Company Registration No. 12087808 (England and Wales)

RWE RENEWABLES MANAGEMENT UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

RWE RENEWABLES MANAGEMENT UK LIMITED

COMPANY INFORMATION

Directors	A Chatterton B Freeman T Glover A Greenslade J Lees
Secretary	P Sainsbury
Company number	12087808
Registered office	Windmill Hill Business Park Whitehill Way Swindon Wiltshire United Kingdom SN5 6PB
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London United Kingdom WC2N 6RH

RWE RENEWABLES MANAGEMENT UK LIMITED

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RWE RENEWABLES MANAGEMENT UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Fair review of the business
The company's principal business is the employment of all RWE Renewables UK payroll and non-payroll staff. As the employing entity, the company is the participating employer of the Innogy and Former E.ON sections of the RWE Group of the ESPS. On 20 December 2021, all participants in the Former E.ON section were re-allocated to the Innogy section, as a result of which the section was treated as ceasing to exist for the purposes of the RWE Group, even if it had not yet been formally wound-up as defined within the Trust Deed. There were no changes to members' benefits as a result of this re-allocation.

Given the nature of the business, the company's directors are of the opinion that the KPIs necessary for an understanding of the development, performance and position of the business are revenue, results after tax and net assets.

The company's key financial and other performance indicators during the year/period of 18 months were as follows:

	2021	2020
	£000	£000
Revenue	149,666	35,087
Profit for the financial year	36,324	1,349
Net assets	238,852	100,986
Total assets	4,626,953	4,576,409

The results for the year are presented on page 13 of the financial statements. The position of the company as at 31 December 2021 is provided on page 15 of the financial statements.

The increase in revenue and profit reflects a full year of payroll services compared to a partial year of services in the period to 31 December 2020 since the staff were TUPE transferred from their former employers during the last 6 months of 2020.

The increase in the net asset position is largely due to the increase in the defined benefit pension surplus. The financial position of the company is expected to remain stable due to the nature of its principal activities.

Principal risks and uncertainties

The principal risks and uncertainties facing the business is the ability of the company to fund the payroll costs and the defined benefit pension scheme. The company has SLAs which outline the mark-up with associated recharged costs. In addition to this, the company is included in the Group cash-pooling facility. This means the company has instant access to funding where cashflow requirements dictate, and the business model is such that the company is cash generating overall.

The value of the defined benefit obligation of the two pension sections is subject to fluctuations in the following assumptions: discount rate, pension increase rate and mortality over which the company has no control. This gives rise to an unpredictable potential liability for which the company may not have a sufficient asset base to cover. The Trustees of the Group have implemented measures to reduce the risks associated with making investments as part of its investment strategy. The scheme holds a balanced portfolio of differing asset classes mainly comprising Government and Corporate Bonds, Hedge Funds and Equities. The Trustees have invested in liability driven investments whose values both increase with decreases in interest rates and also move with inflation expectations. As a result of this investment strategy over 90.00% of the section’s interest rates exposure is hedged and over 90.00% of the section’s funding liabilities are hedged against inflation.

Principal risks and uncertainties (continued)

As part of the integration between E.ON Climate and Renewables UK Limited and Innogy Renewables UK Limited, which led to the subsequent TUPE of staff into RWE Renewables Management UK Limited in 2020, the RWE Group Pension Trustees entered into a Memorandum of Understanding (MoU) with RWE AG, the content of which gives comfort to the Trustees that RWE AG, as the ultimate parent company, will maintain the equivalent level of support for the Innogy section as was previously provided to the section before the transaction took place. The MoU was an interim measure while the parties negotiated a formal arrangement. In late 2021, the Trustees and RWE Renewables UK Swindon Limited entered into a Deed, whereby RWE Renewables UK Swindon Limited was to now provide a guarantee which has no time limit up to the entire liability of the Innogy section.

Current market and political risks

Significant uncertainty exists following the Russian invasion of Ukraine in February 2022. Many countries including the UK imposed economic sanctions on Russia. Uncertainty concerning commodity deliveries from Russia has caused a significant increase in gas and electricity prices. In some European countries, including the UK, governments are working on measures to reduce dependency on Russian oil and gas imports. It is not possible to predict the development of the Ukraine conflict or its consequences. The company has no business relationships with Russian or Ukrainian companies and is not exposed to direct risks to its activities arising from the conflict or the economic sanctions.

As a result of both the crisis in Ukraine and global industrial contraction during the pandemic, inflation is predicted to increase in the short-to-medium term. The directors anticipate that this will adversely affect the prices at which the company procures goods and services, including through index-linked contracts, and have factored this into the business plan and forecasts.

Brexit

Risks to the company resulting from the UK’s departure from the EU in 2020 are not considered significant. The introduction of new customs procedures has not had a significant impact on the sourcing of materials, and the residual risk of future changes to tariffs continues to be monitored by the directors. Changes to economic forecast assumptions resulting from Brexit such as foreign exchange, inflation, interest rates and economic growth have been factored into the company’s business plans and forecasts.

COVID-19

The COVID-19 pandemic, which has persisted for more than two years, continues to expose the company to risks, although the risks are considered to be manageable, primarily as a result of successful vaccination programmes. Supply chain pressures and periods of staff absence have not materially affected service provision to the company's key customers. As a result of comprehensive preventive measures and contingency plans, the company has been able to continue operating effectively and profitably, and the directors are confident that the company can continue to do so for the foreseeable future.

Statement by the directors of the company regarding their duty under s172(1) Companies Act 2006 to promote the success of the company

The Board of the company believes they have acted in the manner most likely to promote the success of the company for the benefit of its members as a whole having a regard to the matters set out in s172(1)(a-f) of the Act.

The following important matters have been directly addressed:

Likely consequence of long term decisions

- The company generates profits through the service of payroll provisions to connected group companies. The Board has continued with this business strategy and signed service level agreements with all connected companies to ensure the business can meet the company's cashflow requirements ensuring prompt supplier payments and other liabilities are met as they fall due.
- The Board has approved that both Defined Contribution ("DC") pension scheme contributions, AVC contributions and auto enrolment arrangements be moved from the DC section of the RWE ESPS to a Master Trust provided by Mercer and in parallel, salary sacrifice pension contributions for the DC scheme be implemented. The required employee consultation was successfully completed to enable both to be enacted.
- The Board has approved the new bonus scheme which would align bonus payments both within the UK and globally across Renewables.

Employee engagement

- The people development strategy fosters growth for all people within the Renewables business in the UK and is aimed at supporting them in their current and future roles. The Board actively supports and delivers interventions to support the cultural integration between the company and its parent undertakings.
- The Board has engaged with staff throughout the year with regular e-mail communications to all employees. Information is further communicated to staff with lunch and learn topical briefing sessions, frequent news bulletins via e-mail, via local office TV screens and continuously online, further enhanced by the UK microsite being launched during the year. The company's Human Resources policies reflect the requirements of the Modern Slavery Act 2015 and a 'Slavery and Human Trafficking Statement' is published on the company's website detailing the company's policies and compliance.
- The Board continues to prioritise the ongoing health and wellbeing of employees. Feedback is sought by senior management through Employee Satisfaction surveys (ESAT) and Pressure Points surveys. The company has created a Healthy Minds initiative including a Mental Health and Wellbeing toolkit provided by the Occupational Health Team.
- The company supported staff into retirement through the provision of a defined contribution scheme and a historic defined benefit scheme. Every 3 years the defined benefit pension scheme is required by law to have an actuarial valuation. The most recent valuation of the Innogy section took place at 31 March 2021. The Board, having assessed the financial impact on the company, approved the valuation and agreed a funding plan with the pension scheme Trustees which remains in force until the next valuation. The underlying contributions for both the defined benefit and defined contribution schemes were addressed as part of these valuations.
- The Board has taken extra consideration around employee safety and well-being during the COVID-19 global pandemic. The designated Crisis Management Team (CMT) formed in 2020 to consider the business implications and impact on employees during this phenomenon continued to operate in 2021. The CMT regularly reviewed the government advice and rule changes, along with local infection rates, and generic trends. Provisions put in place in 2020 continued to exist in 2021 around all sites maintained and run by RWE Renewables companies, and guidance and advice was provided regularly to all employees. In addition to this, the company has provided tools and resources to enable all employees to continue with the new way of working, and to help focus on mental and physical well-being. This included a breadth of materials such as: monthly newsletters with recipe suggestions, fun activity tips, and positivity exercises; a weekly session for guided meditation and mental health awareness toolkit.

