31 December 2021	2,062
Impairment	
At 1 January 2021 & 31 December 2021	(157)
Carrying amount	
At 31 December 2021	1,905
At 31 December 2020	1,905

8 Subsidiaries

All subsidiaries incorporated in the United Kingdom are registered at Windmill Hill Business Park, Whitehill Way, Swindon, Wiltshire. SN5 6PB, United Kingdom.

Electra Insurance Limited is registered at Victoria Hall, 11 Victoria Street, Hamilton, Bermuda, HM11.

Details of the Company's subsidiaries at 31 December 2021 are as follows:

Name of undertaking	Registered office	Principal activities	Class of shares held	% Held	
				Direct	Indirect
RWE Generation UK plc	United Kingdom	Gas-fired and hydro-electric power generation	Ordinary shares	100.00	-
Electra Insurance Limited	Bermuda	Insurance	Ordinary shares	-	100.00
RWE Ingenius Limited	United Kingdom	Holding company	Ordinary shares	-	100.00
RWE Markinch Limited	United Kingdom	Biomass power generation	Ordinary shares	-	100.00
RWE KL Limited	United Kingdom	Dormant	Ordinary shares	-	100.00

Electra Insurance Limited was sold on 31st January 2022. For further information refer to note 14.

RWE GENERATION UK HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****9 Trade and other receivables**

	2021 £m	2020 £m
Amounts owed by group undertakings	-	2
Loans owed by group undertakings	671	670
	<u>671</u>	<u>672</u>

On 1 May 2021, the Company entered into a facility agreement with RWE AG under which the Company may deposit cash with RWE AG. The deposit is unsecured and bears interest, calculated monthly, at the overnight LIBOR average of the respective month minus 10 basis points.

As at 31 December 2021, the amount held on deposit with RWE AG was £671m (2020: £658m) and the amount held on deposit with RWE Generation UK plc was £nil (2020: £12m).

In 2020 amounts owed by group undertakings includes £2m of group relief recoverable.

There is no provision for impairment of financial assets as at 31 December 2021 (2020: £nil).

10 Share capital

	2021 Number	2020 Number	2021 £m	2020 £m
Ordinary share capital				
Ordinary shares of 10p each	1	1	-	-
	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>
Issued and fully paid				
Ordinary shares of 10p each	1	1	-	-
	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>

11 Other reserves

	£m
Balance at 1 January 2020	(6)
Balance at 31 December 2020	<u>(6)</u>
Balance at 31 December 2021	<u>(6)</u>

Other reserves comprise the difference between the issue price and exercise price of shares issued in 2002 to satisfy specific share schemes held in place at the time of acquisition by RWE AG.

RWE GENERATION UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

12	Dividends	2021 per share	2020 per share	2021 £m	2020 £m
	Amounts recognised as distributions to equity holders:				
	Ordinary shares				
	Interim dividend paid	7,000,000	169,900,000	7	170

13 Contingent liabilities

In the normal course of business, the Company has provided parent company guarantees on behalf of its subsidiaries. As at 31 December 2021 the total value of these guarantees amounted to £28m (2020: £1m).

All of the above guarantees are in place as security against the subsidiary companies failing to meet certain payment obligations. It is considered to be very unlikely that any event will occur that gives rise to any of the guarantees being affected.

14 Events after the reporting date

On 31 January 2022, a subsidiary company, RWE Generation UK plc sold 100% of its shareholding in its subsidiary company Electra Insurance Limited to Acumen Holdings IV Ltd, a company based in Bermuda, for £1m. The investment in Electra was impaired in 2021 to reflect the expected realisable value of £1m from the sale and recognised as held for sale at the year-end.

15 Controlling party

The Company's immediate parent is RWE Generation SE, a company incorporated in Germany.

The ultimate parent is RWE AG, a company incorporated in Germany. RWE AG is the smallest and largest group to consolidate these financial statements. Their financial statements are available upon request from RWE AG, RWE Platz 1, 45141 Essen, Germany. They can be accessed at www.rwe.com.

The ultimate controlling party is RWE AG.