Business relationships

- The company follows RWE's Code of Conduct and expects business partners to accept the principles set out in that Code. The company's goals must only be achieved by legal and ethical means. Private interests should remain separate to those of the company and employees should not solicit or accept monetary benefits from third parties. Conflicts of interest should be declared at the start of the procurement process or when staff first become aware that a conflict exists. In order to minimise the risks of bribery and corruption the RWE Group operates a compliance management system with designated Compliance Officers in all Group companies.
- The company's Procurement Terms and Conditions also require all suppliers to comply with the RWE Code of Conduct. The Code of Conduct is consistent with the "Labour standards" set out in the United Nations Global Compact, it requires all suppliers both through their own activities and those within their own supply chains, to ensure they do not commit any offences of 'slavery, servitude and forced or compulsory labour', 'child labour' or 'human trafficking'. This is consistent with the requirements of the Modern Slavery Act 2015.
- The health and safety of employees and contractors on the company's sites is vitally important. Contractors are therefore expected to sign up to and follow RWE's HSE Requirements whenever working in a location managed by a RWE Renewables company.
- The company supports suppliers by paying promptly in line with the terms agreed between the parties.

Maintaining high business standards

- The Board is aware of its social role and responsibility towards customers, business partners, shareholders, employees and the wider stakeholder community. As part of the RWE group the company follows the RWE Code of Conduct which provides clear principles on how the company conducts its business and social activities. The company is committed to conducting business with integrity, being respectful to others and the environment, and in compliance with the law.

On behalf of the board

B Freeman

B Freeman
Director
7 September 2022

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

Principal activities
The principal activity of the company is as the employer of all RWE Renewables UK payroll and non payroll staff. Staff costs are recharged to other group companies in line with the agreed SLA, ensuring the company continues to be profitable. As the employing entity, the company is the participating employer of the Innogy section of the RWE Group of the ESPS.

Results and dividends
The results for the year are set out on page 13.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

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

A Chatterton	
B Freeman	
T Glover	
A Greenslade	
J Lees	
R Sandford	(Resigned 31 December 2021)
M Andre-Ferreira	(Appointed 3 March 2022 and resigned 31 March 2022)

Qualifying third party indemnity provisions
The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Directors' insurance
The company maintains insurance policies on behalf of all the directors against liability arising from negligence, breach of duty and breach of trust in relation to the company.

Financial instruments

Financial risk management
The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs. The company's operations expose it to a few financial risks which are set out below.

Liquidity and cash flow risk
The company is not exposed to external liquidity and cash flow risk due to the set up of its operations, being both part of the RWE Group of companies and having a cash pooling agreement with RWE AG.

Interest rate risk
The company's exposure to interest rate risk is limited to interest charged on loans from other group companies.

Interest on funds owed by the company to group undertakings are linked to monthly EONIA average (comparable interest rate for other currencies) rates.

Currency risk
The company has no significant exposure to currency risk.

Credit risk
The company has no significant exposure to credit risk.

Price risk
The company has no significant exposure to price risk.

Disabled persons
Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retain them in order that their employment within the company may continue. It is a policy of the company that training, career development and promotion opportunities should be available to all employees.

Employee involvement
The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the company plays a major role in maintaining its effectiveness. The company encourages the involvement of employees by means of a business review forum, team meetings and group newsletters.

Future developments
The company's principal activity will continue to be as the employer of all RWE Renewables UK payroll and non payroll staff. The company will continue to be profitable as staff costs are recharged to other group companies in line with the agreed SLA at a fixed mark-up. As the employing entity, the company will continue to be the sponsoring employer of the Innogy section of the RWE Group of the ESPS.

Independent auditors
PricewaterhouseCoopers LLP are deemed to be re-appointed as independent auditors of the company in accordance with an elective resolution made under section 386 of the Companies Act 1985 which continues in force under the Companies Act 2006.

Energy and carbon report
Introduction

RWE Renewables Management UK Limited is the management company for RWE Renewables in the UK. It holds employees rather than wind farm assets and therefore emissions included within this report are associated with activities completed by employees of RWE Renewables in the UK.

Energy Consumption and GHG Emissions

The tables below show the company’s total UK GHG emissions and energy consumption for the year ended 31 December 2021 in line with the UK Government Streamlined Energy and Carbon Reporting (SECR) requirements. The company produced a total of 98.49 tonnes of CO2 equivalent (tCO2e) in the year ended 31 December 2021.

Energy Consumed

Name & Description	Units	2021
Fuel used in personal/hire cars on business use (reimbursed)	kWh	399,440
Total Energy Consumed	kWh	399,440

GHG Emissions Breakdown

Summary of GHG emissions for the year ended 31 December 2021.

Name & Description	Units	2021
Fuel used in personal/hire cars on business use (reimbursed)	tCO2e	98.49
Total emissions	tCO2e	98.49

The scope of GHG emissions associated with the company is limited due to the nature of the entity. Electricity, gas and other emissions associated with the company are out of scope as office spaces are rented. Additional transport emissions have not been reported including fuel used in trains, flights, taxis and transport of goods as the company does not operate these types of transport.

Carbon Intensity Ratio

For the year ended 31 December 2021, the company reports a carbon intensity ratio of 0.66 gCO2e per £ revenue. The revenue generated by RWE Renewables UK Limited for the year ended 31 December 2021 was £149,666k.

The most appropriate metric for calculation of the carbon intensity ratio, is the revenue generated by the company (£). To calculate the energy intensity ratio (gCO2e/£), the company's GHG emissions have been divided by the revenue generated for the year ended 31 December 2021.

Baseline Year

The data for the year ended 31 December 2021 represents the company's first disclosure under the SECR requirements and shall be used as the baseline year to enable tracking of data trends and performance against targets against future reporting years.

Energy Efficiency Measures

RWE Renewables offer UK employees a car scheme which enables the leasing of Ultra-Low Emission Vehicles such as electric vehicles. Business travel alternatives such as train or bus transport are able to be accessed and booked for business trips, however the emissions associated with these are not included within the scope of this report.

Progress Against Targets

The data for the period 01 January 2021 to 31 December 2021 represents the company's first disclosure under the SECR requirements and therefore targets for energy efficiency shall seek to reduce energy consumption against the 2021 baseline in subsequent reporting years.

RWE AG holds operational control over RWE Renewables Management UK Limited. RWE AG has set Science-based Targets, including a commitment to Net Zero emissions by 2040, with a further target to achieve a reduction of 50% in scope 1 and 2 emissions and a reduction of 30% in scope 3 emissions by 2030. RWE Renewables Management UK Limited will be actively seeking to reduce emissions to contribute to these targets.

Methodology

Method for Data Collection, Calculations & Data Sources

The company has collated its GHG emissions and energy consumption in line with the UK Government Department for Business, Energy and Industrial Strategy (BEIS) Environmental Reporting Guidelines and GHG Protocol. GHG emissions are classified in accordance with these standards.

Direct GHG emissions (Scope 1) include GHG emissions from sources that are owned or controlled by the company. Indirect GHG Emissions (Scope 2) include GHG emissions from the generation of purchased electricity. Purchased heat and steam are not applicable to this company.

Corporate Value Chain Emissions (Scope 3) are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions. The BEIS 'Greenhouse gas reporting: conversion factors 2021' were used to convert data to tCO2e and kWh, as required.

Uncertainties and areas for data improvement

The COVID-19 pandemic is likely to have affected the company's emissions due to changes in normal activities of the company. The company will consider the recalculation of the baseline in the subsequent reporting year. Future inclusion of emissions associated with further transport types will also be considered.

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.

Going concern

The directors have fully considered the risks and uncertainties of the company's cash flow forecasts and projections. The going concern basis is considered to be appropriate by the directors as the company is in a net current asset position and financial obligations are forecast to be covered by operational cash flows.

On this basis, the directors have a reasonable expectation that the company will have adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from date of signing. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

COVID-19

The COVID-19 pandemic, which has persisted for more than two years, continues to expose the company to risks, although the risks are considered to be manageable, primarily as a result of successful vaccination programmes. Supply chain pressures and periods of staff absence have not materially affected service provision to the company's key customers. As a result of comprehensive preventive measures and contingency plans, the company has been able to continue operating effectively and profitably, and the directors are confident that the company can continue to do so for the foreseeable future.

On behalf of the board

B Freeman

B Freeman
Director

7 September 2022

INDEPENDENT AUDITORS' REPORT

TO THE MEMBER OF RWE RENEWABLES MANAGEMENT UK LIMITED

Report on the audit of the financial statements

Opinion
In our opinion, RWE Renewables Management UK 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: the Statement of financial position as at 31 December 2021; the Income statement, the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

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

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

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 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 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.

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 failure to comply with the UK tax legislation, environmental regulations, health and safety regulations and data protection regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Understanding and evaluating controls designed to prevent fraud and detect irregularities and fraud;
- Assessing significant judgements and estimates involved in preparing the financial statements; and
- Identifying and testing journal entries, in particular journal entries posted with unusual account combinations

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.

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.

James Cadzow

James Cadzow (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
7 September 2022

RWE RENEWABLES MANAGEMENT UK LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Year ended 31 December 2021 £000	18 months ended 31 December 2020 £000
Revenue		149,666	35,087
Cost of sales		(95,162)	(33,946)
Gross profit		54,504	1,141
Administrative expense		(13,245)	(241)
Operating profit	**4**	41,259	900
Finance income	**8**	58,100	23,600
Finance costs	**9**	(56,644)	(22,825)
Profit before taxation		42,715	1,675
Tax on profit	**10**	(6,391)	(326)
Profit for the financial year/period of 18 months		36,324	1,349

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

RWE RENEWABLES MANAGEMENT UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Year ended 31 December 2021 £000	18 months ended 31 December 2020 £000
Profit for the financial year/period of 18 months	36,324	1,349
Other comprehensive income/(expense):		
Items that will not be reclassified to profit or loss		
Actuarial gain/(loss) on defined benefit pension schemes	147,817	(6,192)
Tax relating to defined benefit pension schemes	(46,275)	1,177
Total items that will not be reclassified to profit or loss	101,542	(5,015)
Total comprehensive income/(expense) for the year/period of 18 months	137,866	(3,666)

RWE RENEWABLES MANAGEMENT UK LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

		2021		2020	
	Notes	**£000**	**£000**	**£000**	**£000**
Fixed assets					
Property, plant and equipment	**11**		884		-
Current assets					
Trade and other receivables	**12**	164,053		35,409	
Current liabilities					
Borrowings	**13**	(135,769)		(25,260)	
Trade and other payables	**14**	(12,059)		(2,904)	
Taxation and social security		(9,379)		(2,492)	
Lease liabilities	**15**	(317)		-	
		(157,524)		(30,656)	
Net current assets			6,529		4,753
Total assets less current liabilities			7,413		4,753
Non-current liabilities					
Lease liabilities	**15**	(479)		-	
			(479)		-
Provisions for liabilities					
Deferred tax liabilities	**16**		(68,740)		(22,838)
Other provisions	**17**		(20,542)		(23,629)
Net liabilities excluding pension surplus			(82,348)		(41,714)
Defined benefit pension surplus	**18**		321,200		142,700
Net assets			238,852		100,986
Equity					
Called up share capital	**21**		-		-
Retained earnings			238,852		100,986
Total equity			238,852		100,986

The financial statements were approved by the board of directors and authorised for issue on 7 September 2022 and are signed on its behalf by:

B Freeman

B Freeman
Director

Company Registration No. 12087808

RWE RENEWABLES MANAGEMENT UK LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Called up share capital £000	Retained earnings £000	Total £000
Balance at 5 July 2019		-	-	-
Period ended 31 December 2020:				
Profit for the period		-	1,349	1,349
Other comprehensive expense:				
Actuarial loss on defined benefit plans		-	(6,192)	(6,192)
Tax relating to other comprehensive expense		-	1,177	1,177
Total comprehensive expense for the period		-	(3,666)	(3,666)
Transfer in of pension scheme		-	145,900	145,900
Transfer in of supplementary pension plan		-	(16,700)	(16,700)
Deferred tax effect of pension transfers	**16**	-	(24,548)	(24,548)
Balance at 31 December 2020		-	100,986	100,986
Year ended 31 December 2021:				
Profit for the year		-	36,324	36,324
Other comprehensive income:				
Actuarial gain on defined benefit plans		-	147,817	147,817
Tax relating to other comprehensive income		-	(46,275)	(46,275)
Total comprehensive income for the year		-	137,866	137,866
Balance at 31 December 2021		-	238,852	238,852

1 Accounting policies

Company information

RWE Renewables Management UK Limited is a private company limited by shares incorporated in the United Kingdom. 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 Director Report.

1.1 Accounting convention

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 £000.

The financial statements have been prepared under the historical cost convention, except for the defined benefit pension plan where plan assets are measured at fair value. The principal accounting policies adopted are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share based payments, financial instruments, capital management, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets, business combinations, discontinued operations and related party transactions.

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67of IFRS 3 Business Combinations. Equivalent disclosures are included in the consolidated financial statements of RWE AG in which the entity is consolidated;
- the requirements of paragraph 33 (c) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment (iii) paragraph 118 (e) of IAS 38 Intangibles Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property and (v) paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40 ,111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of 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, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.
- the requirements of the second sentence of paragraph 110 and paragraph 113(a), 114, 115, 118, 119 (a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from contracts with customers; and
- the requirements of paragraph 52, the second sentence of paragraph 89 and paragraph 90, 91 and 93 of IFRS 16 Leases. The requirement of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

Where required, equivalent disclosures are given in the group financial statements of RWE AG. The group financial statements of RWE AG are available to the public and can be obtained as set out in note 22.

1 Accounting policies **(Continued)**

1.2 Going concern

The directors have fully considered the risks and uncertainties of the company's cash flow forecasts and projections.

The going concern basis is considered to be appropriate by the directors as the company is in a net current asset position and financial obligations are forecast to be covered by operational cash flows.

On this basis, the directors have a reasonable expectation that the company will have adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from date of signing. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

COVID-19

The COVID-19 pandemic, which has persisted for more than two years, continues to expose the company to risks, although the risks are considered to be manageable, primarily as a result of successful vaccination programmes. Supply chain pressures and periods of staff absence have not materially affected service provision to the company’s key customers. As a result of comprehensive preventive measures and contingency plans, the company has been able to continue operating effectively and profitably, and the directors are confident that the company can continue to do so for the foreseeable future.

1.3 Revenue

Revenue comprises compensation related to services provided by the company to other connected Group companies. These activities are serviced under a Service Level Agreement (SLA) which has a fixed mark-up included in the recharge fee.

1.4 Property, plant and equipment

Property, plant and equipment is stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation of property, plant and equipment is provided on a straight line basis to write off the cost less the estimated residual value of the assets by equal instalments over their estimated useful economic life as follows:

Motor vehicles	3 - 5 Years
Computers and equipment	3 - 5 Years

1.5 Impairment of tangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible assets 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 of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1 Accounting policies **(Continued)**

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less.

1.7 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 profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

Financial assets at fair value through profit or loss

Financial assets are classified as held at amortised cost or at fair value through other comprehensive income unless conditions for classification as such are not met, in which case financial assets are classified as measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are recognised initially at fair value and any transaction costs are recognised in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognised in profit or loss, and is included within finance income or finance costs in the statement of income for the reporting period in which it arises.

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.

1 Accounting policies **(Continued)**

Financial assets at fair value through other comprehensive income

Debt instruments are classified as financial assets measured at fair value through other comprehensive income where the financial assets are held within the company's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument measured at fair value through other comprehensive income is recognised initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognised through other comprehensive income are directly transferred to profit or loss when the debt instrument is derecognised.

The company has made an irrevocable election to recognise changes in fair value of investments in equity instruments through other comprehensive income, not through profit or loss. A gain or loss from fair value changes will be shown in other comprehensive income and will not be reclassified subsequently to profit or loss. Equity instruments measured at fair value through other comprehensive income are recognised initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognised through other comprehensive income are directly transferred to retained earnings when equity instrument is derecognised or its fair value substantially decreased. Dividends are recognised as finance income in profit or loss.

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 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.

1.8 Financial liabilities

The company recognises financial debt when the company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as measured at fair value through profit or loss when the financial liability is held for trading. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of selling or repurchasing it in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit taking, or
- it is a derivative that is not a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at fair value through profit or loss are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss.

1 Accounting policies **(Continued)**

Other financial liabilities

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.9 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income and in equity. In this case, the tax is also recognised in other comprehensive income and in equity.

Current tax

The current income tax charge is calculated on the basis of the laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income.

Deferred tax

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

1.10 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event and it is probable that the company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

1 Accounting policies (Continued)

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Share based payments

The company operates a cash-settled compensation plan, a LTIP scheme, whereby certain employees of the company are awarded options over performance shares which are linked to the performance of the shares in, and the financial performance of, the ultimate parent undertaking, RWE AG, plus in addition the level of CO_2 emissions of the RWE power plant fleet. The fair value of the employee services received in exchange for these grants of options is recognised as a provision and expensed in the profit and loss account. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each statement of financial position date, the company revises its estimates and recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to its provision.

1.12 Retirement benefits

Defined contribution pension obligation

A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior periods.

For defined contribution plans, the company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit pension obligation

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

There is a net asset recognised in the statement of financial position in 2021 in respect of the one defined benefit pension plan as the fair value of plan assets exceeds the present value of the defined benefit obligation at the reporting date for the Innogy section.

1 Accounting policies **(Continued)**

The defined benefit obligation is measured using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to the market yields at the reporting date on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to shareholders' funds in other comprehensive income in the period in which they arise.

The amount charged or credited to finance costs is a net interest amount calculated by applying the liability discount rate to the net defined benefit liability or asset.

Past service costs are recognised immediately in the profit and loss account.

Certain former employees and directors of the company are also members of a Supplementary Pension Plan (SPP). The SPP is accounted for as a defined benefit scheme under IAS 19R in accordance with the accounting policy described above. For further information see note 19.

1.13 Leases

At inception, the company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other property, plant and equipment. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the company's estimate of the amount expected to be payable under a residual value guarantee; or the company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

1 Accounting policies **(Continued)**

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Adoption of new and revised standards and changes in accounting policies

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2021 that have had a material impact on the company's financial statements.

3 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.

Defined benefit scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these and the present value of the obligation depend on a number of factors, including: life expectancy, salary increases, pension increases and the discount rate on corporate bonds. Management uses a third party to estimate these factors in determining the pension obligation, which once netted against the scheme assets, is shown in the statement of financial position. The assumptions reflect historical experiences and current trends. See note 18 for the disclosures of the defined benefit pension scheme.

Supplementary pension plan

The company has an obligation to pay benefits to certain former employees and directors of RWE Generation UK plc. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, discount rates and pension growth rates. Management uses a third party to estimate these factors in determining the pension obligation in the statement of financial position. See note 19 for further details.

4 Operating profit

	2021 £000	2020 £000
Operating profit for the year is stated after charging:		
Exchange losses	8	-
Depreciation of property, plant and equipment	181	-

5 Auditors' remuneration

Fees payable to the company's auditors and associates:	2021 £000	2020 £000
For audit services		
Audit of the financial statements of the company	86	59

The audit fees are borne by another group company and not recharged.

6 Employees

The average monthly number of persons (including directors) employed by the company during the year/ period of 18 months was:

	2021 Number	2020 Number
Production - Offshore	400	301
Production - Onshore	130	107
Support	292	213
Total	822	621

Their aggregate remuneration comprised:

	2021 £000	2020 £000
Wages and salaries	69,958	24,130
Social security costs	7,482	2,622
Other pension costs	12,599	6,570
Share-based payment expenses	456	299
	90,495	33,621

The average staff numbers shown above for 2020 are based on the period July to December 2020 as prior to 1 July 2020, the company employed no staff.

7 Directors' remuneration

	2021 £000	2020 £000
Remuneration for qualifying services	1,472	536

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

Remuneration for qualifying services	435	148

The highest paid director has not exercised share options during the year.

The highest paid director has participated in a defined benefit pension scheme. The amount of their accrued pension and accrued lump sum at the end of the year/period of 18 months was as follows:

Accrued pension at the end of the year/period of 18 months	46	57
Accrued lump sum at the end of the year/period of 18 months	137	172

8 Finance income

	2021 £000	2020 £000
Interest income		
Interest on the defined benefit asset	58,100	23,600

9 Finance costs

	2021 £000	2020 £000
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	539	25
	539	25
Interest on other financial liabilities:		
Interest on lease liabilities	5	-
Total interest expense	544	25
Other finance costs:		
Interest on the defined benefit obligation	56,100	22,800
Total finance costs	56,644	22,825

10 Tax on profit

	2021 £000	2020 £000
Current tax		
UK corporation tax on profits for the current period	6,763	859
Deferred tax		
Origination and reversal of temporary differences	(119)	(533)
Changes in tax rates	(217)	-
Adjustment in respect of prior periods	(36)	-
	(372)	(533)
Total tax charge	6,391	326

The tax charge for the year is lower (2020: higher) than the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%). The charge for the period can be reconciled to the profit per the income statement as follows:

	2021 £000	2020 £000
Profit before taxation	42,715	1,675
Expected tax charge based on a corporation tax rate of 19.00% (2020: 19.00%)	8,116	318
Effect of expenses not deductible in determining taxable profit	64	8
Effect of change in UK corporation tax rate	(217)	-
Other non-reversing timing differences	(1,536)	-
Deferred tax adjustments in respect of prior years	(36)	-
Taxation charge for the year	6,391	326

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2021 £000	2020 £000
Deferred tax arising on:		
Actuarial differences recognised in other comprehensive income	46,275	(1,177)

10 Tax on profit **(Continued)**

In addition to the amounts charged/(credited) to the income statement and other comprehensive income, the following amounts relating to tax have been recognised directly in equity:

	2021 £000	2020 £000
Deferred tax arising on:		
Initial recognition of pension scheme and supplementary pension plan	-	24,548

Factors that may affect future tax charges:

On 3 March 2021, the UK Government announced that the main rate of corporation tax would increase from 19.00% to 25.00% with effect from 1 April 2023. This change was substantively enacted on 24 May 2021 and therefore the deferred tax assets have been measured at 25.00%.

11 Property, plant and equipment

	Motor vehicles £000	Computers and equipment £000	Total £000
Cost			
Additions	975	90	1,065
Disposals	(13)	-	(13)
At 31 December 2021	962	90	1,052
Accumulated depreciation and impairment			
Charge for the year	181	-	181
Eliminated on disposal	(13)	-	(13)
At 31 December 2021	168	-	168
Carrying amount			
At 31 December 2021	794	90	884

Property, plant and equipment includes right-of-use assets, as follows:

Right-of-use assets	2021 £000	2020 £000
Net values		
Motor vehicles	794	-
Additions	975	-
Depreciation charge for the year		
Motor vehicles	181	-

12 Trade and other receivables

	2021 £000	2020 £000
Trade receivables	-	4
VAT recoverable	705	14
Amounts owed by fellow group undertakings	162,431	35,375
Other receivables	40	15
Prepayments and accrued income	877	1
	164,053	35,409

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables. Expected credit losses on related party receivables are considered insignificant to the company.

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

13 Borrowings

	2021 £000	2020 £000
Unsecured borrowings at amortised cost:		
Loans from parent undertakings	135,769	25,260

Analysis of borrowings

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2021 £000	2020 £000
Current liabilities	135,769	25,260

The loan from parent undertakings is £135,769k an unsecured loan repayable within one year. Interest was charged at the monthly EONIA average (comparable rate for other currencies) of the respective month plus 50 basis points except where the interest rate is negative and then it is a fixed rate of 0.50% (from 1 January 2022 at SONIA monthly average plus 50 basis points).

14 Trade and other payables

	2021 £000	2020 £000
Trade payables	330	45
Amounts owed to fellow group undertakings	3,574	569
Accruals and deferred income	8,122	2,201
Other payables	33	89
	12,059	2,904

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method. Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

15 Lease liabilities

Maturity analysis	2021 £000	2020 £000
Within one year	323	-
In two to five years	485	-
Total undiscounted liabilities	808	-
Future finance charges and other adjustments	(12)	-
Lease liabilities in the financial statements	796	-

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2021 £000	2020 £000
Current liabilities	317	-
Non-current liabilities	479	-
	796	-

Amounts recognised in profit or loss include the following:	2021 £000	2020 £000
Interest on lease liabilities	5	-

Other leasing information is included in note 20.

16 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current reporting period.

	Innogy pension section	Former E.ON pension section	Other	Total
	£000	£000	£000	£000
Deferred tax liability at 5 July 2019	-	-	-	-
Deferred tax movements in prior period				
Credit to profit or loss	(475)	(38)	(20)	(533)
Credit to other comprehensive expense	(836)	(209)	(132)	(1,177)
Charge/(credit) directly to equity	28,424	(703)	(3,173)	24,548
Deferred tax liability at 1 January 2021	27,113	(950)	(3,325)	22,838
Deferred tax movements in current year				
Charge/(credit) to profit or loss	154	(152)	(157)	(155)
Charge to other comprehensive income	28,212	1,102	245	29,559
Effect of change in tax rate - profit or loss	(101)	(60)	(56)	(217)
Effect of change in tax rate - other comprehensive income	17,621	60	(966)	16,715
Deferred tax liability at 31 December 2021	72,999	-	(4,259)	68,740

Deferred tax assets and liabilities are offset in the financial statements only where the company has a legally enforceable right to do so.

All items of deferred tax are expected to be recovered or settled more than 12 months after 31 December 2021.

17 Other provisions

	2021	2020
	£000	£000
Restructuring	3,509	1,130
Employee Benefits	17,033	22,499
	20,542	23,629

17 Other provisions (Continued)

Movements on provisions:	Restructuring	Employee Benefits	Total
	£000	£000	£000
At 1 January 2021	1,130	22,499	23,629
Additional provisions in the year	3,769	1,734	5,503
Reversal of provision	(41)	-	(41)
Utilisation of provision	(1,349)	(1,581)	(2,930)
Adjustment for change in discount rate	-	(9,300)	(9,300)
Transfers and other changes	-	3,681	3,681
At 31 December 2021	3,509	17,033	20,542

The restructuring provision relates to provisions for future restructures within the company.

The employee benefits provision represents the liabilities of the Supplementary Pension Plan and the Strategic Performance Plan at 31 December 2021. The position at 1 January 2021 also included the liabilities of the Former E.ON section of the RWE Group of the ESPS.

18 Retirement benefit schemes

The company sponsors two closed Defined Benefit pensions sections. These are ring-fenced DB sections of the RWE Group of the Electricity Supply Pension Scheme (ESPS). The sections the company sponsors are the Innogy section and the Former E.ON section.

The company also participates in a Defined Contribution section, the DC section of the RWE Group of the ESPS, to which all DC members employed by the company belong.

Pension scheme restructuring

On 1 July 2020, the staff employed by RWE Renewables UK Limited were TUPE transferred to the company. They continued to be active members of the Former E.ON section of the RWE Group of the ESPS until 20 December 2021. On this date, all participants in the Former E.ON section were re-allocated to the Innogy section, as a result of which the section was treated as ceasing to exist for the purposes of the RWE Group, even if it had not yet been formally wound-up as defined within the Trust Deed. There were no changes to members' benefits as a result of this re-allocation.

The Deed of amendment was enacted to rationalise the pension section structure given the relative size of the Former E.ON section compared to the Innogy section in terms of the number of members and the asset and liability values.

On 1 September 2020, the staff employed by RWE Renewables UK Swindon Limited were TUPE transferred to the company. At this point a new separate, ring-fenced DB section of the RWE Group of the ESPS was formed. The new Innogy section replicated the benefits provided within the previous Innogy section.

The company is the sponsoring entity for the Innogy section of the RWE Group of the ESPS and was the sponsoring entity for the Former E.ON section until 20 December 2021 when the participants of the Former E.ON section were re-allocated to the Innogy section.

18 Retirement benefit schemes **(Continued)**

Defined contribution schemes
Defined contribution scheme members employed by RWE Renewables UK Swindon Limited and RWE Renewables UK Limited were admitted to the DC section of the RWE Group of the ESPS at the same time as the defined benefit scheme members employed by those entities were admitted to both the Innogy section and Former E.ON section of the RWE Group of the ESPS, being 1 September 2020 and 1 October 2019 respectively.

The total costs charged to income in respect of defined contribution plans is £3,005k (2020: £1,070k).

Defined benefit scheme

Regulatory framework
The RWE Group of the ESPS, referred to below as ("the Group") is governed by UK pensions legislation. This requires funded defined occupational pension schemes to comply with the statutory funding objective to have sufficient and appropriate assets to cover its technical provisions. Valuation of technical provisions must be based on prudent assumptions taking into account the demographic characteristics of scheme membership and market yields on assets held by the scheme and/or government bonds.

The Group is administered by a body of 12 Trustees (2020: 6 Trustees), separate from the sponsoring employers, known as the Group Trustees. Under UK pensions law, the Group Trustees are responsible for the overall management of the pension scheme, including investment of assets, payment of benefits to members and agreement of a funding plan with the company.

Innogy section

Description of section
From 1 September 2020, the company participated in the defined benefit pension scheme within the Innogy section of the RWE Group of the ESPS. The company is the sole employer in the Innogy section.

Since 1 September 2020, the section has been accounted for as a defined benefit scheme under IAS 19R (Employee Benefits) by the company.

On 20 December 2021, all participants in the Former E.ON section were re-allocated to the Innogy section.

Risks
The Trustees of the Group have implemented measures to reduce the risks associated with making investments as part of its investment strategy:

Interest rate risk

Description
A decrease in corporate bond yields increases the present value of the IAS 19 defined benefit obligations.

A decrease in gilt yields results in a worsening of the section's funding position.

Mitigation
The Trustees have invested in liability driven investments and bonds whose values increase with decreases in interest rates.

It is estimated that the Innogy section currently hedges around 94.00% (2020: 97.00%) of its interest rates exposure. Note that the section hedges interest rate risk on a funding (gilts) basis whereas the IAS 19 discount rate is based on AA corporate bonds, and so there is some mismatching risk to the company should credit spreads change.

18 Retirement benefit schemes **(Continued)**

Inflation risk

Description
An increase in inflation results in higher benefit increases for the section's members which in turn increases liabilities.

Mitigation
The Trustees have invested in liability driven investments which move with inflation expectations.

Approximately 92.00% (2020: 98.00%) of the Innogy section funding liabilities are hedged against inflation.

Cash Funding

For cash funding purposes, pension obligations are measured on the basis of prudent assumptions, determined with reference to the investment strategy of the plan, the financial strength of the sponsor and the demographic characteristics of the plan membership. This is used to determine the contributions payable to the section within the Group. This differs from the liabilities measured for accounting purposes as shown in the disclosure below, which are calculated using best estimate assumptions as specified by the standard.

The most recent completed cash funding valuation of the Innogy section was carried out as at 31 March 2021. At that date the surplus of the Innogy section was £65,500k, giving a funding level of 101.60%. The next valuation is expected to be as at 31 March 2024. Following this date, the company and the Trustees have 15 months to agree the valuation and associated contribution requirements. The actuary has used appropriate actuarial roll-forward techniques to adjust the 31 March 2021 funding valuation to derive the accounting position as at 31 December 2021. As at 31 December 2021, there was a surplus on an accounting basis of £321,200k (2020: £142,700k).

As a result of the valuation of the Innogy section on 31 March 2021, the Trustees prepared a new schedule of contributions. Since 1 September 2020, RWE Renewables Management UK Limited is required to make all deficit repair payments into the Innogy section, but because the 2021 valuation resulted in a surplus, no deficit repair payments have been scheduled. Prior to the 2021 valuation being agreed, the Company paid the second scheduled payment of £36,188k in line with the 2019 valuation schedule, which was discounted as a result of paying prior to 31 March. In addition, during 2020, prior to 1 September, RWE Renewables UK Swindon Limited made the first scheduled payment of £37,436k, which was also discounted as a result of paying prior to 31 March.

During the year ended 31 December 2021, RWE Renewables Management UK Limited contributed to the Innogy section at a weighted average rate of 30.30% (2020: 32.70%) of members’ pensionable earnings. Administration expenses for the section became payable as a lump sum rather than as a percentage of pensionable salaries in 2015. The administration expenses payments scheduled within the new 2021 schedule of contributions totalled £14,500k. Annual payments were scheduled to commence in 2022 (£2,700k) and be paid through to 2026 (£3,100k). Prior to the 2021 valuation being agreed, the Company paid the second scheduled payment of £2,499k in line with the 2019 valuation schedule, which was discounted as a result of paying prior to 31 March. In addition, during 2020, prior to 1 September, RWE Renewables UK Swindon Limited made the first scheduled payment of £2,496k, which was also discounted as a result of paying prior to 31 March. Contributions payable to the pension section at the end of the year are £nil.

The Group’s Rules provide the company with an unconditional right to a refund of surplus assets assuming the full and gradual settlement of the section's liabilities in the event of a wind-up. Furthermore, in the ordinary course of business the Trustees have no rights to unilaterally wind-up or otherwise augment the benefits due to members of the section. Based on these rights, any net surplus in the Innogy section could be recognised in full, with no requirement to recognise any additional liability if the section is measured to be in deficit.

18 Retirement benefit schemes **(Continued)**

Maturity and liability profile

Average annual estimated undiscounted benefit payments*

Time period	Actives	Deferreds	Pensioners & dependants	Total
	£000	£000	£000	£000
2022 to 2031	2,300	8,700	154,100	165,100
2032 to 2041	4,400	21,900	154,100	180,400
2042 to 2051	6,000	29,200	93,300	128,500
2052 to 2061	4,300	25,400	30,400	60,100
2062 to 2071	2,400	14,300	4,300	21,000
2072 to 2081	700	3,900	200	4,800
2082 to 2091	100	400	-	500

(*) Estimated undiscounted benefit payments expected to be paid from the Innogy section over its life, derived from data as at 31 March 2021 (the Innogy section) and as at 31 March 2020 (the Former E.ON section).

The weighted average duration of the defined benefit obligation is 15.5 years (2020: 16.5 years).

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are as follows:

	2021	2020
	%	%
Discount rate	1.8	1.3
Rate of RPI Inflation	3.2	2.9
Rate of CPI inflation	2.6	2.4
Rate of salary increases	3.2	2.9
Rate of increase in pensions in payment		
- Main, 60th and Executive sections	3.1	2.9
- 2005 section	2.2	2.1
Rate of increase in pensions in deferment		
- Main section	3.2	2.9
- 60th, 2005 and Executive sections	2.6	2.4

18 Retirement benefit schemes **(Continued)**

Mortality assumptions	**2021 Years**	**2020 Years**
Life expectancy of a male aged 65 (role and salary dependent)		
- Current	20.1 - 23.1	20.1 - 23.1
- Future	22.3 - 24.2	21.9 - 24.6
Life expectancy of a female aged 65		
- Current	23.9	23.6
- Future	25.7	25.2

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in the UK. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65.

As at 31 December 2021, mortality rates for the UK plans were assumed to be in line with S3PA tables, with scaling factors applied to reflect the experience of different sections of the membership. To allow for future improvements in longevity, these mortality tables are projected by year of birth in line with the 2020 CMI projections (Sk=7.0, A=0.25. W2020=0%) with a long-term rate of improvement of 1.25% p.a. for males and females. Illustrative life expectancies are set out in the table above.

Amounts recognised in the income statement	**2021 £000**	**2020 £000**
Current service cost	3,700	1,300
Past service cost	-	1,700
Administrative expenses paid	3,300	1,300
Net interest on defined benefit surplus	(2,200)	(800)
Total costs	4,800	3,500

The amounts included in the statement of financial position arising from the company's obligations in respect of defined benefit plans are as follows:

	2021 £000	**2020 £000**
Fair value of plan assets	4,462,900	4,477,400
Present value of defined benefit obligations	(4,141,700)	(4,334,700)
Surplus in section	321,200	142,700

In the year to 31 December 2021, the balance of the Innogy section in the statement of financial position deteriorated from a surplus of £142,700k to a surplus of £321,200k. This improvement is primarily as a result of actuarial gains from a higher discount rate.

18 Retirement benefit schemes **(Continued)**

Movements in the present value of defined benefit obligations	2021 £000	2020 £000
At 1 January/incorporation on 5 July 2019	4,334,700	-
Liability in respect of Innogy section transferred from RWE Renewables UK Swindon Limited - 1 September 2020	-	4,205,100
Current service cost	3,700	1,300
Past service cost - GMP equalisation	-	1,700
Benefits paid	(153,600)	(48,900)
Contributions from scheme members	900	300
Actuarial (gains)/losses arising from changes in financial assumptions	(204,200)	225,200
Actuarial (gains)/losses arising from changes in demographic assumptions	25,200	(11,100)
Experience (gains)/losses on scheme liabilities	8,800	(47,000)
Interest cost	55,000	22,300
Net transfers in	3,300	1,300
Bulk transfer of Hydro business to RWE section	-	(15,500)
Liability in respect of Former E.ON section re-allocated to Innogy section - 20 December 2021	67,900	-
At 31 December	4,141,700	4,334,700

GMP equalisation

GMP is typically one element of the overall pension benefit provided to employees and was designed to ensure that the pension would not be lower than the extra state pension which employees had foregone as a result of being contracted-out.

A further ruling by the High Court on 20 November 2020 required that schemes would also need to equalise the GMP of any ex-members that had transferred their pension out of the scheme since 17 May 1990.

Employers that had not previously reflected an equalisation adjustment in their DBO for ex-members that had transferred their pension out of the scheme now need to make such an allowance. This will result in a past service cost, which will be reflected in profit or loss at the date of the 2020 ruling and associated additional statement of financial position liability.

Based on the above approach, an allowance of £1,700k has been included within the statement of financial position liabilities of the Innogy section as at 31 December 2020. A past service cost of £1,700k has been included in the 2020 P&L in this respect.

18 Retirement benefit schemes **(Continued)**

Movements in the fair value of plan assets:	**2021 £000**	**2020 £000**
At 1 January/incorporation on 5 July 2019	4,477,400	-
Fair value of assets in respect of Innogy section transferred from RWE Renewables UK Swindon Limited - 1 September 2020	-	4,354,700
Interest income	57,200	23,100
Return on plan assets (excluding amounts included in interest income)	(29,400)	162,700
Administrative expenses paid	(3,300)	(1,300)
Benefits paid	(153,600)	(48,900)
Contributions by the employer	41,400	1,000
Contributions by scheme members	900	300
Net transfers in	3,300	1,300
Bulk transfer of Hydro business to RWE section	-	(15,500)
Fair value of assets in respect of Former E.ON section re-allocated to Innogy section - 20 December 2021	69,000	-
At 31 December	4,462,900	4,477,400

The actual return on plan assets was £27,800k (2020: £185,800k). The section has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

The fair values of plan assets included in the statement of financial position are as follows:

	Quoted 2021 £000	**Unquoted 2021 £000**	**Total 2021 £000**
Equities	90,900	164,600	255,500
Government bonds	352,100	2,207,400	2,559,500
Corporate bonds	119,900	740,800	860,700
Hedge funds	-	324,000	324,000
Other	20,800	442,400	463,200
	583,700	3,879,200	4,462,900

	Quoted 2020 £000	**Unquoted 2020 £000**	**Total 2020 £000**
Equities	60,400	231,000	291,400
Government bonds	-	2,551,000	2,551,000
Corporate bonds	102,700	790,800	893,500
Hedge funds	-	349,700	349,700
Other	11,500	380,300	391,800
	174,600	4,302,800	4,477,400

18 Retirement benefit schemes **(Continued)**

Sensitivity analysis

The section's obligations would have been affected by changes in assumptions as follows:

		2021 £000	2020 £000
Adjustment to discount rate of 1%	- increase	(559,000)	(629,000)
	- decrease	713,000	811,000
Adjustment to rate of salary growth of 1%	- increase	10,000	17,000
	- decrease	(7,000)	(12,000)
Adjustment to mortality age rating of 1 year	- increase	141,000	136,000
Adjustment to pension increases of 1%	- increase	388,000	567,000
	- decrease	(395,000)	(460,000)

Increase/(Decrease) - Present value of total obligation.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Former E.ON section

Description of section
From 1 July 2020 until 20 December 2021, the company participated in the defined benefit pension scheme within the Former E.ON section of the RWE Group of the Electricity Supply Pension Scheme. The company is the sole employer in the Former E.ON section.

Since 1 July 2020 until 20 December 2021, the section has been accounted for as a defined benefit scheme under IAS19R (Employee Benefits) by the company.

On 20 December 2021, all participants in the Former E.ON section were re-allocated to the Innogy section, as a result of which the section was treated as ceasing to exist for the purposes of the RWE Group, even if it had not yet been formally wound-up as defined within the Trust Deed. There were no changes to members' benefits as a result of this re-allocation.

18 Retirement benefit schemes

Risks

The Trustees of the Group have implemented measures to reduce the risks associated with making investments as part of its investment strategy:

Interest rate risk

Description

A decrease in corporate bond yields increases the present value of the IAS 19 defined benefit obligations.

A decrease in gilt yields results in a worsening of the section's funding position.

Mitigation

The Trustees have invested in liability driven investments and bonds whose values increase with decreases in interest rates.

it is estimated that the Former E.ON section hedged around 42.00% of the interest rate exposure at the latest funding valuation at 31 March 2020. Since then, the section has increased the level of hedging and hedged around 64.00% of its interest rates exposure at 31 December 2020.

Note that the section hedged interest rate risk on a gilts +0.50% basis where the IAS 19 discount rate is based on AA corporate bonds, and so there is some mismatching risk to the company should credit spreads change.

Inflation risk

Description

An increase in inflation results in higher benefit increases for the section's members which in turn increases liabilities..

Mitigation

The Trustees have invested in liability driven investments which move with inflation expectations.

At the 31 March 2020 funding valuation, approximately 42.00% of the Former E.ON section's funding liabilities were hedged against inflation. This increased to approximately 64.00% of the section's funding liabilities at 31 December 2020.

18 Retirement benefit schemes (Continued)

Cash Funding

For cash funding purposes, pension obligations are measured on the basis of prudent assumptions, determined with reference to the investment strategy of the plan, the financial strength of the sponsor and the demographic characteristics of the plan membership. This is used to determine the contributions payable to the section within the Group. This differs from the liabilities measured for accounting purposes as shown in the disclosure below, which are calculated using best estimate assumptions as specified by the standard.

The most recent completed cash funding valuation of the Former E.ON section was carried out as at 31 March 2020. At that date the deficit of the Former E.ON section was £6,800k, giving a funding level of 89.00%. Following this date, the company and the Trustees have 15 months to agree the valuation and associated contribution requirements. The actuary has used appropriate actuarial roll-forward techniques to adjust the 31 March 2020 funding valuation to derive the accounting position as at 31 December 2020. As at 31 December 2020, there was a deficit on an accounting basis of £5,000k.

As a result of the valuation of the Former E.ON section on 31 March 2020, the Trustees prepared a new schedule of contributions. Since 1 July 2020, RWE Renewables Management UK Limited makes all deficit repair payments into the Former E.ON section. A total of £7,100k was scheduled to be paid into the section. The only payment was scheduled to be paid in December 2021. As a result of the re-allocation of the Former E.ON section members into the Innogy section on 20 December 2021, no deficit repair payments were made in 2021.

During the year ended 31 December 2021, RWE Renewables Management UK Limited contributed to the Former E.ON section at a weighted average rate of 31.50% (2020: 31.40%) of members' pensionable earnings. No administration expenses were paid as a lump sum during the year. The administration expenses payments scheduled within the new schedule of contributions were to be paid as a percentage of pensionable salaries:- 2.40% for Final Salary benefit members and 2.90% for Retirement Balance members, commencing 1 April 2021. Contributions payable to the pension section at the end of the year are £nil.

The Group's Rules provide the company with an unconditional right to a refund of surplus assets assuming the full and gradual settlement of the section's liabilities in the event of a wind-up. Furthermore, in the ordinary course of business the Trustees have no rights to unilaterally wind-up or otherwise augment the benefits due to members of the section. Based on these rights, any net surplus in the Former E.ON section could be recognised in full, with no requirement to recognise any additional liability if the section is measured to be in deficit.

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are as follows:

18 Retirement benefit schemes **(Continued)**

	2021 %	2020 %
Discount rate	-	1.4
Rate of RPI Inflation	-	2.8
Rate of CPI inflation	-	2.4
Rate of salary increases		
- Pensionable pay below £70k	-	2.1
- Pensionable pay above £70k	-	0
Rate of increase in pensions in payment		
- RPI 5	-	2.8
- CPI 3	-	2.1

Mortality assumptions	2021 Years	2020 Years
Life expectancy of a male aged 65 (role and salary dependent)		
- Current	-	23.1
- Future	-	24.6
Life expectancy of a female aged 65		
- Current	-	23.6
- Future	-	25.2

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in the UK. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65.

As at 31 December 2020, mortality rates for the UK plans were assumed to be in line with S2PA tables, with scaling factors applied to reflect the experience of different sections of the membership. To allow for future improvements in longevity, these mortality tables are projected by year of birth in line with the 2019 CMI projections (Sk=7.5, A=0) with a long-term rate of improvement of 1.50% p.a. for males and females. Illustrative life expectancies are set out in the table above.

Amounts recognised in the income statement	2021 £000	2020 £000
Current service cost	2,400	1,200

18 Retirement benefit schemes (Continued)

The amounts included in the statement of financial position arising from the company's obligations in respect of defined benefit plans are as follows:

	2021 £000	2020 £000
Fair value of plan assets	-	63,600
Present value of defined benefit obligations	-	(68,600)
Deficit in section	-	(5,000)

In the period to 20 December 2021, the balance of the Former E.ON section in the statement of financial position improved from a deficit of £5,000k to a surplus of £1,100k. This improvement is primarily as a result of actuarial gains from both a higher discount rate and higher than expected returns on assets.

Movements in the present value of defined benefit obligations	2021 £000	2020 £000
At 1 January/incorporation on 5 July 2019	68,600	-
Liability in respect of Former E.ON section transferred from RWE Renewables UK Limited - 1 July 2020	-	63,300
Current service cost	2,400	1,200
Benefits paid	(900)	(300)
Contributions from scheme members	500	200
Actuarial (gains)/losses arising from changes in financial assumptions	(4,000)	4,600
Actuarial losses arising from changes in demographic assumptions	300	200
Experience gains on scheme liabilities	-	(1,100)
Interest cost	900	500
Net transfers in	100	-
Liability in respect of Former E.ON section re-allocated to Innogy section - 20 December 2021	(67,900)	-
At 31 December	-	68,600

18 Retirement benefit schemes **(Continued)**

Movements in the fair value of plan assets:	**2021 £000**	**2020 £000**
At 1 January/incorporation on 5 July 2019	63,600	-
Fair value of assets in respect of Former E.ON section transferred from RWE Renewables UK Limited - 1 July 2020	-	59,600
Interest income	900	500
Return on plan assets (excluding amounts included in interest income)	2,800	2,500
Benefits paid	(900)	(300)
Contributions by the employer	2,000	1,000
Contributions by scheme members	500	300
Net transfers in	100	-
Fair value of assets in respect of Former E.ON section re-allocated to Innogy section - 20 December 2021	(69,000)	-
At 31 December	-	63,600

The actual return on plan assets was £3,700k (2020: £3,000k).

The section has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

Sensitivity analysis

The section's obligations would have been affected by changes in assumptions as follows:

		2021 £000	**2020 £000**
Adjustment to discount rate of 1%	- increase	-	(13,000)
	- decrease	-	18,000
Adjustment to rate of salary growth of 1%	- increase	-	3,000
	- decrease	-	(2,000)
Adjustment to mortality age rating of 1 year	- increase	-	1,000
Adjustment to pension increases of 1%	- increase	-	10,000
	- decrease	-	(8,000)

Increase/(Decrease) - Present value of total obligation.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

19 Post-employment benefits

Supplementary Pension Plan

Certain former employees and directors of RWE Generation UK plc are members of a Supplementary Pension Plan (SPP), which is paid in addition to their ESPS defined benefit scheme entitlements. The SPP is made up of 3 elements as follows:

There is a Npower Supplementary Plan (NSP) which is different to the remainder of the SPP in that its membership will continue to receive payment if the company is insolvent, as a result of the gilts held to match the liability. The gilts have always been legally owned by the entity which formerly employed the individuals, and are not held, as per the ESPS scheme, in separate trustee-administered funds. As a result of this difference, the gilts are not deemed to be plan assets, and therefore there does not need to be consistency between which entity owns the gilts and which entity bears the related unfunded liability. As at 31 December 2021 the gilts were still legally held by RWE Generation UK plc.

There are other former directors employed by RWE Generation UK plc who have similar unfunded arrangements to the individuals in the NSP, but do not have the protection of the gilts that the members of the NSP scheme have.

The third element provides enhanced benefits to non-directors who were employees at the time of the company's privatisation in 1990.

The SPP liability for those individuals whose main scheme liability is within the RWE section has remained within the financial statements of RWE Generation UK plc.

The most recent completed valuation of the Plan was at 5 April 2021. The actuary has used appropriate actuarial roll-forward techniques to adjust the 5 April 2021 valuation to derive the accounting position as at 31 December 2021. As at 31 December 2021, a provision of £16,300k exists to cover the ongoing costs of the scheme.

In line with the transfer of the Innogy Section of the RWE Group from RWE Renewables UK Swindon Limited on 1 September 2020, the Supplementary Pension Plan was also transferred from that company on the same date, so that both the main scheme entitlement and the SPP entitlement of the relevant individuals were reported in the financial statements of the company from that date.

The number of pensioners belonging to each element of the provision is as follows: NSP: 2 (2020: 2), other former directors: 5 (2020: 5) and non-directors: 4 (2020: 4).

Risks

As per defined benefit schemes, there are a number of risks associated with operating supplementary pension plans, including exposure to longevity risk. As the vast majority of benefits are linked to inflation, this is also a risk. The company has had the risks mitigated on part of the overall provision held as a result of RWE Generation UK plc investing in gilts to match the liability of the original NSP provision.

19 Post-employment benefits **(Continued)**

Plan liability

Movements in the present value of defined benefit obligations	**2021 £000**	**2020 £000**
At 1 January/incorporation on 5 July 2019	17,200	-
Liability transferred from RWE Renewables UK Swindon Limited - 1 September 2020	-	16,700
Amounts recognised in SOCI	(519)	692
Benefits paid	(581)	(192)
Net interest cost	200	-
At 31 December	16,300	17,200

Over the year to 31 December 2021, the balance of the Plan in the statement of financial position improved from a deficit of £17,200k to a deficit of £16,300k, primarily as a result of a higher discount rate.

The weighted average duration of the defined benefit obligation is 15 years (2020: 15 years).

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are as set out in note 18.

Variations to these assumptions are as follows:

2020: Discount rate 1.20%

2020: As at 31 December 2020, mortality rates for the UK plans are assumed to be in line with S2PA_L tables, with scaling factors applied to reflect the experience of different sections of the membership. To allow for future improvements in longevity, these mortality tables are projected by year of birth in line with the 2019 CMI projections (Sk=7.5, A=0) with a long-term rate of improvement of 1.50% p.a. for males and females.

Sensitivity analysis

Plan obligations would have been affected by changes in assumptions as follows:

		2021 £000	**2020 £000**
Adjustment to discount rate of 1%	- increase	(2,200)	(2,400)
	- decrease	2,700	3,000
Adjustment to mortality age rating of 1 year	- increase	500	600
Adjustment to pension increases of 1%	- increase	2,500	2,900
	- decrease	(2,100)	(2,300)

Increase/(Decrease) - Present value of total obligation.

20 Other leasing information

Lessee

Expenses relating to lease payments that have not been recognised under IFRS 16 as right-of-use assets and lease liabilities are £nil (2020: £nil).

The total cash outflow for leases was £184k (2020: £nil)

Information relating to lease liabilities is included in note 15.

21 Share capital

	2021	2020	2021	2020
Ordinary share capital	**Number**	**Number**	**£000**	**£000**
Issued and fully paid				
Ordinary shares of £1 each	1	1	-	-

22 Controlling party

The company's immediate parent is RWE Renewables International Participations B.V.

The ultimate parent company and controlling party is RWE AG, a company incorporated in Germany. Copies of RWE AG's financial statements are available upon request from RWE AG, RWE Platz 1, 45141 Essen, Germany.

The most senior parent entity producing publicly available financial statements is RWE AG.

The parent of the smallest and largest group in which these financial statements are consolidated is RWE AG, incorporated in Germany.